ANNUAL REPORT **2003**

Fisher & Paykel HEALTHCARE

CONTENTS

GLOBAL PRODUCT REACH

IDEAS INTO EARNINGS

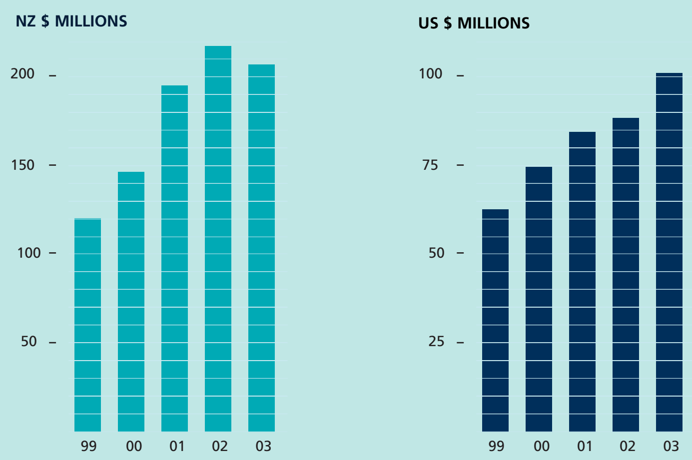
Some companies are in business to make the world a better, healthier place. Fisher & Paykel Healthcare Corporation Limited is one of them.

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

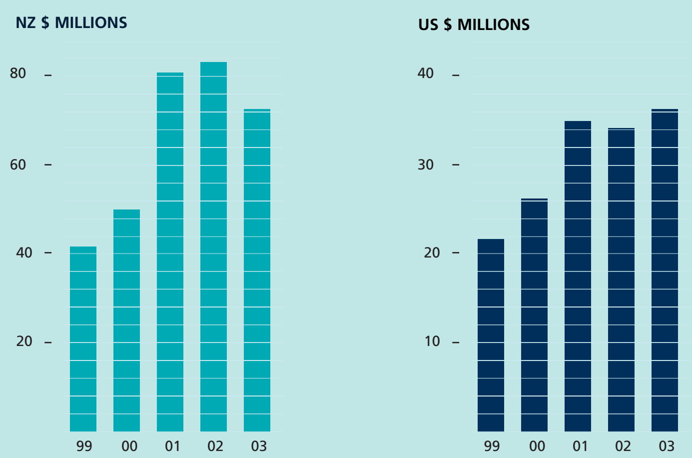
We do this through the imagination, commitment and expertise of our people, who have a proven record of turning ideas into successful healthcare products that sell in more than 90 countries around the world.

These products, sold through our global distribution network, have secured us a leading position in the respiratory care market. New products that began as innovative ideas were major contributors to our earnings growth in the year ended 31 March 2003, and also to our future prospects.

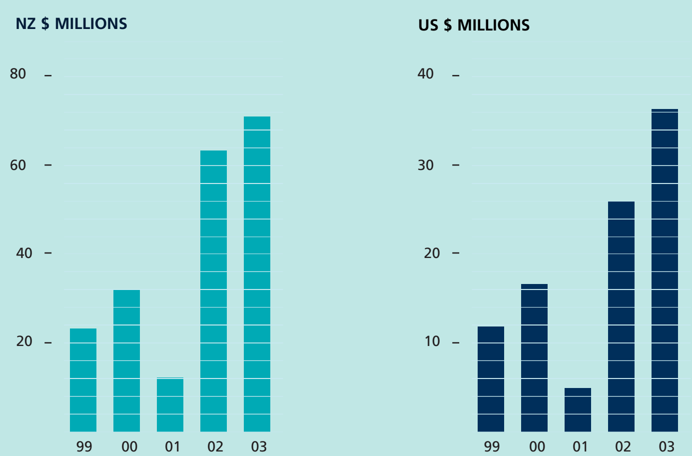
OPERATING REVENUE FROM CONTINUING OPERATIONS



OPERATING PROFIT FROM CONTINUING OPERATIONS BEFORE ABNORMAL ITEMS



PROFIT FROM CONTINUING OPERATIONS AFTER TAXATION



- Record profit after tax from continuing operations of NZ$72.9 million
- Profit after tax from continuing operations increase of 17% over the prior year
- Operating revenue up 15% to US$103 million
- OSA products revenue up 28% to US$42 million
- Respiratory humidification products revenue up 12% to US$51 million
- Patient warming and neonatal care products revenue up 5% to US$6 million
- Operating margin of 35.5% for the year
- Pre-tax return on shareholders' equity from continuing operations of 58%
- Research & development investment increased to 5.5% of revenue

VISION

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

VALUES

Fundamental to our success are these basic values:

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

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

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

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

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

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

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

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

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

IDEAS INTO EARNINGS

GARY PAYKEL – CHAIRMAN

As we are a true knowledge-based company our ability to turn ideas into earnings is a fundamental driver of performance.

New products introduced to our global markets over the past year played an important part in lifting our profit performance by 17% over the prior year to a record profit from continuing operations of NZ$72.9 million after tax.

It is important to note this achievement was made while the New Zealand dollar strengthened against our main trading currency, the US dollar, by 19% on average over the full year and 30% in the fourth quarter compared with the same quarter in the prior year. Our foreign exchange hedging activities, designed to protect us from exchange rate volatility, contributed NZ$23 million after tax in realised and unrealised gains to our overall profit. This hedging, coupled with manufacturing efficiency gains and a favourable product mix, contributed to an increase of three percentage points to 69% for our gross profit margin in the fourth quarter of the year. Our operating margin continued to be excellent at 35.5% for the full year.

Our investment in research and development, which for the year under review represented 5.5% of revenue or NZ$11.5 million, led to a significant number of new products introduced to our international markets, with a substantial new product pipeline under development for introduction in the current financial year. Their future potential, and continued demand for our established products in the respiratory humidification, obstructive sleep apnea (OSA) and neonatal and patient warming markets, give us confidence in our prospects for continued revenue and earnings growth.

In this report Mike Daniell, our CEO, discusses the company's performance in each of our major product groups. It is a story of growth from a sound base. Operating revenue for our core product range increased by 17% in US dollar terms over the prior year. Important contributors to this pleasing result were, in US dollar terms, a 28% increase in OSA revenue, a 12% increase in respiratory humidification revenue and a 5% increase in neonatal and patient warming revenue.

Our performance in the OSA segment was driven by strong sales growth of our integrated flow generator-humidifiers, CPAP humidifiers and masks in both the United States and other international markets.

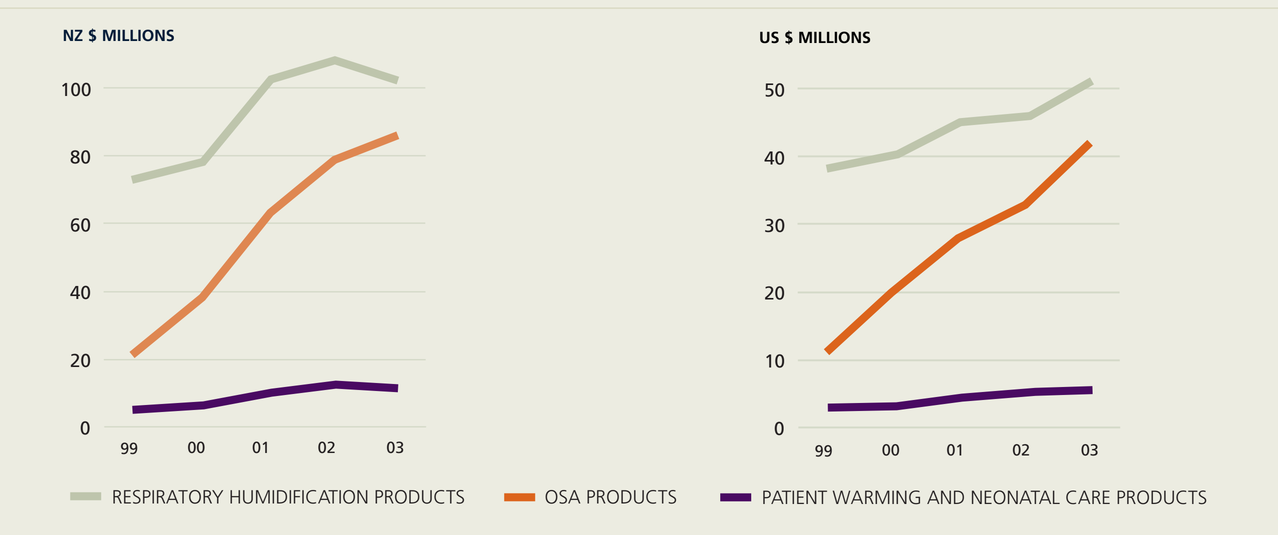
Growth in the respiratory humidification segment was driven by the rapidly increasing global acceptance of our sophisticated MR850 respiratory humidifier system and strong gains in market share by both our adult and neonatal breathing circuits. In the neonatal care segment our new infant CPAP therapy system, introduced in the last financial year, has performed strongly and has achieved very promising initial acceptance.

This pleasing performance across all product segments enabled us to declare an increased final dividend for the year of 27 cents per ordinary share, carrying full imputation credits. Non-resident shareholders also received a supplementary dividend of 4.76 cents per share. This compares with our 2002 final dividend of 25 cents per share, with a supplementary dividend for non-resident shareholders of 4.41 cents per share.

In our second year of operation as a stand-alone company our basic earnings per share increased by 15 cents to 71 cents, with diluted earnings up 14 cents to 70 cents per share. Our pre-tax return on shareholders' equity from continuing operations was 58% compared with a very healthy 55% in the prior year.

In our first year we achieved a number of significant milestones, including the separation of Fisher & Paykel Industries into two companies, creating Fisher & Paykel Healthcare Corporation Limited and Fisher & Paykel Appliances Holdings Limited. In our second year, we have continued to record further significant achievements.

REVENUE BY PRODUCT GROUP



They include the completion of a 6,100 square metre expansion of our Auckland manufacturing facility. This NZ$12.9 million project, funded entirely from operating cash flows, will provide us with sufficient space to increase our manufacturing capacity by more than 50% as we grow. On the manufacturing front, we achieved approximately NZ$3 million in annualised savings through product design, improved purchasing and process development, which included the automation of some processes using technology developed in-house.

Progress was made in expanding our international sales force. Direct sales operations were established in Spain and Italy. These countries are two of the five largest markets in Europe with a combined population of almost 100 million and rank behind only the UK, France and Germany in terms of size. These new operations give us additional direct sales coverage in Europe, joining the UK, Ireland, France, Belgium, the Netherlands, Germany, Austria and Luxembourg. We further expanded our North American sales team and we established a representative office in China to support our network of distributors there.

A further development was securing NZ$3.6 million in funding over four years from the New Zealand Foundation for Research, Science and Technology to conduct a research project with our clinical partners at Middlemore Hospital that will target breakthrough treatments for chronic obstructive pulmonary disease (COPD).

During the year we withdrew our American Depository Shares from quotation on the US Nasdaq National Market, terminated our registration and reporting obligations under the US Securities Exchange Act and terminated our American Depository Receipt (ADR) programme. This decision was pragmatic and reflected our view that the costs of maintaining the ADR programme, the US listing and SEC compliance were disproportionate to the ADRs on issue.

Our strong performance and our continued good prospects for growth in the 2004 financial year are the result of the daily efforts of our sales and marketing staff worldwide, the innovations of our research and development teams, the dedication of our manufacturing and operations staff, our excellent relationships with our distributors, suppliers, clinical partners and, of course, the confidence of our customers. The Board thanks them all, as well as our dedicated management team for their commitment to turning innovative ideas into products, earnings and value for our shareholders.

Gary Paykel CNZM
Chairman

MICHAEL DANIELL – CHIEF EXECUTIVE

IDEAS INTO EARNINGS

Our ability to regularly bring new products swiftly to market and to secure our customers' confidence in them enabled Fisher & Paykel Healthcare Corporation to deliver another year of continuing growth.

Our core groups…all contributed to a record profit from continuing operations of NZ$72.9 million after tax for the 2003 financial year, a 17% increase on our 2002 result of NZ$62.3 million.

We continued to pursue a consistent strategy of improving our existing products, developing new products, targeting new medical applications for our technologies and expanding our international sales network.

Each of our core product groups performed well, with respiratory humidification revenue up 12% in US dollar terms, OSA revenue up 28% and neonatal and patient warming revenue up 5%. They all contributed to a record profit from continuing operations of NZ$72.9 million after tax for the 2003 financial year, a 17% increase on our 2002 result of NZ$62.3 million.

RESPIRATORY HUMIDIFICATION

Rapidly increasing global acceptance of our sophisticated MR850 respiratory humidifier and continuing strong market share gains in adult and neonatal breathing circuits helped drive our growth in the respiratory humidification market. The performance of the respiratory humidification product group for the year was pleasing with revenue growth increasing to 12% in US dollar terms.

We estimate that the respiratory humidification market is worth approximately US$300 million globally and growing by approximately 5% a year. Our success in this market is driven primarily by our leading heated humidification technology and our ability to develop and market an increasing range of proprietary, and patented, breathing system consumables which provide improved performance and increased ease of use for our customers and their patients.

The MR850 respiratory humidifier system is our leading product in this market, a position achieved through its advanced technology. It incorporates our proprietary flow measuring technology and is designed to provide an easy to use optimal humidity system. Since its introduction it has been well accepted for use with adult patients requiring invasive or non-invasive respiratory support. The recent development of our neonatal breathing circuits means the MR850 system can now be used throughout the hospital.

As our installed humidifier controller base expands internationally, demand for the consumables used with them is also rising. These include our adult and neonatal single use breathing circuits with their patented spiral wire technology, and our sophisticated auto-filling single-use humidifier chamber. Each humidifier controller generates multiple chamber and breathing circuit set-ups each year, creating an ongoing and growing revenue stream.

We continue to target new applications for our respiratory humidification technologies, particularly now through our research project targeting treatment for chronic obstructive pulmonary disease (COPD), which is projected to be the fifth major cause of death worldwide by 2020. This project has made good progress and we have started the development of a system which may be used with COPD patients and incorporates several of our technologies.

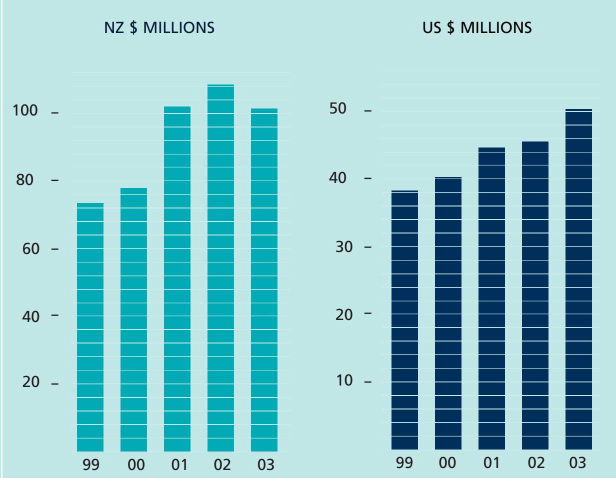
Early this year Severe Acute Respiratory Syndrome (SARS) emerged as a serious new respiratory disease. Our humidifier systems can be used in the care of SARS patients hospitalised in intensive care. We believe that our optimal humidity approach, coupled with heated single use breathing circuits, can help hospitals manage these patients and control cross infection. In May 2003 we received some significant orders for our humidifier systems from China, totalling several million New Zealand dollars.

OBSTRUCTIVE SLEEP APNEA

The 28% increase in revenue in United States dollar terms achieved by our OSA product group reflects both increasing acceptance of our technologies and an increasing understanding in many countries of the need to treat obstructive sleep apnea and the important role humidification plays in its treatment. We saw strong volume growth in flow generators, masks and humidifiers over the prior year.

OSA is a disorder that disrupts a person's breathing frequently during sleep, leading to excessive daytime sleepiness. Furthermore OSA is associated with heart attack and stroke, and directly linked to hypertension. It is estimated that approximately 12 million people in the United States alone suffer from OSA, with fewer than 3 million diagnosed so far. It is most often treated with

RESPIRATORY HUMIDIFICATION REVENUE

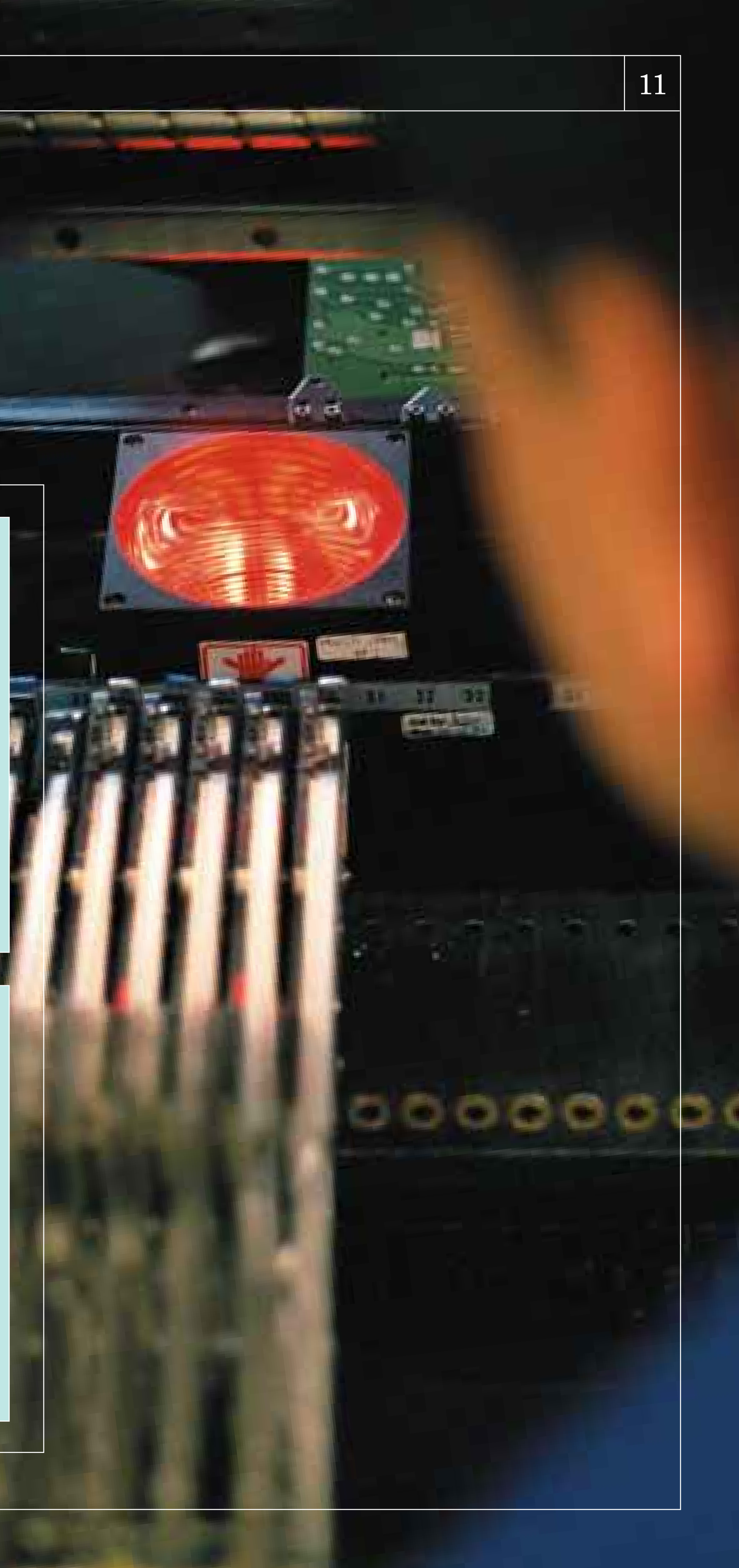


KEY PRODUCTS

- MR850 Respiratory Humidifier System
- MR730 Respiratory Humidifier System
- HC500 Home Care Respiratory Humidifier
- MR410 Respiratory Humidifier
- MR200 Series Respiratory Humidifier Chambers
- Single-Use Adult Breathing Circuits
- Single-Use Neonatal Breathing Circuits

MARKET SIZE

We estimate the global humidifier and associated product market to be worth aproximately US$300 million annually.



continuous positive airway pressure (CPAP) therapy, delivered to the patient via a mask and a small airflow generator.

In both the United States and international markets, strong growth was generated from rapid acceptance of our new range of integrated flow generator humidifiers introduced to the United States market in February 2002. Our masks were also strong performers with very good growth achieved by the Aclaim2 nasal mask, introduced early in 2002, and the Oracle oral mask, introduced in May of the same year.

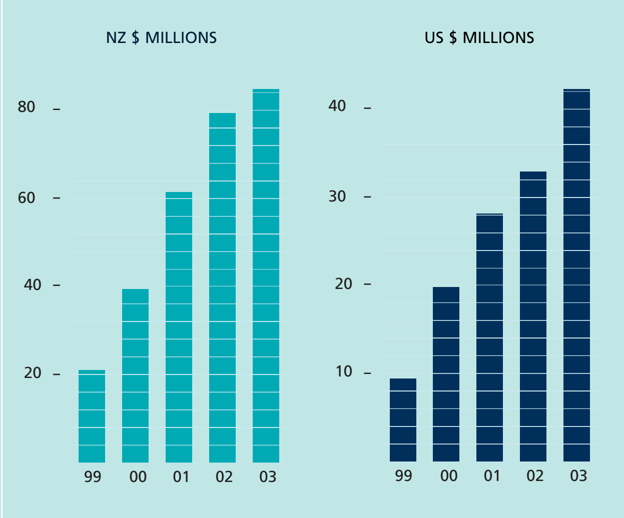
We believe that the global OSA treatment market is growing at between 15% and 20% per year and today estimate it is worth about US$700 million annually. This growth is driven largely by increasing awareness of the condition and the growing body of clinical evidence that treating OSA makes a significant contribution to addressing related health issues such as the risk of hypertension, stroke and heart disease. In addition multiple studies have shown marked improvements in qualities of life following CPAP treatment.

Other studies have demonstrated that humidification plays an important role in increasing patient acceptance of CPAP treatment. One study found that 36% of CPAP users abandoned treatment in the first three months because of discomfort caused by non-humidified air drying their nasal passages. By contrast, only 11% of patients using heated humidification stopped using their CPAP treatment. Users of heated humidification also comply with treatment for longer periods on average each night.

Our patented ambient tracking technology can also contribute to increased patient convenience and satisfaction. This unique technology detects changes in bedroom air temperature and alters the humidity output during CPAP therapy to maximise humidity and minimise condensation. Condensation can build up in the apparatus' breathing tube as air in the bedroom cools during the night and can lead to a gurgling sound that wakes the patient. The ambient tracking technology in our HC220 Series CPAP system and our HC150 heated humidifier reduces this condensation and helps to prevent patient disturbance.

In Germany, where we have already established a market for our CPAP humidifiers and masks, we have recently received an insurance reimbursement code for our flow generator which enables patients needing this product to be reimbursed by their health insurers. We are confident this will lead to further growth in this market.

OSA PRODUCT REVENUE



KEY PRODUCTS

- HC220 LE Series Integrated CPAP Flow Generator-Humidifier
- HC210 Series convertible CPAP Flow Generator
- HC150 CPAP Heated Humidifier
- 900HC105 Starter Kit
- Aclaim2 Nasal Mask
- Oracle Oral Mask
- HC300 Series Chambers

MARKET SIZE

We estimate the global OSA market to be worth approximately US$700 million annually.

The year also saw two new flow generators developed which are due for market release in mid 2003 – the HC220LE Series and the HC210 Series. Both feature new motor and fan technologies that reduce noise and incorporate an enhancement to our Ambient Tracking™ technology. This technology takes into account the gas volumes going through the tubing to the patient and maximises the amount of humidity without condensation.

The HC210 Series is designed to make it easy for patients new to CPAP therapy to convert to heated humidification. We believe that a significant proportion of patients start their CPAP treatment without heated humidity and subsequently add humidity if symptoms of dryness develop.

We believe our prospects for continuing strong sales growth in CPAP therapy are good, supported by increasing diagnosis rates, an accelerating move to heated humidification and our broadening range of flow generators, masks and humidifiers.

NEONATAL AND PATIENT WARMING

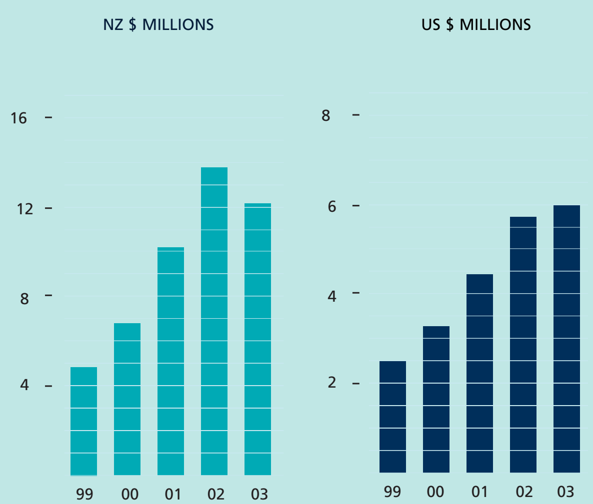
Revenue from our neonatal and patient warming product group grew 5% to US$6 million for the year. Neonatal warmer sales were less than the prior year, reflecting the lumpy, tender-driven nature of that business.

Revenue growth from our infant CPAP and resuscitator systems was strong off a low base. Our infant bubble CPAP system, which is used to provide breathing support for new-born babies in intensive care, was introduced to most of our international markets during the year.

Bubble CPAP delivers low pressure humidified gases via two small nasal tubes. A water bubbling system creates oscillating air pressure in the infant's lungs, which clinicians believe may improve gas exchange.

A study conducted at Cincinnati Children's Hospital has identified encouraging results with infant bubble CPAP therapy. It found it reduced delivery room intubations, days of mechanical ventilation and postnatal steroid use, and was associated with increased postnatal weight gain with no increased complications. Although this study was conducted using a piecemeal system rather than our integrated system, we see it as valuable evidence that infant bubble CPAP improves patient outcomes more than traditional methods of breathing assistance.

PATIENT WARMING AND NEONATAL CARE PRODUCT REVENUE



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 global Neonatal and Patient Warming market to be worth approximately US$200 million annually.

RESEARCH AND DEVELOPMENT

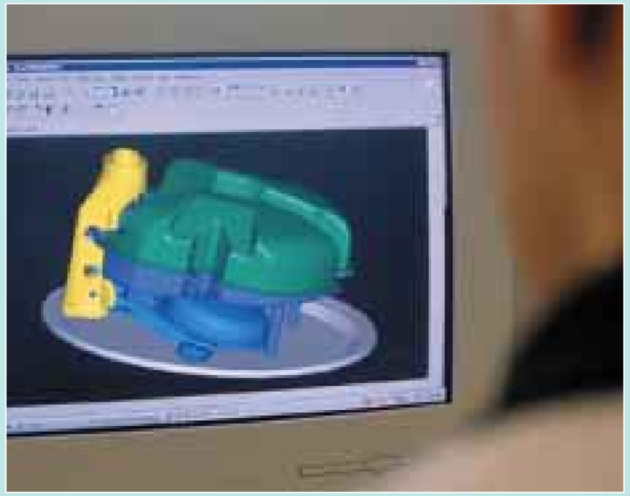
	2003	2002
INVESTMENT IN R&D	NZ$11.5 MILLION	NZ$10.3 MILLION
R&D investment as % of revenue	5.5%	4.8%
R&D staff	130	120
Patents as at 31 March:		
US granted patents	32	29
US applications	53	25
Rest of world granted	48	46
Rest of world applications	158	130
New Zealand provisional patents	28	22

NEW PRODUCTS INTRODUCED IN THE LAST 12 MONTHS

- MR810 Oxygen Therapy Humidification System
- Non-invasive Ventilator Breathing Circuit
- Aclaim2 Nasal Mask
- Oracle Oral Mask Enhancements
- HC220LE Integrated Flow Generator-Humidifier
- Cosycot UPS Transport System
- Neonatal Resuscitator Simulator
- Neonatal CPAP Delivery System
- Neonatal Midline Patient Interface
- Catheter Mount
- Mask Extension
- T-piece Weaning Kit

Research and development underpins Fisher & Paykel Healthcare Corporation's business strategy to use our growing expertise and technologies to produce products that can drive our growth in the respiratory care, critical care, OSA and related markets.

This strategy calls for the development of innovative products and processes, the targeting of new medical applications for our technologies and continued improvement of existing product lines. Our R&D pipeline is very healthy with a number of significant product introductions planned for the coming year including new humidifier systems, breathing circuits, flow generators, masks and patient warmers.



Our research and development teams, which this year increased by 10 to 130 staff in total, comprise approximately 20% of our NZ based staff and draw together talents in physiology and mechanical, electronic and process engineering.

The teams are linked to an international network of clinical researchers who validate the technology and physiology involved in new products. Findings from their clinical trials, studies and research contribute not only to improved understanding of respiratory conditions and neonatal care, but also to wider appreciation of our products' clinical benefits.

Our close and productive relationship with Middlemore Hospital and the Centre for Clinical Research and effective practice, which has led to the development of a number of value-added exports, was deepened during the year with the establishment of a research project targeting breakthrough treatments for chronic obstructive pulmonary disease (COPD). The term COPD includes two closely related diseases of the respiratory system: chronic bronchitis and emphysema. It is projected to be the fifth major cause of death worldwide by 2020.

The project, which will receive up to NZ$3.6 million in funding over four years from the Foundation for Research, Science and Technology, is researching the mechanical aspects of the disease, which could ultimately lead to the development of innovative medical products

NEONATAL BREATHING CIRCUITS

Single use breathing circuits are a high growth consumable product for Fisher & Paykel Healthcare Corporation. Our breathing circuits comprise heated tubing and specialised components and are used to deliver gases from a ventilator, or breathing machine, to patients in intensive care.

Drawing on the knowledge gained developing breathing circuits for use with adult patients, our R&D team developed a range of innovative single use circuits, which were initially introduced in New Zealand and Australia last year for use with neonates (newborn babies). Our neonatal circuit range is now available in most of our global markets with introduction in the United States pending clearance from the United States Food and Drug Administration.

The "ideas into earnings" cycle for this product range took just two years and generated several US and international patent applications. They incorporate technologies developed by our R&D teams, including our patented spiral heating wire which warms the gases being delivered to the infant from a ventilator.

Respiration with warm, moist gas is especially important for pre-term infants whose natural humidification system is bypassed, and whose defence mechanisms, such as coughing or sneezing to expel mucus, are unable to function effectively during assisted ventilation.

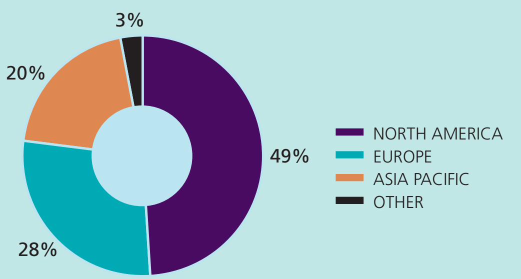
Our objectives in developing the neonatal breathing circuits were achieving optimal humidity in the gases, delivering the best ventilation volumes required for infants' tiny lungs and designing a product requiring minimum attention from nursing staff in neonatal intensive care units. The team worked closely with ventilator manufacturers during the design phase to achieve the optimal ventilation patterns. The circuit design incorporated a rotating swivel as part of the patient interface and flexible tubing that can accommodate movement and reduces the risk of accidental extubation.

to treat COPD. Preliminary results show that heated humidification may enhance the treatment of acute COPD. As a result we believe we have the opportunity to develop respiratory technologies with the potential to open up a significant new market.

Professor Harry Rea, Academic Head of Medicine at South Auckland Health, Middlemore Hospital and Professor of Medicine at The University of Auckland, South Auckland Clinical School, is leading the clinical research. Professor Rea, who has specialised in pulmonary disease for the past 25 years, is also a consultant reviewer to the Global Initiative for COPD, a group organised by the National Institute of Health in the United States. His team's research will also be supplemented by additional clinical research sub-contracted to Massey University.

The Foundation for Research, Science and Technology funding, which took effect from 1 July 2002, will be applied over four years with payment from the end of year one dependent on agreed research goals being met. Fisher & Paykel Healthcare will fund 40% of research costs and will fund the expenses involved in developing any resulting products and taking them to market internationally. We have already begun developing a system which may be used with COPD patients and which incorporates several of our technologies.

REVENUE FROM CONTINUING OPERATIONS BY REGION



SALES & MARKETING

Our sales and marketing strategy is designed to increase our penetration in international markets with a strong local sales network. One of the ways we pursue this is through expanding our own direct sales forces in these markets and working with distributors whose strengths ensure our products are put before the widest range of potential customers.

In North America, which generates 49% of our revenue, we service this significant market through a mix of direct sales people, clinical specialists and strong distributor relationships. In the acute care market, our clinical specialists work directly with hospitals, raising awareness of our products, promoting the benefits of heated humidification and training medical staff in the use of our technologies. Working in partnership with our clinical specialists our distributor, Cardinal Health, is responsible for sales and delivery of our products. Cardinal Health is a major provider of products and services to the healthcare industry with revenue of US$44 billion in 2002.

Cardinal's significant market strength makes it a preferred supplier to a number of the large group purchasing organisations (GPOs) operating in healthcare. These GPOs, which can represent as many as 3,000 hospitals, negotiate supply contracts for everything from day-to-day pharmaceuticals through to investments in major pieces of hospital equipment. To service these contracts, Cardinal has developed sophisticated warehousing and distribution systems that enable it to make more than 33,000 deliveries to hospitals in the United States every day. Our partnership with Cardinal, coupled with our innovative product range, has led to an increasing market share in the acute care humidifier market and strong growth in consumables such as single use breathing circuits and humidifier chambers.

In contrast to the highly organised hospital market, with its concentrated purchasing power, the United States home care market, which is where the majority of our OSA products

are sold, is spread across more than 4,500 independent dealers. The role of the home care dealer is to provide products and services to patients in their homes, including our products to treat OSA. To service this market, where demand is growing as the diagnosis of obstructive sleep apnea increases, we are expanding our direct sales force in high population areas. Our number of sales staff in the home care market increased by approximately 25% in the financial year and we will continue to add new staff in the current year. This direct sales force is complemented by manufacturers' representatives and distributorship arrangements ensuring we achieve maximum penetration and nationwide coverage.

Our approach in the home care market includes working with the sleep laboratories that diagnose OSA and educating them on the benefits of heated humidification for its treatment. We are also educating healthcare insurers on these benefits in a bid to promote increased funding levels for heated humidification products. Medicare's decision to raise reimbursement levels from approximately US$100 to approximately US$300 from 1 July 2002 has provided an independent endorsement to private insurers of the improvement heated humidification can bring to patient compliance and acceptance of CPAP treatment.

In other major markets we are also expanding our direct sales forces to both encourage and respond to sales growth. In April 2003 we began direct sales operations in Spain and Italy, two of the five largest markets in Europe with a combined population of almost 100 million. These new sales operations are serviced from our Paris-based distribution centre.

We have also established a representative office in Guangzhou, China with a dedicated country manager to support our network of distributors there. We continue to see good results from similar country and regional offices established in South America, India and Europe. Our sales offices in the UK, Ireland, France, Belgium, the Netherlands, Germany, Austria, the United States, Canada, Australia and New Zealand continued to perform strongly during the year.

In the current year we will continue to strengthen our sales and operations teams around the world, particularly in Europe and North America, and further develop our distributor network.

MANUFACTURING, REGULATORY AND OPERATIONS

In our processes, as well as in our products, Fisher & Paykel Healthcare Corporation seeks continuous improvement and the highest levels of quality.

With the healthcare device industry regulated worldwide, our ability to meet stringent standards is vital to market acceptance of our products. We ensure this ability by operating a quality management system, certified by a range of international standards based on the ISO9000 series. This system applies to both our manufacturing facilities and our sales network.

We are required to comply with the US Quality System regulation and obtain clearance from the US Food and Drug Administration for new products prior to sale into the United States. Underwriters Laboratories also carry out safety tests on products designed for the US market and certify our products' compliance with the IEC 6061-1 electrical safety standard. We are also required to comply

with the European Medical Device Directive incorporating the quality standard ISO13485. In addition, TÜV Product Service, a European notified body, audits our New Zealand facility and our international offices annually. This is required to maintain the certification that allows us to place a CE mark on our products for entry to European Union markets.

Our purpose-built 28,000m^2 facility in Auckland incorporates a Class 100,000 controlled working environment for the manufacture and assembly of our single use products, including chambers and breathing circuits. Production quality is continuously monitored, with all products rigorously tested before final packaging.

During the year we extended our integrated resource planning system into the UK and Germany. France will be included by the end of 2003. This system is used for forecasting, scheduling manufacturing, ordering components, processing orders and managing inventory. Extending it into all of our facilities will enable us to improve customer service levels through real time reporting of sales and improved inventory management.

Within our manufacturing facility we achieved approximately NZ$3 million in annualised savings through better design, purchasing and processes, which included the automation of some processes using technology developed in-house. We are committed to automation as a means of improving health and safety, reducing costs, enhancing our production capability and improving the quality and consistency of our products.

ENVIRONMENT

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

To assist us with our environmental responsibilities we have in place an environmental management system which is certified to ISO14001, the international environmental management standard. We are audited and certified annually by the Swiss based European notified body, Société Générale de Surveillance (SGS).

Over the last year we have focused on improving our recycling processes to reduce the amount of waste going to landfill in support of the New Zealand Government's zero waste strategy. We now recycle most of our waste paper and cardboard, plastic that can be recycled, metals and hazardous waste. This has seen us achieve a 66% reduction in the quantity of waste going to landfill, an achievement made all the more impressive considering that our business has grown considerably.

Our 40 hectare site at East Tamaki, Auckland includes a landscaped settlement pond that takes rainwater runoff from our building roof, carparks and surrounding roads. The pond helps to minimise sediment entering the nearby Tamaki River.

Our manufacturing facility incorporates a sophisticated services management system which allows us to operate our lighting and air-conditioning very efficiently, minimising energy use.

HUMAN RESOURCES

Globally we employ approximately 770 people. Our Human Resources strategy is focused on attracting, retaining and developing our family of employees around the world and we ensure this by adopting "best practice" initiatives and systems to support the development of our people.

Our continuous improvement philosophy is applied to our learning and development initiatives and provides ongoing development opportunities for all employees.

Over the year we focused on a number of initiatives following feedback from our New Zealand employees' participation in a 'best places to work' survey. Some of these initiatives included understanding company purpose and values, internal communication strategies and celebrating success.

Our company was in the top five of the Large Employer category and we believe we have made good progress in the identified focus areas.

HEALTH AND SAFETY

We are committed to providing our people with a healthy and safe working environment.

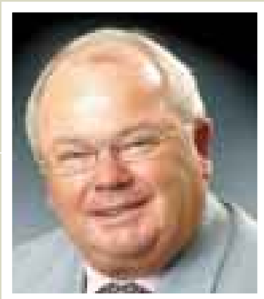
We maintain a robust Health & Safety management system, which has been audited by the NZ Accident Compensation Corporation (ACC) and certified to their Workplace Safety Programme at the tertiary level.

To achieve this certification, awarded in May 2003, we improved our comprehensive hazard management procedures, developed an event reporting and investigation database, strengthened all existing training to include health and safety, and reviewed our existing contractor management and emergency procedures. We have also established a Health and Safety Team with equal management and staff representation. These initiatives represent a significant step towards achieving excellence in health and safety and also ensure that we meet our legislative responsibilities.

OUTLOOK

Our opportunities for growth continue to be positive, and in the current year we expect to achieve revenue growth, in US dollar terms, at a similar level to the 2003 financial year. We plan a number of significant new product introductions across all areas of the business. Internationally we will continue to increase our presence, with expansion of our sales teams and increasing activity in our key markets.

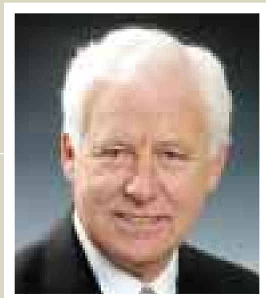
Michael Daniell
Managing Director and
Chief Executive Officer



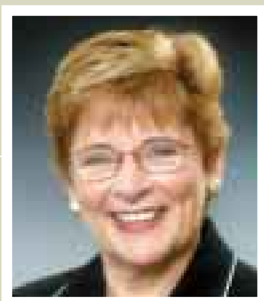
GARY **PAYKEL**

MICHAEL **DANIELL**

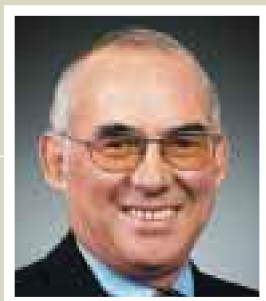
MICHAEL **SMITH**



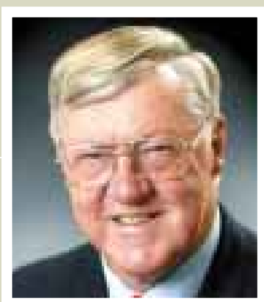
NIGEL **EVANS**



ADRIENNE **CLARKE**



LINDSAY **GILLANDERS**



SIR COLIN **MAIDEN**

GARY A. PAYKEL

Gary A. Paykel, 61, 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. 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

P. Michael Smith, 58, 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 served as a director of Lion Nathan Limited from August 1986 to May 2001. Mr Smith has been a director of Tru-Test Limited since July 2000, 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

Michael G. Daniell, 46, became Managing Director and Chief Executive Officer upon completion of the reorganisation. Mr Daniell served as the General Manager of Fisher & Paykel Industries Limited's healthcare business from May 1990 until November 2001. From 1979 until May 1990, Mr Daniell held various positions in the healthcare business, including product design engineer and technical manager. Mr Daniell has more than 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

Nigel T. Evans, 62, became a director upon completion of the reorganisation in November 2001. Dr Evans has served as principal of Quark Technology since June 1987. Dr Evans held a variety of management positions with New Zealand Steel Limited from August 1966 to May 1987. Dr Evans received his Bachelor of Science degree from the University of New Zealand, a Master of Science degree from the University of Auckland, 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

Adrienne E. Clarke, 65, 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

W. Lindsay Gillanders, 53, 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

Sir Colin J. Maiden, 70, 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 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 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 2003.

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 manufactures and markets patient warming and neonatal 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 $72.9 million (2002 $62.3 million) was earned for the year ended 31 March 2003.

The Group Profit after taxation was $72.9 million (2002 $48.1 million).

Earnings per share were 71 cents (43 cents).

SHAREHOLDERS' EQUITY

Shareholders' Equity at 31 March 2003 totalled $192.8 million (2002 $171.9 million).

SHARE ISSUES

During the year 101,716 shares were issued under approved Employee Share Purchase Schemes in accordance with the Company's Constitution.

During the year 899,900 share options were issued under an approved Share Option Plan.

DIVIDEND

The directors approved a final dividend to be paid on 20 June 2003 of 27 cents per share (25 cents), making a total of 50 cents per share (45 cents) for the year. All dividends carried full imputation credits.

DIRECTORS

In accordance with the Constitution, Mr W L Gillanders and Sir Colin Maiden retire and, being eligible, offer themselves for re-election.

DISCLOSURE OF INTERESTS BY DIRECTORS

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

REMUNERATION OF DIRECTORS

Non-Executive Directors received the following directors' fees from Fisher & Paykel Healthcare Corporation Limited in the year ended 31 March 2003:

	$
A E Clarke	45,971
N T Evans	55,000
W L Gillanders	40,000
C J Maiden	60,000
G A Paykel	80,000
P M Smith	80,000

As part of the November 2001 reorganisation, Sir Colin 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 2001 reorganisation, Mr W L Gillanders received from the Company consultancy fees of $200,000 in the year ended 31 March 2003.

Mr M G Daniell acting in his capacity as an employee of Fisher & Paykel Healthcare Corporation Limited received total remuneration inclusive of the value of other benefits in the year ended 31 March 2003 of $512,257.

Mr M G Daniell in his capacity as an Executive Director does not receive remuneration as a Director of the Company or any subsidiary Company.

No employee of the Company or its subsidiaries receives or retains any remuneration or other benefits as a Director. Remuneration inclusive of the value of other benefits received by such employees is included in the relevant bandings of disclosure of employee remuneration received exceeding $100,000.

G A Paykel
Chairman
21 May 2003

M G Daniell
Chief Executive Officer and
Managing Director

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 the 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 the 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 23.

With the exception of January, Board meetings are normally held monthly. The Board met eleven times during the 2003 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 of 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 and Australian Stock Exchanges concerning results.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three non-executive Directors - Gary Paykel, Sir Colin Maiden and 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 environmental matters.

IN THE FOLLOWING DISCUSSION REFERENCES TO FINANCIAL INFORMATION CONCERNING OUR BUSINESS ARE REFERENCES ONLY TO THE "CONTINUING OPERATIONS" OF FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED AS 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 49 and 51 percent of operating revenue for the financial years ended 31 March 2003 and 2002, respectively. Sales of OSA products represented approximately 41 and 37 percent of operating revenue for the financial years ended 31 March 2003 and 2002, respectively. Sales of consumable and accessory products for core products accounted for approximately 49 and 48 percent of operating revenue for the financial years ended 31 March 2003 and 2002, respectively. Operating revenue from respiratory humidification, OSA and patient warming and neonatal care products has grown at a compound annual growth rate of 19 percent in New Zealand dollar terms from 31 March 1999 to 31 March 2003 as we have introduced new products and the markets for these products have expanded.

REGIONAL DATA

The following table sets forth our operating revenue from continuing operations for each of the primary regional markets for the financial years ended 31 March 2003 and 2002:

FINANCIAL YEAR ENDED 31 MARCH

	2003 NZ$MILLIONS	2002 NZ$MILLIONS	2003 US$MILLIONS	2002 US$MILLIONS
North America	101.511	104.084	50.071	43.281
Europe	58.304	59.918	28.938	24.934
Asia Pacific	41.264	43.113	20.402	17.923
Other	7.341	7.481	3.652	3.112
Total	$208.420	$214.596	$103.063	$89.250

CURRENCY TRANSLATIONS AND HEDGING

We sell products in a variety of currencies, predominantly US dollars and Euros. 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 a 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 2003 approximately 69 percent of revenue was denominated in US dollars. We make a significant proportion of US dollar sales to customers outside the United States. Other significant currencies include Euros and British pounds, representing approximately 13 and 9 percent of revenue respectively in the past financial year.

HISTORICAL FINANCIAL PERFORMANCE

Year ended 31 March 2003 compared to year ended 31 March 2002

The following table sets forth the consolidated statement of financial performance from continuing operations for the years ended 31 March 2003 and 2002:

FINANCIAL YEAR ENDED 31 MARCH

	2003 NZ$MILLIONS	2002 NZ$MILLIONS	2003 US$MILLIONS	2002 US$MILLIONS
Operating revenue	$208.420	$214.596	$103.063	$89.250
Operating profit	73.885	81.902	36.536	34.063
Net interest income (expense)	2.997	(0.267)	1.483	(0.111)
Foreign currency exchange profit	34.326	13.313	16.975	6.870
Other expenses	-	(1.092)	-	(0.454)
Profit from continuing operations before taxation	111.208	93.856	54.994	40.368
Taxation	(38.304)	(31.532)	(18.941)	(13.554)
Profit from continuing operations after taxation	$72.904	$62.324	$36.053	$26.814

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 2003 and 2002:

FINANCIAL YEAR ENDED 31 MARCH

	2003 NZ$MILLIONS	2002 NZ$MILLIONS	2003 US$MILLIONS	2002 US$MILLIONS
Operating revenue	208.420	214.596	103.063	89.250
Operating expenses:				
Cost of sales	67.568	65.811	33.412	27.371
Research and development expenses	11.535	10.264	5.704	4.269
Selling, general and administrative expenses	55.432	56.619	27.411	23.547
Total operating expenses	134.535	132.694	66.527	55.187
Operating profit	73.885	81.902	36.536	34.063
Operating margin	35%	38%	35%	38%
Gross profit	140.852	148.785	69.651	61.879
Gross margin	68%	69%	68%	69%

OPERATING REVENUE

Our operating revenue from continuing operations decreased by approximately 3 percent to NZ$208.420 million for the financial year ended 31 March 2003 from NZ$214.596 million for the financial year ended 31 March 2002.

The decrease was principally due to a significant increase in the value of the New Zealand dollar particularly against the US dollar during the financial year, offset by increased sales volume of OSA products and, to a lesser extent, respiratory humidification products.

The following table sets forth sales of our continuing operations by product group for the financial years ended 31 March 2003 and 2002:

FINANCIAL YEAR ENDED 31 MARCH

	2003 NZ$MILLIONS	2002 NZ$MILLIONS	PERCENTAGE VARIATION	2003 US$MILLIONS	2002 US$MILLIONS	PERCENTAGE VARIATION
Product group:						
Respiratory humidification products	102.576	109.318	-6%	50.752	45.454	+12%
OSA products	84.893	79.046	+7%	41.999	32.868	+28%
Patient warming and neonatal care products	12.157	13.754	-12%	6.004	5.743	+5%
Core products sub-total	199.626	202.118	-1%	98.755	84.065	+17%
Distributed products	8.794	12.478	-30%	4.308	5.185	-17%
Total	$208.420	$214.596	-3%	$103.063	$89.250	+15%

Sales of respiratory humidification products increased by approximately 12 percent in US dollar terms in the financial year ended 31 March 2003 from sales in the prior year. Excluding the effects of currency translations, sales of respiratory humidification products are estimated to have increased by approximately 6 percent in the financial year ended 31 March 2003. This increase reflected increasing global acceptance of our sophisticated MR850 respiratory humidifier, and continuing strong market share gains in adult and neonatal breathing circuits.

Sales of OSA products increased by 28 percent in US dollar terms in the financial year ended 31 March 2003 from sales in the prior year. Excluding the effects of currency translations, sales of OSA products are estimated to have increased by approximately 25 percent in the financial year ended 31 March 2003. Growth was driven by an increasing acceptance of our technologies and an increasing understanding of the need to treat OSA and the important role humidification plays in its treatment. Strong volume growth was recorded in flow generators, masks and humidifiers over the prior year.

Sales of patient warming and neonatal care products increased by 5 percent in US dollar terms in the financial year ended 31 March 2003 from sales in the prior year. Excluding the effects of currency translations, sales of patient warming and neonatal care products are estimated to have decreased by approximately 1 percent in the financial year ended 31 March 2003. Neonatal warmer sales were less than the prior year, reflecting the lumpy, tender driven nature of this business. This decrease was partially offset by strong revenue growth from our infant CPAP and resuscitator systems.

Sales of distributed products decreased 17 percent in US dollars terms in the financial year ended 31 March 2003 from sales in the prior year, primarily due to ceasing the distribution of Datex Ohmeda products in New Zealand.

OPERATING EXPENSES

Operating expenses consist of cost of sales, research and development, 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 NZ$11.535 million for the year ended 31 March 2003 compared to NZ$10.264 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 the respiratory humidification, OSA, and patient warming and neonatal care product groups. Research and development expenses represented 5.5 percent of total operating revenue for the financial year ended 31 March 2003.

Research and development expenses are expected to continue to grow due to a broadening of the 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 decreased by approximately 2 percent to NZ$55.432 million in the financial year ended 31 March 2003 compared to NZ$56.619 million in the previous financial year. Excluding the effects of currency translations, selling, general and administrative expenses are estimated to have increased by approximately 7 percent in the financial year ended 31 March 2003. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities.

GROSS PROFIT

Gross profit decreased to NZ$140.852 million, or approximately 68% of sales, in the financial year ended 31 March 2003 from NZ$148.785 million, or approximately 69% of sales, in the financial year ended 31 March 2002. Gross profit and gross margin percentage decreased due to the significant strengthening of the New Zealand dollar when compared to the US dollar during the financial year. This decrease was partially offset by product cost-out initiatives and by the foreign currency hedging in place during the financial year.

OPERATING PROFIT

Operating profit from continuing operations before foreign currency exchange profit decreased by 10 percent to NZ$73.885 million in the financial year ended 31 March 2003 from NZ$81.902 million in the financial year ended 31 March 2002.

FOREIGN CURRENCY EXCHANGE PROFIT

Foreign currency exchange profit consists of net foreign exchange movements on all foreign currency transactions up to 6 November 2002 when the group ceased to mark to market our foreign currency exchange portfolio. The impact of our foreign currency exchange portfolio since 6 November 2002 is recorded within our operating profit. Our operating profit was increased by approximately NZ$3 million from 6 November 2002 until the end of the 31 March 2003 financial year by the favourable foreign currency exchange instruments we delivered and the change to include these gains in operating profit. Our foreign currency profit on mark to market adjustments increased to NZ$34.326 million before tax in the financial year ended 31 March 2003 from NZ$13.313 million in the financial year ended 31 March 2002.

Foreign currency exchange profit reflects transactions resulting from our hedging policy. Under this hedging policy we are able to 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 for year one. With respect to periods beyond one year, we also use a mix of contracts and options up to 75% of our net exposure for years two and three, and for years four and five up to 25% of our net exposure using only options.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2003 we had NZ$48.336 million in cash and short-term investments and NZ$3.106 million of borrowings. Short-term investments consist of highly liquid commercial paper. All our borrowings are held outside New Zealand and denominated in currencies other than the New Zealand dollar. We had in place credit facilities that permitted us to borrow up to a total of the equivalent of approximately NZ$48.960 million, denominated primarily in New Zealand dollars and US dollars, each for a term of 12 months, renewable annually.

Net cash generated from operating activities totalled NZ$45.951 million for the financial year ended 31 March 2003. The net amount of cash that we generated was increased by approximately NZ$6.807 million for the financial year ended 31 March 2003 due to the favourable foreign currency exchange instruments we delivered when compared to the transaction rates during the period. The previously disclosed unfavourable forward currency contracts reduced cash generated for the financial year ended 31 March 2003 by NZ$2.498 million. With the recent rapid appreciation of the New Zealand dollar when compared to the US dollar the residual amounts of these previously unfavourable forward currency contracts are now favourable when compared against 31 March 2003 foreign currency rates.

The Company's capital expenditures totalled NZ$16.460 million for the financial year ended 31 March 2003. The majority of expenditures related to the purchase of production tooling and equipment, computer equipment and software, patents and facility extension costs. We have expanded our facility by approximately 6,100 square metres to accommodate our anticipated growth. Approximately NZ$9.730 million was spent in the financial year ended 31 March 2003. The project was completed in January 2003 and we have funded this expansion from our operating cash flow. A total of NZ$12.173 million has been spent on the facility extension project to date.

Net cash used in financing activities was NZ$54.143 million for the financial year ended 31 March 2003. The payment of our final dividend for the prior financial year and interim dividend for the current financial year were the main reasons for the significant outflow of funds.

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT TO THE SHAREHOLDERS OF
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

We have audited the financial statements on pages 32 to 56. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2003 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 36 to 39.

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 2003 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 capacity 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 56:

  (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 2003 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 21 May 2003 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Auckland

FOR THE YEAR ENDED 31 MARCH 2003

PARENT 2002 NZ$000	PARENT 2003 NZ$000		NOTES	CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
		CONTINUING OPERATIONS			
70,832	64,695	Operating revenue from continuing operations	1	208,420	214,596
271	772	Operating expenses from continuing operations		134,535	132,694
70,561	63,923	Operating profit from continuing operations before abnormal items		73,885	81,902
(907)	-	Abnormal items	2	-	(1,092)
69,654	63,923	Operating profit from continuing operations after abnormal items		73,885	80,810
		Interest income		3,453	1,343
		Interest expense		(456)	(1,610)
		Foreign currency exchange gain		1,532	469
		Unrealised gain on foreign currency instruments		32,794	12,844
69,654	63,923	Profit from continuing operations before taxation	2	111,208	93,856
(92)	(1,183)	Taxation	3	(38,304)	(31,532)
69,562	62,740	Profit from continuing operations after taxation		72,904	62,324
		DISCONTINUED OPERATIONS			
		Operating revenue from discontinued operations	1	-	464,901
		Profit from discontinued operations before abnormal items		-	25,783
(28,359)	-	Abnormal items	2	-	(28,982)
(28,359)	-	Loss from discontinued operations before taxation	2	-	(3,199)
		Taxation	3	-	(10,997)
(28,359)	-	Loss from discontinued operations after taxation		-	(14,196)
41,203	62,740	GROUP PROFIT		72,904	48,128
		Earnings per share			
		Basic earnings per share from continuing operations		$0.71	$0.56
		Diluted earnings per share from continuing operations		$0.70	$0.56
		Basic earnings per share		$0.71	$0.43
		Diluted earnings per share		$0.70	$0.43

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

AS AT 31 MARCH 2003

PARENT 2002 NZ$000	PARENT 2003 NZ$000		NOTES	CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
		ASSETS			
		Current assets			
68,735	9,574	Cash and bank balances		13,336	73,310
-	35,000	Short-term investments		35,000	-
615	49	Debtors and prepayments	4	58,996	41,752
		Inventories	5	21,852	19,216
5,121	3,499	Taxation	6	4,230	3,897
2,407	188	Employee share ownership plans loans	9	359	2,407
24,714	68,249	Intergroup advances			
101,592	116,559	Total current assets		133,773	140,582
		Long-term assets			
		Fixed assets	7	71,448	63,236
		Patents and trademarks	8	1,764	1,681
3,745	2,720	Employee share ownership plans loans	9	3,063	3,745
67,509	73,995	Investments in subsidiaries	10		
		Debtors and prepayments	4	8,764	390
		Goodwill on consolidation	11	2,185	2,570
56	56	Deferred taxation	12	7,755	3,129
172,902	193,330	Total assets		228,752	215,333
		LIABILITIES			
		Current liabilities			
		Bank overdrafts	13	1,106	1,267
		Trade creditors		8,677	8,367
		Provisions	14	898	575
		Borrowings	15	2,000	6,187
		Taxation	6	1,971	2,335
849	343	Other liabilities	16	20,114	23,029
849	343	Total current liabilities		34,766	41,760
		Long-term liabilities			
		Provisions	14	379	-
		Borrowings	15	-	1,520
170	170	Other liabilities	16	790	170
1,019	513	Total liabilities		35,935	43,450
		SHAREHOLDERS' EQUITY			
171,883	192,817	Shareholders' equity	17	192,817	171,883
171,883	192,817	Total shareholders' equity		192,817	171,883
172,902	193,330	Total liabilities and shareholders' equity		228,752	215,333

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

On behalf of the Board
21 May 2003

G A Paykel
Chairman

M G Daniell
Chief Executive Officer and Managing Director

FOR THE YEAR ENDED 31 MARCH 2003

PARENT 2002 NZ$000	PARENT 2003 NZ$000		NOTES	CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
384,038	171,883	Shareholders' equity at the beginning of the year		171,883	384,038
41,203	62,740	Group profit		72,904	48,128
7,325	6,484	Movement in revaluation reserve	17		
		Movement in currency translation reserve	17	(3,680)	400
48,528	69,224			69,224	48,528
26,666	814	Issue of share capital	17	814	26,666
2,335	27	Increase in equity from disposition of unallocated shares	17	27	2,335
(215,272)	-	Repurchase of share capital	17	-	(215,272)
(74,412)	(49,131)	Dividends	17	(49,131)	(74,412)
171,883	192,817	Shareholders' equity at the end of the year		192,817	171,883

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

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2003

PARENT 2002 NZ$000	PARENT 2003 NZ$000		NOTES	CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
		CASH FLOWS FROM OPERATING ACTIVITIES			
		Receipts from customers		217,167	195,427
69,683	61,515	Dividends received		6	151
1,102	3,560	Interest received		3,612	1,145
(1,176)	(889)	Payments to suppliers and employees		(134,198)	(134,210)
600	(676)	Taxation paid		(40,348)	(24,922)
		Interest paid		(288)	(1,606)
70,209	63,510	Net cash flow from operations from continuing operations	18	45,951	35,985
		Net cash flow from operations from discontinued operations	19	-	31,825
70,209	63,510	Net cash flow from operations		45,951	67,810
		CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
		Sale of fixed assets		104	143
309,000	-	Proceeds from 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		(16,460)	(13,210)
-	114,496	Sale of short-term investments		114,496	-
-	(149,099)	Purchase of short-term investments		(149,099)	-
299,321	(34,603)	Net cash flow from (used in) investing activities from continuing operations		(50,959)	286,254
		Net cash flow (used in) investing activities from discontinued operations		-	(5,780)
299,321	(34,603)	Net cash flow from (used in) investing activities		(50,959)	280,474
		CASH FLOWS (USED IN) FINANCING ACTIVITIES			
4,371	3,363	Employee share purchase schemes		3,363	4,371
26,136	319	Issue of share capital		319	26,136
(212,030)	-	Repurchase of share capital		-	(212,030)
-	88	Disposition of unallocated employee share scheme shares		88	-
		New borrowings		10,664	14,394
		Repayment of borrowings		(15,749)	(14,765)
(40,356)	(39,010)	Intercompany borrowings			
(74,412)	(49,131)	Dividends paid		(49,131)	(74,412)
(4,543)	(3,697)	Supplementary dividends paid to overseas shareholders		(3,697)	(4,543)
(300,834)	(88,068)	Net cash flow (used in) financing activities from continuing operations		(54,143)	(260,849)
		Net cash flow (used in) financing activities from discontinued operations		-	(16,797)
(300,834)	(88,068)	Net cash flow (used in) financing activities		(54,143)	(277,646)
68,696	(59,161)	Net increase (decrease) in cash		(59,151)	70,638
39	68,735	Opening cash		72,043	1,706
		Effect of foreign exchange rates		(662)	(301)
68,735	9,574	Closing cash		12,230	72,043
		RECONCILIATION OF CLOSING CASH			
68,735	9,574	Bank		13,336	73,310
		Bank overdrafts		(1,106)	(1,267)
68,735	9,574			12,230	72,043

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

These financial statements are presented in accordance with the New Zealand Companies Act 1993, the New Zealand Financial Reporting Act 1993 and generally accepted accounting practice in New Zealand. The Parent Company's financial statements are for Fisher & Paykel 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Organisation and Presentation

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.

(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 computed by dividing net earnings by the weighted average number of ordinary shares outstanding during each period.

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

(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 share option plans 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, and 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 – structure	25-50 years
Buildings – fit-out and other	3-50 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 to the Statement of Financial Performance.

(l) Investments

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

(m) Leases

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

(n) Foreign Currency

The Company enters into foreign currency option contracts and forward foreign currency contracts in order to manage 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 New Zealand dollar net cash movements resulting from the sales of products in foreign currency to foreign customers, and the purchase of raw materials in foreign currency from foreign and domestic suppliers. The Company enters into forward foreign currency contracts and foreign currency option contracts to hedge anticipated net sales/costs originating in New Zealand and denominated principally in US dollars, Euros, British pounds, and Australian dollars.

Generally, the terms of the foreign currency option contracts and forward foreign currency contracts do not exceed three years, however the foreign currency option contracts can be up to five years.

(n) Foreign Currency (continued)

Hedging

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 were generally not designated as accounting hedges under SFAS 133 because of the restrictive definitions and therefore were marked to market with the resulting gains and losses being recognised in earnings in the period of change.

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

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

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

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

As at 6 November 2002 the Company designated its hedging contracts and options as accounting hedges under Statement of Standard Accounting Practice No 21, "Accounting for the Effects of Changes in Foreign Currency Exchange Rates" (SSAP 21). As a result of this change in policy, the mark to market fair value recorded as at 6 November 2002 under SFAS 133 is retained on the Statement of Financial Position and will be offset against the gain/loss on settlement of the contracts. Movements in the mark to market fair values subsequent to 6 November 2002 are deferred and will be reflected in the Statement of Financial Performance when the anticipated transactions occur. The foreign currency exchange rates used in the mark to market adjustment as at 6 November 2002 have become the effective hedge rates for the foreign currency option contracts and forward foreign currency contracts in place on this date.

Transactions in foreign currencies are converted at the rate of exchange prevailing at the date of the transaction, or at the hedged rate if financial instruments have been used to hedge the foreign currency exposure.

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

Translation

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) Government Grants

The Company receives government research funding. Research grant receipts are netted off against relevant expenditure when it is incurred, with any excess funds received shown on the Statement of Financial Position as a current liability.

(q) 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.

(r) Warranty

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

(s) 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 discounted future cash flows is less than its carrying amount, the asset is written down to assessed fair value, with any resulting expense included in the Statement of Financial Performance.

(t) 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 and bank balances.

(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.

(u) Estimates

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

(v) Prior Year Comparatives

Certain prior year balances have been reclassified to assist comparison to the current year.

(w) Changes in Accounting Policies

As described in (n) there has been a change in accounting policy adopted for foreign currency hedging. As a result of this change, period end other liabilities have been increased by $7.9 million, and other debtors and prepayments by $9.3 million. Profit from continuing operations before taxation for the twelve months ended 31 March 2003 has been decreased by $43.0 million, with a corresponding decrease in the unrealised gain on foreign currency instruments recorded within Current and Long-term assets.

There have been no other changes in accounting policies.

	PARENT 2002 NZ$000	PARENT 2003 NZ$000			CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 1			**OPERATING REVENUE**			
			Operating revenue from continuing operations			
			North America		101,511	104,084
			Europe		58,304	59,918
			Asia Pacific		41,264	43,113
			Other		7,341	7,481
	69,532	61,291	Dividends			
	1,300	3,404	Interest			
	70,832	64,695	Total operating revenue from continuing operations		208,420	214,596
			Operating revenue from discontinued operations		-	464,901
	70,832	64,695	Total operating revenue		208,420	679,497
NOTE 2			**NET OPERATING PROFIT**			
	69,654	63,923	Profit from continuing operations before taxation		111,208	93,856
			After charging:			
			Remuneration of auditors:			
			Audit fees paid to principal auditors		150	108
			Audit fees paid to other auditors		137	318
			Other compliance audit fees paid to principal auditors		129	72
			Other services paid to principal auditors		75	4
			Donations		41	37
			Depreciation:			
			Buildings – structure		474	318
			Buildings – fit-out and other		2,290	1,179
			Leasehold improvements		67	146
			Plant and equipment		4,788	4,408
			Total depreciation		7,619	6,051
			Goodwill amortisation		385	385
			Patent and trademark amortisation		444	3
			Interest:			
			Borrowings		160	440
			Other		296	1,170
			Research and development		11,535	10,264
			Rental and operating leases		2,006	2,045
			Bad debts written off		517	133
			Movement in provision for doubtful debts		186	161
	273	361	Directors' fees		361	273
			Abnormal items:			
	907	-	Non-recurring items relating to spin-off	(i)	-	1,092
			After crediting:			
	69,683	61,187	Dividends received		6	151
			Foreign currency exchange gain		1,532	469
			Unrealised foreign currency instruments gain		32,794	12,844
	93	104	Other income		110	94

	PARENT 2002 NZ$000	PARENT 2003 NZ$000			CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 2			**NET OPERATING PROFIT (CONTINUED)**			
	(28,359)	-	Loss from discontinued operations before taxation		-	(3,199)
			After charging:			
			Remuneration of auditors:			
			Audit fees paid to principal auditors		-	270
			Other services paid to principal auditors		-	31
			Donations		-	45
			Depreciation		-	24,386
			Interest		-	14,502
			Research and development		-	5,817
			Rental and operating leases		-	5,287
			Bad debts written off		-	1,630
			Movement in provision for doubtful debts		-	(277)
			Abnormal items:			
	28,359	-	Appliances and Finance businesses divestment	(ii)	-	28,359
			Permanent impairment of investment and writedown of advances	(iii)	-	623
	28,359	-			-	28,982
			After crediting:			
			Interest income		-	413
			Dividends received		-	69
			Foreign currency exchange gain		-	3,359
			Unrealised foreign currency instruments gain		-	588

Abnormal Item - Continuing Operations

(i) The Group 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 included 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.

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.

PARENT 2002 NZ$000	PARENT 2003 NZ$000		CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 3		**TAXATION**		
69,654	63,923	Profit from continuing operations before taxation	111,208	93,856
22,986	21,095	Taxation at current rate of 33%	36,699	30,972
		Adjustments to taxation for:		
(23,011)	(20,222)	Non-assessable income	(30)	(126)
-	1	Non-deductible expenses	131	501
		Foreign rates other than 33%	1,189	519
(25)	874	This year's taxation	37,989	31,866
117	309	Other	315	(334)
92	1,183	Income tax expense from continuing operations	38,304	31,532
		This is represented by:		
148	1,183	Current taxation	43,187	31,100
(56)	-	Deferred taxation	(4,883)	432
92	1,183	Income tax expense from continuing operations	38,304	31,532
(28,359)	-	Profit from discontinued operations before taxation	-	(3,199)
(9,358)	-	Taxation at current rate of 33%	-	(1,056)
		Adjustments to taxation for:		
		Non-assessable income	-	(23)
9,358	-	Non-deductible expenses	-	12,521
		Foreign rates other than 33%	-	(445)
		This year's taxation	-	10,997
		Income tax expense from discontinued operations	-	10,997
		This is represented by:		
		Current taxation	-	13,255
		Deferred taxation	-	(2,258)
		Income tax expense from discontinued operations	-	10,997
92	1,183	Total income tax expense	38,304	42,529
NOTE 4		**DEBTORS AND PREPAYMENTS**		
		CURRENT		
		Trade debtors	30,673	34,016
		Less allowance for doubtful accounts	(623)	(377)
			30,050	33,639
		Unrealised gain on foreign currency instruments	19,312	4,314
		Foreign currency option premium prepaid	6,531	-
615	49	Other debtors and prepayments	3,103	3,799
615	49		58,996	41,752
		TERM		
		Unrealised gain on foreign currency instruments	7,173	390
		Foreign currency option premium prepaid	13	-
		Other debtors and prepayments	1,578	-
			8,764	390

PARENT 2002 NZ$000	PARENT 2003 NZ$000		CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 5		**INVENTORIES**		
		Materials	5,942	7,493
		Finished products	17,175	13,521
		Provision for obsolescence	(1,265)	(1,798)
			21,852	19,216
NOTE 6		**TAXATION**		
		BALANCE AT BEGINNING OF THE YEAR		
		Taxation payable	(2,335)	(2,553)
1,482	5,121	Taxation recoverable	3,897	10,146
(148)	(1,183)	Total taxation expense in current year	(43,187)	(31,100)
60	61	Taxation paid	39,733	25,582
4,543	3,697	Supplementary dividend tax credit	3,697	4,543
(816)	(4,197)	Other movements	454	(5,056)
		BALANCE AT END OF THE YEAR		
		Taxation payable	(1,971)	(2,335)
5,121	3,499	Taxation recoverable	4,230	3,897
NOTE 7		**FIXED ASSETS**		
		Buildings		
		– Structure	25,535	20,317
		– Fit-out and other	22,846	15,621
		Less accumulated depreciation	3,742	1,497
			44,639	34,441
		Land	6,486	6,486
		Leasehold improvements	583	649
		Less accumulated depreciation	473	474
			110	175
		Plant and equipment	33,712	31,614
		Less accumulated depreciation	19,232	15,448
			14,480	16,166
		Capital projects		
		- Buildings	-	3,344
		- Other	5,733	2,624
			5,733	5,968
		Total cost	94,895	80,655
		Less total accumulated depreciation	23,447	17,419
			71,448	63,236

The independent valuation of land and buildings, excluding capital projects, as at 31 March 2003 was $58.300 million (2002 $47.000 million).

PARENT 2002 NZ$000	PARENT 2003 NZ$000		CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 8		**PATENTS AND TRADEMARKS**		
		Patents and trademarks	229	54
		Less accumulated amortisation	35	5
			194	49
		Patent and trademark applications	1,982	1,632
		Less accumulated amortisation	412	-
			1,570	1,632
		Total cost	2,211	1,686
		Less total accumulated amortisation	447	5
			1,764	1,681
NOTE 9		**EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS**		
		Share purchase loans due for repayment:		
2,407	188	Current	359	2,407
173	158	One to two years	329	173
3,572	2,562	Two to five years	2,734	3,572
3,745	2,720	Term	3,063	3,745

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 Trustees under the 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 3 years.

882,569 Fisher & Paykel Healthcare shares (2002 1,921,751) are held by these Schemes, being 0.9% (2002 1.9%) of the Company's issued and paid up capital. As at 31 March 2003 all shares were allocated to employees or executives (2002 nil 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.

907,242 Fisher & Paykel Appliances shares (2002 1,979,610) are held by these Schemes, being 1.4% (2002 3.1%) of that Company's issued and paid up capital. As at 31 March 2003 all shares were allocated to employees or executives (2002 nil 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 **EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS (CONTINUED)**

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

	2003 PRICE* $	2003 NUMBER OF SHARES	2002 PRICE* $	2002 NUMBER OF SHARES
As at beginning of the year	3.84	1,921,751	3.19	2,335,462
Granted during the year				
Purchased during the year	-	-	15.49	91,275
Vested during the year	3.80	(1,030,165)	2.85	(465,560)
Lapsed due to resignation	4.70	(9,017)	4.25	(39,426)
As at end of the year	3.87	882,569	3.84	1,921,751

	NON-VESTED SHARES OUTSTANDING	PRICE RANGE $	PRICE* $	REMAINING PERIOD TO VESTING
Period granted or purchased				
Pre 31 March 2001	834,085	3.19 - 4.70	3.02	0 to 3 years
1 April 2001 – 31 March 2002	48,484	15.49	15.49	3 years
1 April 2002 – 31 March 2003				
	882,569			

* Weighted average

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

	2003 PRICE* $	2003 NUMBER OF SHARES	2002 PRICE* $	2002 NUMBER OF SHARES
As at beginning of the year	2.56	1,979,610	2.27	2,432,896
Granted during the year				
Purchased during the year	-	-	8.91	72,277
Vested during the year	2.56	(1,062,972)	2.02	(484,700)
Lapsed due to resignation	3.35	(9,396)	2.96	(40,863)
As at end of the year	2.55	907,242	2.56	1,979,610

	NON-VESTED SHARES OUTSTANDING	PRICE RANGE $	PRICE* $	REMAINING PERIOD TO VESTING
Period granted or purchased				
Pre 31 March 2001	868,810	2.27 - 3.35	2.27	0 to 3 years
1 April 2001 – 31 March 2002	38,432	8.91	8.91	3 years
1 April 2002 – 31 March 2003				
	907,242			

* Weighted average

NOTE 9 EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS (CONTINUED)

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 Trustees under the Schemes.

131,251 Fisher & Paykel Healthcare shares (2002 62,196) are held by the Schemes, being 0.1% (2002 0.1%) of the Company's issued and paid up capital. As at 31 March 2003, all shares were allocated to employees or executives, except for 4,934 (2002 270). 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 Schemes after reorganisation is as follows:

	2003 PRICE* $	2003 NUMBER OF SHARES	2002 PRICE* $	2002 NUMBER OF SHARES
As at beginning of the year	8.52	61,926	-	-
Granted during the year	7.36	69,865	8.52	62,196
Purchased during the year				
Vested during the year				
Lapsed due to resignation	8.52	(5,474)	8.52	(270)
As at end of the year	7.88	126,317	8.52	61,926

	NON-VESTED SHARES OUTSTANDING	PRICE RANGE $	PRICE* $	REMAINING PERIOD TO VESTING
Period granted or purchased				
Pre 31 March 2001				
1 April 2001 – 31 March 2002	56,452	8.52	8.52	2 years
1 April 2002 – 31 March 2003	69,865	7.35 - 7.44	7.36	3 years
	126,317			

* 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 of the Company's outstanding ordinary shares. On leaving employment due to death, serious illness, accident, permanent disablement, redundancy or other circumstances as determined by the Company's board, the employee or, if applicable, the employee's executor, will have one month in respect of the 2001 plan, and three months in respect of the 2003 plan, to exercise all outstanding options. On a termination of employment for any other reason all outstanding vested and unvested options will lapse. As at 31 March 2003 options had been granted to 137 employees (2002 105). Options granted to employees have no voting rights until such time they have been exercised and ordinary shares have been issued.

In March 2003 the Company granted 899,900 options to selected employees. The Company has not recognised any compensatory expense in the Statement of Financial Performance. However the fair value of these options is estimated as $713,000 on the date of grant using the Black Scholes valuation model using the following assumptions:

Risk free interest rate	5.45%
Expected dividend yield	5.00%
Expected life (years)	5
Expected/historical share volatility	18.00%

NOTE 9 EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS (CONTINUED)

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

	2003 EXERCISE PRICE* $	2003 NUMBER OF SHARE OPTIONS	2002 EXERCISE PRICE* $	2002 NUMBER OF SHARE OPTIONS
As at beginning of the year	10.65	1,522,500	-	-
Granted during the year	11.00	899,900	10.65	1,534,500
Vested during the year				
Lapsed due to resignation	10.65	(13,500)	10.65	(12,000)
As at end of the year	10.78	2,408,900	10.65	1,522,500

	SHARE OPTIONS OUTSTANDING	PRICE RANGE $	EXERCISE PRICE $	REMAINING PERIOD TO VESTING
Period granted or purchased				
Pre 31 March 2001				
1 April 2001 – 31 March 2002	1,509,000	10.65	10.65	1 to 4 years
1 April 2002 – 31 March 2003	899,900	11.00	11.00	2 to 5 years
	2,408,900			

* Weighted average

NOTE 10 INVESTMENTS IN SUBSIDIARIES

PARENT 2002 NZ$000	PARENT 2003 NZ$000	
67,509	73,995	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 INCORPORATION	INTEREST HELD BY GROUP 2003	INTEREST HELD BY GROUP 2002	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 Holdings GmbH	Germany	100%	100%	Non Trading Holding Company
* Fisher & Paykel Healthcare Properties Limited	NZ	100%	100%	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 15).

PARENT 2002 NZ$000	PARENT 2003 NZ$000		CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 11		**GOODWILL ON CONSOLIDATION**		
		Goodwill at beginning of the year	3,853	3,853
		Accumulated amortisation at beginning of the year	(1,283)	(898)
		Unamortised balance at beginning of the year	2,570	2,955
		Current year amortisation	(385)	(385)
		Unamortised balance at end of the year	2,185	2,570
		Comprising:		
		Goodwill	3,853	3,853
		Accumulated amortisation	(1,668)	(1,283)
			2,185	2,570
NOTE 12		**DEFERRED TAXATION/FUTURE TAXATION BENEFIT**		
		BALANCE AT BEGINNING OF THE YEAR		
-	56	Deferred taxation	3,129	3,518
56	-	Current year timing differences	4,883	(432)
		Other movements	(257)	43
		BALANCE AT END OF THE YEAR		
56	56	Deferred taxation	7,755	3,129
NOTE 13		**BANK OVERDRAFTS**		
		Bank overdrafts	1,106	1,267

Bank overdrafts in foreign currencies total:
GBP0.082 million (2002 GBP 0.094 million)
EUR0.446 million (2002 EUR 0.486 million)
Bank overdrafts come under the Negative Pledge Agreement as set out in note 15.

UNUSED LINES OF CREDIT	2003 NZ$000	2002 NZ$000
Bank overdraft facilities	35,014	35,158

PARENT 2002 NZ$000	PARENT 2003 NZ$000		CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 14		**PROVISIONS**		
		CURRENT		
		Warranty provision		
		Balance at beginning of the year	575	416
		Current year provision	1,100	1,006
		Warranty expenses incurred	(777)	(847)
		Balance at end of the year	898	575
		TERM		
		Warranty provision		
		Balance at beginning of the year		
		Current year provision	379	-
		Warranty expenses incurred		
		Balance at end of the year	379	-

PARENT 2002 NZ$000	PARENT 2003 NZ$000		CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 15		**BORROWINGS**		
		Borrowing facilities due for repayment:		
		Current	2,000	6,187
		One to two years	-	1,520
		Two to three years		
		Term	-	1,520

These borrowings have been aged in accordance with the repayment terms. All borrowings are drawn down by way of short term bills at interest rates current at draw down date (weighted average 5.6%, 2002 3.8%).

Borrowings in foreign currencies total EURO 1.0 million (2002 EURO 1.0 million) and US$0 million (2002 US$2.5 million).

Negative Pledge Agreements have been executed with certain of the Group's bankers. Major trading companies operating under these Negative Pledge Agreements 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	2003 NZ$000	2002 NZ$000
Borrowings	10,840	7,936

PARENT 2002 NZ$000	PARENT 2003 NZ$000		CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 16		**OTHER LIABILITIES**		
		CURRENT		
		Employee entitlements	4,587	4,386
		Unrealised loss on foreign currency instruments	2,535	14,159
		Foreign currency option premium liability	7,942	-
849	343	Other creditors and accruals	5,050	4,484
849	343		20,114	23,029
		TERM		
		Unrealised loss on foreign currency instruments	620	-
170	170	Other creditor	170	170
170	170		790	170

PARENT 2002 NZ$000	PARENT 2003 NZ$000		CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 17		**SHAREHOLDERS' EQUITY**		
		102,436,799 (2002 102,335,083) ordinary shares issued and paid up. All shareholders rank equally with one vote attaching to each fully paid ordinary share.		
339,622	116,564	Shareholders' equity before reserves brought forward	170,224	384,175
26,666	814	Issue of share capital (i)	814	26,666
41,203	62,740	Profit for the year	72,904	48,128
2,335	27	Increase in equity from disposition of unallocated shares	27	2,335
(215,272)	-	Repurchase of share capital	-	(215,272)
		Dividends: (ii)		
(29,529)	-	Special	-	(29,529)
(23,623)	(23,544)	Interim	(23,544)	(23,623)
(21,260)	(25,587)	Final	(25,587)	(21,260)
(3,578)	-	Transfer from reserves	-	(1,396)
116,564	131,014	Shareholders' equity before reserves carried forward	194,838	170,224
44,416	55,319	Revaluation reserve brought forward		
7,325	6,484	Revaluation of subsidiaries		
3,578	-	Transfer of discontinued revaluation reserve to shareholders' equity before reserves		
		Currency translation reserve brought forward	1,659	(137)
		Movement for the year	(3,680)	400
		Transfer of discontinued currency translation reserve to shareholders' equity before reserves	-	1,396
55,319	61,803	Total reserves	(2,021)	1,659
171,883	192,817	Total shareholders' equity	192,817	171,883

(i) 101,716 shares issued to the Share Purchase Schemes in the year ended 31 March 2003. 2,640,000 shares issued under the over-allotment option in relation to the Company's listing on the NASDAQ, and 62,196 shares issued to the Share Purchase Scheme in the year ended 31 March 2002.

(ii) All dividends paid were fully imputed. Supplementary dividends of $3,697,000 were paid (2002: $4,543,000).

PARENT 2002 NZ$000	PARENT 2003 NZ$000		NOTE	CONSOLIDATED 2003 NZ$000	CONSOLIDATED 2002 NZ$000
NOTE 18		**CASH FLOW RECONCILIATION**			
		RECONCILIATION OF PROFIT FROM CONTINUING OPERATIONS TO CASH FLOWS FROM OPERATING ACTIVITIES			
69,562	62,740	Profit from continuing operations after taxation		72,904	62,324
		Add (deduct) non-cash items:			
		Depreciation and writedown of fixed assets to recoverable amount		7,619	6,051
		Amortisation of patents		444	3
		Amortisation of goodwill		385	385
(198)	159	Accrued interest income		159	(198)
		Movement in provisions		702	204
		Movement in deferred tax/future tax benefit		(4,626)	389
		Movement in working capital			
757	(1,104)	Payables and accruals		9,370	(3,615)
(417)	407	Debtors and prepayments		(3,996)	(3,286)
		Inventory		(1,736)	(946)
505	1,308	Provision for taxation net of supplementary dividend paid		3,000	10,574
		Movement in unrealised revaluations of foreign currency instruments		(32,785)	(34,896)
		Foreign currency exchange translation		(5,489)	(1,004)
70,209	63,510	Net cash flow from operations from continuing operations		45,951	35,985
		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 19		**CASH FLOW RECONCILIATION DISCONTINUED OPERATIONS**			
		RECONCILIATION OF PROFIT FROM DISCONTINUED OPERATIONS TO CASH FLOWS FROM OPERATING ACTIVITIES			
		Profit from discontinued operations after taxation		-	(14,196)
		Add (deduct) non-cash items:			
		Depreciation and writedown of fixed assets to recoverable amount		-	24,386
		Accrued Finance Group interest expense		-	1,449
		Accrued interest income		-	22
		Loss on disposal of operations	2	-	28,359
		Movement in provisions		-	4,687
		Movement in deferred tax/future tax benefit		-	3,020
		Movement in working capital			
		Payables and accruals		-	11,990
		Debtors and prepayments		-	(19,025)
		Inventory		-	(2,756)
		Provision for taxation net of supplementary dividend paid		-	7,657
		Movement in unrealised revaluations of foreign currency instruments		-	(13,624)
		Foreign currency exchange translation		-	(144)
		Net cash flow from operations from discontinued operations		-	31,825

Parent 2002 NZ$000	Parent 2003 NZ$000		Consolidated 2003 NZ$000	Consolidated 2002 NZ$000
NOTE 20		**IMPUTATION CREDIT ACCOUNTS**		
22,781	60	Balance brought forward		
32,501	26,500	Imputation credits attached to dividends received		
60	(44)	Tax paid		
(32,069)	(20,502)	Imputation credits attached to dividends paid to shareholders		
(1,596)	-	Imputation credits attached to shares bought back		
(21,617)	-	Imputation credits paid on reorganisation		
-	141	Other movements		
60	6,155	Balance carried forward		
		Imputation credits directly and indirectly available to shareholders as at 31 March are:		
		Parent	6,155	60
		Subsidiaries	5,000	-
		Balance carried forward	11,155	60
NOTE 21		**CONTINGENT LIABILITIES**		
		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.

Parent 2002 NZ$000	Parent 2003 NZ$000		Consolidated 2003 NZ$000	Consolidated 2002 NZ$000
NOTE 22		**COMMITMENTS**		
		Capital expenditure commitments as at 31 March		
		Within one year	679	9,251
		Total	679	9,251
		Lease commitments under non-cancellable operating leases:		
		Within one year	2,325	2,332
		Between one and two years	1,719	1,530
		Between two and three years	901	835
		Between three and four years	362	384
		Between four and five years	242	375
		Over five years	-	246

Operating lease commitments relate mainly to occupancy leasing of buildings.

			Consolidated 2003	Consolidated 2002
NOTE 23	**CURRENCY**			
	For the purpose of translating assets and liabilities of foreign subsidiaries the following conversion rates have been applied as at 31 March:			
	NZ$1.00 =	USD	0.5535	0.4408
		AUD	0.9171	0.8288
		GBP	0.3509	0.3090
		EUR	0.5114	0.5045

NOTE 24 RELATED PARTY TRANSACTIONS

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

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.

No claims have been made against FPH in relation to the separation arrangement agreement.

NOTE 25 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 New Zealand dollar net cash movements resulting from the sales of products in foreign currency 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 net sales/costs originating in New Zealand and denominated principally in US dollars, Euros, British pounds, and Australian dollars.

The terms of the foreign currency option contracts and forward foreign currency contracts generally do not exceed three years, however the foreign currency option contracts can be up to five 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 were not designated as accounting hedges under SFAS 133 because of the restrictive definitions and therefore were marked to market with the resulting gains and losses being recognised in earnings in the period of change.

NOTE 25 FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 6 November 2002 the Company designated its hedging contracts and options as accounting hedges under Statement of Standard Accounting Practice No 21, "Accounting for the Effects of Changes in Foreign Currency Exchange Rates" (SSAP 21). As a result of this change in policy, the mark to market fair value recorded at 6 November 2002 under SFAS 133 is retained on the Statement of Financial Position and will be offset against the gain/loss on settlement of the contracts. Movements in the mark to market fair values subsequent to 6 November 2002 are deferred and will be reflected in the Statement of Financial Performance when the anticipated transactions occur. The foreign currency exchange rates used in the mark to market adjustment as at 6 November 2002 have become the effective hedge rates for the foreign currency option contracts and forward foreign currency contracts in place on this date.

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 as at 31 March are as follows:

	2003		2002	
	CARRYING AMOUNT NZ$000	FAIR VALUE NZ$000	CARRYING AMOUNT NZ$000	FAIR VALUE NZ$000
Cash at bank	13,336	13,336	73,310	73,310
Short-term investments	35,000	35,310	-	-
Debtors	30,050	30,050	33,639	33,639
Advances under employee share ownership plans	3,422	2,931	6,152	5,371
Bank overdrafts	(1,106)	(1,106)	(1,267)	(1,267)
Borrowings	(2,000)	(2,000)	(7,707)	(7,707)
Creditors	(8,677)	(8,677)	(17,237)	(17,237)
Foreign currency forward exchange contracts	14,620	39,037	2,914	2,914
Foreign currency option contracts	8,718	28,556	(12,369)	(12,369)
Interest rate swaps	-	(34)	-	-

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

	2003		2002	
	CARRYING AMOUNT NZ$000	FAIR VALUE NZ$000	CARRYING AMOUNT NZ$000	FAIR VALUE NZ$000
Cash at bank	9,574	9,574	68,735	68,735
Short-term investments	35,000	35,310	-	-
Intergroup advances	68,249	68,249	24,714	24,714
Advances under employee share ownership plans	2,908	2,525	6,152	5,371
Creditors	(343)	(343)	(849)	(849)

NOTE 25 FINANCIAL INSTRUMENTS (CONTINUED)

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

CASH AT BANK, DEBTORS, CREDITORS, 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.

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 CONTRACTS

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 contracts 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 forward exchange and option contracts amounts outstanding was as follows for continuing operations:

	2003 NZ$000	2002 NZ$000
Purchase commitments forward exchange contracts		
Sale commitments forward exchange contracts	254,387	85,655
Put option contracts purchased	183,453	233,455
Call option contracts sold	-	90,069

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

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

	2003 NZ$000	2002 NZ$000
Interest rate swaps	18,000	-

CREDIT RISK

Foreign currency forward exchange contracts, foreign currency option contracts 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: 2003 29.2% (2002 29.1%).

RECEIVABLE CONCENTRATION

The five largest customers have been the following proportion of the Group's debtors: 2003 31.2% (2002 29.2%).

NOTE 26 EMPLOYEE REMUNERATION

Fisher & Paykel Healthcare operates in a number of countries where remuneration market levels differ widely. During the year a 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:

REMUNERATION $		$	NUMBER OF EMPLOYEES 2003	2002	REMUNERATION $		$	NUMBER OF EMPLOYEES 2003	2002
100,000	-	110,000	10	6	230,001	-	240,000	1	8
110,001	-	120,000	16	11	240,001	-	250,000	1	6
120,001	-	130,000	11	6	250,001	-	260,000	1	5
130,001	-	140,000	9	6	260,001	-	270,000	2	1
140,001	-	150,000	10	10	270,001	-	280,000	-	2
150,001	-	160,000	6	4	280,001	-	290,000	-	3
160,001	-	170,000	-	5	290,001	-	300,000	3	1
170,001	-	180,000	3	3	310,001	-	320,000	2	1
180,001	-	190,000	1	1	340,001	-	350,000	-	2
190,001	-	200,000	8	3	350,001	-	360,000	-	1
200,001	-	210,000	9	4	460,001	-	470,000	1	-
210,001	-	220,000	4	2	550,001	-	560,000	-	1
220,001	-	230,000	4	3					

NOTE 27 SIGNIFICANT EVENTS AFTER BALANCE DATE

On 8 May 2003 the Board of Directors announced that the Company had settled the patent infringement lawsuit ResMed filed against the Company over the Company's Aclaim mask products, used in the treatment of obstructive sleep apnea. ResMed has dismissed the lawsuit, which was filed in the United States District Court in San Diego, California.

The Company will be introducing a new design of its Aclaim mask by 1 August 2003, and ResMed will not assert intellectual property claims against the new mask. In addition, the Company will continue to sell its existing Aclaim masks under a license from ResMed until it introduces the new version. The remaining terms and conditions of the settlement are confidential. There will not be a material effect on the Company's financial statements as a result of this settlement.

FOR THE YEARS ENDED 31 MARCH	2003 NZ$000	2002 NZ$000	2001 NZ$000 (except as otherwise stated)	2000 NZ$000	1999 NZ$000
FINANCIAL PERFORMANCE					
Operating revenue	208,420	214,596	193,090	144,187	119,128
Operating profit before abnormal items	73,885	81,902	79,825	50,080	40,433
Abnormal items	-	(1,092)	-	-	(4,748)
Operating profit	73,885	80,810	79,825	50,080	35,685
Net interest income (expense)	2,997	(267)	(2,163)	(1,230)	(1,354)
Foreign exchange gain (loss)	34,326	13,313	(57,796)	1,339	363
Profit before taxation	111,208	93,856	19,866	50,189	34,694
Taxation	(38,304)	(31,532)	(8,117)	(17,777)	(8,938)
Profit after taxation	72,904	62,324	11,749	32,412	25,756
Operating profit percentage	35.5%	37.7%	41.3%	34.7%	30.0%
Operating revenue by region:					
North America	101,511	104,084	86,134	56,681	41,029
Europe	58,304	59,918	54,132	41,021	34,415
Asia Pacific	41,264	43,113	44,888	41,116	38,637
Other	7,341	7,481	7,936	5,369	5,047
Total	208,420	214,596	193,090	144,187	119,128
Operating revenue by product group:					
Respiratory humidification products	102,576	109,318	102,639	78,144	72,800
OSA products	84,893	79,046	63,304	38,215	21,592
Patient warming and neonatal care products	12,157	13,754	10,352	6,260	4,795
Core products subtotal	199,626	202,118	176,295	122,619	99,187
Mobility products	-	-	1,039	4,508	3,926
Distributed products	8,794	12,478	15,756	17,060	16,015
Total	208,420	214,596	193,090	144,187	119,128
FINANCIAL POSITION					
Tangible assets	217,048	207,953	139,589	108,362	76,405
Intangible assets	11,704	7,380	7,326	3,340	3,725
Total assets	228,752	215,333	146,915	111,702	80,130
Liabilities	(35,935)	(43,450)	(73,581)	(33,745)	(32,348)
Equity	192,817	171,883	73,334	77,957	47,782
Net tangible asset backing per share	$1.77	$1.61	$0.56	$0.63	$0.37
Pre-tax return on total assets percentage	48.6%	43.6%	13.5%	44.9%	43.3%
Pre-tax return on equity percentage	57.7%	54.6%	27.1%	64.4%	72.6%
CASH FLOWS					
Net cash flow from operating activities	45,951	35,985	46,002	39,371	25,409
Net cash flow from (used in) investing activities	(50,959)	286,254	(12,688)	(30,156)	(8,608)
Net cash flow (used in) financing activities	(54,143)	(260,849)	(9,307)	(55,652)	(16,248)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	102,367,449	111,537,416	118,111,137	117,642,887	117,549,237
Weighted diluted average shares outstanding	103,960,399	112,173,791	118,111,137	117,642,887	117,549,237
Basic shares outstanding at end of the year	102,436,799	102,335,083	118,111,137	118,111,137	117,549,237

FOR THE YEARS ENDED 31 MARCH	2003 NZ$000	2002 NZ$000	2001 NZ$000 (except as otherwise stated)	2000 NZ$000	1999 NZ$000
DIVIDENDS AND EARNINGS PER SHARE (NZD PER SHARE)					
Dividends declared:					
Interim	**$0.23**	$0.20	$0.12	$0.10	$0.09
Final	**$0.27**	$0.25	$0.18	$0.15	$0.09
Total ordinary dividends	**$0.50**	$0.45	$0.30	$0.25	$0.18
Special	-	$0.25	-	$0.15	$0.15
Basic earnings per share	**$0.71**	$0.56	$0.10	$0.28	$0.22
Diluted earnings per share	**$0.70**	$0.56	$0.10	$0.28	$0.22
PATENTS					
Number of United States patents	**32**	29	26		
Number of United States patent applications	**53**	25	18		
Number of non-United States patents	**48**	46	48		
Number of non-United States patent applications	**158**	130	78		
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**11,535**	10,264	8,661	6,680	5,577
Percentage of operating revenue	**5.5%**	4.8%	4.5%	4.6%	4.7%
CAPITAL EXPENDITURE					
Operational	**6,730**	10,767	4,885	6,407	4,581
Land and buildings	**9,730**	2,443	7,491	24,317	4,189
Total	**16,460**	13,210	12,376	30,724	8,770
Capital expenditure : depreciation ratio	**2.2**	2.2	2.3	7.4	3.1
NUMBER OF EMPLOYEES					
By function:					
Research and development	**130**	120	120	86	66
Manufacturing	**288**	265	211	161	133
Sales, marketing and distribution	**220**	207	188	174	173
Management and administration	**129**	124	101	104	97
Total	**767**	716	620	525	469
By region:					
New Zealand	**586**	547	476	390	336
North America	**63**	58	46	40	36
Europe	**81**	72	63	60	56
Rest of world	**37**	39	35	35	41
Total	**767**	716	620	525	469
AVERAGE EXCHANGE RATES (NZ$1=)					
USD	**0.4945**	0.4159	0.4375	0.5172	0.5238
AUD	**0.8776**	0.8145	0.7892	0.8062	0.8480
GBP	**0.3191**	0.2903	0.2962	0.3216	0.3168
EUR	**0.4966**	0.4727	0.4820	0.5009	0.4685

The above exchange rates were used to translate the financial statements of foreign subsidiaries.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

FOR THE YEARS ENDED 31 MARCH	2003 US$000	2002 US$000	2001 US$000 (except as otherwise stated)	2000 US$000	1999 US$000
FINANCIAL PERFORMANCE					
Operating revenue	**103,063**	89,250	84,380	74,588	62,364
Operating profit before abnormal items	**36,536**	34,063	34,923	25,900	21,180
Abnormal items	-	(454)	-	-	(2,487)
Operating profit	**36,536**	33,609	34,923	25,900	18,693
Net interest income (expense)	**1,483**	(111)	(946)	(636)	(709)
Foreign exchange gain (loss)	**16,975**	6,870	(26,619)	693	190
Profit before taxation	**54,994**	40,368	7,358	25,957	18,174
Taxation	**(18,941)**	(13,554)	(3,111)	(9,194)	(4,682)
Profit after taxation	**36,053**	26,814	4,247	16,763	13,492
Operating profit percentage	**35.5%**	37.7%	41.4%	34.7%	30.0%
Operating revenue by region:					
North America	**50,071**	43,281	37,926	29,366	21,652
Europe	**28,938**	24,934	23,662	21,230	17,991
Asia Pacific	**20,402**	17,923	19,450	21,267	20,123
Other	**3,652**	3,112	3,342	2,725	2,598
Total	**103,063**	89,250	84,380	74,588	62,364
Operating revenue by product group:					
Respiratory humidification products	**50,752**	45,454	44,652	40,253	38,080
OSA products	**41,999**	32,868	27,763	19,795	11,364
Patient warming and neonatal care products	**6,004**	5,743	4,442	3,250	2,505
Core products subtotal	**98,755**	84,065	76,857	63,298	51,949
Mobility products	-	-	455	2,359	2,067
Distributed products	**4,308**	5,185	7,068	8,931	8,348
Total	**103,063**	89,250	84,380	74,588	62,364
FINANCIAL POSITION					
Tangible assets	**120,135**	91,665	56,254	53,748	41,946
Intangible assets	**6,477**	3,253	2,952	1,657	2,045
Total assets	**126,612**	94,918	59,206	55,405	43,991
Liabilities	**(19,888)**	(19,152)	(29,653)	(16,738)	(17,759)
Equity	**106,724**	75,766	29,553	38,667	26,232
Net tangible asset backing per share	**$0.98**	$0.71	$0.23	$0.31	$0.21
Pre-tax return on total assets percentage	**43.4%**	42.5%	12.4%	46.8%	41.3%
Pre-tax return on equity percentage	**51.5%**	53.3%	24.9%	67.1%	69.3%
CASH FLOWS					
Net cash flow from operating activities	**22,212**	14,959	20,125	20,363	13,309
Net cash flow from (used in) investing activities	**(25,199)**	119,053	(5,552)	(15,596)	(4,509)
Net cash flow (used in) financing activities	**(25,786)**	(108,487)	(4,072)	(28,783)	(8,511)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	**102,367,449**	111,537,416	118,111,137	117,642,887	117,549,237
Weighted diluted average shares outstanding	**103,960,399**	112,173,791	118,111,137	117,642,887	117,549,237
Basic shares outstanding at end of the year	**102,436,799**	102,335,083	118,111,137	118,111,137	117,549,237

FOR THE YEARS ENDED 31 MARCH	2003 US$000	2002 US$000	2001 US$000 (except as otherwise stated)	2000 US$000	1999 US$000
DIVIDENDS AND EARNINGS PER SHARE (USD PER SHARE)					
Dividends declared:					
Interim	**$0.11**	$0.08	$0.05	$0.05	$0.05
Final	**$0.15**	$0.10	$0.08	$0.08	$0.05
Total ordinary dividends	**$0.26**	$0.18	$0.13	$0.13	$0.10
Special	-	$0.10	-	$0.08	$0.08
Basic earnings per share	**$0.35**	$0.24	$0.04	$0.14	$0.11
Diluted earnings per share	**$0.35**	$0.24	$0.04	$0.14	$0.11
PATENTS					
Number of United States patents	**32**	29	26		
Number of United States patent applications	**53**	25	18		
Number of non-United States patents	**48**	46	48		
Number of non-United States patent applications	**158**	130	78		
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**5,704**	4,269	3,789	3,455	2,921
Percentage of operating revenue	**5.5%**	4.8%	4.5%	4.6%	4.7%
CAPITAL EXPENDITURE					
Operational	**3,328**	4,478	2,138	3,313	2,400
Land and buildings	**4,811**	1,016	3,277	12,577	2,194
Total	**8,139**	5,494	5,415	15,890	4,594
Capital expenditure : depreciation ratio	**2.2**	2.2	2.3	7.4	3.1
NUMBER OF EMPLOYEES					
By function:					
Research and development	**130**	120	120	86	66
Manufacturing	**288**	265	211	161	133
Sales, marketing and distribution	**220**	207	188	174	173
Management and administration	**129**	124	101	104	97
Total	**767**	716	620	525	469
By region:					
New Zealand	**586**	547	476	390	336
North America	**63**	58	46	40	36
Europe	**81**	72	63	60	56
Rest of world	**37**	39	35	35	41
Total	**767**	716	620	525	469
AVERAGE EXCHANGE RATES (US$1=)					
NZD	**2.0222**	2.4044	2.2857	1.9335	1.9091
AUD	**1.7747**	1.9584	1.8039	1.5588	1.6189
GBP	**0.6453**	0.6980	0.6770	0.6218	0.6048
EUR	**1.0042**	1.1366	1.1017	0.9685	0.8944

The above exchange rates were used to translate the financial statements of foreign subsidiaries.

SIZE OF HOLDINGS	NUMBER OF HOLDERS	%	ORDINARY SHARES NUMBER OF SHARES	%
1 - 100	718	6.97	31,717	0.03
101 - 1,000	5,938	57.60	2,834,036	2.77
1,001 - 5,000	3,092	29.99	6,397,143	6.24
5,001 - 10,000	328	3.18	2,220,434	2.17
Over 10,000	233	2.26	90,953,469	88.79
	10,309	100.00	102,436,799	100.00

The details set out above were as at 27 May 2003.

As disclosed in note 9 of the Financial Statements there were 2,408,900 options on issue to employees as at 31 March 2003. There are no other classes of equity security currently on issue.

There are 395 shareholders holding less than a marketable parcel, as defined by ASX listing rules, of the Company's ordinary shares, based on the market price as at 27 May 2003.

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

There is no current on-market buy-back.

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

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

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

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

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

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

SUBSTANTIAL SECURITY HOLDERS

Pursuant to Section 26 of the Securities Amendment Act 1988, the substantial security holders as at 27 May 2003 were as follows:	ORDINARY SHARES	%
Fisher & Paykel Appliances Holdings Limited (notice dated 16 November 2001)	19,816,480	19.35
Caledonia Investments Limited and Associated Entities (notice dated 19 February 2002)	5,122,351	5.00
LFG Holdings Pty Ltd (notice dated 12 April 2002)	9,776,431	9.54

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders as at 27 May 2003 were:

HOLDER	ORDINARY SHARES	%
New Zealand Central Securities Depository Limited	39,731,660	38.79
Fisher & Paykel Appliances Holdings Limited	19,816,480	19.35
Perpetual Trustee Company Limited	10,288,509	10.04
National Nominees Limited	2,500,414	2.44
Caledonia Investments Limited	2,006,853	1.96
Alfred Street Nominees Pty Limited	1,040,943	1.02
John William Gilks & Colin James Maiden	880,110	0.86
Woolf Fisher Trust	708,483	0.69
J P Morgan Nominees Australia Limited	594,963	0.58
Gurshon Fisher	555,244	0.54
Gurshon Fisher (Gus Fisher Family a/c)	534,166	0.52
Westpac Custodian Nominees Limited	499,642	0.49
G A Paykel, D M Paykel and K R Rushbrook	448,647	0.44
J Fisher, A J J Agar, G L Collinson and N S Robinson	431,506	0.42
Joyce Fisher	411,118	0.40
Custodial Services Limited	333,672	0.33
NZ Guardian Trust Company Limited	312,456	0.31
CJH Holdings Pty Limited	297,544	0.29
UBS Warburg Private Clients Nominees Pty Limited	284,541	0.28
Eltub Nominees Limited	276,295	0.27

New Zealand Central Securities Depository provides a custodial depository service to institutional shareholders and does not have a beneficial interest in these shares. Its major holders as at 27 May 2003 were:

Accident Compensation Corporation	1,699,793
AMP Life Limited	1,362,384
ANZ Nominees Limited	3,298,543
Citibank Nominees (New Zealand) Limited	3,689,698
Custody and Investment Nominees Limited	1,359,753
National Nominees New Zealand Limited	14,242,911
Premier Nominees Limited – Armstrong Jones New Zealand Share Fund	1,108,093
Royal & Sun Alliance Life and Disability (New Zealand) Limited	757,205
The New Zealand Guardian Trust Company Limited – Guardian Trust Investment Limited	909,055
Westpac Banking Corporation – Client Assets No 2	4,409,649

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

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following shares in the Company as at 31 March 2003:

		ORDINARY SHARES
A E Clarke	– beneficially owned	7,000
M G Daniell (i)	– beneficially owned	31,740
N T Evans	– beneficially owned	4,584
	– not beneficially owned	708,483
W L Gillanders	– beneficially owned	102,883
	– not beneficially owned	2,697
C J Maiden	– beneficially owned	10,859
	– not beneficially owned	880,110
P M Smith	– beneficially owned	40,000
G A Paykel	– beneficially owned	554,527
	– not beneficially owned	166,593

(i) Mr Daniell has a beneficial interest in 250,000 options issued under the 2001 Share Option Plan.

SHARE DEALINGS BY DIRECTORS

In accordance with Section 148(2) of the Companies Act 1993 the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests in the company between 1 April 2002 and 31 March 2003.

Particulars of such disclosures are:

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

Mr Maiden, as a non-beneficial trustee of the company's Executive Share Purchase Scheme, disposed of shares pursuant to the company's Executive Share Purchase Scheme.

Messrs Daniell and Paykel, as directors of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited, the trustee company of the company's Employee Share Purchase Scheme, acquired and disposed of shares pursuant to the company's Employee Share Purchase Schemes.

Mr Smith acquired 15,000 shares between 6 June and 12 June 2002 at an average price of $8.94 per share.

Mr Paykel acquired 50,000 shares from the Estate of Mr M Paykel on 19 March 2003 for no consideration.

Mr Evans acquired 2,000 shares on 19 November 2002 at $10.71 per share.

DISCLOSURE OF INTERESTS BY DIRECTORS

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

G A PAYKEL is Chairman of:
Fisher & Paykel Appliances Holdings Limited
Panprint Limited

and is a Director of:
Sport Drinks (NZ) Limited
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited
Fisher & Paykel Appliances Employee Share Purchase Trustee Limited
Sport Sunshine Limited
Howgate Holdings Limited
Lady Ruby Investments Limited
New Zealand 93 Limited

and is a Trustee of:
Fisher & Paykel Employee Share Purchase Scheme

and is a Shareholder in:
Fisher & Paykel Appliances Holdings Limited
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited – 100 ordinary shares jointly held with M G Daniell
Fisher & Paykel Appliances Employee Share Purchase Trustee Limited – 100 ordinary shares jointly held with J H Bongard

C J MAIDEN is Chairman of:
Marsh (NZ) Limited Advisory Group
Transpower New Zealand Limited
D B Breweries Limited and Subsidiaries

and is a Director of:
Independent Newspapers Limited
The New Zealand Refining Co Limited
Foodland Associated Limited

and is a Trustee of:
Fisher & Paykel Executive Share Purchase Scheme
Independent Newspapers Limited Senior Executive Superannuation Scheme
Independent Newspapers Limited Superannuation Fund
Gordon and Gotch NZ Limited Superannuation Fund

and is a Shareholder in:
Fisher & Paykel Appliances Holdings Limited

P M SMITH is Chairman of:
The Lion Foundation
BrainZ Instruments Limited

and is a Director of:
Auckland International Airport Limited
Tru-Test Corporation Limited
Paramount Property Trust Management Limited
JB Were New Zealand Private Equity No 1 Fund

W L GILLANDERS is a Director of:
Fisher & Paykel Appliances Holdings Limited
Fisher & Paykel Trustee Limited
LRS Management Limited
Rangatira Limited

and is a Trustee of:
Fisher & Paykel Employee Share Purchase Scheme

and is a Shareholder in:
Fisher & Paykel Appliances Holdings Limited

N T EVANS is a Director of:
Managers & Consultants Limited
Quark Technology Limited
Woolf Fisher Trust

and is a Trustee of:
Woolf Fisher Trust

and is a Shareholder in:
Fisher & Paykel Appliances Holdings Limited

M G DANIELL is a Director of:
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited

and a Shareholder in:
Fisher & Paykel Appliances Holdings Limited
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited – 100 ordinary shares jointly held with Gary Paykel

A E CLARKE is a Director of:
WMC Resources Limited
Woolworths Limited
Tridan Limited
Hexima Limited

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

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

USE OF COMPANY INFORMATION

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

GROUP STRUCTURE

Fisher & Paykel Healthcare Corporation Limited

***FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED OWNS:**
*Fisher & Paykel Healthcare Limited
*Fisher & Paykel Healthcare Pty Limited (Australia)
*Fisher & Paykel Healthcare Properties Limited
Fisher & Paykel Healthcare Limited (UK)
Fisher & Paykel Holdings Inc. (USA)

FISHER & PAYKEL HOLDINGS INC (USA) OWNS:
Fisher & Paykel Healthcare Inc. (USA)

FISHER & PAYKEL HEALTHCARE LIMITED (UK) OWNS:
Fisher & Paykel Healthcare SAS (France)
Fisher & Paykel Holdings GmbH (Germany)
BGM Bürk GmbH (Germany)

FISHER & PAYKEL HOLDINGS GMBH (GERMANY) OWNS:
Fisher & Paykel Healthcare GmbH & Co KG (Germany)

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

DIRECTORS, EXECUTIVE AND DIRECTORY

EXECUTIVE
Michael Daniell, *Managing Director and Chief Executive Officer*

Senior Management
Lewis Gradon, *Senior Vice President - Research and Development*
Paul Shearer, *Senior Vice President - Sales and Marketing*
Tony Barclay, *Chief Financial Officer and Company Secretary*

DIRECTORS
Gary Paykel, *Chairman*

Michael Smith, *Deputy Chairman*
Michael Daniell, *Managing Director and Chief Executive Officer*
Nigel Evans, *Director*
Adrienne Clark, *Director*
Lindsay Gillanders, *Director*
Sir Colin Maiden, *Director*

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

15 Maurice Paykel Place, East Tamaki, Auckland, New Zealand
Telephone: +64-9-574 0100
Facsimile: +64-9-574 0158

Postal Address
PO Box 14348, Panmure, Auckland, New Zealand

Internet Address
www.fphcare.co.nz

Email Address
investor@fphcare.co.nz

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

36-40 New Street, Ringwood, Victoria 3134, Australia
Telephone: +61-3-9879 5022
Facsimile: +61-3-9879 5232

Postal Address
PO Box 167, Ringwood, Victoria 3134, Australia

Share Registry

In New Zealand

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road, Takapuna, Auckland

Postal Address

Private Bag 92119, Auckland 1020, New Zealand
Telephone: +64-9-488 8777
Facsimile: +64-9-488 8787

Internet address: www.computershare.co.nz

Email: enquiry@computershare.co.nz

In Australia

Computershare Investor Services Limited

Level 4, 60 Carrington Street, Sydney, NSW 2000

Postal Address

GPO Box 7045, Sydney, NSW 1115, Australia
Telephone: +61-2-8234 5000
Facsimile: +61-2-8234 5050

Internet address: www.computershare.com.au

Email: sydney.services@computershare.com.au

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

Incorporation
The Company was incorporated in Auckland, New Zealand.

Fisher & Paykel
HEALTHCARE