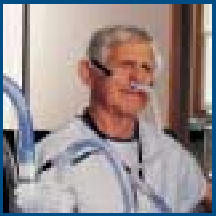
Interim Report 2006



Fisher & Paykel HEALTHCARE

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 do Brasil Ltda (Brazil)

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

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

FISHER & PAYKEL HEALTHCARE 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 half 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 six months to 30 September 2005:

At the Annual Meeting of Shareholders held on 23 August 2005 Messrs Paykel and Smith 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 Enquiries: 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.

HALF YEAR REVIEW

Our purpose is to increase shareholder value by profitably developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes. Our growth strategy remains consistent, driven by a growing range of innovative products, opportunities to serve additional patient groups and international expansion.

For the six months ended 30 September 2005, our results demonstrated the success of that strategy, with record revenue and operating profit, significant new product introductions, strong investment in research and development, expansion of our international sales activities and an increased interim dividend.

In US dollar terms, revenue increased by 27 per cent and operating profit increased by 25 per cent over the prior comparable six month period. Operating profit in New Zealand dollars increased by 14 per cent to NZ$47.4 million, and our operating margin continued to be very strong at 35 per cent for the six months.

Profit after tax grew 12 per cent to NZ$31.6 million compared with NZ$28.1 million in the prior comparable half year period.

Strong acceptance of new products in each of our respiratory humidification, obstructive sleep apnea (OSA), and neonatal and warming product groups helped to generate these results.

Revenue from these three core product groups grew 27 per cent in US dollar terms over the prior comparable period, reflecting growing market shares and customer acceptance of our expanded product range. Total revenue, including distributed products, was US$95.0 million. This translated to NZ$135.4 million, up 15 per cent on the first half of last year despite an average 10 per cent appreciation of the New Zealand dollar against the US dollar.

Our growth strategy remains consistent, driven by a growing range of innovative products, opportunities to serve additional patient groups and international expansion.

Our performance is reflected in the Directors' approval of an increased dividend for the period of NZD 5.4 cents per ordinary share carrying full imputation credit. Non-resident shareholders will receive a supplementary dividend of NZD 0.953 cents per share. The interim dividend will be paid on 9 December 2005, with a record date of 1 December and an ex-dividend date of 25 November for the ASX and 2 December for the NZX.

In September we announced an extension, to 31 March 2006, of our NZ$27.5 million share buyback programme. During the six months ended 30 September 2005 we repurchased a total of 1,299,902 shares at an average price of NZ$2.98 per share. Since the initiation of this share buyback programme in March 2004 we have repurchased a total of 5,424,537 shares at an average price of NZ$2.60.

REVENUE BY PRODUCT GROUP

US DOLLARS Six Months Ended 30 September				NZ DOLLARS Six Months Ended 30 September		
Percentage variation	2004 US$000	2005 US$000	Product Group	2005 NZ$000	2004 NZ$000	Percentage variation
+16%	37,223	43,079	Respiratory humidification	61,378	58,267	+5%
+42%	29,223	41,613	Obstructive sleep apnea	59,312	45,694	+30%
+28%	5,850	7,470	Patient warming and neonatal care	10,648	9,153	+16%
+27%	72,296	92,162	Core products sub-total	131,338	113,114	+16%
+4%	2,752	2,875	Distributed	4,100	4,314	-5%
+27%	$75,048	$95,037	Total	$135,438	$117,428	+15%

RESPIRATORY HUMIDIFICATION

The respiratory humidification product group again generated strong growth in adult and neonatal breathing circuits as a result of increasing market penetration of our sophisticated MR850 humidifier system. This contributed to 16 per cent growth in revenue to US$43.1 million for the first half.

Last year we announced the introduction of our Evaqua™ breathing tube technology, which eliminates excess humidity from the expiratory side of the breathing circuit. Demand for Evaqua™, which we have now also introduced to North America, has been very strong and we are steadily ramping up manufacturing capacity.

In April we announced the introduction of our MR880 humidifier system, which has been designed to treat a number of new patient groups with conditions such as pneumonia, COPD and xerostomia. Over time we see these applications becoming increasingly important in the respiratory product group. So far the MR880 has been introduced in New Zealand, Australia and the United Kingdom, with Europe expected late this year. Remaining markets are expected to follow over the next 12 months.

Pilot marketing of the MR860 humidifier system for use in laparoscopic insufflation is progressing as expected. We are establishing sales in New Zealand and Australia prior to introducing the system in additional markets. We continue to view this as a long-term project. The clinical benefits of humidification are clear, but we expect that this new concept will take several years to be widely adopted.

OBSTRUCTIVE SLEEP APNEA

Total revenue from flow generators and masks grew an impressive 60 per cent in US dollars compared to the first half of last year. Overall OSA product group revenue grew a very encouraging 42 per cent to US$41.6 million.

The worldwide market for OSA treatment devices continues to grow strongly, with annual growth at the upper end of a 15-20 per cent range. Our gains in market share were a result of growth in sales to a wide range of customers, both in North America and international markets.

Our expanding range of masks was an important driver of growth. Our FlexiFit™ non-invasive ventilation masks and FlexiFit™ 406 Petite nasal mask, announced in September, have received positive early acceptance.

The new SleepStyle 200 and 600 series flow generators have also been very well received by customers.

Our proprietary ThermoSmart™ technology, which applies our world leading critical care humidification technology to OSA therapy, generated a great deal of interest at October's Medtrade exhibition in Atlanta. Our ThermoSmart™ flow generators incorporate a heated breathing tube which provides increased levels of humidity independent of external conditions. We believe that the benefits of ThermoSmart™ include reduced symptoms due to airway drying, improved patient comfort and more effective continuous positive airway pressure (CPAP) therapy.

PATIENT WARMING AND NEONATAL CARE

Strong growth from neonatal warmers, resuscitators and infant CPAP systems contributed to 28 per cent revenue growth in this product group compared to the same period last year. Total revenue was US$7.5 million for the six months, with both the infant CPAP system and Neopuff resuscitator generating rapidly growing recurring revenues.

INTERNATIONAL SALES

North America generated 48 per cent of our revenues for the half-year, with Europe contributing 28 per cent, and Asia/Pacific and Other 24 per cent. We have continued to strengthen our teams in North America, Europe and Asia to increase our geographical coverage and to support ongoing growth. During the six months, as well as expanding our existing sales and marketing teams, we have appointed area sales managers in Scandinavia and Brazil.

RESEARCH AND DEVELOPMENT

Our research and development activities are critical to our objective of providing an increasing range of devices which improve care and outcomes for an increasing range of patients. For the six months research and development expenditure grew 2 per cent to NZ$8.3 million and represented 6.2 per cent of revenue.

Product and clinical development continue to progress well in our project to develop a system specifically designed to help treat home patients with Chronic Obstructive Pulmonary Disease (COPD).

OUTLOOK

Construction of the new 23,300m^2 building in addition to the existing 28,000m^2 facility on our Auckland site is progressing to plan. The new building, which will be occupied primarily by our OSA product group, will provide space for increased manufacturing and R&D capacity on completion in mid 2006.

Our performance in the six months to 30 September 2005 coupled with the introduction of new products and growth in our international sales activities give us confidence of a strong result for the full year.

At 30 September 2005 we had in place a mix of foreign exchange contracts and call options, the majority of which are up to six months forward, with a face value of approximately NZ$133 million. These instruments are at average exchange rates of approximately 0.45 US dollars and 0.50 Euros to the New Zealand dollar and are to protect the company from exchange rate volatility.

For the full year we expect robust US dollar revenue growth with full year revenue to be in the range of US$195 million to US$200 million. We expect operating margin percentage to continue to be in the mid thirties.

GARY PAYKEL
Chairman

MICHAEL DANIELL
Managing Director and
Chief Executive Officer

PRICEWATERHOUSECOOPERS

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Auckland, New Zealand
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Accountants' Report

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

We have reviewed the interim consolidated financial statements on pages 5 to 14. The interim consolidated financial statements provide information about the past financial performance and cash flows of the company for the period ended 30 September 2005 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 41 to 44 of the Annual Report for the year ended 31 March 2005.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the interim consolidated financial statements that present fairly the financial position of the company as at 30 September 2005 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

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

Basis of opinion

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

We have reviewed the interim consolidated financial statements of the company for the period ended 30 September 2005 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

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

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements do not present fairly the financial position of the Group as at 30 September 2005 and its' financial performance and cash flows for the period ended on that date.

Our review was completed on 17 November 2005 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants — Auckland

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

US DOLLARS Year Ended 31 March 2005	Six Months Ended 30 September 2004	Six Months Ended 30 September 2005		NZ DOLLARS Six Months Ended 30 September 2005	Six Months Ended 30 September 2004	Year Ended 31 March 2005
US$000	US$000	US$000		NZ$000	NZ$000	NZ$000
162,599	75,048	95,037	Operating revenue	135,438	117,428	240,566
45,450	21,097	27,931	Cost of sales	39,805	33,010	67,243
117,149	53,951	67,106	Gross profit	95,633	84,418	173,323
			Operating expenses:			
45,543	22,034	27,997	Selling, general and administrative expenses	39,899	34,477	67,382
10,947	5,243	5,856	Research and development expenses	8,345	8,203	16,196
56,490	27,277	33,853	Total operating expenses	48,244	42,680	83,578
60,659	26,674	33,253	Operating profit	47,389	41,738	89,745
			Other income (expenses):			
1,071	553	549	Interest income	782	865	1,585
(228)	(102)	(350)	Interest expense	(499)	(159)	(338)
385	364	-	Gain on sale of land	-	570	570
1,228	815	199	Total other income (expenses)	283	1,276	1,817
61,887	27,489	33,452	Profit before taxation	47,672	43,014	91,562
(20,383)	(9,512)	(11,285)	Taxation	(16,083)	(14,884)	(30,157)
41,504	17,977	22,167	Profit after taxation	31,589	28,130	61,405
8.2 cps	3.5 cps	4.4 cps	Basic earnings per share	6.2 cps	5.5 cps	12.1 cps
7.9 cps	3.4 cps	4.2 cps	Diluted earnings per share	6.0 cps	5.4 cps	11.7 cps
508,686,610	508,851,500	507,810,153	Weighted average basic shares outstanding	507,810,153	508,851,500	508,686,610
523,841,480	522,502,395	524,482,177	Weighted average diluted shares outstanding	524,482,177	522,502,395	523,841,480

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

US DOLLARS 31 March 2005 US$000	US DOLLARS 30 September 2004 US$000	US DOLLARS 30 September 2005 US$000		NOTES	NZ DOLLARS 30 September 2005 NZ$000	NZ DOLLARS 30 September 2004 NZ$000	NZ DOLLARS 31 March 2005 NZ$000
			ASSETS				
			Current assets				
16,327	11,531	13,993	Cash and bank balances		20,204	17,226	23,057
9,913	14,727	2,770	Short-term investments		4,000	22,000	14,000
38,657	34,424	36,332	Debtors and prepayments	3	52,458	51,426	54,592
21,885	18,225	21,772	Inventories	4	31,435	27,226	30,906
3,259	2,462	852	Taxation		1,230	3,678	4,603
354	218	287	Employee share ownership plans loans		414	326	500
90,395	81,587	76,006	Total current assets		109,741	121,882	127,658
			Long-term assets				
58,701	48,859	71,053	Property, plant and equipment		102,589	72,989	82,899
1,687	1,518	1,687	Patents and trademarks		2,436	2,268	2,382
346	108	235	Employee share ownership plans loans		339	161	489
1,618	3,533	-	Debtors and prepayments	3	-	5,278	2,285
1,002	1,076	847	Goodwill on consolidation		1,223	1,608	1,415
9,334	8,218	10,075	Deferred taxation		14,546	12,277	13,182
163,083	144,899	159,903	**Total assets**		230,874	216,463	230,310
			LIABILITIES				
			Current liabilities				
4,419	4,639	3,931	Bank overdrafts		5,675	6,930	6,241
10,675	7,614	8,985	Trade creditors		12,973	11,375	15,075
579	671	849	Provisions		1,226	1,002	817
1,292	1,232	2,704	Borrowings		3,904	1,841	1,824
445	657	662	Taxation		956	982	628
9,042	6,693	9,430	Other liabilities	5	13,615	10,000	12,771
26,452	21,506	26,561	Total current liabilities		38,349	32,130	37,356
			Long-term liabilities				
382	424	357	Provisions		516	633	539
272	242	290	Other liabilities	5	419	361	384
27,106	22,172	27,208	**Total liabilities**		39,284	33,124	38,279
			SHAREHOLDERS' EQUITY				
135,977	122,727	132,695	**Total shareholders' equity**		191,590	183,339	192,031
163,083	144,899	159,903	**Total liabilities and shareholders' equity**		230,874	216,463	230,310

On behalf of the Board

17 November 2005

GARY PAYKEL
Chairman

MICHAEL DANIELL
Managing Director and
Chief Executive Officer

UNAUDITED CONSOLIDATED STATEMENTS OF MOVEMENTS IN EQUITY

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

US DOLLARS Year Ended 31 March 2005	Six Months Ended 30 September 2004	Six Months Ended 30 September 2005		NZ DOLLARS Six Months Ended 30 September 2005	Six Months Ended 30 September 2004	Year Ended 31 March 2005
US$000	US$000	US$000		NZ$000	NZ$000	NZ$000
			Total recognised revenues and expenses			
41,504	17,977	22,167	Profit after taxation	31,589	28,130	61,405
8,194	1,379	(2,158)	Movement in currency translation reserve	1,163	368	360
49,698	19,356	20,009		32,752	28,498	61,765
			Contributions from shareholders			
731	135	76	Issue of share capital	108	211	1,064
731	135	76		108	211	1,064
			Distributions to shareholders			
(5,094)	(5,094)	(2,718)	Repurchase of share capital	(3,874)	(8,048)	(8,048)
(35,758)	(18,070)	(20,649)	Dividends	(29,427)	(28,547)	(53,975)
(40,852)	(23,164)	(23,367)		(33,301)	(36,595)	(62,023)
9,577	(3,673)	(3,282)	**Movements in shareholders' equity for the period**	(441)	(7,886)	806
126,400	126,400	135,977	**Shareholders' equity at beginning of the period**	192,031	191,225	191,225
135,977	122,727	132,695	**Shareholders' equity at end of the period**	191,590	183,339	192,031

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

US DOLLARS Year Ended 31 March 2005 US$000	Six Months Ended 30 September 2004 US$000	Six Months Ended 30 September 2005 US$000		NOTES	NZ DOLLARS Six Months Ended 30 September 2005 NZ$000	Six Months Ended 30 September 2004 NZ$000	Year Ended 31 March 2005 NZ$000
			CASH FLOWS FROM OPERATING ACTIVITIES				
186,855	86,905	109,259	Receipts from customers		155,706	135,981	276,453
3	3	2	Dividends received		3	4	5
1,086	570	502	Interest received		715	892	1,607
(118,821)	(56,008)	(68,985)	Payments to suppliers and employees		(98,308)	(87,647)	(175,798)
(20,166)	(9,463)	(7,390)	Taxation paid		(10,531)	(14,807)	(29,836)
(204)	(63)	(58)	Interest paid		(82)	(99)	(302)
48,753	21,944	33,330	Net cash flow from operations	6	47,503	34,324	72,129
			CASH FLOWS (USED IN) INVESTING ACTIVITIES				
602	550	26	Sale of property, plant and equipment		37	860	891
(11,365)	(3,631)	(18,081)	Purchase of property, plant and equipment		(25,767)	(5,682)	(16,814)
(663)	(293)	(439)	Patent and trademark registration costs		(626)	(458)	(981)
39,414	23,406	13,970	Sale of short-term investments		19,909	36,624	58,313
(37,347)	(26,506)	(7,091)	Purchase of short-term investments		(10,106)	(41,474)	(55,255)
(9,359)	(6,474)	(11,615)	Net cash flow (used in) investing activities		(16,553)	(10,130)	(13,846)
			CASH FLOWS (USED IN) FINANCING ACTIVITIES				
591	501	127	Employee share purchase schemes		181	784	874
243	135	76	Issue of share capital		108	211	359
(5,440)	(5,143)	(2,718)	Repurchase of share capital		(3,874)	(8,048)	(8,048)
-	1,933	2,151	New borrowings		3,065	3,025	-
-	(1,933)	(650)	Repayment of borrowings		(927)	(3,025)	-
(36,482)	(18,244)	(20,649)	Dividends paid		(29,427)	(28,547)	(53,975)
(3,207)	(1,647)	(1,855)	Supplementary dividends paid to overseas shareholders		(2,644)	(2,577)	(4,745)
(44,295)	(24,398)	(23,518)	Net cash flow (used in) financing activities		(33,518)	(38,177)	(65,535)
(4,901)	(8,928)	(1,803)	Net (decrease) in cash		(2,568)	(13,983)	(7,252)
16,031	16,031	11,908	Opening cash		16,816	24,252	24,252
778	(211)	(43)	Effect of foreign exchange rates		281	27	(184)
11,908	6,892	10,062	Closing cash		14,529	10,296	16,816
			RECONCILIATION OF CLOSING CASH				
16,327	11,531	13,993	Bank		20,204	17,226	23,057
(4,419)	(4,639)	(3,931)	Bank overdrafts		(5,675)	(6,930)	(6,241)
11,908	6,892	10,062			14,529	10,296	16,816

1. ORGANISATION AND BASIS OF PRESENTATION

Fisher & Paykel Healthcare Corporation Limited and its subsidiaries ("the Company") is a leading designer and manufacturer of heated humidification products 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. The Company's headquarters and manufacturing operations are located in New Zealand, with products sold in over 90 countries worldwide. Principal distribution and sales sites are located in the United States, the United Kingdom, Australia and Europe.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Financial Reporting Standard No 24, "Interim Financial Statements", issued by the Institute of Chartered Accountants of New Zealand, and are presented in New Zealand dollars. The accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by New Zealand Generally Accepted Accounting Practice ("NZ GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended 30 September 2005 are not necessarily indicative of the results that may be expected for the financial year ending 31 March 2006.

The New Zealand dollar unaudited condensed consolidated financial statements have been translated into US dollars to assist in the understanding of the Company's financial results.

2. ACCOUNTING POLICIES

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements for the year ended 31 March 2005.

US DOLLARS 31 March 2005 US$000	US DOLLARS 30 September 2004 US$000	US DOLLARS 30 September 2005 US$000		NZ DOLLARS 30 September 2005 NZ$000	NZ DOLLARS 30 September 2004 NZ$000	NZ DOLLARS 31 March 2005 NZ$000
3. DEBTORS AND PREPAYMENTS						
			CURRENT			
27,541	21,799	28,593	Trade debtors	41,283	32,565	38,894
(254)	(303)	(317)	Less allowance for doubtful accounts	(457)	(452)	(359)
27,287	21,496	28,276		40,826	32,113	38,535
4,070	5,636	2,137	Unrealised gain on foreign currency instruments	3,086	8,420	5,748
5	17	279	Foreign currency option premium prepaid	403	26	7
7,295	7,275	5,640	Other debtors and prepayments	8,143	10,867	10,302
38,657	34,424	36,332		52,458	51,426	54,592
			TERM			
1,618	3,289	-	Unrealised gain on foreign currency instruments	-	4,914	2,285
-	244	-	Other debtors and prepayments	-	364	-
1,618	3,533	-		-	5,278	2,285
4. INVENTORIES						
7,242	5,565	5,431	Materials	7,841	8,313	10,227
16,311	14,331	18,422	Finished products	26,598	21,410	23,034
(1,668)	(1,671)	(2,081)	Provision for obsolescence	(3,004)	(2,497)	(2,355)
21,885	18,225	21,772		31,435	27,226	30,906

5. OTHER LIABILITIES

US DOLLARS 31 March 2005 US$000	US DOLLARS 30 September 2004 US$000	US DOLLARS 30 September 2005 US$000		NZ DOLLARS 30 September 2005 NZ$000	NZ DOLLARS 30 September 2004 NZ$000	NZ DOLLARS 31 March 2005 NZ$000
			CURRENT			
5,046	4,994	5,936	Employee entitlements	8,570	7,460	7,126
3,996	1,699	3,494	Other creditors and accruals	5,045	2,540	5,645
9,042	6,693	9,430		13,615	10,000	12,771
			TERM			
272	242	290	Other creditors and accruals	419	361	384
272	242	290		419	361	384

6. CASH FLOW RECONCILIATION

US DOLLARS Year Ended 31 March 2005 US$000	US DOLLARS Six Months Ended 30 September 2004 US$000	US DOLLARS Six Months Ended 30 September 2005 US$000		NZ DOLLARS Six Months Ended 30 September 2005 NZ$000	NZ DOLLARS Six Months Ended 30 September 2004 NZ$000	NZ DOLLARS Year Ended 31 March 2005 NZ$000
41,504	17,977	22,167	Profit after taxation	31,589	28,130	61,405
			Add (deduct) non-cash items:			
5,185	2,618	3,019	Depreciation and writedown of property, plant and equipment to recoverable amount	4,303	4,097	7,672
534	239	297	Amortisation of patents	423	374	790
260	123	135	Amortisation of goodwill	192	192	385
8	23	91	Accrued interest income	129	35	22
197	332	246	Movement in provisions	386	481	201
(275)	841	(740)	Movement in deferred tax	(1,364)	1,428	523
			Movement in working capital:			
7,688	3,344	(1,163)	Payables and accruals	982	403	4,798
(5,495)	45	300	Debtors and prepayments	(528)	619	(4,842)
(4,963)	(1,682)	666	Inventory	270	(2,199)	(5,009)
(259)	(808)	4,477	Provision for taxation net of supplementary dividend paid	6,345	(1,103)	(215)
5,136	2,017	3,551	Movement in unrealised revaluations of foreign currency instruments	4,947	3,040	8,342
(385)	(364)	-	Gain on sale of land included within investing activities	-	(570)	(570)
(382)	(2,761)	284	Foreign currency exchange translation	(171)	(603)	(1,373)
48,753	21,944	33,330	Net cash flow from operations	47,503	34,324	72,129

7. FINANCIAL INSTRUMENTS

MANAGEMENT POLICIES

Through its importing and exporting activities the Company 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, Japanese Yen and Canadian dollars.

The terms of the foreign currency option contracts and forward foreign currency contracts generally do not exceed five years. However, with Board approval, foreign currency option contracts and forward foreign currency contracts may have terms of up to ten 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 is 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 are 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.

Notional principal of forward exchange and option contracts amounts outstanding was as follows:

	US DOLLARS				NZ DOLLARS	
31 March 2005	30 September 2004	30 September 2005		30 September 2005	30 September 2004	31 March 2005
US$000	US$000	US$000		NZ$000	NZ$000	NZ$000
393	1,372	2,449	Purchase commitments forward exchange contracts	3,536	2,049	555
132,236	161,239	92,150	Sale commitments forward exchange contracts	133,050	240,871	186,747
1,346	17,532	202	Put option contracts purchased	292	26,190	1,901
			Call option contracts sold			

7. FINANCIAL INSTRUMENTS (continued)

Foreign currency principal amounts of sale commitments forward exchange contracts and put option contracts purchased were as follows:

	FOREIGN CURRENCY 30 September 2005 $000	30 September 2004 $000	31 March 2005 $000
USD	45,115	98,220	66,555
EUR	11,962	11,739	12,095
GBP	2,751	2,538	1,944
AUD	3,619	3,577	3,262
CAD	2,750	-	-

Foreign currency principal amounts of purchase commitments forward exchange contracts were as follows:

	FOREIGN CURRENCY 30 September 2005 $000	30 September 2004 $000	31 March 2005 $000
USD	262	-	483
EUR	1,026	-	336
JPY	97,457	71,250	39,730

8. COMMITMENTS

Capital expenditure commitments:

US DOLLARS 31 March 2005 US$000	30 September 2004 US$000	30 September 2005 US$000		NZ DOLLARS 30 September 2005 NZ$000	30 September 2004 NZ$000	31 March 2005 NZ$000
34,366	2,536	20,556	Buildings	29,680	3,788	48,533

There has been no material movement in other capital expenditure or lease commitments from that disclosed in the 2005 Annual Report.

9. CONTINGENCIES

We are unaware of the existence of any contingencies that would have a material impact on the operations of the Company.

10. IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As announced by New Zealand's Accounting Standards Review Board in late 2002, the Company will be required to prepare financial statements under the New Zealand equivalent of International Financial Reporting Standards ("NZ IFRS") for the year ending 31 March 2008, including comparative financial information for the year ending 31 March 2007.

During the 2004 financial year a project team was established to plan for the transition to NZ IFRS and identify the impacts of its implementation. A high level overview has been completed and reported to the Audit & Risk Committee of the Board. The project team also examined the potential implications of adopting NZ IFRS from 1 April 2005 and decided not to early adopt the new standards.

The two main reasons for choosing not to early adopt were firstly to reduce the risk of an inconsistent application of NZ IFRS compared to other companies, both in New Zealand and overseas, and secondly to allow time for increased shareholder and analyst understanding of the earnings volatility that could result from the transition.

10. IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

To date the project team has identified a number of accounting policy changes that will be required although some of these are subject to interpretation and further review before the impact on the Company is fully understood. The areas of significant difference for the Company, between NZ GAAP and NZ IFRS, are set out below:

FUNCTIONAL CURRENCY

No currency translation reserve post implementation.

Foreign currency hedging of foreign subsidiaries' sales not inter-company sales.

The Company has assessed, based on the criteria in NZ IAS21 and the current nature of the Company's activities, the functional currency of the Parent and all subsidiaries to be New Zealand dollars, as all operations are fully integrated operations.

The effect of determining the functional currency of the foreign operations to be New Zealand dollars is that all transactions entered into by the foreign subsidiaries will be accounted for as if they had been entered into by the New Zealand entities. For example, monetary items will be translated into the functional currency using the closing rate of foreign exchange, and nonmonetary items that are measured on a historical cost basis will be translated using the foreign exchange rate at the date of the transaction that resulted in their recognition.

NZ IAS39 only allows hedge accounting for a foreign currency exposure into an entity's functional currency. The Company currently hedges a significant portion of its foreign currency exposure by hedging inter-company sales to foreign subsidiaries. On adoption of NZ IFRS the functional currency of the foreign subsidiaries will change to New Zealand dollars. The Company will change to hedging the local currency sales in the foreign subsidiaries to New Zealand dollars.

HEDGE ACCOUNTING

Initial impact on retained earnings on implementation.

Volatility in future earnings.

New assets or liabilities recognised.

The Company maintains an off-balance sheet portfolio of foreign currency option contracts and forward foreign currency contracts to hedge the currency risks 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. Under NZ GAAP these contracts are accounted for as hedges with any gains or losses deferred and recognised when the hedged transaction occurs.

Under NZ IFRS all derivative contracts, whether used as hedging instruments or otherwise, will be recognised at fair value in the Statement of Financial Position. Changes in the fair value of the derivatives will be recognised in the Statement of Financial Performance unless strict hedge criteria are met. Portfolio hedging of currency risk does not meet NZ IFRS hedge criteria and would require any foreign currency gains or losses on the portfolio hedge to be recognised in the Statement of Financial Performance. The project team is currently investigating how the Group will manage these currency exposures in the future, but believes hedge accounting is achievable for the majority of the Company's activities.

The Company also uses financial instruments as hedges to manage exposures to interest rate risks.

Where the Group is unable to meet NZ IFRS hedge criteria this could result in earnings volatility.

10. IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

SHARE-BASED REMUNERATION

Initial impact on retained earnings on implementation.

Higher expenses.

The Company issues share options to selected employees as a form of share-based compensation. The Company's current accounting policy does not recognise a compensatory expense in respect of these share options.

The group also issues shares to employees under the "Employee share ownership plan" ("ESOP"). The shares are usually offered to emplyees at a discount of 20 per cent of the market price at the time of issue. The Group does not recognise a compensatory expense for the discount on the issue of these shares.

On adoption of NZ IFRS the Group will be required to determine the fair value of all share-based remuneration, including the discount on shares issued by the ESOP, and amortise the expenses over the relevant vesting periods.

TAXATION

Initial impact on retained earnings on implementation.

Additional deferred tax assets or liabilities recognised.

Under NZ IFRS, deferred tax will be calculated using a "balance sheet" approach which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of balance sheet items rather than the accounting and tax values recognised in the Statement of Financial Performance. It is expected that on adoption of NZ IFRS the Group will be required to recognise additional deferred tax assets and liabilities.

EMPLOYEE BENEFITS

Initial impact on retained earnings on implementation.

Higher expenses.

Additional liabilities recognised.

The Company currently recognises a liability when long service leave is fully vested. Under NZ IFRS long service leave is accrued as it is earned. The liability is measured using an actuarial technique to reflect the probability that payment will be required.

ACCOUNTING FOR GOODWILL

Initial impact on retained earnings on implementation.

Elimination of amortisation will reduce expenses and increase earnings.

Volatility in results in event of impairment

Under NZ IFRS goodwill is not required to be amortised but is required to be regularly reviewed for impairment, according to strict tests, and any loss in value recognised as an expense at the time the loss in value is identified. This will result in a change in the Group's accounting policy which currently amortises goodwill on a straight line basis over the lower of the period of expected benefit or ten years. Under the new policy, amortisation will no longer be charged and to the extent that the recoverable amount of goodwill is valued higher than the book value this will result in a lower expense in the Statement of Financial Performance.

The above differences from current accounting policy have not been quantified, as at this stage the Company is unable to reliably quantify the effects. On adoption of NZ IFRS the majority of the transitional adjustments required will be made, retrospectively, against opening retained earnings.

The areas identified above should not be taken as an exhaustive list of all the differences between NZ GAAP and NZ IFRS.

The impacts discussed are based on management's current interpretation of the standards that have been released to date. There is potential for the significance of the impact to change when the Group prepares its first set of NZ IFRS financial statements due to changes in the standards, changes in our business, or changes in management's interpretation of the standards.

As we progress toward 1 April 2007 the Group will continue to provide users of the financial statements with updated information about the likely impacts of NZ IFRS on the Group's earnings, cash flows and financial position.