Fisher & Paykel
HEALTHCARE

05 ANNUAL REPORT

CONTENTS

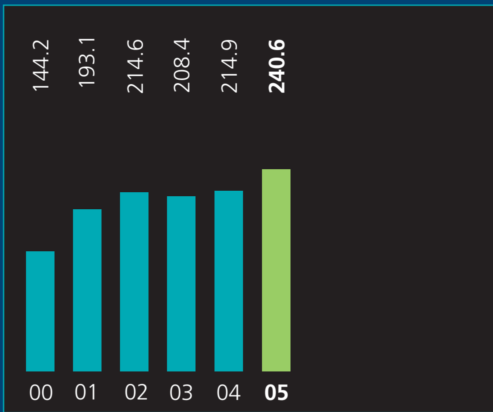
EXPANDING OUR REACH

Fisher & Paykel Healthcare Corporation Limited increases value for its shareholders by profitably designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes.

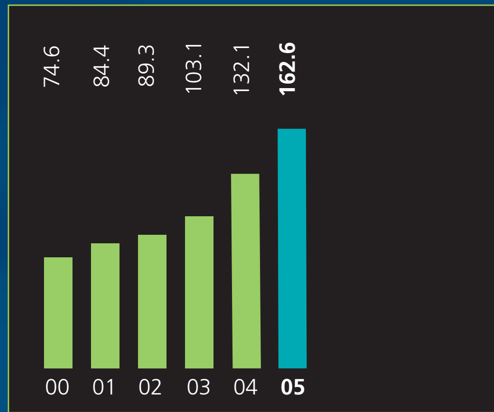
2005 FINANCIAL HIGHLIGHTS

OPERATING REVENUE FROM CONTINUING OPERATIONS

NZ $ MILLIONS

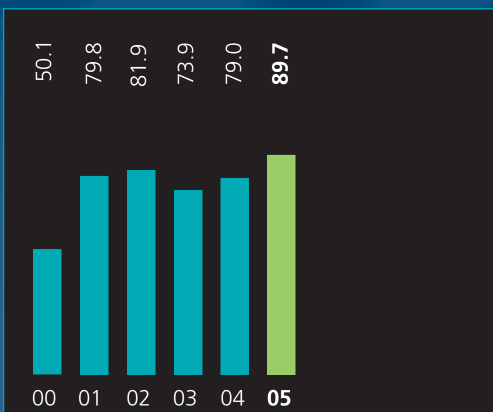


US $ MILLIONS

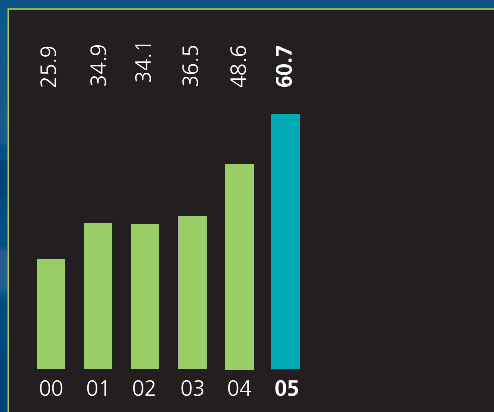


OPERATING PROFIT FROM CONTINUING OPERATIONS BEFORE ABNORMAL ITEMS

NZ $ MILLIONS

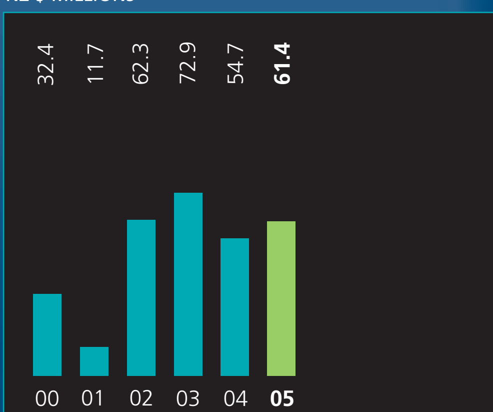


US $ MILLIONS

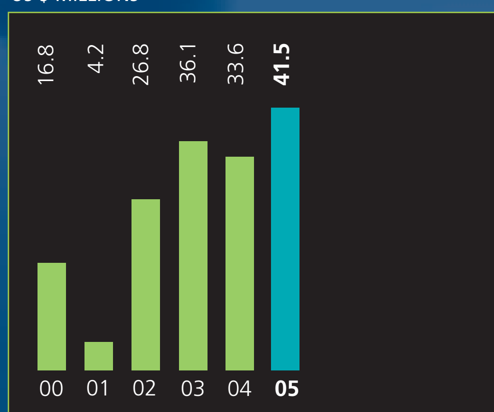


PROFIT FROM CONTINUING OPERATIONS AFTER TAXATION

NZ $ MILLIONS



US $ MILLIONS



2005 FINANCIAL HIGHLIGHTS

+ Record operating revenue of NZ$240.6 million
+ Operating revenue up 23% to US$162.6 million
+ Increased operating profit of NZ$89.7 million, up 14% over the prior year
+ Profit after tax of NZ$61.4 million
+ Operating margin of 37.3% for the year
+ Respiratory humidification product group revenue up 16% to US$78.8 million
+ OSA product group revenue up 34% to US$65.7 million
+ Neonatal and patient warming product group revenue up 31% to US$12.8 million
+ Pre-tax return on average shareholders' equity of 48%
+ Research & development investment increased to 6.7% of revenue
+ Total dividends of NZ 10.8 cents per share for the year

Our 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.

EXPANSION THE KEY TO RECORD RESULTS

CHAIRMAN'S REPORT

Gary Paykel – CHAIRMAN

The expansion of both our product range and our presence in international markets was an important contributor to the record operating results achieved by Fisher & Paykel Healthcare Corporation Limited in the year ended 31 March 2005.

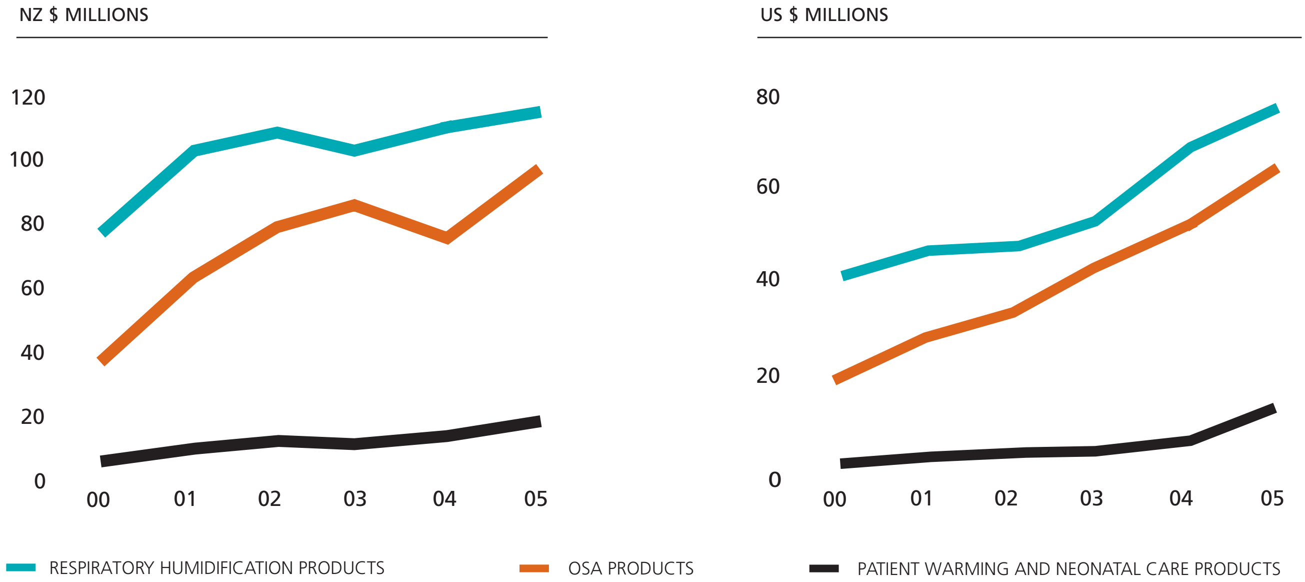
Operating revenue increased across all our core product groups of obstructive sleep apnea, respiratory humidification and neonatal and warming products, leading to record revenue of NZ$240.6 million and a 14% increase in our operating profit to NZ$89.7 million. Profit after tax was NZ$61.4 million.

As an exporter we earn a large proportion, approximately 61%, of our revenue in US dollars. In US dollar terms, revenue increased by 23% for the year to US$162.6 million and our operating profit by 25%, to US$60.7 million compared with the prior year.

These results were achieved by adhering to our vision of increasing value for our shareholders by designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes. This year has seen us take eight significant new products to market in our core product groups and expand into new areas of patient care that draw on our extensive knowledge of clinical humidification.

Expansion has enabled us to increase value for our shareholders, with increased total dividends for the year of NZ 10.8 cents per ordinary share carrying full imputation credit. This dividend is equivalent to NZ 54 cents per share prior to the five for one subdivision in October 2004. Non resident shareholders received supplementary dividends of NZ 1.906 cents per share. Dividends paid represented approximately 90% of our full-year after-tax profit, in line with our current policy.

REVENUE BY PRODUCT GROUP



It was a year in which each of our core product groups expanded their market shares and their revenues.

In our OSA product group, combined revenue from flow generators and our expanded range of masks grew by approximately 70%, in US dollar terms. Total revenue in this product group grew 34% to US$65.7 million as a result of gains in market share and sales to a wider range of customers, both in North America and international markets.

In the respiratory humidification product group, revenue also grew strongly, up 16% in US dollar terms to US$78.8 million. This performance was largely driven by an increased market share for our MR850 humidifier system, and strong growth from the adult and neonatal breathing circuits and other components used with this system.

Neonatal and patient warming revenue growth was again encouraging, with revenue for the year up 31% to US$12.8 million. Neonatal warmers generated strong growth as did neonatal breathing systems, which include our infant CPAP system and resuscitator. Both the infant CPAP system and resuscitator are continuing to generate rapidly growing, recurring revenues from consumables.

We made very positive gains in our margins, another indicator of the strength of our business. Our gross margin increased from 70.9% in the prior year to 72.0%, a gain we attribute primarily to foreign exchange hedging and a favourable product mix. Our operating margin increased to 37.3% compared with 36.8% in the prior year.

The NZ$67.4 million spent on selling, general and administrative expenses represents a 14% increase on the previous year and resulted from the continued expansion of our international sales activities. In recent years we have established direct sales operations in Italy, Spain, Austria and Switzerland, grown our sales teams in North America, France, Germany, the United Kingdom, Australia and New Zealand and increased our presence in India, China and the Middle East.

The establishment of a company in Japan (Fisher & Paykel Healthcare K.K.) and a sales and marketing support office in Tokyo in June 2004, means we are strongly positioned in Japan, a rapidly growing market for devices to treat obstructive sleep apnea. Growth in the US market has been supported by plans to establish an Eastern US distribution centre in addition to our California facility.

Research and development underpins our ability to create new and profitable products in our core product groups. During the year our research and development investment increased by 15% to NZ$16.2 million, representing 6.7% of revenue for the year. We are confident of generating a return on this investment as we take new products to

Positive gains … Our gross margin increased from 70.9% in the prior year to 72.0%. Our operating margin increased to 37.3% compared with 36.8% in the prior year.

market while maintaining a steady flow of innovative concepts in our product development pipeline.

The year also saw us initiate an estimated NZ$60 million investment in expansion on our Auckland site to accommodate our growth. Our new building project, adjacent to our existing facilities, is on schedule and will be operational by the middle of 2006.

In September 2004 we made the decision to subdivide each existing ordinary share into five ordinary shares, to provide additional liquidity in the market for the company's shares. That subdivision was completed in October 2004 and we now have over 500 million ordinary shares on issue.

At the same time, we continued our share buy back programme. As we noted at the initiation of this programme, we believe repurchasing our shares is currently the best use for surplus funds. At 31 March 2005 4,124,635 shares had been acquired at a total cost of NZ$10.2 million.

After another year of very positive performance, we expect the 2006 financial year to deliver more of the strong underlying revenue growth and sound margins that we have discussed in this report. While the New Zealand dollar remains strong against our principal trading currency of the US dollar, our foreign exchange hedge portfolio is soundly managed and leaves us well placed for the current financial year.

Our consistent performance has its beginnings in our research relationship with clinicians in a number of specialties, both in New Zealand and internationally. We are very fortunate to be working with clinicians in specialities which include adult and cardiovascular intensive care, neonatal intensive care, paediatrics and paediatric intensive care, anaesthesia, sleep, and respiratory care. These partnerships are essential to enable us to develop better devices to help improve patient care and outcomes.

To recognise some of these long-standing relationships, we last year provided NZ$1 million in sponsorship towards the development of a clinical education centre at Auckland City Hospital. The Fisher & Paykel Healthcare Clinical Education Centre opened in November 2004 and is a world-class regional facility for clinical education, training and conferences. We are very proud to be part of the Centre's development and look forward to continuing our long-standing relationships, that have endured for more than 35 years with Auckland's hospitals and clinicians.

The quality of our results and our expectation of further growth are a reflection of the calibre of our people. We thank them all for their contribution and their loyalty. In all parts of our business we have capable, experienced and dedicated employees who are committed to the vision and values described in this report. As a result, our relationships with our distributors, suppliers and clinical partners thrive, and we see growing support and recognition of the benefits of our products from our customers.

Gary Paykel CNZM
Chairman

CONSISTENT STRATEGY LEADS TO SUCCESS

CHIEF EXECUTIVE'S REPORT

Michael Daniell –
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

The 2005 financial year has seen us expand our product range with new products in each of our core groups, apply our technologies beyond our traditional markets to serve additional patient groups and continue to develop our international sales and distribution teams.

Over the year we introduced eight major new products, creating additional opportunities for future revenue growth. At the same time we have expanded our market shares, particularly in the OSA segment in North America and in many international markets.

Growth in the total range of products we sell and the breadth of products within specific groups, such as masks, contributed directly to achieving record revenue and operating profit.

Looking ahead, our strategy remains consistent, driven by a growing range of innovative products, opportunities to address much wider patient populations and international expansion.

OBSTRUCTIVE SLEEP APNEA (OSA)

This product range treats patients with obstructive sleep apnea, a disorder that frequently disrupts breathing during sleep. In addition to causing excessive daytime fatigue, OSA is associated with cardiovascular disease and strokes and is directly linked to hypertension. Higher diagnosis rates and increasing awareness of the condition are contributing to the 15-20% annual growth of this US$1 billion worldwide market.

We offer an extensive range of flow generators and masks which deliver the continuous positive airway pressure (CPAP) therapy which is most

Market expansion … We introduced eight major new products, creating additional opportunities for future revenue growth.

commonly used to treat this disorder. Our humidification technology and our extensive R&D which has resulted in innovative products are important competitive advantages in the OSA treatment market.

In our OSA product group, revenue from flow generators and masks continued to grow at a rapid rate, up approximately 70% in US dollar terms against last year.

Our expanded range of masks now spans four categories with nasal, oral, full face and direct nasal types. Innovations introduced during the year included the Oracle 452 and Infinity 481. Our Infinity 481 direct nasal mask is a further step up in nasal interface comfort, being one of the lightest and smallest nasal interfaces available. With up to 20% of the American population suffering from some kind of nasal obstruction, the Oracle 452 responds to the need for a mask that delivers CPAP therapy via the mouth.

This expanded mask range has been very well received by dealers and OSA patients in our major markets. For the year, flow generators and masks generated a little more than three quarters of our total OSA revenue.

Consistent with the trend over the past few periods, we saw a decline in revenue of approximately 20% from add-on, stand-alone humidification devices, as our customers continue to move to integrated flow generator-humidifier systems. Despite this decline, total OSA product group revenue grew very strongly, up 34% over last year to US$65.7 million.

We are steadily increasing our share within the rapidly growing OSA market, through expanding our sales to a wider range of customers, both in North America and international markets.

In the United States, we are encouraged that an increasing number of homecare dealers are moving a growing proportion of their other OSA purchases to us. We see ample potential to continue this trend, and this, along with our broadening product range, will be an important driver of growth for the next several years.

Our new ***Sleep****Style*™ 200 series and 600 series flow generators have been very well received by customers. The ***Sleep****Style*™ 200 series range includes our patented ***Ambient****Tracking*® technology, which ensures minimal condensation and avoids the potential of water in the breathing tube affecting pressure delivery and efficacy. The new flow generators also offer an increased pressure range, altitude compensation and an enhanced user interface.

The ***Sleep****Style*™ 600 series uses our proprietary ***Thermo****Smart*™ technology, which incorporates a heated breathing tube to provide optimal levels of humidity independent of external conditions. We have introduced the new flow generator ranges into most of our major markets.

Patients have already provided very positive feedback that ***Thermo****Smart*™ reduces symptoms caused by airway drying and significantly improves comfort.

CASE STUDY #1

THERMOSMART™ TECHNOLOGY, SETTING A NEW STANDARD

While continuous positive airway pressure therapy (CPAP) is effective in treating sleep apnea, excessive drying of the nasal mucosa and nasal congestion are side effects often experienced by patients. The resulting discomfort means patients may not persevere with the therapy.

Humidifying the air used in CPAP therapy effectively addresses this issue, as the air is at moisture levels matched to those occurring naturally in the body.

However, conventional humidifiers are unable to supply consistent levels of humidity under all environmental conditions. In cold rooms, for example, excessive condensate can build up in the breathing tubes and bubble, which can disturb the user and affect CPAP pressure.

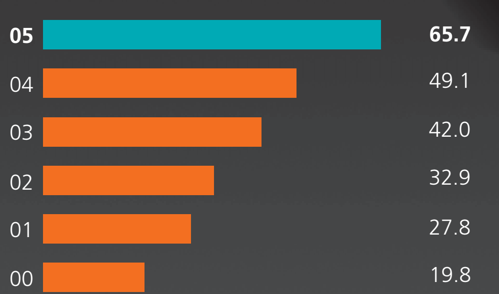
By incorporating heated tubing the ***Thermo****Smart*™ technology is able to deliver higher levels of humidity to CPAP users, regardless of room temperature and we expect that greater comfort levels will lead to improved patient acceptance and compliance. This heated tubing technology is not new to the company but has been translated from sophisticated intensive care humidification technology and applied to OSA therapy.

The new ***Sleep****Style*™ 600 series used in the treatment of OSA incorporates this next generation of our proprietary humidification technology.

OSA PRODUCT REVENUE

NZ $ MILLIONS

US $ MILLIONS



KEY PRODUCTS

- ***SleepStyle***™ 200 Series Flow Generators
- ***SleepStyle***™ 600 Series Flow Generators
- HC150 CPAP Heated Humidifier
- FlexiFit™ 405 Nasal Mask
- FlexiFit™ 407 Nasal Mask
- FlexiFit™ 431 Full Face Mask
- Infinity™ 481 Direct Nasal Mask
- Aclaim2™ Nasal Mask
- Oracle™ 452 Oral Mask
- HC300 Series Chambers

RESPIRATORY HUMIDIFICATION

Heated humidification improves patient care in the treatment of a variety of medical conditions which interfere with normal respiration. Warming and moistening of the gases delivered through ventilation or oxygen therapy helps to reproduce the normal functioning of the nose and upper airways and reduces airway moisture loss and the occurrence of adverse side effects. We estimate that the respiratory humidification market we operate in is worth more than US$350 million worldwide and is growing at around 5% per year.

Our respiratory humidification product group revenue also grew strongly, up 16% in US dollar terms, to US$78.8 million. Underlying revenue growth, after allowing for currency translation and for SARS-related sales last year, was a healthy 12%.

This underlying growth continued to be driven by ongoing market share gains by our MR850 humidifier system. As forecast in our last annual report, the shared primary purchasing agreement between our distributor, (Cardinal Health) and Premier, one of the United States' largest hospital group purchasing organisations, led to higher sales of our sophisticated MR850s into Premier buying group hospitals.

MR850 placements are, in turn, driving strong growth in both adult and neonatal breathing circuits, and components such as bacteria filters. The average value of humidifier and breathing system components we provide for each patient continues to increase.

Our *Evaqua*® breathing circuit, introduced last year, has been very well received by customers. This is a world first in breathing circuit technology, incorporating a membrane which allows water in the expiratory tube to evaporate. This technology overcomes the major problem with condensed water that faces health professionals dealing with patients on artificial ventilation. As a result of its rapid acceptance we are ramping up manufacturing capacity to meet growing demand.

NEW PRODUCTS INTRODUCED IN THE PAST 12 MONTHS:

Sleep*Style*™ 200 series Integrated and Convertible CPAP models

Sleep*Style*™ 600 series CPAP with ***Thermo****Smart*™

Infinity™ 481 Direct Nasal mask

Oracle™ 452 Oral Mask

MR880 Humidification system including patient interfaces

HC550 Home Humidification system for ventilated patients

RT329 Neonatal Oxygen Therapy kit

NeoWrap™ – Occlusive Wrap for neonatal labour and delivery

MR880

HC550

Revenue growth … Neonatal breathing systems, which include our infant CPAP system and resuscitator, were important contributors to a 31% increase in revenue to US$12.8 million.

NEONATAL CARE AND PATIENT WARMING

This product group underlines how the expansion of our technologies leads to continued revenue growth.

Neonatal breathing systems, which include our infant CPAP system and resuscitator, were important contributors to a 31% increase in revenue to US$12.8 million. The infant CPAP system was introduced two years ago to provide breathing support to babies in intensive care. Both the infant CPAP system and resuscitator are continuing to generate rapidly growing, recurring revenues. Neonatal warmers also generated good growth in this product group. We continue to develop our radiant warming technology for additional applications in the intensive care and peri-operative markets.

RESEARCH AND DEVELOPMENT

INVESTMENT IN R&D	2005 NZ$16.2 MILLION	2004 NZ$14.1 MILLION
R&D as % of revenue	6.7%	5.5%
R&D staff	170	150
Patents at 31 March		
US held	52	45
US applications pending	70	58
Rest of world held	97	52
Rest of world applications pending	234	214

Investment in research and development is fundamental to driving our future growth in the respiratory care, OSA, neonatal care and related markets. We regularly introduce new and profitable products and technologies created through our technical expertise and clinical partnerships.

R&D expenses grew by 15% to NZ$16.2 million for the year and represented 6.7% of revenue, reflecting increased activity and the number of new product introductions. The higher spending also supported a pipeline of new products still under development, some of which we expect to take to market in the current financial year.

Current R&D projects include the development of additional breathing system consumables which will improve patient care and further increase the value of consumables we can provide for each respiratory patient.

Following the introduction of our MR880 oxygen therapy system for hospitals in April 2005, product and clinical development continues to progress well in our project to develop a system specifically designed to help treat home patients with Chronic Obstructive Pulmonary Disease (COPD). The new system will combine technology from our OSA and intensive care products.

Our R&D work also led to the release of a new humidifier system, the HC550 for the home respiratory care market, while in the OSA group we have additional masks and flow generator models under development. In the neonatal product group, we have under development a range of resuscitation masks which will further expand our consumables for that market.

SALES AND MARKETING

In recent years, our strategy has been to expand our direct sales and distributor networks in our international markets. We use the best channels to meet the needs of our customers, which include hospitals, long-term care facilities and home healthcare dealers.

This year saw expansion of our operations in Asia with the establishment of a company in Japan, Fisher & Paykel Healthcare K.K., and the opening of a sales and marketing support office in Tokyo.

Japan is the largest market in the Asia Pacific region for our respiratory humidifier systems, and is expected to

CASE STUDY #2

REACHING NEW PATIENT GROUPS WITH HUMIDIFICATION

One of our strategies for growth is to increase the range of patients we are able to serve by developing our technologies for new medical applications.

Respiratory humidification has traditionally been used in intensive care, but the MR880 humidification system, launched in April 2005, expands our opportunities beyond that market and into the care of additional patient groups. The MR880 can be used to help in the care of a range of patients, including patients with severe respiratory illness such as chronic obstructive pulmonary disease (COPD) and patients with conditions such as xerostomia (dry mouth) and cystic fibrosis. Providing humidity to the airways can help respiratory patients breathe more freely by freeing up mucus and potentially helping to reduce coughing and lung tissue inflammation.

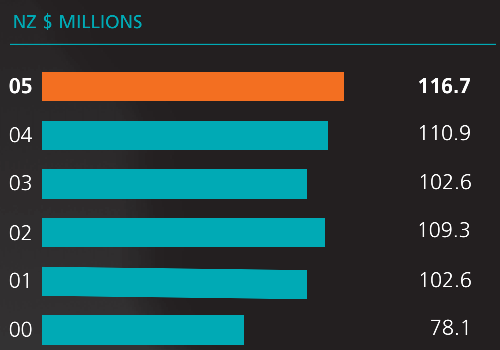
The system was designed and developed as a simple to operate humidification device for the hospital ward and home environment. It delivers air at physiologically normal levels of warmth and moisture and enables the patient to receive a high flow of gas through their nose or tracheotomy tube. The MR880 was developed over the last four years in association with Middlemore Hospital in Auckland.

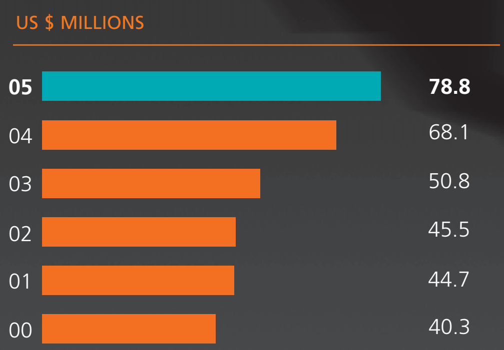
The system has three components, the MR880 humidifier, the RT241 breathing circuit and three choices of interface, two nasal and one direct tracheotomy connection. The nasal interfaces allow patients to eat, talk and sleep comfortably while receiving oxygen or high flow humidity therapy. The tracheotomy direct connection attaches onto a tracheotomy tube. This ensures increased comfort for the patient as less gas flows over the tracheotomy site and the patient’s face compared to the current technology.

The MR880 humidification system is currently available in New Zealand, Australia and the United Kingdom. There are plans for a worldwide release of the product over the next 12 months.

In July 2004 we also began pilot marketing an innovative humidification system for use in laparoscopic surgery. We estimate that about fifteen million of these procedures take place each year around the world. During laparoscopic (keyhole) surgery, cold dry carbon dioxide continuously flows into the abdominal cavity, causing evaporation of the serous fluid. This can result in hypothermia, tissue damage, inflammation, pain and risk of complications. Our MR860 system is designed to humidify the gas to body temperature, saturated with water vapour to maintain normal physiological conditions in the abdominal cavity during surgery.

RESPIRATORY HUMIDIFICATION PRODUCT REVENUE





KEY PRODUCTS

- MR850 Respiratory Humidifier
- MR810 Respiratory Humidifier
- MR880 Respiratory Humidifier
- MR410 Respiratory Humidifier
- HC550 Respiratory Humidifier
- MR200 Series Respiratory Humidification Chambers
- Single Use Adult Breathing Circuits
- Single Use Infant Breathing Circuits

Meeting customers' needs … We have continued to add to our teams in North America and Europe, to increase geographical coverage and to support ongoing growth. In the coming year our sales support in South America and Scandinavia will be expanded.

become a rapidly growing market for devices to treat obstructive sleep apnea (OSA). It is the second largest medical device market worldwide, worth an estimated US$17 billion in 2004.

With a sales support team now established, we expect Japan to be increasingly important to us in the Asia Pacific region. The region, as a whole, generated NZ$51 million of our total NZ$241 million revenue during the year ended 31 March 2005.

Establishing a company and sales and marketing support office in Japan are important steps in this complex market as they will give us greater understanding of local needs and enhance our ability to meet those needs.

The expansion was built on a longstanding relationship in Japan with our distributor, Tokibo Co. Ltd. Our new office will significantly increase our ability to provide Tokibo with enhanced clinical and product education and to continue to grow demand for our products to benefit both companies. Our team will also strengthen support to ventilator OEM (Original Equipment Manufacturer) customers as well as homecare customers in Japan.

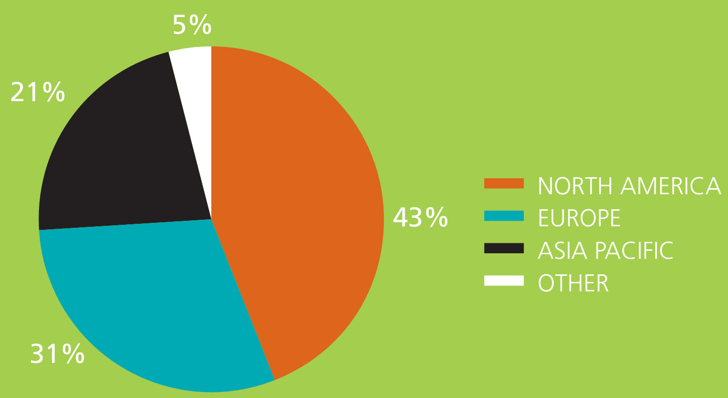
In 2003 we established a representative office in Guangzhou, China and over the past year we have expanded our marketing team there. Other developments include the opening of an office and warehouse in Bangalore, to support our network of distributors in India and the appointment of a product specialist in Dubai to support our Middle Eastern customers.

We have continued to add to our teams in North America and Europe, to increase geographical coverage and to support ongoing growth. In the coming year our sales support in South America and Scandinavia will be expanded.

The investment made in strengthening our North American team has paid off in higher market penetration. This has also been enhanced by our partnership with Cardinal Health, a major provider of products and services to the healthcare industry in the United States. Cardinal has been instrumental in the rapid establishment of our MR850 respiratory humidification system in the United States, particularly in member hospitals of the Premier buying group. Our increasing market presence has also seen our new OSA products gain rapid acceptance by homecare dealers, leading to increased market share and a broader customer base.

We are experiencing continuing strong revenue growth in Europe and the United Kingdom as we continue to build our sales teams across these key markets. Successes during the year included gaining a stronger position in the OSA market following introduction of our new flow generator and mask ranges. Spain and Italy, where we expanded our direct presence last year, continued to perform

REVENUE BY REGION



strongly and we achieved encouraging initial direct sales in Switzerland.

Closer to home, our sales teams in Australia and New Zealand grew sales for both our manufactured products and our distributed products. Australia and New Zealand are especially important during the introduction of new products. Our R&D and marketing teams work closely with our customers and these valuable relationships enable us to enhance clinical and product information for all of our markets internationally.

Our growth strategy saw selling, general and administrative expenses grow approximately 18% in constant currency terms against the prior year.

MANUFACTURING, REGULATORY AND OPERATIONS

In our processes and in our products we seek continuous improvement and the highest level 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 our compliance to these standards by operating a quality management system, certified to a range of international standards based on the ISO9000 series. This system applies to both our manufacturing facilities and sales network.

We are required to comply with the United States Quality System Regulation and to 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 60601-1 electrical safety standard. We are also required to comply with the European Medical Device Directive, incorporating the quality standard ISO13485.

In addition, TÜV SÜD Group, a European notified body, audits our New Zealand facility and international offices annually. This is required to maintain the certification that allows us to place a CE mark on our products for entry into European Union markets and to meet Canadian and Australian regulatory requirements.

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.

Construction of a 23,300m^2 building in addition to the existing facility on our Auckland site is well underway. This approximately NZ$60m investment will accommodate additional manufacturing, operations and R&D capacity on completion in mid 2006. The design of our present building, which was completed in July 2000, has proven to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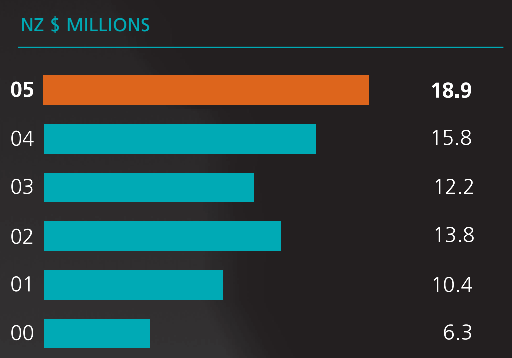
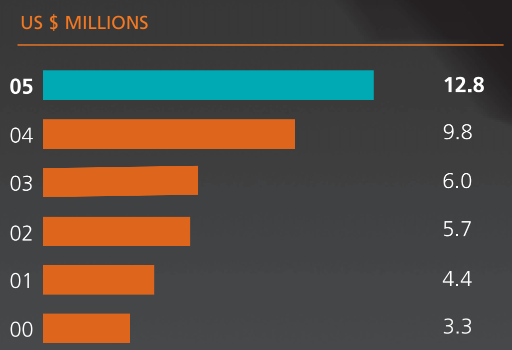
NEONATAL AND PATIENT WARMING PRODUCT REVENUE





KEY PRODUCTS

- IW930 Cosycot™ Infant Warmer
- IW910 Mobile Infant Warmer
- RD900 Neopuff™ Infant Resuscitator
- PW820 SunTouch™ Patient Warmer
- Infant Bubble CPAP System

Better planning … We operate an integrated enterprise resource planning system which is used for forecasting, scheduling, manufacturing, ordering components, processing orders and managing inventory. This system is used in all of our facilities and provides real time reporting of sales and assists with inventory management.

be very effective and the new building follows a similar open plan design.

We operate an integrated enterprise resource planning system which is used for forecasting, scheduling, manufacturing, ordering components, processing orders and managing inventory. This system is used in all of our facilities and provides real time reporting of sales and assists with inventory management.

Within our manufacturing facility we achieved approximately NZ$2m 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

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.

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 past year we continued to improve our recycling processes and our recycling of plastics, paper and metals increased by 30% to 113 tonnes from our Auckland facility.

By working closely with our plastics recycler we have increased the amount of plastic recycled by 39% compared to the prior year. Over the year we recycled 65% of our overall waste material.

Our 40 hectare site at East Tamaki, Auckland includes landscaped settlement ponds that take rainwater runoff from our building roof, car parks and surrounding roads. The ponds help minimise sediment entering the nearby Tamaki River.

HEALTH AND SAFETY

We are committed to providing our people with a healthy and safe working environment. A robust Health & Safety management system, which is audited by the NZ Accident Compensation Corporation (ACC) and certified to its Workplace Safety Programme at the tertiary level, is maintained at our Auckland site.

To sustain our tertiary certification we have continued to improve our systems and have undertaken internal audits. Our Health & Safety team has continued to develop, with our employee representatives undergoing training approved by the NZ Department of Labour. These initiatives represent

a significant step towards achieving excellence in health and safety and also ensure that we meet our legal responsibilities. In our manufacturing facility the number of lost time injuries reduced, from six in 2004 to three in 2005.

HUMAN RESOURCES

Worldwide we employ approximately 1100 people. Our human resources strategy continues to be focused on attracting, retaining and developing our family of employees around the world and we ensure this with initiatives and systems to support the development of our people. We continue to support equal employment opportunity principles for all of our employees.

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

We again participated in the 'Best Places to Work' survey in New Zealand and featured in the top five of the 'Large Employer' category. Over the year we have focused on a number of initiatives following feedback from our employees. Some of these initiatives included understanding our company's purpose and values, internal communication strategies and reviewing our performance evaluation methodology. We believe we have continued to make good progress in the areas identified.

OUTLOOK

Our strategy remains consistent. Growth will be driven by an expanding range of innovative products, opportunities to address much wider patient populations and additions to our international sales and distribution teams. We have seen a trend towards an increasing underlying revenue growth rate and our opportunities for growth continue to expand.

Our research and development activities ensure that we have a continuous pipeline of new products, and as we increase our sales presence in key markets, we are well placed to capitalise on growth opportunities in each of our core product groups.

Our performance this year could not have been achieved without our committed staff, the support of our Board and the support of our shareholders. Sincere thanks to them all for their confidence in the business.

Michael Daniell
Managing Director and Chief Executive Officer

Board of Directors

Gary A. Paykel

Michael G. Daniell

P. Michael Smith

Nigel T. Evans

Adrienne E. Clarke

W. Lindsay Gillanders

Sir Colin J. Maiden

Gary A. Paykel

Gary A. Paykel, 63, 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 a director of Sports Drinks Limited since October 1994 and has recently been appointed as a director of Team New Zealand. Mr Paykel is a Companion of the New Zealand Order of Merit.

P. Michael Smith

P. Michael Smith, 60, 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 Auckland International Airport Limited since June 1998, ING Property Trust Management Limited since October 2002, Hauraki Private Equity No. 1 Fund since March 2002 and Hauraki Private Equity No. 2 Fund since February 2004. 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, 48, became Managing Director and Chief Executive Officer upon completion of the reorganisation in November 2001. 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 25 years of international healthcare business experience. 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, 64, 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, 67, 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 Resources 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 a Companion 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, 55, has served as a director of Fisher & Paykel Industries Limited since May 1992 and continues to serve as a Director of the Company. Mr Gillanders has also served as a Director of Fisher & Paykel Appliances Holdings Limited since November 2001, Rangitira Limited since October 2002, Auckland Packaging Company Limited since October 2002 and as Chairman since September 2003. 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. 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, 72, has served as a director of Fisher & Paykel Industries Limited since May 1978 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 and DB Breweries Limited since February 1993. Sir Colin has also served as a director of DB Breweries Limited and its subsidiaries since May 1994, New Zealand Refining Company Limited since April 1991 and Foodland Associated Limited since March 2000. He has also held a number of managerial positions with General Motors Corporation in the U.S. and was a senior lecturer in mechanical 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.

DIRECTORS' REPORT

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 31 March 2005.

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

An operating profit before taxation of $89.7 million (2004 $79.0 million) was earned for the year ended 31 March 2005.

The profit after taxation was $61.4 million (2004 $54.7 million).

Earnings per share were 12.1 cents (2004 10.7 cents).

SHAREHOLDERS' EQUITY

Shareholders' Equity at 31 March 2005 totalled $192.0 million (2004 $191.2 million).

SHARE ISSUES

During the year 368,466 shares were issued under approved Employee Share Purchase Schemes in accordance with the Company's Constitution.

During the year 168,176 shares were issued under Employee Share Option Plans upon the exercise of previously granted share options. Of the 168,176 shares issued under Employee Share Option Plans, 118,186 shares were issued under the Cancellation Offer Facility as approved by shareholders on 12 August 2004.

During the year 4,997,500 share options were issued under an approved Employee Share Option Plan (being 999,500 share options prior to the 5 for 1 share subdivision on 1 October 2004).

DIVIDEND

The directors approved a final dividend to be paid on 17 June 2005 of 5.8 cents per share (2004 5.6 cents), resulting in total dividends of 10.8 cents per share (2004 10.4 cents) for the year. All dividends carried full imputation credits.

DIRECTORS

In accordance with the Constitution, Gary Paykel and Michael Smith 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.

NEW ZEALAND STOCK EXCHANGE WAIVERS

At the Company's annual shareholders meeting last year, Fisher & Paykel Healthcare obtained shareholder approval to offer to optionholders a cancellation facility (the Cancellation Offer), whereby optionholders accepting the Cancellation Offer would not exercise the relevant options. Rather, those options would, at the optionholders' notice be cancelled in return for the issue of ordinary shares in the Company. The Cancellation Offer was designed to reduce the number of shares the Company is required to issue in relation to options granted under the Company's Employee Share Option Plans, thus reducing the dilution effect to existing shareholders from the exercise of options.

The NZSX granted a waiver subject to certain conditions (including the review of the waiver in respect of any options issued after the 3rd anniversary date of the waiver) from compliance with NZSX Listing Rule 7.3.2(a) which provides that an issue of securities which has been approved by shareholders must be made within 36 months of the approval.

The Company sought this waiver in order to be able to issue shares under the Cancellation Offer outside the timeframe set out in the NZSX Listing Rules as some of the options issued under the Company's Option Plans may be exercisable outside this timeframe.

REMUNERATION OF DIRECTORS

Non-Executive Directors received the following directors' fees from Fisher & Paykel Healthcare Corporation Limited in the year ended 31 March 2005:

	$
A E Clarke	53,948
N T Evans	65,000
W L Gillanders	48,500
C J Maiden	72,375
G A Paykel	106,375
P M Smith	96,625

As part of the November 2001 reorganisation, Sir Colin Maiden will receive from the Company a retirement benefit of $170,000 on his retirement.

Previously Sir Colin Maiden was to retire on or before the 2004 annual shareholders meeting. Sir Colin Maiden has, at the request of the Board, agreed to continue as a Director and his retirement allowance will now be paid upon his eventual retirement from the Board.

In accordance with a consultancy agreement entered into as part of the 2001 reorganisation, Lindsay Gillanders received from the Company consultancy fees of $150,000 in the year ended 31 March 2005. The consultancy agreement of Lindsay Gillanders expired on 31 December 2004.

Michael Daniell acting in his capacity as an employee of Fisher & Paykel Healthcare Corporation Limited received fixed remuneration inclusive of the value of benefits in the year ended 31 March 2005 of $553,583.

In addition to Michael Daniell's fixed remuneration were performance based at risk components, both paid out and accrued, of $150,986. Michael Daniell was also issued 275,000 options on 26 August 2004 with a remuneration value of $52,800. These options were valued using a variant of the Binomial Options Pricing Model. The assumptions for this calculation are included in Note 9 of the Financial Statements.

Michael 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

M G Daniell
Managing Director and Chief Executive Officer
18 May 2005

CORPORATE GOVERNANCE

The Board and management of the Company are committed to ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Board has agreed to regularly review and assess the Company's governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The Company is listed on both the New Zealand and Australian stock exchanges. Corporate Governance principles and guidelines have been introduced in both countries. These include the Australian Stock Exchange (ASX) Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, the New Zealand Stock Exchange Listing Rules relating to corporate governance, the New Zealand Exchange Corporate Governance Best Practice Code, and the New Zealand Securities Commission's Corporate Governance Principles and Guidelines (the Principles).

The Governance Manual for the Company consists of various charters and policies which reflect the Principles.

The Board considers that, the Company's corporate governance policies, practices and procedures substantially comply with the Principles. The full content of the Company's Corporate Governance policies, practices and procedures can be found on the Company's website (www.fphcare.co.nz).

CODE OF CONDUCT (ETHICS)

The Company expects its employees and Directors to maintain high ethical standards. A Code of Conduct for the Company and a separate Directors Code of Conduct sets out these standards.

Both codes of conduct address, amongst other things:

- conflicts of interest;
- receipt of gifts;
- corporate opportunities;
- confidentiality;
- expected behaviours;
- delegated authority;
- reporting issues regarding breaches of the Code of Conduct, legal obligations or other policies of the Company; and
- obligations for a Director to act in good faith and in what the Director believes to be the best interests of the Company.

The full content of the Company's Codes of Conduct can be found on the Company's website. At the date of this annual report, no instances of unethical behaviour have been reported under the Company's Code of Conduct.

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The business and affairs of the Company are managed under the direction of the Board of Directors. At a general level, the Board is elected by shareholders to:

- establish the Company's objectives;
- develop major strategies for achieving the Company's objectives;
- manage risks;

- determine the overall policy framework within which the business of the Company is conducted; and
- monitor management's performance with respect to these matters.

The Board Charter regulates internal Board procedure and describes the Board's specific role and responsibilities.

The Board delegates management of the day-to-day affairs and management responsibilities of the Company to the executive team under the leadership of the Managing Director to achieve the strategic direction and goals determined by the Board.

THE BOARD

Board Composition

At present, there are seven Directors on the Board. Six out of the seven Directors are non-executive Directors. Mr Daniell is the only executive director on the Board.

The biography of each board member is set out in the "Board of Directors" section of this annual report.

Independence of Directors

The factors the Company will take into account in assessing the independence of its Directors are set out in its Charter, a copy of which is available on the Company's website. No quantitative materiality thresholds have been adopted by the Company because it was considered more appropriate to determine independence on a case by case basis.

After consideration of these factors, the Company is of the view that:

1. No director is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
2. Mr Michael Daniell is a director who within the last three years has been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment. The Board has unanimously confirmed that as over three years have elapsed since Gary Paykel was an executive of the former Fisher & Paykel Industries Limited, he is to be considered an independent director of the Company;
3. Other than Mr Gillanders there are no directors who have been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provider, within the last three years;
4. No director is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. No director has a material contractual relationship with the Company or another group member other than as a director of the Company;
6. No director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company. In this context the Board specifically confirms that it has unanimously endorsed Gary Paykel's and Sir Colin Maiden's positions as valued independent directors of the Company; and
7. All directors are free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Based on the above assessments, the Company considers that five of the current seven directors are independent directors, namely, Adrienne Clarke, Nigel Evans, Sir Colin Maiden, Gary Paykel and Michael Smith, and that the other two directors, namely Michael Daniell and Lindsay Gillanders are not independent directors.

Committees

Specific responsibilities are delegated to the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee. These Board committees support the Board by working with management on relevant issues at a suitably detailed level and then reporting back to the Board. Each of these committees has a charter setting out the committees' objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's website.

Audit & Risk Committee

The Audit & Risk Committee's role is to assist the Board in its oversight of all matters relating to the financial accounting and reporting of the Company. The Audit & Risk Committee also monitors the processes which are undertaken by management and auditors (both external and internal), including monitoring external auditors in accordance with the External Auditors Policy, a summary of which appears on the website. In addition, the Audit & Risk Committee is responsible for the establishment of policies and procedures relating to risk oversight, identification, management, compliance and control.

Under the Board Charter a majority of the Audit & Risk Committee members must be independent. The current members of the Audit & Risk Committee are Michael Smith (Chairman), Sir Colin Maiden and Nigel Evans. All members of the Audit & Risk Committee are independent.

Remuneration Committee

The Remuneration Committee's role is to assist the Board in establishing relevant remuneration policies and practices. The current members of the Remuneration Committee are Gary Paykel (Chairman), Sir Colin Maiden and Michael Smith. All members of the Remuneration Committee are independent.

Nomination Committee

The procedure for the appointment and removal of Directors is ultimately governed by the Company's Constitution. A Director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy.

The Board has delegated to the Nomination Committee the responsibility for recommending candidates to be nominated as a Director on the Board and candidates for the committees. When recommending candidates to act as Director, the Nomination Committee takes into account such factors as it deems appropriate, including the experience and qualifications of the candidate.

The current members of the Nomination Committee are Gary Paykel (Chairman), Sir Colin Maiden and Michael Smith. All members of the Nomination Committee are independent.

Board Processes

The Board held 12 meetings during the year ended 31 March 2005. The table below shows attendance at the Board and Committee Meetings. With the exception of January and July, Board meetings are held monthly, with other meetings to deal with matters of urgency occurring from time to time when necessary.

CORPORATE GOVERNANCE (continued)

	BOARD		AUDIT & RISK COMMITTEE		REMUNERATION COMMITTEE	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
A E Clarke	12	11				
M G Daniell	12	12				
N T Evans	12	12	3	3		
W L Gillanders	12	12				
C J Maiden	12	10	3	3	3	3
G A Paykel	12	11			3	3
P M Smith	12	12	3	3	3	3

The Nomination Committee did not meet during the year ended 31 March 2005.

There is no formal procedure agreed by the Board to allow Directors to take independent professional advice at the expense of the Company. However, if circumstances arose where a Director needed to obtain independent advice, that Director would as a matter of practice be at liberty to seek such advice at the expense of the Company.

DIRECTORS' REMUNERATION

The Remuneration Committee is responsible for establishing and monitoring remuneration policies and guidelines for Directors which enable the Company to attract, retain and motivate Directors who would contribute to the successful governing of the Company and create value for shareholders.

The Company also takes advice from independent consultants, taking into account fees paid to directors of comparable companies in New Zealand and Australia in its assessment of the appropriate level of remuneration.

For details of Directors' remuneration, see the "Remuneration of Directors" section of the "Directors' Report" in this annual report.

Directors do not take a portion of their remuneration under an equity security plan but all directors hold shares in the Company, details of which are set out in the "Directors Shareholding" section of this annual report. It is the Company's policy to encourage directors to acquire shares on-market.

No non-executive director is entitled to receive a retirement payment unless eligibility for such payment has been agreed by shareholders and publicly disclosed during his or her term of Board service or such retirement payment is within the limits prescribed by the NZSX Listing Rules.

On the retirement of a Director, the NZSX Listing Rules allow for a discretionary payment by way of lump sum or pension to that Director, only if the total amount of the payment does not exceed their total remuneration in their capacity as a Director in any three years chosen by the Company and the Director was in office on or before 1 May 2004 and has continued to hold office since that date. If any payment is made it will be within the limits prescribed by the NZSX Listing Rules, subject to the discretion of the Board, taking into account a range of factors, including the Director's length of service. The retiring Director does not participate in discussions concerning any retirement payment to be made to them.

The Board has resolved that it will not pay any future retirement benefits to non-executive Directors other than, at the Board's discretion, a retirement allowance of one year's Directors fees to each existing non-executive director (except for Sir Colin Maiden whose retirement payment is described below), such amount being equal to the average of the annual fees paid to that Director in any three years prior to that Director's retirement or cessation of office, and payable on retirement or cessation of office. At the time of the separation of the Company in 2001, a retirement payment of $170,000 was agreed to be paid to Sir Colin Maiden on his retirement from the Board following the annual shareholders' meeting in 2004. Sir Colin Maiden has agreed to remain as a director at the request of the Board and the Board has agreed to defer the payment of the retirement allowance until his retirement. The retirement payments above meet the NZSX Listing Rules criteria.

SENIOR MANAGEMENT REMUNERATION

The Remuneration Committee is responsible for reviewing the remuneration of the Company's senior management in consultation with the Managing Director of the Company.

The remuneration packages of senior management consist of a mixture of base remuneration, the companywide profit sharing bonus, a variable remuneration component based on relevant company performance, participation in the Company's employee share purchase plan and share options.

The remuneration policy for senior management is designed to attract, motivate and retain high quality employees who will enable the Company to achieve its short and long term objectives. This includes providing performance incentives which allow executives to share in the long term success of the Company. The share option plans operated by the Company are intended to encourage the retention of senior management and to increase the commonality between the interests of management and shareholders.

The ASX recommends (in Principle 9) that listed companies provide details of the nature and amount of remuneration of each of the five highest-paid officers of that Company. The Company employs a number of executives in its overseas sales offices and considers that it is inappropriate to follow this recommendation as this disclosure will not provide any meaningful guidance. Remuneration levels in the various overseas countries are not directly comparable given that different remuneration practices are involved. In addition, the employees who would fall within the top five each year will, to a large extent, be dependant on the relative performance of the New Zealand dollar and the relevant foreign currency exchange rates as opposed to individual or corporate performance.

A general and wider disclosure of senior management remuneration is included in the "Employee Remuneration" section of this annual report, where the Company has disclosed in various escalating remuneration bands the number of employees and former employees whose remuneration including benefits exceeds $100,000.

PERFORMANCE EVALUATION

The Board has a policy in place relating to the performance evaluation of the Board, the Board's committees, individual Directors and executives. During the financial year the Board conducted a performance evaluation of the Board and its members in accordance with its policies. A summary of the Company's Performance Evaluation Policy is available on the Company's website.

The Board Charter requires the Board to undertake an annual performance evaluation of itself that:

- compares the performance of the Board with the requirements of its Charter;
- reviews the performance of the Board's committees;
- sets forth the goals and objectives of the business for the upcoming year; and
- effects any improvements to the Board Charter deemed necessary or appropriate.

RISK MANAGEMENT

The Company has a number of risk management policies, as well as related internal compliance systems that are designed to:

- optimise the return to, and protect the interests of, stakeholders;
- safeguard the Company's assets and maintain its reputation;
- improve the Company's operating performance; and
- fulfil the Company's strategic objectives.

The Board ultimately has responsibility for internal compliance and control.

At least twice a year, the Audit & Risk Committee receives an internal audit report. In addition, an annual internal audit plan is presented to and approved by the Audit & Risk Committee.

POLICIES

The Company has in place a number of policies including those covering external auditors, remuneration, market disclosure, communication with shareholders, share trading, Human Resources and health and safety.

FINANCIAL COMMENTARY

YEAR ENDED 31 MARCH 2005 COMPARED TO YEAR ENDED 31 MARCH 2004

The following table sets forth the consolidated statement of financial performance for the financial years ended 31 March 2005 and 2004:

	FINANCIAL YEAR ENDED 31 MARCH			
	2005 NZ$MILLIONS	2004 NZ$MILLIONS	2005 US$MILLIONS	2004 US$MILLIONS
Operating revenue	$240.566	$214.865	$162.599	$132.056
Operating profit	89.745	79.015	60.659	48.563
Net interest income (expense)	1.247	1.920	0.843	1.180
Other income	0.570	-	0.385	-
Profit before taxation	91.562	80.935	61.887	49.743
Taxation	(30.157)	(26.236)	(20.383)	(16.125)
Profit after taxation	$61.405	$54.699	$41.504	$33.618

The following table sets forth supplemental financial data relating to the operating revenue and operating expenses for the financial years ended 31 March 2005 and 2004:

	FINANCIAL YEAR ENDED 31 MARCH			
	2005 NZ$MILLIONS	2004 NZ$MILLIONS	2005 US$MILLIONS	2004 US$MILLIONS
Operating revenue	240.566	214.865	162.599	132.056
Operating expenses:				
Cost of sales	67.243	62.590	45.450	38.468
Research and development expenses	16.196	14.115	10.947	8.675
Selling, general and administrative expenses	67.382	59.145	45.543	36.350
Total operating expenses	150.821	135.850	101.940	83.493
Operating profit	89.745	79.015	60.659	48.563
Operating margin	37.3%	36.8%	37.3%	36.8%
Gross profit	173.323	152.275	117.149	93.588
Gross margin	72.0%	70.9%	72.0%	70.9%

OPERATING REVENUE

Our operating revenue increased by 12 percent to NZ$240.566 million for the financial year ended 31 March 2005 from NZ$214.865 million for the financial year ended 31 March 2004.

The increase was principally due to increased sales volume from our core products, respiratory humidification, OSA and patient warming and neonatal care during the financial year, partially offset due to a significant increase in the value of the New Zealand dollar particularly against the US dollar.

Our operating revenue benefited by NZ$11.690 million due to our foreign exchange hedging when compared to the average spot rates for the financial year ended 31 March 2005 from NZ$8.272 million for the financial year ended 31 March 2004.

The following table sets forth operating revenue by product group for the financial years ended 31 March 2005 and 2004:

	FINANCIAL YEAR ENDED 31 MARCH					
	2005 NZ$MILLIONS	2004 NZ$MILLIONS	PERCENTAGE VARIATION	2005 US$MILLIONS	2004 US$MILLIONS	PERCENTAGE VARIATION
Product group:						
Respiratory humidification products	116.729	110.942	+5%	78.777	68.068	+16%
OSA products	96.950	79.687	+22%	65.698	49.055	+34%
Patient warming and neonatal care products	18.937	15.849	+19%	12.806	9.796	+31%
Core products sub-total	232.616	206.478	+13%	157.281	126.919	+24%
Distributed products	7.950	8.387	-5%	5.318	5.137	+4%
Total	$240.566	$214.865	+12%	$162.599	$132.056	+23%

FINANCIAL COMMENTARY

YEAR ENDED 31 MARCH 2005 COMPARED TO YEAR ENDED 31 MARCH 2004

Sales of respiratory humidification products increased by 16 percent in US dollar terms in the financial year ended 31 March 2005 from sales in the prior year. Excluding the effects of currency translations and SARS in the prior year, sales of respiratory humidification products are estimated to have increased by 12 percent in the financial year ended 31 March 2005. This increase was driven by strong market share gains in both adult and neonatal breathing circuits and other single use accessories and an increasing move towards our MR850 humidifier technology. We also benefited from additional demand in the early part of the financial year due to placing a significant number of MR850 humidifiers in the United States with a major national hospital buying group.

Sales of OSA products increased by 34 percent in US dollar terms in the financial year ended 31 March 2005 from sales in the prior year. Excluding the effects of currency translations, sales of OSA products are estimated to have increased by 31 percent in the financial year ended 31 March 2005. Growth was driven by flow generators and masks with 70 percent growth in US dollars for the financial year. This primarily reflected growing market share from our expanded range of flow generators and masks.

Sales of patient warming and neonatal care products increased by 31 percent in US dollar terms in the financial year ended 31 March 2005 from sales in the prior year. Excluding the effects of currency translations, sales of patient warming and neonatal care products are estimated to have increased by 23 percent in the financial year ended 31 March 2005. We achieved strong revenue growth from both neonatal warmers and breathing systems, which include our infant CPAP system and our neopuff infant resuscitator.

Sales of distributed products increased 4 percent in US dollars terms in the financial year ended 31 March 2005 from sales in the prior year, primarily due to a significant increase in the value of the New Zealand dollar particularly against the US dollar.

Sales of respiratory humidification products represented 48 and 52 percent of operating revenue for the financial years ended 31 March 2005 and 2004, respectively. Sales of OSA products represented 40 and 37 percent of operating revenue for the financial years ended 31 March 2005 and 2004, respectively. Sales of consumable and accessory products for core products accounted for 54 and 51 percent of operating revenue for the financial years ended 31 March 2005 and 2004, respectively. Operating revenue from respiratory humidification, OSA and patient warming and neonatal care products has grown at compound annual growth rates of 14 and 20 percent in New Zealand and US dollar terms respectively, from 31 March 2000 to 31 March 2005 as we have introduced new products and the markets for these products have expanded.

The following table sets forth our operating revenue for each of the primary regional markets for the financial years ended 31 March 2005 and 2004:

	FINANCIAL YEAR ENDED 31 MARCH			
	2005 NZ$MILLIONS	2004 NZ$MILLIONS	**2005 US$MILLIONS**	2004 US$MILLIONS
North America	**103.930**	93.610	**70.522**	57.722
Europe	**75.258**	64.469	**50.826**	39.594
Asia Pacific	**50.518**	47.959	**33.914**	29.294
Other	**10.860**	8.827	**7.337**	5.446
Total	**$240.566**	$214.865	**$162.599**	$132.056

In the financial year ended 31 March 2005, 61 percent of revenue was denominated in US dollars. We make a significant proportion of US dollar sales to customers outside the US. Other significant currencies include Euros and British pounds, representing approximately 19 and 8 percent of revenue respectively in the past financial year.

OPERATING EXPENSES

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

Cost of sales 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.

Research and development expenses 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$16.196 million for the financial year ended 31 March 2005 compared to NZ$14.115 million in the previous financial year. The increase was attributable to increases in research and development personnel in connection with the continuing expansion of product development activities for the respiratory humidification, OSA, and patient warming and neonatal care product groups. Research and development expenses represented 6.7 percent of total operating revenue for the financial year ended 31 March 2005.

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 consist primarily of staff payroll and benefits, travel expenses, marketing and promotional material. Selling, general and administrative expenses increased by 14 percent to NZ$67.382 million in the financial year ended 31 March 2005 compared to NZ$59.145 million in the previous financial year. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities, partially offset by the effects of currency translations. Excluding the effects of currency translations, selling, general and administrative expenses are estimated to have increased by 18 percent in the financial year ended 31 March 2005.

GROSS PROFIT

Gross profit increased to NZ$173.323 million, or 72% of sales, in the financial year ended 31 March 2005 from NZ$152.275 million, or 71% of sales, in the financial year ended 31 March 2004. Gross profit and gross margin percentage increased due to the favourable foreign currency hedging in place during the financial year, product cost out initiatives and underlying volume growth.

Our gross profit benefited by NZ$34.025 million due to our foreign exchange hedging when compared to the average spot rates for the financial year ended 31 March 2005 from NZ$21.693 million for the financial year ended 31 March 2004.

OPERATING PROFIT

Operating profit increased by 14 percent to NZ$89.745 million in the financial year ended 31 March 2005 from NZ$79.015 million in the financial year ended 31 March 2004.

Operating profit increased by 25 percent to US$60.659 million in the financial year ended 31 March 2005 from US$48.563 million in the financial year ended 31 March 2004.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2005 we had NZ$37.057 million in cash and short-term investments and NZ$8.065 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 permit us to borrow up to a total of the equivalent of NZ$15.424 million, denominated primarily in US dollars and Euros.

Net cash generated from operating activities totalled NZ$72.129 million for the financial year ended 31 March 2005. The pre-tax amount of cash that we generated was increased by NZ$19.783 million for the financial year ended 31 March 2005, from NZ$17.932 million in the previous financial year, due to our cash flow rates of exchange being more favourable than our accounting rates of exchange.

The Company's capital expenditures totalled NZ$17.795 million for the financial year ended 31 March 2005. The majority of expenditures related to the purchase of production tooling and equipment, computer equipment and software, patents and facility costs. Included within total capital expenditure is NZ$8.296 million related to the construction of our second facility on our Auckland site.

Net cash used in financing activities was NZ$65.535 million for the financial year ended 31 March 2005. The payment of our final dividend for the prior financial year and interim dividend for the current financial year, along with NZ$8.048 million used to repurchase 3,186,050 shares under our on market share buy back programme, were the main reasons for the significant outflow of funds.

FOREIGN EXCHANGE HEDGING

The company has in place a mix of foreign exchange contracts and call options with a face value of approximately NZ$189 million, the majority of which are for the year ending 31 March 2006. These instruments are at average exchange rates of approximately 0.43 US dollars and 0.46 Euros to the New Zealand dollar and are to protect the company from exchange rate volatility.

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

We have audited the financial statements on pages 37 to 60. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2005 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 41 to 44.

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 2005 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 other assurance related 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 37 to 60:

- (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 2005 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 18 May 2005 and our unqualified opinion is expressed as at that date.

Chartered Accountants Auckland

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2005

PARENT 2004 NZ\$000	PARENT 2005 NZ\$000		NOTES	CONSOLIDATED 2005 NZ\$000	CONSOLIDATED 2004 NZ\$000
48,603	**66,335**	**Operating revenue**	1	**240,566**	214,865
901	**906**	**Operating expenses**		**150,821**	135,850
47,702	**65,429**	**Operating profit**		**89,745**	79,015
		Interest income		**1,585**	2,368
		Interest expense		**(338)**	(448)
		Gain on sale of land		**570**	-
47,702	**65,429**	Profit before taxation	2	**91,562**	80,935
(353)	**(208)**	Taxation	3	**(30,157)**	(26,236)
47,349	**65,221**	**Profit after taxation**		**61,405**	54,699
		Basic earnings per share (i)		**12.1 cps**	10.7 cps
		Diluted earnings per share (i)		**11.7 cps**	10.4 cps
		Weighted average basic shares outstanding (i)		**508,686,610**	512,119,710
		Weighted average diluted shares outstanding (i)		**523,841,480**	524,113,140

(i) Note that shares outstanding, and therefore earnings per share, has been adjusted to allow for the 5 for 1 share subdivision on 1 October 2004.

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2005

PARENT 2004 NZ$000	PARENT 2005 NZ$000		NOTES	CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
		ASSETS			
		Current assets			
25,037	18,173	Cash and bank balances		23,057	30,578
17,000	14,000	Short-term investments		14,000	17,000
54	152	Debtors and prepayments	4	54,592	49,143
		Inventories	5	30,906	24,076
3,405	4,489	Taxation	6	4,603	1,408
177	17	Employee share ownership plans loans	9	500	316
65,847	79,865	Intergroup advances			
111,520	116,696	Total current assets		127,658	122,521
		Long-term assets			
		Property, plant and equipment	7	82,899	71,545
		Patents and trademarks	8	2,382	2,232
724	-	Employee share ownership plans loans	9	489	934
79,414	76,105	Investments in subsidiaries	10		
		Debtors and prepayments	4	2,285	11,436
		Goodwill on consolidation	11	1,415	1,800
141	183	Deferred taxation	12	13,182	13,705
191,799	192,984	**Total assets**		230,310	224,173
		LIABILITIES			
		Current liabilities			
		Bank overdrafts	13	6,241	6,326
		Trade creditors		15,075	10,810
		Provisions	14	817	746
		Borrowings	15	1,824	-
		Taxation	6	628	2,392
317	569	Other liabilities	16	12,771	10,159
317	569	Total current liabilities		37,356	30,433
		Long-term liabilities			
		Provisions	14	539	408
		Borrowings	15	-	1,850
257	384	Other liabilities	16	384	257
574	953	**Total liabilities**		38,279	32,948
		SHAREHOLDERS' EQUITY			
191,225	192,031	Shareholders' equity	17	192,031	191,225
191,225	192,031	**Total shareholders' equity**		192,031	191,225
191,799	192,984	**Total liabilities and shareholders' equity**		230,310	224,173

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

On behalf of the Board
18 May 2005

G A Paykel
Chairman

M G Daniell
Managing Director
and Chief Executive Officer

STATEMENTS OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2005

PARENT 2004 NZ$000	PARENT 2005 NZ$000		NOTES	CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
		Total recognised revenues and expenses			
47,349	65,221	Profit after taxation		61,405	54,699
5,420	(3,456)	Movement in revaluation reserve	17		
		Movement in currency translation reserve	17	360	(1,930)
52,769	61,765			61,765	52,769
		Contributions from shareholders			
82	1,064	Issue of share capital	17	1,064	82
2	-	Increase in equity from disposition of unallocated shares	17	-	2
84	1,064			1,064	84
		Distributions to shareholders			
(2,201)	(8,048)	Repurchase of share capital	17	(8,048)	(2,201)
(52,244)	(53,975)	Dividends	17	(53,975)	(52,244)
(54,445)	(62,023)			(62,023)	(54,445)
(1,592)	806	**Movements in shareholders' equity for the year**		806	(1,592)
192,817	191,225	**Shareholders' equity at beginning of the year**		191,225	192,817
191,225	192,031	**Shareholders' equity at end of the year**		192,031	191,225

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2005

PARENT 2004 NZ$000	PARENT 2005 NZ$000		NOTES	CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
		CASH FLOWS FROM OPERATING ACTIVITIES			
		Receipts from customers		**276,453**	237,027
46,734	**64,787**	Dividends received		**5**	4
2,028	**1,575**	Interest received		**1,607**	2,355
(685)	**(809)**	Payments to suppliers and employees		**(175,798)**	(153,984)
		Taxation paid		**(29,836)**	(24,726)
		Interest paid		**(302)**	(499)
48,077	**65,553**	**Net cash flow from operations**	18	**72,129**	60,177
		CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
		Sale of property, plant and equipment		**891**	19
		Purchase of property, plant and equipment		**(16,814)**	(8,362)
		Patent and trademark registration costs		**(981)**	(1,174)
98,525	**58,313**	Sale of short-term investments		**58,313**	98,525
(80,761)	**(55,255)**	Purchase of short-term investments		**(55,255)**	(80,761)
17,764	**3,058**	**Net cash flow from (used in) investing activities**		**(13,846)**	8,247
		CASH FLOWS (USED IN) FINANCING ACTIVITIES			
2,058	**806**	Employee share purchase schemes		**874**	2,225
82	**359**	Issue of share capital		**359**	82
(2,201)	**(8,048)**	Repurchase of share capital		**(8,048)**	(2,201)
5	**-**	Disposition of unallocated employee share scheme shares		**-**	5
		Repayment of borrowings		**-**	(42)
5,760	**(9,872)**	Intercompany borrowings			
(52,244)	**(53,975)**	Dividends paid		**(53,975)**	(52,244)
(3,838)	**(4,745)**	Supplementary dividends paid to overseas shareholders		**(4,745)**	(3,838)
(50,378)	**(75,475)**	**Net cash flow (used in) financing activities**		**(65,535)**	(56,013)
15,463	**(6,864)**	Net increase (decrease) in cash		**(7,252)**	12,411
9,574	**25,037**	Opening cash		**24,252**	12,230
		Effect of foreign exchange rates		**(184)**	(389)
25,037	**18,173**	**Closing cash**		**16,816**	24,252
		RECONCILIATION OF CLOSING CASH			
25,037	**18,173**	Bank		**23,057**	30,578
		Bank overdrafts		**(6,241)**	(6,326)
25,037	**18,173**			**16,816**	24,252

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

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2005

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, manufacturer and marketer 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) 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 intercompany 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.

(b) 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.

(c) 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.

(d) Advertising and Sales Promotion Costs

All advertising and sales promotion costs are expensed as incurred.

(e) 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.

(f) 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 four, with unexercised options lapsing after five years. 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.

(g) 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.

(h) Debtors

Debtors are carried at estimated realisable value after providing for debts where collection is doubtful.

(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) Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation expense is computed on a straight line 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 sale of products in foreign currencies to foreign customers, and the purchase of raw materials in foreign currencies 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, Australian dollars and Japanese yen.

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.

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 liabilities 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

There have been no changes in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

PARENT 2004 NZ$000	PARENT 2005 NZ$000		CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
NOTE 1		**OPERATING REVENUE**		
		Operating revenue		
		North America	103,930	93,610
		Europe	75,258	64,469
		Asia Pacific	50,518	47,959
		Other	10,860	8,827
46,598	64,787	Dividends		
2,005	1,548	Interest		
48,603	66,335	Total operating revenue	240,566	214,865
NOTE 2		**NET OPERATING PROFIT**		
47,702	65,429	Profit before taxation	91,562	80,935
		After charging:		
		Auditors' fees:		
		Statutory audit	327	264
		Auditors' half year review	24	23
		International Financial Reporting Standards accounting advice	84	16
		Auditors' other compliance fees	104	96
		Donations	13	11
		Depreciation:		
		Buildings - structure	451	449
		Buildings - fit-out and other	2,150	2,155
		Leasehold improvements	14	27
		Plant and equipment	5,057	4,945
		Total depreciation	7,672	7,576
		Goodwill amortisation	385	385
		Patent and trademark amortisation	790	419
		Interest:		
		Borrowings	338	218
		Other	-	230
		Research and development	16,196	14,115
		Rental and operating leases	4,214	3,878
		Bad debts written off	230	215
		Movement in provision for doubtful debts	(57)	(102)
396	443	Directors' fees	443	396
		After crediting:		
46,598	64,787	Dividends received	5	4
11	-	Other income	-	11

PARENT 2004 NZ$000	PARENT 2005 NZ$000		CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
NOTE 3		**TAXATION**		
47,702	65,429	Profit before taxation	91,562	80,935
15,742	21,592	Taxation at current rate of 33%	30,215	26,709
		Adjustments to taxation for:		
(15,400)	(21,395)	Non-assessable income	(315)	(9)
5	8	Non-deductible expenses	548	153
		Foreign rates other than 33%	174	150
347	205	This year's taxation	30,622	27,003
6	3	Other	(465)	(767)
353	208	Income tax expense	30,157	26,236
		This is represented by:		
438	250	Current taxation	30,194	40,315
(85)	(42)	Deferred taxation	(37)	(14,079)
353	208	Income tax expense	30,157	26,236
NOTE 4		**DEBTORS AND PREPAYMENTS**		
		CURRENT		
		Trade debtors	38,894	34,239
		Less allowance for doubtful accounts	(359)	(471)
			38,535	33,768
		Unrealised gain on foreign currency instruments	5,748	7,261
		Foreign currency option premium prepaid	7	43
54	152	Other debtors and prepayments	10,302	8,071
54	152		54,592	49,143
		TERM		
		Unrealised gain on foreign currency instruments	2,285	9,294
		Other debtors and prepayments	-	2,142
			2,285	11,436
NOTE 5		**INVENTORIES**		
		Materials	10,227	8,146
		Finished products	23,034	17,766
		Provision for obsolescence	(2,355)	(1,836)
			30,906	24,076

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

Parent 2004 NZ$000	Parent 2005 NZ$000		Consolidated 2005 NZ$000	Consolidated 2004 NZ$000
NOTE 6		**TAXATION**		
		BALANCE AT BEGINNING OF THE YEAR		
		Taxation payable	**(2,392)**	(1,971)
3,499	**3,405**	Taxation recoverable	**1,408**	4,230
(438)	**(250)**	Total taxation expense in current year	**(30,194)**	(40,315)
		Taxation paid	**29,833**	24,726
3,838	**4,745**	Supplementary dividend tax credit	**4,745**	3,838
(3,494)	**(3,411)**	Other movements	**575**	8,508
		BALANCE AT END OF THE YEAR		
		Taxation payable	**(628)**	(2,392)
3,405	**4,489**	Taxation recoverable	**4,603**	1,408
NOTE 7		**PROPERTY, PLANT AND EQUIPMENT**		
		Land	**6,196**	6,486
		Buildings		
		- Structure	**25,322**	25,322
		- Fit-out and other	**22,740**	22,680
		Less accumulated depreciation	**8,947**	6,346
			39,115	41,656
		Total land and buildings	**45,311**	48,142
		Leasehold improvements	**562**	580
		Less accumulated depreciation	**461**	479
			101	101
		Plant and equipment	**46,338**	39,110
		Less accumulated depreciation	**27,507**	23,165
			18,831	15,945
		Capital projects		
		- Buildings	**10,355**	-
		- Other	**8,301**	7,357
			18,656	7,357
		Total cost	**119,814**	101,535
		Less total accumulated depreciation	**36,915**	29,990
			82,899	71,545

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, as at 31 March 2005 was $90.900 million (2004 $67.500 million).

PARENT 2004 NZ$000	PARENT 2005 NZ$000		CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
NOTE 8		**PATENTS AND TRADEMARKS**		
		Patents and trademarks	1,236	552
		Less accumulated amortisation	728	90
			508	462
		Patent and trademark applications	2,801	2,545
		Less accumulated amortisation	927	775
			1,874	1,770
		Total cost	4,037	3,097
		Less total accumulated amortisation	1,655	865
			2,382	2,232
NOTE 9		**EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS**		
		Share purchase loans due for repayment:		
177	17	Current	500	316
724	-	One to two years	300	934
		Two to five years	189	-
724	-	Term	489	934

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 1994, 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 year.

4,400,550 Fisher & Paykel Healthcare shares (2004 4,400,550 restated for 5 for 1 subdivision) are held by these Schemes, being 0.9% (2004 0.9%) of the Company's issued and paid up capital. As at 31 March 2005 all shares were allocated to employees or executives, except for 13,970 (2004 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.

3,618,720 Fisher & Paykel Appliances shares (2004 3,618,720) are held by these Schemes, being 1.4% (2004 1.4%) of that Company's issued and paid up capital. As at 31 March 2005 all shares were allocated to employees or executives, except for 11,488 (2004 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:

	2005		2004	
	PRICE* $	NUMBER OF SHARES	PRICE* $	NUMBER OF SHARES
As at beginning of the year	0.77	4,400,550	0.77	4,412,845
Vested during the year	-	-	0.94	(12,295)
Lapsed due to resignation	0.77	(13,970)	-	-
As at end of the year	0.77	4,386,580	0.77	4,400,550

	NON-VESTED SHARES OUTSTANDING	PRICE RANGE $	PRICE* $	REMAINING PERIOD TO VESTING
Period granted or purchased				
Pre 31 March 2003	4,386,580	0.64 - 3.10	0.77	1 year
	4,386,580			

* Weighted average

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

	2005		2004	
	PRICE* $	NUMBER OF SHARES	PRICE* $	NUMBER OF SHARES
As at beginning of the year	0.64	3,618,720	0.64	3,628,968
Vested during the year	-	-	0.84	(10,248)
Lapsed due to resignation	0.64	(11,488)	-	-
As at end of the year	0.64	3,607,232	0.64	3,618,720

	NON-VESTED SHARES OUTSTANDING	PRICE RANGE $	PRICE* $	REMAINING PERIOD TO VESTING
Period granted or purchased				
Pre 31 March 2003	3,607,232	0.57 - 2.23	0.64	1 year
	3,607,232			

* Weighted average

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 1994, 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.

699,141 Fisher & Paykel Healthcare shares (2004 649,055 restated for 5 for 1 subdivision) are held by the Schemes, being 0.1% (2004 0.1%) of the Company's issued and paid up capital. As at 31 March 2005, all shares were allocated to employees or executives, except for 2,277 (2004 60,265). 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 held by the Trustees for allocation to future Schemes. 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 the Schemes after reorganisation is as follows:

	2005		2004	
	PRICE* $	NUMBER OF SHARES	PRICE* $	NUMBER OF SHARES
As at beginning of the year	1.57	588,790	1.58	631,585
Granted during the year	2.47	365,491	-	-
Vested during the year	1.70	(227,240)	1.60	(7,200)
Lapsed due to resignation	1.61	(30,177)	1.61	(35,595)
As at end of the year	2.00	696,864	1.57	588,790

	NON-VESTED SHARES OUTSTANDING	PRICE RANGE $	PRICE* $	REMAINING PERIOD TO VESTING
Period granted or purchased				
Pre 31 March 2003	333,275	1.47 - 1.70	1.49	0 to 1 year
1 April 2003 – 31 March 2004				
1 April 2004 – 31 March 2005	363,589	2.46 - 2.61	2.47	3 years
	696,864			

* 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 2005 options had been granted to 149 employees (2004 134). Options granted to employees have no voting rights until they have been exercised and ordinary shares have been issued.

In August 2004 the Company granted 4,997,500 options (2004 350,000) to employees to complete the issue of options under the March 2003 plan (as amended). The Company has not recognised any compensatory expense in the Statement of Financial Performance. However the fair value of these options is estimated as $960,000 (2004 $55,000) on the date of allocation using the Binomial Options Pricing Model using the following assumptions:

Risk free interest rate	6.10%
Cost of equity	10.05%
Expected life (years)	5
Expected/historical share price volatility	15.00%

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

	YEAR OF ISSUE			
	2005(i)	2003(ii)	2002(iii)	TOTAL
31 MARCH 2005				
As at beginning of the year	-	4,696,000	7,380,000	12,076,000
Granted during the year	4,997,500	-	-	4,997,500
Exercised during the year	-	(38,332)	(391,653)	(429,985)
Lapsed due to resignation	-	(52,167)	(70,835)	(123,002)
As at end of the year	4,997,500	4,605,501	6,917,512	16,520,513

NOTE 9 EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS (continued)

	YEAR OF ISSUE 2003 (ii)	2002 (iii)	TOTAL
31 MARCH 2004			
As at beginning of the year	4,499,500	7,545,000	12,044,500
Granted during the year	350,000	-	350,000
Exercised during the year	-	(3,335)	(3,335)
Lapsed due to resignation	(153,500)	(161,665)	(315,165)
As at end of the year	4,696,000	7,380,000	12,076,000

i) Options expiring August 2009 at exercise prices based on future costs of capital and dividends using a base price of $2.63 per option.
ii) Options expiring March 2008 have an exercise price of $2.20 per option.
iii) Options expiring November 2006 have an exercise price of $2.13 per option.

	SHARE OPTIONS OUTSTANDING	PRICE RANGE $	EXERCISE PRICE* $	REMAINING PERIOD TO VESTING
Period granted or purchased				
Pre 31 March 2003	11,173,013	2.13 - 2.20	2.16	0 to 2 years
1 April 2003 – 31 March 2004	350,000	2.20	2.20	1 to 3 years
1 April 2004 – 31 March 2005	4,997,500	Refer to footnote i) above		2 to 4 years
	16,520,513			

* Weighted average

NOTE 10 INVESTMENTS IN SUBSIDIARIES

PARENT 2004 NZ$000	PARENT 2005 NZ$000	
79,414	76,105	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 2005	2004	PRINCIPAL ACTIVITIES
* Fisher & Paykel Healthcare Limited	NZ	100%	100%	Manufacture & Distribution of Healthcare Products
* Fisher & Paykel Healthcare Pty Limited	Australia	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Limited	UK	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
Fisher & Paykel Healthcare K.K.	Japan	100%	0%	Marketing Support
* Fisher & Paykel Healthcare Treasury Limited	NZ	100%	0%	Treasury Management

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 2004 NZ$000	PARENT 2005 NZ$000		CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
NOTE 11		**GOODWILL ON CONSOLIDATION**		
		Goodwill at beginning of the year	3,853	3,853
		Accumulated amortisation at beginning of the year	(2,053)	(1,668)
		Unamortised balance at beginning of the year	1,800	2,185
		Current year amortisation	(385)	(385)
		Unamortised balance at end of the year	1,415	1,800
		Comprising:		
		Goodwill	3,853	3,853
		Accumulated amortisation	(2,438)	(2,053)
			1,415	1,800
NOTE 12		**DEFERRED TAXATION**		
56	141	Balance at beginning of the year	13,705	7,755
85	42	Current year timing differences	37	14,079
		Other movements	(560)	(8,129)
141	183	Balance at end of the year	13,182	13,705
NOTE 13		**BANK OVERDRAFTS**		
		Bank overdrafts	6,241	6,326

Bank overdrafts in foreign currencies total:
AUD 0.528 million (2004 AUD 0.540 million)
GBP 0.209 million (2004 GBP 0.149 million)
EUR 2.799 million (2004 EUR 2.862 million)
USD 0.003 million (2004 USD nil)

	2005 NZ$000	2004 NZ$000
UNUSED LINES OF CREDIT		
Bank overdraft facilities	3,828	3,988

PARENT 2004 NZ$000	PARENT 2005 NZ$000		CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
NOTE 14		**PROVISIONS**		
		CURRENT		
		Warranty provision		
		Balance at beginning of the year	746	898
		Current year provision	1,388	895
		Warranty expenses incurred	(1,317)	(1,047)
		Balance at end of the year	817	746
		TERM		
		Warranty provision		
		Balance at beginning of year	408	379
		Current year provision	131	29
		Warranty expenses incurred		
		Balance at end of the year	539	408

PARENT 2004 NZ$000	PARENT 2005 NZ$000		CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
NOTE 15		**BORROWINGS**		
		Borrowing facilities due for repayment:		
		Current	1,824	-
		One to two years	-	1,850
		Two to three years		
		Term	-	1,850

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 4.1%, 2004 4.1%).

Borrowings in foreign currencies total EURO 1.0 million (2004 EURO 1.0 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 no security covenants.

	2005 NZ$000	2004 NZ$000
UNUSED LINES OF CREDIT		
Borrowings	3,531	-

PARENT 2004 NZ$000	PARENT 2005 NZ$000		CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
NOTE 16		**OTHER LIABILITIES**		
		CURRENT		
		Employee entitlements	7,126	5,605
		Unrealised loss on foreign currency instruments	-	181
317	569	Other creditors and accruals	5,645	4,373
317	569		12,771	10,159
		TERM		
257	384	Other creditors	384	257
257	384		384	257

PARENT 2004 NZ$000	PARENT 2005 NZ$000		CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
NOTE 17		**SHAREHOLDERS' EQUITY**		
		508,635,387 (2004 511,284,795 restated for 5 for 1 subdivision) ordinary shares issued and paid up. All shareholders rank equally with one vote attaching to each fully paid ordinary share.		
131,014	124,002	Shareholders' equity before reserves brought forward	195,176	194,838
82	1,064	Issue of share capital (i)	1,064	82
47,349	65,221	Profit after taxation	61,405	54,699
2	-	Increase in equity from disposition of unallocated shares	-	2
(2,201)	(8,048)	Repurchase of share capital (ii)	(8,048)	(2,201)
		Dividends: (iii)		
(27,658)	(28,547)	Final 2004 (2003)	(28,547)	(27,658)
(24,586)	(25,428)	Interim 2005 (2004)	(25,428)	(24,586)
124,002	128,264	Shareholders' equity before reserves carried forward	195,622	195,176
61,803	67,223	Revaluation reserve brought forward		
5,420	(3,456)	Revaluation of subsidiaries		
		Currency translation reserve brought forward	(3,951)	(2,021)
		Movement for the year	360	(1,930)
67,223	63,767	Total reserves	(3,591)	(3,951)
191,225	192,031	Total shareholders' equity	192,031	191,225

(i) 368,466 (2004 36,050) shares were issued under Share Purchase Schemes and 168,176 (2004 3,335) shares issued under Employee Share Option Plans (refer note 9) upon exercise of previously granted share options in the year ended 31 March 2005. Of the 168,176 (2004 3,335) shares issued under Employee Share Option Plans, 118,186 (2004 nil) shares were issued under the Cancellation Offer Facility, as approved by shareholders on 12 August 2004.

(ii) 3,186,050 (2004 938,585) shares were repurchased on-market and cancelled under the Company's on-market buy-back programme as announced on 17 March 2004.

(iii) All dividends paid were fully imputed. Supplementary dividends of $4,745,000 were paid (2004 $3,838,000).

PARENT 2004 NZ$000	PARENT 2005 NZ$000		CONSOLIDATED 2005 NZ$000	CONSOLIDATED 2004 NZ$000
NOTE 18		**CASH FLOW RECONCILIATION**		
		RECONCILIATION OF PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES		
47,349	65,221	Profit after taxation	61,405	54,699
		Add (deduct) non-cash items:		
		Depreciation and writedown of fixed assets to recoverable amount	7,672	7,576
		Amortisation of patents	790	419
		Amortisation of goodwill	385	385
51	22	Accrued interest income	22	51
		Movement in provisions	201	(123)
(85)	(42)	Movement in deferred tax	523	(5,950)
		Movement in working capital:		
214	204	Payables and accruals	4,798	(4,037)
(5)	(98)	Debtors and prepayments	(4,842)	(2,808)
		Inventory	(5,009)	(841)
(3,649)	(5,829)	Provision for taxation net of supplementary dividend paid	(215)	7,081
4,202	6,075	Intercompany advances in relation to operating cashflows		
		Movement in unrealised revaluations of foreign currency instruments	8,342	6,963
		Gain on sale of land included within investing activities	(570)	-
		Foreign currency exchange translation	(1,373)	(3,238)
48,077	65,553	Net cash flow from operations	72,129	60,177
NOTE 19		**IMPUTATION CREDIT ACCOUNTS**		
6,155	5,669	Balance brought forward		
21,500	31,000	Imputation credits attached to dividends received		
		Taxation paid		
(21,894)	(21,840)	Imputation credits attached to dividends paid to shareholders		
(92)	2	Other movements		
5,669	14,831	Balance carried forward		
		Imputation credits directly and indirectly available to shareholders as at 31 March are:		
		Parent	14,831	5,669
		Subsidiaries	-	3,000
		Balance carried forward	14,831	8,669
NOTE 20		**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 2004 NZ$000	Parent 2005 NZ$000		Consolidated 2005 NZ$000	Consolidated 2004 NZ$000
NOTE 21			**COMMITMENTS**		
			Capital expenditure commitments as at 31 March	50,614	849
			Lease commitments under non-cancellable operating leases:		
			Within one year	2,290	2,274
			Between one and two years	1,650	1,462
			Between two and three years	673	1,149
			Between three and four years	39	177
			Between four and five years	5	-
			Over five years		
			Operating lease commitments relate mainly to occupancy leasing of buildings.		

		Consolidated 2005	Consolidated 2004
NOTE 22	**CURRENCY**		
	For the purpose of translating assets and liabilities of foreign operations the following conversion rates have been applied as at 31 March:		
	NZ$1.00 = USD	0.7081	0.6610
	AUD	0.9179	0.8728
	GBP	0.3769	0.3605
	EUR	0.5482	0.5406
	JPY	75.98	-
	INR	30.99	-

NOTE 23 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.

On 20 February 2004 Fisher & Paykel Appliances Holdings Limited (FPA) disposed of its 19.34% shareholding in the Company by way of an underwritten accelerated bookbuild. As part of the sale arrangements, FPA agreed to provide a customary indemnity to the Company for any matters arising out of the sale. The indemnity given by FPA to the Company was not limited.

On 12 July 2004 Fisher & Healthcare Properties Limited disposed of 5,368m^2 of land to Fisher & Paykel Finance Limited, a subsidiary of Fisher & Paykel Appliances Holdings Limited, which has two directors in common with the Company. The consideration for the sale, $860,000, was based upon an independent valuation and the sale transaction was conducted on normal commercial terms.

NOTE 24 FINANCIAL INSTRUMENTS

MANAGEMENT POLICIES

Through its importing and exporting activities the Group generates a number of internal foreign currency hedges. General policy is to monitor current and anticipated future foreign currency trading cash flows and advice is taken on likely foreign currency rate trends. The Company enters into foreign currency option contracts and forward foreign currency contracts in managing its foreign exchange risk.

The purpose of the Company's foreign currency hedging activities is to protect the Company from exchange rate volatility with respect to New Zealand dollar net cash movements resulting from the sale of products in foreign currencies to foreign customers, and the purchase of raw materials in foreign currencies from foreign and domestic suppliers. The 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, Australian dollars, and Japanese yen.

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.

Unrealised gains or losses were recognised as incurred on the Statement of Financial Position as either other assets, within debtors and prepayments, or liabilities 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, USD 0.4944, AUD 0.8816, GBP 0.3174, EUR 0.4963, 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. Also, when considered appropriate, the Group will swap its floating interest rate exposure in relation to unhedged anticipated foreign currency exposures into fixed interest rate instruments, being forward rate locks.

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

NOTE 24 FINANCIAL INSTRUMENTS (continued)

FAIR VALUE

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

	2005		2004	
	CARRYING AMOUNT NZ$000	FAIR VALUE NZ$000	CARRYING AMOUNT NZ$000	FAIR VALUE NZ$000
Cash at bank	23,057	23,057	30,578	30,578
Short-term investments	14,000	13,992	17,000	17,043
Debtors	38,535	38,535	33,768	33,768
Employee share ownership plans loans	989	788	1,250	1,128
Bank overdrafts	(6,241)	(6,241)	(6,326)	(6,326)
Borrowings	(1,824)	(1,824)	(1,850)	(1,850)
Creditors	(15,075)	(15,075)	(10,810)	(10,810)
Foreign currency forward exchange contracts	8,033	58,433	13,024	74,992
Foreign currency option contracts	-	13	3,350	14,719
Interest rate swaps	-	-	-	(42)
Interest rate forward locks	-	(270)	-	-

FAIR VALUE

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

	2005		2004	
	CARRYING AMOUNT NZ$000	FAIR VALUE NZ$000	CARRYING AMOUNT NZ$000	FAIR VALUE NZ$000
Cash at bank	18,173	18,173	25,037	25,037
Short-term investments	14,000	13,992	17,000	17,043
Intergroup advances	79,865	79,865	65,847	65,847
Employee share ownership plans loans	17	17	901	829
Creditors	(569)	(569)	(317)	(317)

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.

EMPLOYEE SHARE OWNERSHIP PLANS LOANS

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.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS AND OPTION CONTRACTS

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

NOTE 24 FINANCIAL INSTRUMENTS (continued)

INTEREST RATE INSTRUMENTS

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 forward foreign currency 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:

	2005 NZ$000	2004 NZ$000
Purchase commitments forward exchange contracts	555	-
Sale commitments forward exchange contracts	186,747	280,236
Put option contracts purchased	1,901	49,034
Call option contracts sold		

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

Notional principal of contract amounts outstanding was as follows:

	2005 NZ$000	2004 NZ$000
Interest rate swaps	-	5,000
Interest rate forward locks	118,300	-

CREDIT RISK

Forward foreign currency exchange contracts, foreign currency option contracts, interest rate swaps and interest rate forward locks 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 non-performance 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 revenue: 2005 23.0% (2004 25.7%).

RECEIVABLE CONCENTRATION

The five largest customers have been the following proportion of the Group's debtors: 2005 17.0% (2004 21.8%).

NOTE 25 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 other benefits that exceeded NZ$100,000 in value as follows:

REMUNERATION $		REMUNERATION $	NUMBER OF EMPLOYEES 2005	2004	REMUNERATION $		REMUNERATION $	NUMBER OF EMPLOYEES 2005	2004
100,000	-	110,000	17	19	220,001	-	230,000	4	1
110,001	-	120,000	24	15	230,001	-	240,000	1	3
120,001	-	130,000	11	9	240,001	-	250,000	1	-
130,001	-	140,000	19	8	270,001	-	280,000	1	1
140,001	-	150,000	14	6	280,001	-	290,000	1	1
150,001	-	160,000	6	9	310,001	-	320,000	1	-
160,001	-	170,000	9	9	370,001	-	380,000	1	-
170,001	-	180,000	2	7	380,001	-	390,000	-	2
180,001	-	190,000	6	4	410,001	-	420,000	-	1
190,001	-	200,000	4	1	430,001	-	440,000	1	-
200,001	-	210,000	3	2	440,001	-	450,000	1	-
210,001	-	220,000	5	2					

NOTE 26 SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no events occuring after balance date which would materially affect the accuracy of these financial statements.

FIVE YEAR FINANCIAL SUMMARY - CONTINUING OPERATIONS (NZ$)

FOR THE YEARS ENDED 31 MARCH	2005	2004	2003	2002	2001
	NZ$000	NZ$000	NZ$000 (EXCEPT AS OTHERWISE STATED)	NZ$000	NZ$000
FINANCIAL PERFORMANCE					
Operating revenue	**240,566**	214,865	208,420	214,596	193,090
Operating profit before abnormal items	**89,745**	79,015	73,885	81,902	79,825
Abnormal items	**-**	-	-	(1,092)	-
Operating profit	**89,745**	79,015	73,885	80,810	79,825
Net interest income (expense)	**1,247**	1,920	2,997	(267)	(2,163)
Foreign exchange gain (loss)	**-**	-	34,326	13,313	(57,796)
Gain on sale of land	**570**	-	-	-	-
Profit before taxation	**91,562**	80,935	111,208	93,856	19,866
Taxation	**(30,157)**	(26,236)	(38,304)	(31,532)	(8,117)
Profit after taxation	**61,405**	54,699	72,904	62,324	11,749
Operating profit percentage	**37.3%**	36.8%	35.5%	37.7%	41.3%
Operating revenue by region:					
North America	**103,930**	93,610	101,511	104,084	86,134
Europe	**75,258**	64,469	58,304	59,918	54,132
Asia Pacific	**50,518**	47,959	41,264	43,113	44,888
Other	**10,860**	8,827	7,341	7,481	7,936
Total	**240,566**	214,865	208,420	214,596	193,090
Operating revenue by product group:					
Respiratory humidification products	**116,729**	110,942	102,576	109,318	102,639
OSA products	**96,950**	79,687	84,893	79,046	63,304
Patient warming and neonatal care products	**18,937**	15,849	12,157	13,754	10,352
Core products subtotal	**232,616**	206,478	199,626	202,118	176,295
Mobility products	**-**	-	-	-	1,039
Distributed products	**7,950**	8,387	8,794	12,478	15,756
Total	**240,566**	214,865	208,420	214,596	193,090
FINANCIAL POSITION					
Tangible assets	**213,331**	206,436	217,048	207,953	139,589
Intangible assets	**16,979**	17,737	11,704	7,380	7,326
Total assets	**230,310**	224,173	228,752	215,333	146,915
Liabilities	**(38,279)**	(32,948)	(35,935)	(43,450)	(73,581)
Equity	**192,031**	191,225	192,817	171,883	73,334
Net tangible asset backing (cents per share) *	**34.4**	33.9	35.4	32.1	11.2
Pre-tax return on total assets percentage	**39.8%**	36.1%	48.6%	43.6%	13.5%
Pre-tax return on equity percentage	**47.7%**	42.3%	57.7%	54.6%	27.1%
CASH FLOWS					
Net cash flow from operating activities	**72,129**	60,177	45,951	35,985	46,002
Net cash flow from (used in) investing activities	**(13,846)**	8,247	(50,959)	286,254	(12,688)
Net cash flow (used in) financing activities	**(65,535)**	(56,013)	(54,143)	(260,849)	(9,307)
SHARES OUTSTANDING *					
Weighted basic average shares outstanding	**508,686,610**	512,119,710	511,837,245	557,687,080	590,555,685
Weighted diluted average shares outstanding	**523,841,480**	524,113,140	519,801,995	560,868,956	590,555,685
Basic shares outstanding at end of the year	**508,635,387**	511,284,795	512,183,995	511,675,415	590,555,685

FIVE YEAR FINANCIAL SUMMARY - CONTINUING OPERATIONS (NZ$)

FOR THE YEARS ENDED 31 MARCH	2005	2004	2003	2002	2001
	NZ$000	NZ$000	NZ$000 (EXCEPT AS OTHERWISE STATED)	NZ$000	NZ$000
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE) *					
Dividends paid:					
Final (i)	**5.6**	5.4	5.0	3.6	3.0
Interim	**5.0**	4.8	4.6	4.0	2.4
Total ordinary dividends	**10.6**	10.2	9.6	7.6	5.4
Special dividends	**-**	-	-	5.0	-
Basic earnings per share	**12.1**	10.7	14.2	11.2	2.0
Diluted earnings per share	**11.7**	10.4	14.0	11.1	2.0
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	**52**	45	32	29	26
Number of United States patent applications	**70**	58	53	25	18
Number of non-United States patents	**97**	52	48	46	48
Number of non-United States patent applications	**234**	214	158	130	78
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**16,196**	14,115	11,535	10,264	8,661
Percentage of operating revenue	**6.7%**	6.6%	5.5%	4.8%	4.5%
CAPITAL EXPENDITURE					
Operational	**9,499**	9,300	6,730	10,767	4,885
Land and buildings	**8,296**	236	9,730	2,443	7,491
Total	**17,795**	9,536	16,460	13,210	12,376
Capital expenditure : depreciation/amortisation ratio	**2.1**	1.2	2.2	2.2	2.3
NUMBER OF EMPLOYEES					
By function:					
Research and development	**170**	150	130	120	120
Manufacturing	**481**	354	288	265	211
Sales, marketing and distribution	**288**	256	220	207	188
Management and administration	**157**	140	129	124	101
Total	**1,096**	900	767	716	620
By region:					
New Zealand	**855**	690	586	547	476
North America	**85**	77	63	58	46
Europe	**104**	93	81	72	63
Rest of World	**52**	40	37	39	35
Total	**1,096**	900	767	716	620
AVERAGE EXCHANGE RATES (NZ$1 =)					
USD	**0.6759**	0.6146	0.4945	0.4159	0.4375
AUD	**0.9087**	0.8835	0.8776	0.8145	0.7892
GBP	**0.3646**	0.3609	0.3191	0.2903	0.2962
EUR	**0.5338**	0.5210	0.4966	0.4727	0.4820
JPY	**72.04**	-	-	-	-
INR	**30.42**	-	-	-	-

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

* Prior year figures restated for 5 for 1 subdivision

FIVE YEAR FINANCIAL SUMMARY - CONTINUING OPERATIONS (US$)

FOR THE YEARS ENDED 31 MARCH	2005	2004	2003	2002	2001
	US$000	US$000	US$000 (EXCEPT AS OTHERWISE STATED)	US$000	US$000
FINANCIAL PERFORMANCE					
Operating revenue	**162,599**	132,056	103,063	89,250	84,380
Operating profit before abnormal items	**60,659**	48,563	36,536	34,063	34,923
Abnormal items	**-**	-	-	(454)	-
Operating profit	**60,659**	48,563	36,536	33,609	34,923
Net interest income (expense)	**843**	1,180	1,483	(111)	(946)
Foreign exchange gain (loss)	**-**	-	16,975	6,870	(26,619)
Gain on sale of land	**385**	-	-	-	-
Profit before taxation	**61,887**	49,743	54,994	40,368	7,358
Taxation	**(20,383)**	(16,125)	(18,941)	(13,554)	(3,111)
Profit after taxation	**41,504**	33,618	36,053	26,814	4,247
Operating profit percentage	**37.3%**	36.8%	35.5%	37.7%	41.4%
Operating revenue by region:					
North America	**70,522**	57,722	50,071	43,281	37,926
Europe	**50,826**	39,594	28,938	24,934	23,662
Asia Pacific	**33,914**	29,294	20,402	17,923	19,450
Other	**7,337**	5,446	3,652	3,112	3,342
Total	**162,599**	132,056	103,063	89,250	84,380
Operating revenue by product group:					
Respiratory humidification products	**78,777**	68,068	50,752	45,454	44,652
OSA products	**65,698**	49,055	41,999	32,868	27,763
Patient warming and neonatal care products	**12,806**	9,796	6,004	5,743	4,442
Core products subtotal	**157,281**	126,919	98,755	84,065	76,857
Mobility products	**-**	-	-	-	455
Distributed products	**5,318**	5,137	4,308	5,185	7,068
Total	**162,599**	132,056	103,063	89,250	84,380
FINANCIAL POSITION					
Tangible assets	**151,060**	136,454	120,135	91,665	56,254
Intangible assets	**12,023**	11,724	6,477	3,253	2,952
Total assets	**163,083**	148,178	126,612	94,918	59,206
Liabilities	**(27,106)**	(21,778)	(19,888)	(19,152)	(29,653)
Equity	**135,977**	126,400	106,724	75,766	29,553
Net tangible asset backing (cents per share) *	**24.4**	22.4	19.6	14.2	4.5
Pre-tax return on total assets percentage	**37.9%**	33.6%	43.4%	42.5%	12.4%
Pre-tax return on equity percentage	**45.5%**	39.4%	51.5%	53.3%	24.9%
CASH FLOWS					
Net cash flow from operating activities	**48,753**	36,670	22,212	14,959	20,125
Net cash flow from (used in) investing activities	**(9,359)**	5,068	(25,199)	119,053	(5,552)
Net cash flow (used in) financing activities	**(44,295)**	(34,109)	(25,786)	(108,487)	(4,072)
SHARES OUTSTANDING *					
Weighted basic average shares outstanding	**508,686,610**	512,119,710	511,837,245	557,687,080	590,555,685
Weighted diluted average shares outstanding	**523,841,480**	524,113,140	519,801,995	560,868,956	590,555,685
Basic shares outstanding at end of the year	**508,635,387**	511,284,795	512,183,995	511,675,415	590,555,685

FIVE YEAR FINANCIAL SUMMARY - CONTINUING OPERATIONS (US$)

FOR THE YEARS ENDED 31 MARCH	2005	2004	2003	2002	2001
	US$000	US$000	US$000 (EXCEPT AS OTHERWISE STATED)	US$000	US$000
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE) *					
Dividends paid:					
Final (i)	**4.0**	3.0	2.4	2.0	1.6
Interim	**3.0**	3.2	2.2	1.6	1.0
Total ordinary dividends	**7.0**	6.2	4.6	3.6	2.6
Special dividends	**-**	-	-	2.0	-
Basic earnings per share	**8.2**	6.6	7.0	4.8	0.7
Diluted earnings per share	**7.9**	6.4	6.9	4.8	0.7
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	**52**	45	32	29	26
Number of United States patent applications	**70**	58	53	25	18
Number of non-United States patents	**97**	52	48	46	48
Number of non-United States patent applications	**234**	214	158	130	78
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**10,947**	8,675	5,704	4,269	3,789
Percentage of operating revenue	**6.7%**	6.6%	5.5%	4.8%	4.5%
CAPITAL EXPENDITURE					
Operational	**6,421**	5,716	3,328	4,478	2,138
Land and buildings	**5,607**	145	4,811	1,016	3,277
Total	**12,028**	5,861	8,139	5,494	5,415
Capital expenditure : depreciation/amortisation ratio	**2.1**	1.2	2.2	2.2	2.3
NUMBER OF EMPLOYEES					
By function:					
Research and development	**170**	150	130	120	120
Manufacturing	**481**	354	288	265	211
Sales, marketing and distribution	**288**	256	220	207	188
Management and administration	**157**	140	129	124	101
Total	**1,096**	900	767	716	620
By region:					
New Zealand	**855**	690	586	547	476
North America	**85**	77	63	58	46
Europe	**104**	93	81	72	63
Rest of World	**52**	40	37	39	35
Total	**1,096**	900	767	716	620
AVERAGE EXCHANGE RATES (US$1 =)					
NZD	**1.4795**	1.6271	2.0222	2.4044	2.2867
AUD	**1.3444**	1.4375	1.7747	1.9584	1.8039
GBP	**0.5394**	0.5872	0.6453	0.6980	0.6770
EUR	**0.7898**	0.8477	1.0042	1.1366	1.1017
JPY	**106.58**	-	-	-	-
INR	**45.01**	-	-	-	-

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

* Prior year figures restated for 5 for 1 subdivision

SHAREHOLDER INFORMATION

SIZE OF HOLDINGS	NUMBER OF HOLDERS	%	ORDINARY SHARES NUMBER OF SHARES	%
1 – 999	1,567	11.15	716,712	0.14
1,000 – 4,999	6,908	49.17	16,571,180	3.26
5,000 – 9,999	2,945	20.96	18,864,242	3.71
10,000 – 49,999	2,318	16.50	39,622,857	7.79
50,000 – 99,999	150	1.07	9,705,894	1.91
100,000 – 499,999	115	0.82	23,591,705	4.64
500,000 and over	46	0.33	399,562,797	78.55
	14,049	100.00	508,635,387	100.00

The details set out above were as at 21 May 2005.

As disclosed in note 9 of the Financial Statements there were 16,520,513 options on issue to employees as at 31 March 2005.

There are no other classes of equity security currently on issue.

There are 347 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 21 May 2005.

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

On 17 March 2004 the Company announced its intention to undertake an on-market share buyback programme of up to $27.5 million. At 31 March 2005 the Company had repurchased and cancelled 4,124,635 shares at a total cost of $10.2 million and a cost per share of $2.48. The Company intends to complete the share buyback programme in the new financial year, market conditions allowing.

The Company is not subject to Chapters 6, 61, 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 of 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 21 May 2005 were as follows:

	ORDINARY SHARES	%
The Capital Group Companies Inc. (notice dated 15 November 2004)	44,025,000	8.66
AXA Asia Pacific Holdings Limited (notice dated 12 January 2005)	33,711,063	6.63
Caledonia Investments Limited & Associated entities (notice dated 26 February 2004)	29,694,550	5.80
Commonwealth Bank of Australia and Subsidiaries (notice dated 25 January 2005)	29,123,867	5.63

SHAREHOLDER INFORMATION

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders as at 21 May 2005 were:

HOLDER	ORDINARY SHARES	%
New Zealand Central Securities Depository Limited	267,743,858	52.63
UBS Nominees Pty Ltd	18,288,388	3.59
J P Morgan Nominees Australia Limited	17,125,636	3.36
Citicorp Nominees Pty Limited	16,740,569	3.29
National Nominees Limited	15,952,800	3.13
John William Gilks & Colin James Maiden	4,400,550	0.86
Westpac Custodian Nominees Limited	4,187,457	0.82
Woolf Fisher Trust	3,542,415	0.69
Queensland Investment Corporation	3,497,551	0.68
Gurshon Fisher	2,776,220	0.54
Gurshon Fisher (Gus Fisher Family a/c)	2,670,830	0.52
Custodial Services Limited	2,478,865	0.48
G A Paykel, D M Paykel and K R Rushbrook	2,382,935	0.46
First NZ Capital Custodians Limited	2,183,945	0.42
J Fisher, A J J Agar, G L Collinson and N S Robinson	2,157,530	0.42
Joyce Fisher	2,055,590	0.40
AMP Life Limited	1,968,452	0.38
UBS Private Clients Australia Nominees Pty Limited	1,878,475	0.36
Cogent Nominees Pty Limited	1,660,321	0.32
Peter Hanbury Masfen & Joanna Alison Masfen	1,650,000	0.32

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 21 May 2005 were:

Accident Compensation Corporation	17,483,032
ANZ Nominees Limited	18,507,447
Asteron Life Limited	5,382,885
Citibank Nominees (New Zealand) Limited	18,210,617
Custody and Investment Nominees Limited	8,339,603
National Nominees New Zealand Limited	98,440,362
NZ Superannuation Fund Nominees Limited	5,084,132
Premier Nominees Limited – Armstrong Jones New Zealand Share Fund	6,007,102
The Trustees Executors and Agency Company of New Zealand	4,892,757
Westpac Banking Corporation – Client Assets No 2	50,036,148

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 at 31 March 2005:

		ORDINARY SHARES
A E Clarke	- beneficially owned	50,000
M G Daniell (i)	- beneficially owned	173,450
	- not beneficially owned	630,814
N T Evans	- beneficially owned	23,180
	- not beneficially owned	3,542,415
W L Gillanders	- beneficially owned	514,415
C J Maiden	- beneficially owned	54,295
	- not beneficially owned	4,400,550
P M Smith	- beneficially owned	200,000
G A Paykel	- beneficially owned	2,522,635
	- not beneficially owned	2,462,369

(i) Mr Daniell has a beneficial interest in 1,250,000 options issued under the 2001 Share Option Plan, and 625,000 options issued under the 2003 Share Option Plan.

SHAREHOLDER INFORMATION

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 2004 and 31 March 2005.

Particulars of such disclosures are:

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 Scheme.

Mr Daniell acquired 15,000 shares between 21 May and 25 May 2004 at an average price of $2.56 per share.

Mr Daniell disposed of 250 shares on 20 December 2004 at $2.56 per share.

Mr Paykel disposed of 250,000 shares, held in a family trust, on 17 December 2004 at $3.06 per share.

Mr Daniell was granted 275,000 options on 16 August 2004 under the 2003 Share Option Plan.

STATUTORY DISCLOSURE

Subsidiary Company Directors

Section 211(2) of the New Zealand Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors, and particulars of entries in the interests registers made during the year ended 31 March 2005.

No subsidiary has Directors who are not full-time employees of the Group.

No employee of the Fisher & Paykel Healthcare Group appointed as a Director of Fisher & Paykel Healthcare Corporation Limited or its subsidiaries receives or retains any remuneration or other benefits as a Director.

The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed in the Notes to the Financial Statements, where the employee received remuneration and other benefits totalling $100,000 or more during the year ended 31 March 2005.

The following persons respectively held office as Directors of subsidiary companies at the end of the year.

Fisher & Paykel Healthcare Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Properties Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Treasury Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Pty Limited (Australia)
Michael Daniell, Lewis Gradon, Paul Shearer, David Boyle, Greg Watson

Fisher & Paykel Healthcare Limited (UK)
Michael Daniell, Paul Shearer, Jill Nelson

Fisher & Paykel Healthcare SAS (France)
Michael Daniell, Paul Shearer, Patrick McSweeny, Colin Board

Fisher & Paykel Holdings GmbH (Germany)
Colin Board

Fisher & Paykel Healthcare GmbH & Co KG (Germany)
Colin Board, Peter Spoljaric

Fisher & Paykel Holdings Inc. (USA)
Michael Daniell, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Inc. (USA)
Michael Daniell, Paul Shearer, Justin Callahan

Fisher & Paykel Healthcare K.K. (Japan)
Michael Daniell, Paul Shearer, Kokichi Kitahara

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

Chairman of:
Fisher & Paykel Appliances Holdings Limited
Milly Molly Holdings Ltd

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
Investment 102 Limited
Investment 104 Limited
New Zealand 93 Limited
Stonex Systems Limited
Team New Zealand Limited
Edison Limited

a trustee of:
Andsar Family Trust
Maurice Paykel Charitable Trust (Inc)
Maurice & Phyllis Paykel Trust (Inc)
Phyllis Patricia Paykel Trust
Team New Zealand Trust
Eden Park Trust Board
Levante No. 2 Trust

a shareholder in:
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited – 100 ordinary shares jointly held with Mike Daniell
Fisher & Paykel Appliances Employee Share Purchase Trustee Limited – 100 ordinary shares jointly with John Bongard

P M SMITH

Chairman and trustee of:
The Lion Foundation

Chairman of:
BrainZ Instruments Limited
ING Property Trust Management Limited

a director of:
Auckland International Airport Limited
Hauraki Private Equity No. 1 Fund
Hauraki Private Equity No. 2 Fund

C J MAIDEN

Chairman of:
Marsh (NZ) Limited Advisory Group
D B Breweries Limited

a director of:
D B Group Limited and Subsidiaries
The New Zealand Refining Co Limited
Foodland Associated Limited

a trustee of:
Fisher & Paykel Executive Share Purchase Scheme

W L GILLANDERS

Chairman of:
Auckland Packaging Limited
Vita New Zealand Limited

a director of:
Fisher & Paykel Appliances Holdings Limited
Fisher & Paykel Trustee Limited
LRS Management Limited
Rangatira Limited

M G DANIELL

a director of:
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited

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

N T EVANS

a director of:
Managers & Consultants Limited
Quark Technology Limited
Woolf Fisher Trust

a trustee of:
Woolf Fisher Trust

ADRIENNE CLARKE

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 the Company's 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 OWNS:**
*Fisher & Paykel Healthcare Limited (NZ)
*Fisher & Paykel Healthcare Pty Limited (Australia)
*Fisher & Paykel Healthcare Treasury Limited (NZ)
Fisher & Paykel Healthcare Limited (UK)
Fisher & Paykel Holdings Inc. (USA)
Fisher & Paykel Healthcare K.K. (Japan)

FISHER & PAYKEL HEALTHCARE LIMITED OWNS:
*Fisher & Paykel Healthcare Properties Limited (NZ)

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)

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' DETAILS

The Directors of Fisher & Paykel Healthcare Corporation Limited at any time during or since the end of the year are as follows:

Gary Albert Paykel	Chairman, Non-Executive, Independent
Michael Grenfell Daniell	Managing Director and Chief Executive Officer
Philip Michael Smith	Deputy Chairman, Non-Executive, Independent
Prof. Adrienne Elizabeth Clarke	Non-Executive, Independent
Sir Colin James Maiden	Non-Executive, Independent
Dr Nigel Thomas Evans	Non-Executive, Independent
William Lindsay Gillanders	Non-Executive

During the twelve months to 31 March 2005:

At the Annual Meeting of Shareholders held on 12 August 2004 Prof Adrienne Elizabeth Clarke and Dr Nigel Thomas Evans retired by rotation in accordance with the Company's constitution, and were re-elected to the Board.

EXECUTIVES' DETAILS

Michael Daniell, *Managing Director and Chief Executive Officer*

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*

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 8700
Facsimile: +64-9-488 8787
Investor Enquiries: +64-9-488 8777
Internet address: www.computershare.co.nz
Email: enquiry@computershare.co.nz

In Australia
Computershare Investor Services Limited
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
Investor Enquires: 1 300 855 080
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