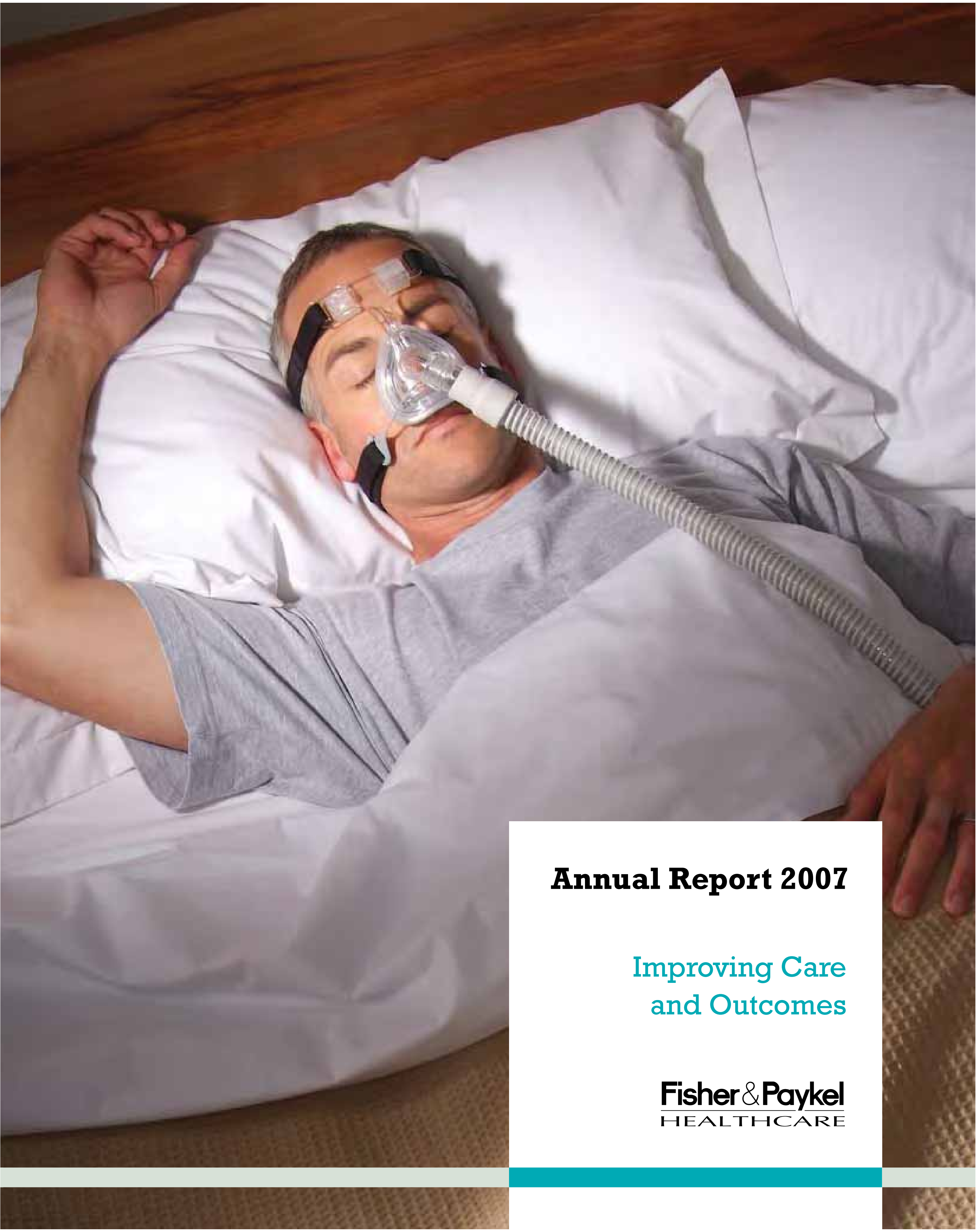
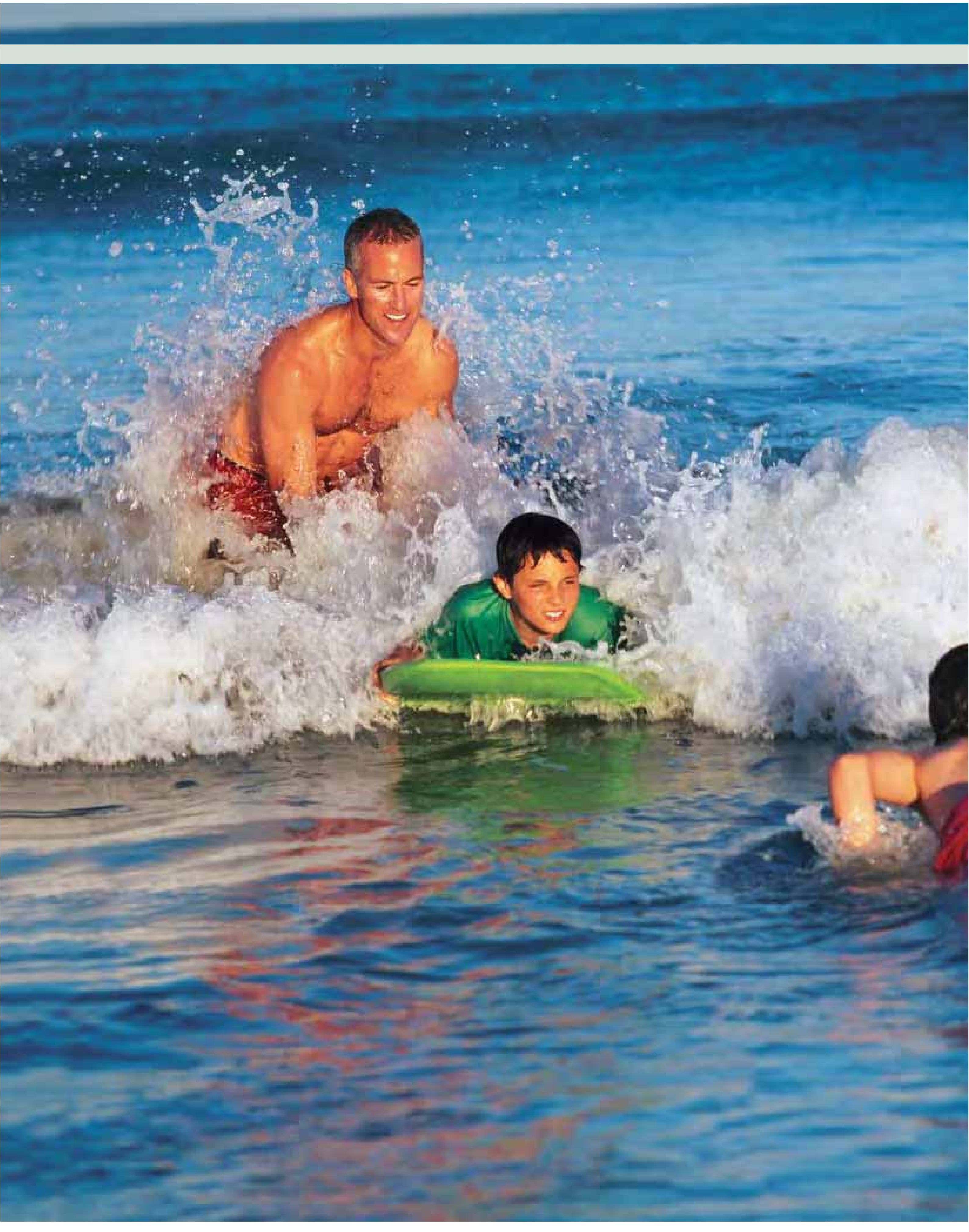


Annual Report 2007

Improving Care and Outcomes

Fisher & Paykel HEALTHCARE



Fisher & Paykel HEALTHCARE

Annual Report 2007

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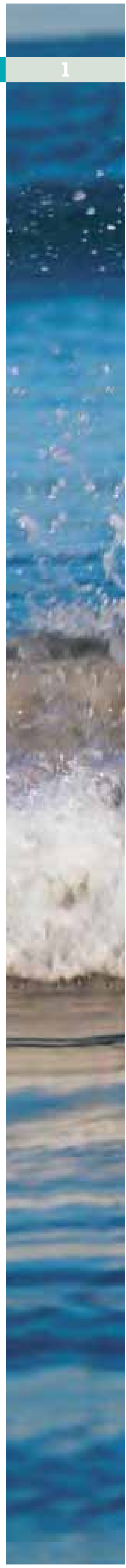


Improving Care and Outcomes

Fisher & Paykel Healthcare Corporation Limited has consistently achieved strong revenue growth in our three core product areas of devices for the treatment of obstructive sleep apnea (OSA), respiratory humidification systems, and products used in neonatal care.

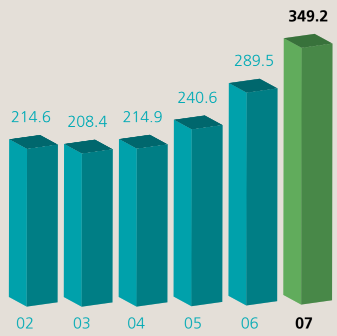
This growth stems from our vision to generate increased value for our shareholders by designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes.

We continued to make considerable progress in our objective to provide innovative medical devices which can assist to improve care and outcomes for an increasing number of patients in an expanding range of settings, which include home care, adult and neonatal intensive care and respiratory care.

Results in Brief

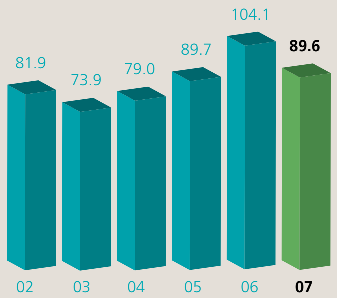
Trading Revenue*

NZ$ MILLIONS



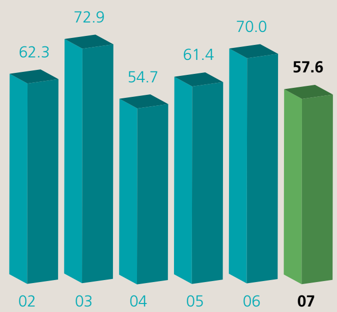
Operating Profit Before Abnormal Items*

NZ$ MILLIONS

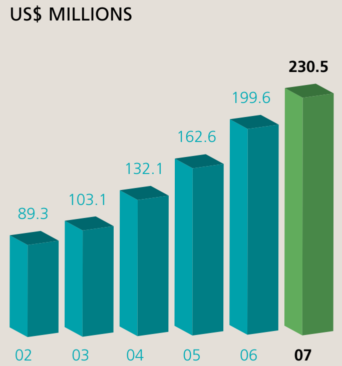


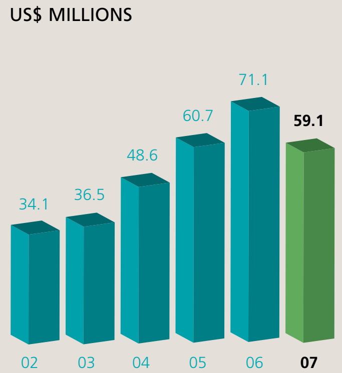
Profit After Taxation*

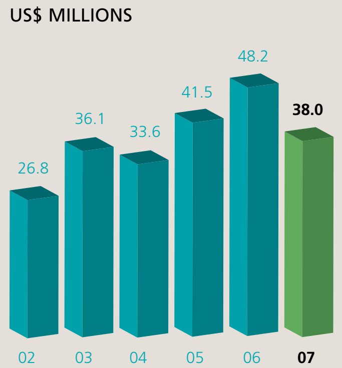
NZ$ MILLIONS



* FROM CONTINUING OPERATIONS







2007 Highlights

21% growth in trading revenue to a record NZ$349.2 million

27% growth in OSA product group revenue to NZ$162.1 million

15% growth in respiratory humidification product group revenue to NZ$150.2 million

25% growth in neonatal care product group revenue to NZ$26.8 million

NZ$89.6 million operating profit

NZ$57.6 million profit after tax

Pre-tax return on average shareholders' equity of 44%

Research and development investment of 5.8% of trading revenue

Total dividend of NZD12.4 cents per share for the year

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 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.

Vision

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

Around the world more and more hospitals, physicians, nurses, therapists and homecare providers are choosing our devices to assist with treatment of their patients.

GARY PAYKEL
Chairman

Chairman's Report

Our healthcare business began, more than 35 years ago, as a result of a pioneering doctor's desire to improve outcomes for ventilated patients under his care. Since those early beginnings we have continued with a vision of providing innovative medical devices that can assist clinicians to improve patient care and outcomes.

Around the world more and more hospitals, physicians, nurses, therapists and homecare providers are choosing our devices to assist with treatment of their patients. Their support is reflected in our 21% growth in trading revenue to a record NZ$349.2 million for the year ended 31 March 2007.

We made encouraging progress in developing new opportunities for growth with new products introduced in our OSA product group and in expanding the range of applications for our humidification and breathing system technologies outside of our traditional hospital intensive care environment.

As an exporter, we earned a large proportion, approximately 62%, of our trading revenue in US dollars. Euros accounted for 20%, UK pounds 6%, Australian dollars 7% and New Zealand dollars 1% of our trading revenue. Exchange rates between the New Zealand dollar and other currencies were very volatile during the year. In constant currency terms, trading revenue increased by a pleasing 19% compared to the prior year. Geographic contribution to revenue was North America 49%, Europe 31% and Asia Pacific and Other, 20%.

We achieved an operating profit of NZ$89.6 million compared to NZ$104.1 million for the prior year. Net foreign exchange hedging gains contributed NZ$7.9 million to operating profit compared to NZ$41.3 million last year. Profit after tax for the year was NZ$57.6 million.

Your directors approved a final dividend of NZD7.0 cents per share, carrying full imputation credit taking total dividends for the year to NZD12.4 cents per share.

Revenue growth was again a result of a strong contribution from each of our core product groups which we believe all achieved encouraging market share gains.

The OSA product group continued to make the largest contribution to growth with trading revenue from masks and flow generators up 34%, taking total OSA trading revenue to NZ$162.1 million, up 27% on the prior year.

Strong growth in volumes of breathing circuits and respiratory humidifier controllers in our respiratory humidification product group generated a trading revenue increase of 15% to NZ$150.2 million.

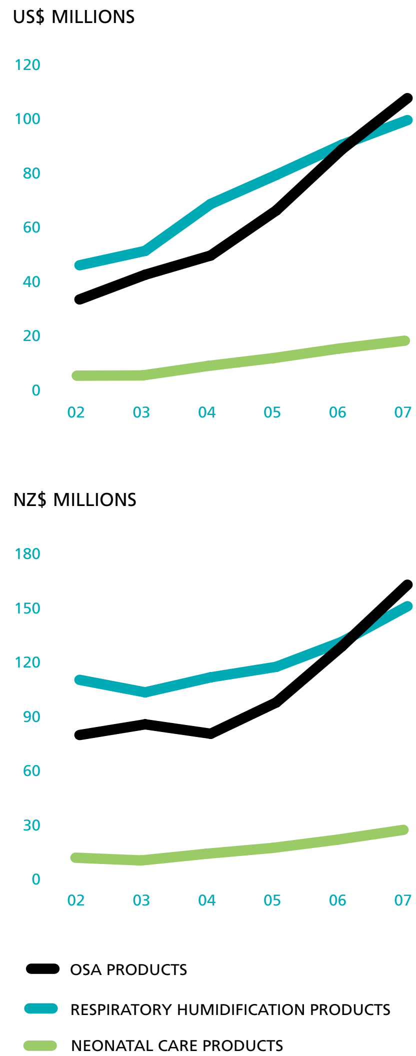
Trading revenue in our neonatal care product group rose 25% to NZ$26.8 million reflecting particularly rapid growth in demand for our neonatal breathing systems and resuscitators.

Foreign exchange hedging gains on export sales to third party distributors contributed approximately NZ$1.3 million to trading revenue, with total operating revenue benefiting from a further NZ$7.2 million of hedging gains relating to sales made to subsidiaries outside New Zealand. These gains were considerably less than last year, when the gains were respectively NZ$13.1 million and NZ$34.9 million.

Of our total trading revenue, OSA accounted for 46%, respiratory humidification represented 43%, neonatal care represented 8% and distributed and other products represented 3%. Consumable and accessory products across all three product groups such as humidifier chambers, breathing circuits and masks accounted for approximately 66% of core products trading revenue, up from 59% in the prior year.

Trading revenue from our core product groups, in US dollar terms, has grown at a compound annual rate of 20% over the past seven years as we have successfully introduced new products, additional devices for use with each patient, and the markets for our products have expanded.

Revenue By Product Group



We continue to invest in the expansion of our global sales network with our products now sold in more than 110 countries. With an increasing number of our own people supporting customers at a local level, our experience confirms that the better our presence in each market, the better our ability to inform customers, build relationships and identify growth opportunities.

Our selling, general and administrative (SG&A) expenses were NZ$97.6 million, an increase of 19% over the prior year. Excluding the effect of currency translations, SG&A expenses increased by approximately 15%. The increase was primarily due to an increase in our sales, marketing and operations staff to support our growth.

Our research and development (R&D) expenses represented 5.8% of trading revenue, an increase of 16% to NZ$20.2 million compared to NZ$17.3 million in the prior year. This investment was spread across all of our core product groups, as we continued to develop our products and technology. New and improved products and processes, along with development of new applications for our technologies, are critical drivers of our annual revenue and earnings growth. We remain committed to investing in R&D.

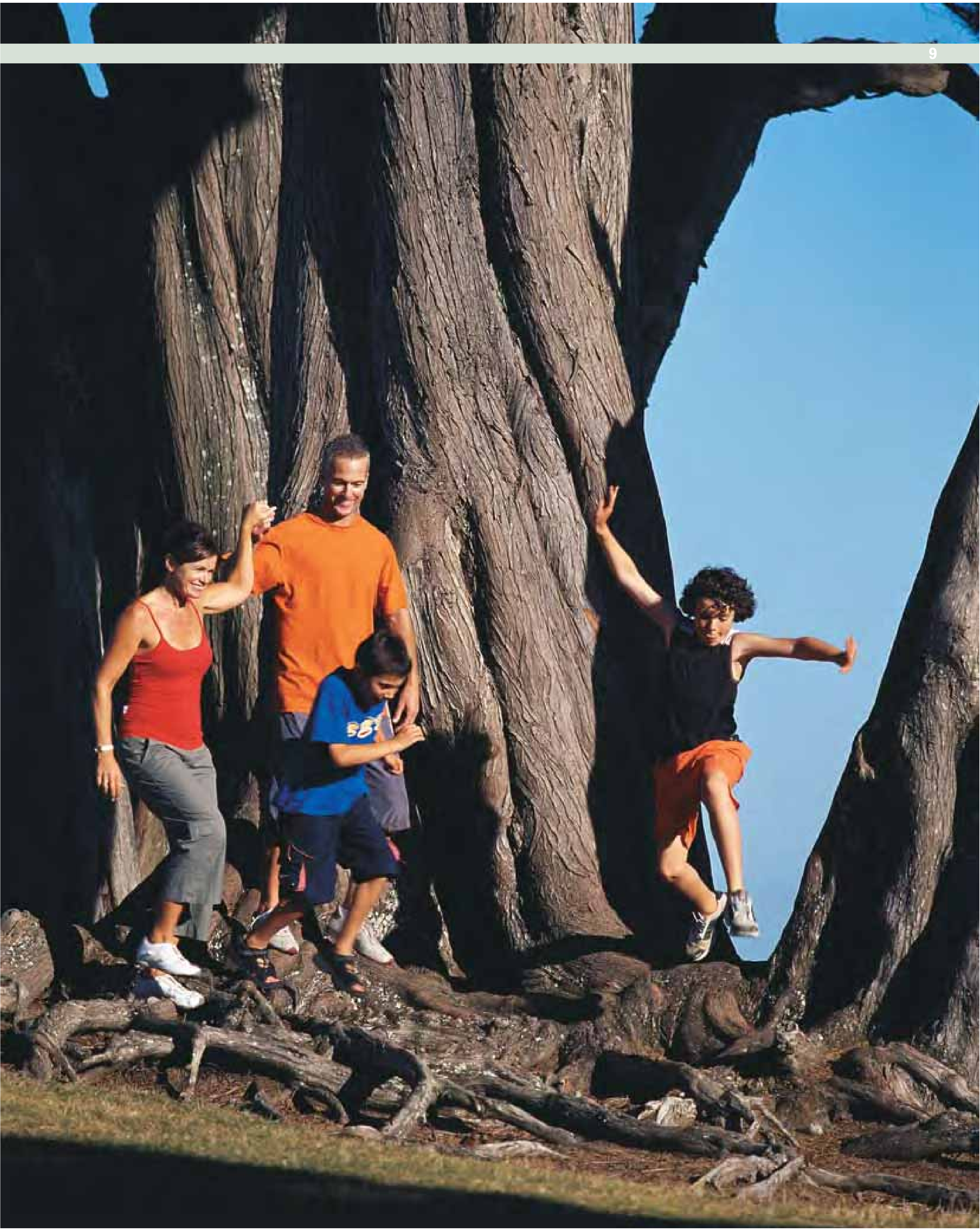
Our cash flow remained strong, with NZ$56.3 million net cash generated from operating activities in the financial year. Operating cash flow was lower than the prior year primarily as a result of less favourable foreign exchange hedging gains.

Capital expenditure of NZ$28.7 million included NZ$11.6 million in payments related to the completion of the second manufacturing, R&D and administrative facility on our Auckland site. The majority of other capital expenditures related to the purchase of production tooling and equipment, computer equipment and software and patents.

Net cash used in financing activities of NZ$48.0 million primarily related to payment of our interim and final dividends. With regard to our on-market share buy-back programme, as at 31 March 2007, NZ$12.2 million remained of the NZ$27.5 million originally allocated to the buy-back.

The experience, capabilities and commitment of our 1,650 people worldwide to excellence in quality, research, development, manufacturing, marketing, sales and administration underpin our ability to grow. This in turn enables us to deliver the long term growth in value expected by our shareholders. We again thank them all for their contribution and their loyalty. Our people are also responsible for the valued relationships we have with our customers, distributors, suppliers and clinical partners. We thank them too for their ongoing support.

Gary Paykel CNZM
Chairman



Over the past year, as well as gaining market share in OSA and intensive care, we began to see a contribution to growth from our new non-invasive ventilation and oxygen therapy products.

MICHAEL DANIELL
Managing Director and Chief Executive Officer

Chief Executive's Review

Our growth strategy continues to be very consistent, to provide an increasing range of innovative products which can help to improve care and outcomes for more patients in more applications.

In homecare, we are addressing the rapidly growing OSA market with an increasing product range while also introducing new devices to assist in home ventilation and the treatment of chronic obstructive pulmonary disease (COPD). In the hospital, we have expanded our offering beyond intensive care ventilation with new products that can be used in non-invasive ventilation, oxygen therapy and humidity therapy.

Over the past year, as well as gaining market share in OSA and intensive care, we began to see a contribution to growth from our new non-invasive ventilation and oxygen therapy products.

Looking ahead, we have announced a number of new products which we believe will continue to expand our opportunities for growth.

Obstructive Sleep Apnea

Tens of millions of people worldwide stop breathing for short periods many times each night while they are asleep. Most people with OSA do not realise that they have a condition which causes excessive daytime fatigue, is associated with cardiovascular disease and strokes and is directly linked to hypertension.

The most popular treatment for OSA is continuous positive airway pressure (CPAP) therapy delivered using an air flow generator, humidifier, tubing and mask. CPAP therapy prevents collapse and blockage of the patient's airway during periods of deep sleep.

Increasing diagnosis rates and improving awareness of the condition are contributing to the 15-20% annual growth rate of the worldwide market for OSA treatment devices and consumables, which we estimate is worth more than US$1.5 billion annually. We are continuing to grow our share, both in the very large United States market and in other international markets, with our broad range of CPAP masks, flow generators and humidifiers.

OSA product group trading revenue grew strongly, with revenue from masks and flow generators up 34%, taking total trading revenue to NZ$162.1 million, up 27% on the prior year. Consistent with the trend over the past few years, we saw a decline in trading revenue of approximately 24% from stand-alone CPAP humidification devices as we continued to encourage our customers to move to integrated flow generator-humidifier systems.

Our humidification technology and our extensive R&D activities have resulted in innovative products with features that help to improve patient acceptance and compliance with CPAP therapy.

Our expanded range of masks continued to be an important driver of revenue growth. Most of our masks incorporate our patented FlexiFit™ and Glider™ technologies which help make them easy to fit and comfortable. Our latest mask, the Opus™, is extremely small, light and quiet and has been enthusiastically received by our customers since introduction early this year.

CPAP devices incorporating our ThermoSmart™ technology are rapidly becoming our most popular flow generators. ThermoSmart™ warms the tube which delivers air to the mask and allows much higher levels of humidification which can reduce the symptoms caused by airway drying. Our ThermoSmart™ flow generators have been very well received by patients, with positive reports of both increased comfort and acceptance.

Respiratory Humidification

Heated humidifier systems play an important role in improving patient care in the treatment of a variety of medical conditions which interfere with normal respiration. Warming and moistening of the gases delivered through mechanical 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.

The devices we offer include humidifier controllers, chambers, the tubing which conveys medical gases to the patient (breathing circuits), filters, connectors and interfaces.

A continuation of market share gains by our MR850 and MR810 humidifier controllers contributed to respiratory humidification product group trading

Increasing diagnosis rates and improving awareness of the condition are contributing to the 15-20% annual growth rate of the worldwide market for OSA treatment devices and consumables, which we estimate is worth more than US$1.5 billion annually.

revenue growth of 15% to NZ$150.2 million. Those humidifier controller placements, along with strong placements in prior years, generated continuing rapid growth in adult and neonatal breathing circuits.

The average value of humidifier and breathing system components we provide for each patient continued to increase. Recently introduced new products, including interfaces for non-invasive ventilation and oxygen therapy, began to contribute to revenue growth during the year.

We have further breathing system consumables under development, with the objective of enabling improved care for more patients and further increasing the value of the devices we offer for treating each patient.

We continued to make encouraging progress with the marketing of our humidifier system for use in laparoscopic (keyhole) surgery in Australia and New Zealand and recently began introduction in the United Kingdom. During laparoscopic surgery, cold, dry carbon dioxide flows into the abdominal cavity to provide a viewing space for the surgeon. Exposure to dry gas can result in the dehydration of, and damage to, the moist tissue surfaces involved. This can negatively impact clinical outcomes such as post operative pain, length of hospital stay, return to normal activity and adhesions (bands of tissue that can disrupt the body's normal functions). Adhesions, in particular, are a major issue given that they result in chronic pelvic pain and, in some cases, infertility.

Our system is designed to warm and humidify the gas at body temperature to maintain normal physiological conditions in the abdominal cavity. This reduces the adverse effects of using cold, dry gas and can improve clinical outcomes.

Neonatal Care

Neonatal care product group revenue growth was again very strong with a 25% growth in trading revenue to NZ$26.8 million. Our neonatal care devices include infant warmers, neonatal breathing systems and neonatal resuscitators. These products are used to assist newborn babies (particularly those born prematurely) with temperature regulation and breathing.

Our neonatal breathing systems, which include infant CPAP, oxygen therapy and resuscitation systems, grew particularly strongly. These consumable items can assist to reduce risk of cross infection and are part of our strategy to increase the proportion of recurring revenue from this product group.

Research and Development

We regularly introduce innovative products and technologies which have been developed through our technical expertise and clinical partnerships. Investment in R&D is fundamental to increasing our opportunities for growth in the OSA, respiratory humidification, neonatal care and related markets.

Investment in R&D	2007 NZ$20.2m	2006 NZ$17.3m	2005 NZ$16.2m
R&D as % of revenue	**5.8%**	6.0%	6.7%
R&D staff	**225**	190	170
Patents at 31 March US granted	**76**	61	52
US applications pending	**67**	71	70
Rest of world granted	**208**	145	97
Rest of world applications pending	**222**	236	234

Over the year, we increased our R&D spending by 16% to NZ$20.2 million, which represented 5.8% of trading revenue. This increase reflects the increased numbers of engineers, scientists, physiologists and other staff employed in research and development activities across all of our core product groups. A number of new products were introduced during the year including the Flexifit™ 432 full face mask, the Opus™ nasal pillows mask, neonatal and paediatric high flow oxygen therapy cannula and a range of neonatal resuscitation masks.

Product and clinical development in our project to develop a system specifically designed to help treat home patients with COPD is near completion. The new system combines technology from our OSA and intensive care products.

Clinical data from a completed 12 month study was presented by Professor Harry Rea in March 2007 at the Thoracic Society of Australia and New Zealand conference. Professor Rea's group concluded that annual exacerbation days were reduced by 43% for COPD patients using humidification therapy. We believe that this positive result will be very supportive of the benefits of humidity therapy and our system.

In the OSA product group we have further masks and flow generators in development. Closest to introduction is our new automatic pressure setting (or auto-titrating) flow generator, which is currently in the final stages of clinical validation in New Zealand and the United States.

Sales and Marketing

Having our own people in many of the 110 countries where our products are sold ensures our product range is well supported and new additions to the range are quickly brought to the attention of health professionals and our customers.

At the same time, a local presence enables us to identify local needs and opportunities, while enabling us to build the good relationships that support our business growth.

In the vast market of Asia, for example, we have offices in Japan, China and India, each of them serving very large and diverse population groups and supporting our in-market distributors. In both India and China, our presence has been further strengthened by the establishment of distribution warehouses, providing immediate access to our product range.

Throughout the rest of Asia we have an extensive network of distributors who represent our products and are supported by our regional sales managers.

The investment made in strengthening our North American operations continues to contribute to increased sales in that market. Our US distribution centres in California and Kentucky ensure efficient delivery to our distributors and the thousands of homecare providers we work with. We have further expanded our US and Canadian sales teams to meet growing home care provider demand and to support our partnership with Cardinal Health, a major provider of products and services to hospitals.

Our sales offices in the UK and Western Europe assist us to deal with the complexities of multiple languages, differing regulatory requirements and market preferences. Sales growth has allowed us to expand our presence and to strengthen our direct sales teams in the UK, Germany, France, Italy, Spain and other countries in Western Europe.

Closer to home, our sales activities in Australia and New Zealand also continue to grow. Australia and New Zealand are especially important markets for us as they are often the first countries to receive our new products, enabling us to gauge initial customer acceptance and to develop marketing material ready for worldwide release.

Revenue by Region

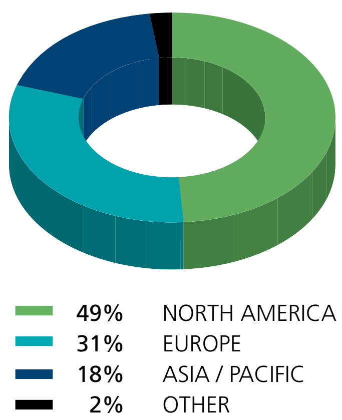


PHOTO: CHRIS WONG

Quality, Regulatory, Manufacturing and Operations

Providing medical devices which are able to assist clinicians and caregivers to improve patient care and outcomes is fundamental to the success of our company. Our products are used in the treatment of millions of people around the world each year. We are continuously improving our products and the way in which they are manufactured so that we achieve the highest levels of quality and reliability.

With the healthcare device industry regulated worldwide, the ability to meet stringent standards is vital to market acceptance of our products. We assist our compliance with these standards by operating a quality management system certified to a range of international standards which apply to both our manufacturing facilities and our sales network.

We are required to comply with the United States Quality System Regulation (QSR) and obtain clearance from the US Food and Drug Administration for new products prior to sale into the United States. Underwriters Laboratories also carry out safety tests on products designed for the US market and certify our products' compliance with the IEC 60601-1 electrical safety standard. We are also required to comply with the European Medical Device Directive, incorporating the quality standard ISO13485.

During the year we completed a review of our quality management system to ensure that our processes and procedures meet both our business needs and changing international regulatory requirements. We

established projects to ensure that our products and services meet the highest possible quality standards and surpass our customers' expectations.

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

Construction of a new 23,300m^2 building on our site at East Tamaki in Auckland, which is almost identical in design to our existing 28,000m^2 building, was completed in July 2006. We expect that this NZ$60 million facility will provide space for expanding our manufacturing, operations, administration and R&D capacity over the next three to five years.

Our facilities in Auckland incorporate controlled working environments for the manufacture and assembly of our products. Production quality is continuously monitored, with our products rigorously tested before final packaging.

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.

Over the year we implemented design, purchasing and process improvements which will achieve approximately NZ$3 million in annualised savings and will help offset other cost increases. These improvements 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.

Our environmental management system 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).

We continued to improve our recycling processes and our recycling of plastics, paper and metals increased by 12% to approximately 173 tonnes from our Auckland facility. Over the year, we recycled approximately 50% of our waste material.

Landscaped settlement ponds take rainwater runoff from the buildings, car parks and surrounding roads on our 40 hectare site at East Tamaki, Auckland. These settlement ponds help to minimise undesirable sediment entering the nearby Tamaki River.

Health and Safety

We are committed to providing our people with a healthy and safe working environment. We are certified to the New Zealand Accident Compensation Corporation's (ACC) Workplace Safety Programme at the tertiary level at our Auckland site and our health and safety management system is audited annually by the ACC. To sustain tertiary certification, we have continued to improve our systems and have undertaken internal audits.

Our health and safety team is continually developing, with employee representatives undergoing training approved by the New Zealand 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.

Human Resources

Worldwide, we employ approximately 1,650 people, with more than 1,300 located in New Zealand and 340 located in 20 other countries. Our human resources strategy continues to be focused on attracting, retaining and developing our family of employees around the world. We actively support the development of our people and continue to support equal employment opportunity principles for all of our employees.

Our continuous improvement philosophy is applied to 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 continued to focus on initiatives that support our organisational growth strategies.

Outlook

For the 2008 financial year we expect a continuation of strong underlying revenue growth across our international markets. We believe that our opportunities to grow market share in the OSA and intensive care ventilation markets continue to be positive. In addition, we expect to see a contribution to growth from recently introduced new products for the treatment of patients in a range of additional applications which include non-invasive ventilation, oxygen therapy, humidity therapy and resuscitation.

As always, a well deserved thank-you to our capable and dedicated worldwide team, who are always striving to ensure that our products can help to improve patient care and outcomes. Thanks also to our Board, our customers, suppliers, clinical partners, distributors and our shareholders for their continued support and confidence in us.

Michael Daniell

Managing Director and Chief Executive Officer

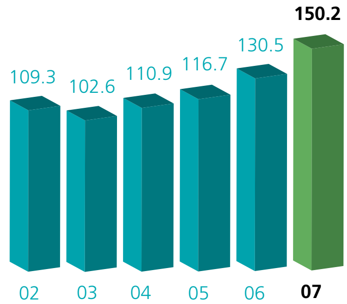
RESPIRATORY HUMIDIFICATION

KEY PRODUCTS

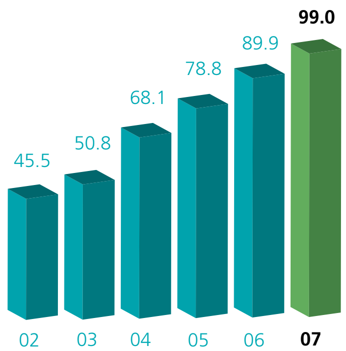
- MR850 Respiratory Humidifier
- MR810 Respiratory Humidifier
- MR880 Respiratory Humidifier
- HC550 Respiratory Humidifier
- MR200 Series Respiratory Humidification Chambers
- Single Use Adult and Neonatal Breathing Circuits
- RT040 Single Use Non-Invasive Mask
- Single Use Range of Oxygen Therapy Interfaces

RESPIRATORY HUMIDIFICATION PRODUCT REVENUE

NZ$ MILLIONS



US$ MILLIONS



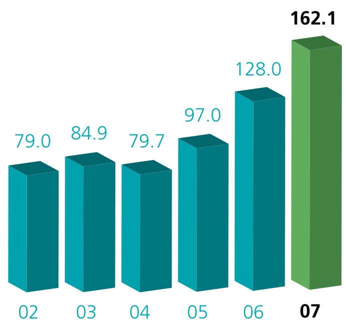
OSA

KEY PRODUCTS

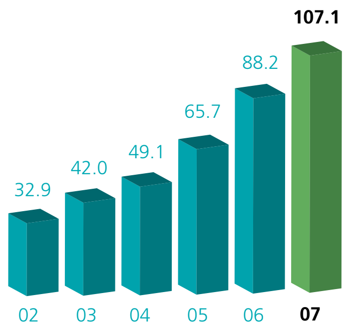
- SleepStyle™ 200 Series Flow Generators
- SleepStyle™ 600 Series Flow Generators
- HC150 CPAP Heated Humidifier
- FlexiFit™ Nasal Mask Range
- FlexiFit™ Full Face Mask
- Opus™ Nasal Pillows Mask
- Infinity™ 481 Direct Nasal Mask
- Aclaim2™ Nasal Mask
- Oracle™ 452 Oral Mask
- HC431NIV Full Face Mask
- HC407NIV Nasal Mask
- HC300 Series Chambers

OSA PRODUCT REVENUE

NZ$ MILLIONS



US$ MILLIONS



Case Study – Opus™ Nasal Pillows Mask

Patients have individual preferences when choosing an interface to deliver their CPAP treatment. We offer a broad family of interface choices, which include nasal, full face and oral masks, categorized by the way CPAP treatment is delivered to the patient.

Our newest interface, the Opus™ Nasal Pillows Mask is elegant in design and simplicity.

During a single night's sleep, the average person makes eight to twelve major postural changes and moves at least 70 times. This makes mask fit, flexibility and comfort critical.

Small, quiet and superbly comfortable, the Opus™ has an anatomically shaped nasal pillows style silicone seal. The facially contoured headgear, with reinforcing support structures, conforms naturally to face shapes providing a comfortable fit and reliable support. Its slim line design allows side sleeping without mask displacement. A ball and socket joint connecting the tubing combines with an innovative anchoring system to give unprecedented stability and freedom of movement.

Air flow exits the Opus™ via an advanced air diffuser system which is extremely quiet and reduces draft to prevent both sleeper and partner disturbance.

The Opus™ comes as an out of the box solution, fully assembled and ready to use with three sizes of silicone pillows included.

Anatomically Shaped Pillows

Efficient Exhaust

Reinforced Contoured Headgear

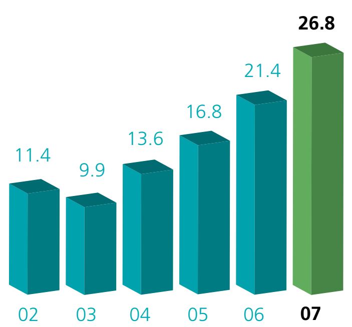
NEONATAL CARE

KEY PRODUCTS

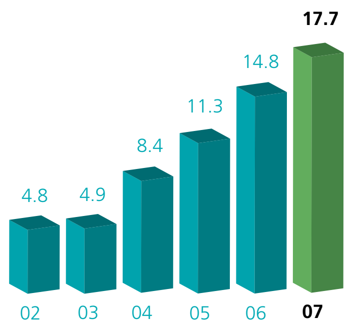
- IW930 Cosycot™ Infant Warmer
- IW910 Mobile Infant Warmer
- RD900 Neopuff™ Infant Resuscitator
- Infant Bubble CPAP System
- Single Use Range of Oxygen Therapy Cannula

NEONATAL CARE PRODUCT REVENUE

NZ$ MILLIONS



US$ MILLIONS



Case Study – Optiflow™ Infant Oxygen Therapy

Infant Optiflow™ is our new system which enables clinicians to provide optimal humidity over a wide range of flows to infants requiring oxygen therapy. Infant Optiflow™ has the added advantage of utilising the MR850 humidifier controller, the same humidifier often used to provide optimal humidity to both intubated and infant CPAP patients. The system also includes our spiral heated breathing tube, auto-filling chamber and a pressure relief valve ensuring the risk of delivering excess pressure to the infant is minimized.

Traditionally, the essential therapeutic oxygen flow for infants has been deliverable only as cold, dry gas. Typical effects of this gas delivery included the build up of hard dry secretions within the nasal area. These secretions can not only be uncomfortable for the infant and difficult to remove but they can also decrease the diameter of the airway making it harder for the infant to breathe. By providing optimal humidity, these effects can be minimised while also making the flow more tolerable for the infant.

To complete the Infant Optiflow™ system, we have developed a range of purpose designed nasal cannula. The cannula and delivery tubing have been designed for low resistance to flow, providing clinicians with the ability to provide greater flows with optimal humidity delivery.

Since its launch to the US last year, feedback has been extremely positive, with thousands of infants already benefiting from this new system. With such enthusiastic acceptance in the US, we are now introducing Optiflow™ to our remaining international markets.


37.0

Board of Directors

GARY A. PAYKEL

Gary A. Paykel, 65, 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 Sport Lemonade Corporation Limited since October 1994 and is a director of Team New Zealand. Mr Paykel is a Companion of the New Zealand Order of Merit.

P. MICHAEL SMITH

P. Michael Smith, 62, became a director and Deputy Chairman upon completion of the reorganisation in November 2001. Mr Smith has been Chairman of The Lion Foundation since 1989 and served as a director of Lion Nathan Limited from August 1986 to May 2001. Mr Smith has been a director of Tru-Test Corporation Limited since July 2000 and Chairman since December 2003, a director of Auckland International Airport Limited since June 1998, a director of ING Property Trust Management Limited since October 2002 and Chairman since October 2004, Chairman of BrainZ Instruments Limited since November 2002, Chairman of ING (NZ) Holdings Limited since September 2005, a director of Hauraki Private Equity No. 1 Fund since March 2002 and a director of 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, 50, 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, 66, 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.

THE BOARD: From the left, Gary Paykel, Michael Smith, Michael Daniell, Nigel Evans, Adrienne Clarke, Lindsay Gillanders and Sir Colin Maiden.

ADRIENNE E. CLARKE

Adrienne E. Clarke, 69, 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 Woolworths Limited since July 1994, Tridan Limited from June 1988 and Hexima Limited from February 1998 and has also served as a director of WMC Resources Limited. 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, 57, 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 of Auckland Packaging Company Limited since September 2003 and Vita New Zealand Limited since November 2004.
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, 74, 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. 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 DB Breweries Limited since February 1993. Sir Colin has also served as a director of DB Breweries Limited and its subsidiaries since May 1994 and New Zealand Refining Company Limited since April 1991. He has also held a number of other directorships in New Zealand and Australia and managerial positions with General Motors Corporation in the U.S. 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 2007.

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 neonatal care products, including infant resuscitators and CPAP systems designed to improve infant respiratory function.

Group Profit

An operating profit before taxation of $89.6 million (2006: $104.1 million) was earned for the year ended 31 March 2007.

The profit after taxation was $57.6 million (2006: $70.0 million).

Earnings per share were 11.3 cents (2006: 13.8 cents).

Shareholders' Equity

Shareholders' equity at 31 March 2007 totalled $193.5 million (2006 $204.0 million).

Share Issues

During the year, 301,623 shares were issued under approved Employee Share Purchase Schemes in accordance with the Company's Constitution.

During the year, 1,615,164 shares were issued under Employee Share Option Plans upon the exercise of previously granted share options. Of these shares, 1,526,490 shares were issued under the Cancellation Offer Facility as approved by shareholders on 12 August 2004.

During the year, 3,999,600 share options were issued under an approved Employee Share Option Plan.

Dividends

The Directors approved a final dividend to be paid on 29 June 2007 of 7.0 cents per share (2006: 7.0 cents), resulting in total dividends of 12.4 cents per share (2006: 12.4 cents) for the year. All dividends carried full imputation credits.

Directors

In accordance with the Constitution, Adrienne E. Clarke and Nigel T. Evans 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 Waiver

At the 2004 Annual Shareholders' Meeting, 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 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 third 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 the Company in the year ended 31 March 2007:

	$
A E Clarke	73,959
N T Evans	80,469
W L Gillanders	63,969
C J Maiden	88,469
G A Paykel	143,944
P M Smith	120,463
	571,273

The maximum total monetary sum payable by the Company by way of Directors' fees is $600,000 per annum as approved by shareholders at the 2004 Annual Meeting of Shareholders.

As approved at the 2004 Annual Meeting of Shareholders, 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 Director's fees to each non-executive Director (except for Sir Colin Maiden) in office at the time of the 2004 Annual Meeting of Shareholders, 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. In addition, at the time of separation of the Company in 2001, shareholders approved a retirement payment of $170,000 to be paid to Sir Colin Maiden on his retirement.

Directors' Report (continued)

Previously Sir Colin Maiden was to retire at or before the 2004 Annual Meeting of Shareholders. Sir Colin Maiden has, however, 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.

The following non-executive Directors' retirement allowances have been provided for by the Company as at 31 March 2007:

	$
A E Clarke	62,730
N T Evans	72,531
W L Gillanders	56,031
C J Maiden	170,000
G A Paykel	125,158
P M Smith	108,342
	594,792

Michael Daniell, acting in his capacity as an employee of the Company, received fixed remuneration (inclusive of the value of benefits) in the year ended 31 March 2007 of $664,030.

In addition to this fixed remuneration, Michael Daniell also received performance based at risk components, both paid out and accrued, of $206,960. Michael Daniell was also issued 180,000 options on 13 December 2006 with a fair value of $37,650. 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 in their capacity as a Director. Remuneration (inclusive of the value of other benefits) received by such employees is included in the relevant bandings of employee remuneration exceeding $100,000 received in the year ended 31 March 2007.

GA Paykel
Chairman
23 May 2007

MG Daniell
Managing Director and Chief Executive Officer
23 May 2007

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 (NZX) Corporate Governance Best Practice Code, and the New Zealand Securities Commission's Corporate Governance Principles and Guidelines (collectively, 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 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 and 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 (www.fphcare.co.nz).

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.

Corporate Governance (continued)

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 that the Company will take into account when assessing the independence of its Directors are set out in its Charter, a copy of which is available on the Company's website (www.fphcare.co.nz). 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, given that 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 and Sir Colin Maiden's positions as valued independent Directors of the Company.
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 as at 31 March 2007 five of the current seven Directors are independent Directors, namely Adrienne Clarke, Nigel Evans, Sir Colin Maiden, Gary Paykel and Michael Smith.

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 committee's objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's website (www.fphcare.co.nz).

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 Company's website (www.fphcare.co.nz). 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, the 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.

Using the Board's criteria for assessment of independence (outlined above), the Chairman of the Remuneration Committee, Gary Paykel, is an independent director.

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 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 10 meetings during the year ended 31 March 2007. The table below shows attendance at the Board and committee meetings. With the exception of January, Board meetings are held monthly, with other meetings to deal with matters of urgency occurring from time to time when necessary.

	BOARD		AUDIT & RISK COMMITTEE		REMUNERATION COMMITTEE	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
A E Clarke	10	10				
M G Daniell	10	10				
N T Evans	10	10	3	3		
W L Gillanders	10	10				
C J Maiden	10	9	3	2	2	1
G A Paykel	10	10			2	2
P M Smith	10	10	3	3	2	2

Corporate Governance (continued)

The Nomination Committee did not meet during the year ended 31 March 2007.

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 to contribute to the successful governing of the Company and create value for shareholders.

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

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, provided that the total amount of the payment does not exceed that Director's 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. Any payments made will be within the limits prescribed by the NZSX Listing Rules, subject to the discretion of the Board, and will take 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. This retirement payment will 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 a base remuneration package, 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. The policy includes providing performance incentives which allow executives to share in the long term success of the Company and share option plans intended to encourage the retention of senior management and increase the commonality between the interests of management and shareholders.

The ASX recommends that listed companies provide details of the nature and amount of remuneration of each of the five highest-paid officers of that Company (Principle 9 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations). The Company considers that it is inappropriate to follow this recommendation as it employs a number of executives in its overseas sales offices and 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, which employees are the five highest paid employees each year will, to a large extent, depend 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 year ended 31 March 2007, 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 (www.fphcare.co.nz).

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 2007 compared to year ended 31 March 2006

The following table sets forth the consolidated statement of financial performance for the years ended 31 March 2007 and 2006:

Financial year ended 31 March

	2007 NZ$millions	2006 NZ$millions	2007 US$millions	2006 US$millions
Trading revenue	$349.242	$289.547	$230.500	$199.556
Hedging gains (1)	7.223	34.910	4.767	24.060
Total operating revenue	356.465	324.457	235.267	223.616
Cost of sales	149.094	121.365	98.402	83.645
Gross profit	207.371	203.092	136.865	139.971
Gross margin on trading revenue	**59.4%**	**70.1%**	**59.4%**	**70.1%**
Selling, general and administrative expenses	97.593	81.679	64.411	56.293
Research and development expenses	20.175	17.348	13.316	11.956
Operating profit	89.603	104.065	59.138	71.722
Operating margin on trading revenue	**25.7%**	**35.9%**	**25.7%**	**35.9%**
Net interest income (expense)	(2.062)	0.350	(1.361)	0.241
Profit before taxation	87.541	104.415	57.777	71.963
Taxation	(29.936)	(34.450)	(19.758)	(23.743)
Profit after taxation	$57.605	$69.965	$38.019	$48.220

(1) Hedging gains on foreign currency option contracts and forward foreign currency contracts relating to sales made to foreign based subsidiaries.

Trading revenue

Our trading revenue increased by 21 percent to NZ$349.242 million for the financial year ended 31 March 2007 from NZ$289.547 million for the financial year ended 31 March 2006.

The increase was principally due to increased sales volume from our core products, OSA, respiratory and humidification and neonatal care during the financial year, and partially due to a decrease in the average value of the New Zealand dollar against the US dollar, Euro and British pound compared to the prior year.

Our trading revenue benefited by approximately NZ$1.3 million due to our foreign exchange hedging on export sales from New Zealand to third party distributors when compared to the average spot rates for the financial year ended 31 March 2007. The benefit to trading revenue was approximately NZ$13.1 million for the financial year ended 31 March 2006.

The following table sets forth trading revenue by product group for the financial years ended 31 March 2007 and 2006:

Financial year ended 31 March

	2007 NZ$millions	2006 NZ$millions	Percentage variation	2007 US$millions	2006 US$millions	Percentage variation
OSA products	162.126	128.045	+27%	107.075	88.174	+21%
Respiratory and humidification products	150.218	130.462	+15%	99.046	89.954	+10%
Neonatal care products	26.750	21.394	+25%	17.704	14.759	+20%
Respiratory and acute care products	176.968	151.856	+17%	116.750	104.713	+11%
Core products subtotal	339.094	279.901	+21%	223.825	192.887	+16%
Distributed products	8.425	7.971	+6%	5.541	5.510	+1%
Other products	1.723	1.675	+3%	1.134	1.159	-2%
Distributed and other products	10.148	9.646	+5%	6.675	6.669	+0%
Total	**$349.242**	**$289.547**	**+21%**	**$230.500**	**$199.556**	**+16%**

Very robust growth in humidifier controller volume, particularly in the first half, was driven primarily by our MR850 and MR810 controllers. The rapidly growing installed base of MR850s and MR810s generated strong growth in both adult and neonatal breathing circuits. Trading revenue was NZ$150.2 million dollars with growth of approximately 18 percent in constant currency terms compared with last year.

We have continued to receive good acceptance of the extensive range of new respiratory interfaces announced earlier in the year. These interfaces are assisting entry into the non invasive ventilation, oxygen therapy and humidity therapy markets.

Pilot marketing of our MR860 humidifier system for use in laparoscopic insufflation has continued positively in New Zealand and Australia and we have now begun promotion in the United Kingdom.

In our OSA product group, total trading revenue was NZ$162.1 million dollars. Trading revenue excluding the legacy add on humidifier products increased 28 percent, in constant currency terms, over the last year.

We continued to gain market share in this rapidly growing market and our growth was a result of increasing sales to a wide range of customers, both in North America and international markets.

Sales of our expanding range of masks again grew strongly. Our latest addition, the Opus™ Nasal Pillows Mask has been well received by customers. This new mask builds on our successful FlexiFit™ range of nasal and full face masks.

A rapidly growing proportion of our flow generator sales were from our SleepStyle™ 600 series, which incorporates our ThermoSmart™ Technology.

Neonatal care revenue growth was again strong with total trading revenue of NZ$26.8 million. Trading revenue grew 24 percent in constant currency terms. Neonatal breathing systems, including our infant CPAP system and recently introduced resuscitation masks grew particularly strongly, nearly twice the overall neonatal care rate of growth.

Revenue from a product line, nerve stimulators, that we have ceased to manufacture had previously been recorded within the neonatal care products category. Revenue for nerve stimulators is now recorded as other products within the distributed and other products category, being NZ$1.723 million (US$1.134 million) for the current year compared to NZ$1.675 million (US$1.159 million) for the prior year.

Distributed and other revenue growth was modest with total trading revenue of NZ$10.1 million.

Financial Commentary (continued)

Sales of OSA products represented 46 and 44 percent of trading revenue for the financial years ended 31 March 2007 and 2006, respectively. Sales of respiratory and humidification products represented 43 and 45 percent of trading revenue for the financial years ended 31 March 2007 and 2006, respectively. Sales of consumable and accessory products for core products accounted for 66 and 59 percent of trading revenue for the financial years ended 31 March 2007 and 2006, respectively. Trading revenue from OSA, respiratory humidification, and neonatal care products has grown at compound annual growth rates of 16 and 20 percent in New Zealand and US dollar terms respectively, from 31 March 2000 to 31 March 2007, as we have introduced new products and the markets for these products have expanded.

The following table sets forth our trading revenue for each of the primary regional markets for the financial years ended 31 March 2007 and 2006:

Financial year ended 31 March

	2007 NZ$millions	2006 NZ$millions	2007 US$millions	2006 US$millions
North America	171.683	136.598	113.381	93.997
Europe	107.575	83.415	71.069	57.548
Asia Pacific	53.693	54.764	35.342	37.847
Other	16.291	14.770	10.708	10.164
Total	**$349.242**	**$289.547**	**$230.500**	**$199.556**

In the financial year ended 31 March 2007, 62 percent of trading revenue was denominated in US dollars. We make a significant proportion of US dollar sales to customers outside the United States. Euros, British pounds and Australian dollars represented approximately 20, 7 and 6 percent of trading revenue respectively in the past financial year.

Expenses

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$20.175 million for the year ended 31 March 2007 compared to NZ$17.348 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 and process development activities for the OSA, respiratory and humidification and neonatal care product groups. Research and development expenses represented 5.8 percent of trading revenue for the financial year ended 31 March 2007.

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 19 percent to NZ$97.593 million in the financial year ended 31 March 2007 compared to NZ$81.679 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. Excluding the effects of currency translations, selling, general and administrative expenses have increased by 15 percent in the financial year ended 31 March 2007.

Gross Profit

Gross profit increased to NZ$207.371 million, or 59% of trading revenue, in the financial year ended 31 March 2007 from NZ$203.092 million, or 70% of trading revenue, in the financial year ended 31 March 2006. Gross profit increased due to underlying volume growth. Gross margin percentage decreased due to the level of favourable foreign currency hedging in place during the financial year covering a lower proportion of our foreign currency receivables than the previous financial year and at significantly higher rates of exchange, partially offset by product cost out initiatives and favourable product mix shifts.

The net benefit of approximately NZ$7.9 million (2006: NZ$41.3 million) for the current year from hedging was made up of approximately NZ$8.5 million (2006: NZ$48.0 million) related to third party and intercompany revenue offset by approximately NZ$0.6 million (2006: NZ$6.7 million) related to purchases of goods and services. The offset is due to the hedging of currency exposures on a net basis.

Operating profit

Operating profit decreased by 14 percent to NZ$89.603 million in the financial year ended 31 March 2007 from NZ$104.065 million in the financial year ended 31 March 2006.

Operating profit decreased by 18 percent to US$59.138 million in the financial year ended 31 March 2007 from US$71.722 million in the financial year ended 31 March 2006.

Liquidity and capital resources

As at 31 March 2007 we had NZ$7.742 million in cash and bank and NZ$40.845 million of borrowings. Our drawn borrowings are held primarily in New Zealand and in the United States in New Zealand dollars and US dollars respectively. We had in place credit facilities that permit us to borrow up to a total of the equivalent of NZ$121.483 million, denominated primarily in NZ dollars, US dollars and Euros.

Net cash generated from operating activities totalled NZ$56.346 million for the financial year ended 31 March 2007. Operating cashflow was lower than the prior year as a result of less favourable foreign currency hedging and lower than normal taxation paid in the 2006 as tax on many foreign currency instruments had been paid in previous years.

The Company's capital expenditures totalled NZ$28.706 million for the financial year ended 31 March 2007. Included within total capital expenditure is NZ$11.627 million related to the completion of construction of our second facility on our Auckland site. The majority of other expenditures related to the purchase of production tooling and equipment, computer equipment and software and patents.

Net cash used in financing activities was NZ$47.997 million for the financial year ended 31 March 2007. The payment of our final dividend for the prior financial year and interim dividend for the current financial year was the main contributor to the significant outflow of funds partially offset by net new borrowings in New Zealand to fund the construction of our second facility.

Five Year Financial Summary (NZ$)

For the years ended 31 March

	2007 NZ$000	2006 NZ$000	2005 NZ$000 (except as otherwise stated)	2004 NZ$000	2003 NZ$000
FINANCIAL PERFORMANCE					
Trading revenue	**349,242**	289,547	240,566	214,865	208,420
Hedging gains	**7,223**	34,910	30,884	-	-
Total operating revenue	**356,465**	324,457	271,450	214,865	208,420
Cost of sales	**149,094**	121,365	98,127	62,590	67,568
Gross profit	**207,371**	203,092	173,323	152,275	140,852
Gross margin on trading revenue	**59.4%**	70.1%	72.0%	70.9%	67.6%
Selling, general, and administrative expenses	**97,593**	81,679	67,382	59,145	55,432
Research and development expenses	**20,175**	17,348	16,196	14,115	11,535
Operating profit	**89,603**	104,065	89,745	79,015	73,885
Operating margin on trading revenue	**25.7%**	35.9%	37.3%	36.8%	35.5%
Net interest income (expense)	**(2,062)**	350	1,247	1,920	2,997
Foreign exchange gain (loss)	**-**	-	-	-	34,326
Other income	**-**	-	570	-	-
Profit before taxation	**87,541**	104,415	91,562	80,935	111,208
Taxation	**(29,936)**	(34,450)	(30,157)	(26,236)	(38,304)
Profit after taxation	**57,605**	69,965	61,405	54,699	72,904
Trading revenue by region:					
North America	**171,683**	136,598	103,930	93,610	101,511
Europe	**107,575**	83,415	75,258	64,469	58,304
Asia Pacific	**53,693**	54,764	50,518	47,959	41,264
Other	**16,291**	14,770	10,860	8,827	7,341
Total	**349,242**	289,547	240,566	214,865	208,420
Trading revenue by product group:					
OSA products	**162,126**	128,045	96,950	79,687	84,893
Respiratory and humidification products	**150,218**	130,462	116,729	110,942	102,576
Neonatal care products	**26,750**	21,394	16,762	13,600	9,853
Respiratory and acute care products	**176,968**	151,856	133,491	124,542	112,429
Core products subtotal	**339,094**	279,901	230,441	204,229	197,322
Distributed products	**8,425**	7,971	7,950	8,387	8,794
Other products	**1,723**	1,675	2,175	2,249	2,304
Distributed and other products	**10,148**	9,646	10,125	10,636	11,098
Total	**349,242**	289,547	240,566	214,865	208,420
FINANCIAL POSITION					
Tangible assets	**261,453**	253,896	213,331	206,436	217,048
Intangible assets	**13,214**	13,574	16,979	17,737	11,704
Total assets	**274,667**	267,470	230,310	224,173	228,752
Liabilities	**(81,153)**	(63,477)	(38,279)	(32,948)	(35,935)
Shareholders' equity	**193,514**	203,993	192,031	191,225	192,817
Net tangible asset backing (cents per share)	**35.3**	37.4	34.4	33.9	35.4
Pre-tax return on average total assets percentage	**32.3%**	42.0%	40.3%	35.7%	50.1%
Pre-tax return on average equity percentage	**44.0%**	52.7%	47.8%	42.1%	61.0%
CASH FLOWS					
Net cash flow from operating activities	**56,346**	96,459	72,129	60,177	45,951
Net cash flow from (used in) investing activities	**(16,745)**	(51,652)	(13,846)	8,247	(50,959)
Net cash flow (used in) financing activities	**(47,997)**	(50,662)	(65,535)	(56,013)	(54,143)

Five Year Financial Summary (NZ$)

For the years ended 31 March

	2007 NZ$000	2006 NZ$000	2005 NZ$000 (except as otherwise stated)	2004 NZ$000	2003 NZ$000
SHARES OUTSTANDING					
Weighted basic average shares outstanding	**510,849,528**	508,382,132	508,686,610	512,119,710	511,837,245
Weighted diluted average shares outstanding	**524,759,124**	524,846,569	523,841,480	524,113,140	519,801,995
Basic shares outstanding at end of the year	**511,248,727**	509,331,940	508,635,387	511,284,795	512,183,995
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	**7.0**	5.8	5.6	5.4	5.0
Interim	**5.4**	5.4	5.0	4.8	4.6
Total dividends	**12.4**	11.2	10.6	10.2	9.6
Basic earnings per share	**11.3**	13.8	12.1	10.7	14.2
Diluted earnings per share	**11.0**	13.3	11.7	10.4	14.0
(i) Final dividend relates to the prior financial year					
PATENTS					
Number of United States patents	**76**	61	52	45	32
Number of United States patent applications	**67**	71	70	58	53
Number of non-United States patents	**208**	145	97	52	48
Number of non-United States patent applications	**222**	236	234	214	158
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**20,175**	17,348	16,196	14,115	11,535
Percentage of trading revenue	**5.8%**	6.0%	6.7%	6.6%	5.5%
CAPITAL EXPENDITURE					
Operational	**17,079**	14,655	9,499	9,300	6,730
Land and buildings	**11,627**	38,942	8,296	236	9,730
Total	**28,706**	53,597	17,795	9,536	16,460
Capital expenditure : depreciation/amortisation ratio	**2.2**	5.9	2.1	1.2	2.2
NUMBER OF EMPLOYEES					
By function:					
Research and development	**225**	190	170	150	130
Manufacturing and operations	**929**	676	579	440	370
Sales, marketing and distribution	**398**	345	288	256	220
Management and administration	**86**	65	59	54	47
Total	**1,638**	1,276	1,096	900	767
By region:					
New Zealand	**1,304**	983	855	690	586
North America	**131**	112	85	77	63
Europe	**133**	121	104	93	81
Rest of World	**70**	60	52	40	37
Total	**1,638**	1,276	1,096	900	767
AVERAGE EXCHANGE RATES (NZ$1 =)					
USD	**0.6600**	0.6898	0.6759	0.6146	0.4945
AUD	**0.8571**	0.9195	0.9087	0.8835	0.8776
GBP	**0.3482**	0.3876	0.3646	0.3609	0.3191
EUR	**0.5124**	0.5677	0.5338	0.5210	0.4966
JPY	**77.00**	78.25	72.04	-	-
INR	**29.91**	30.48	30.42	-	-

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

Five Year Financial Summary (US$)

For the years ended 31 March

	2007 US$000	2006 US$000	2005 US$000 (except as otherwise stated)	2004 US$000	2003 US$000
FINANCIAL PERFORMANCE					
Trading revenue	**230,500**	199,556	162,599	132,056	103,063
Hedging gains	**4,767**	24,060	20,874	-	-
Total operating revenue	**235,267**	223,616	183,473	132,056	103,063
Cost of sales	**98,402**	83,645	66,324	38,468	33,412
Gross profit	**136,865**	139,971	117,149	93,588	69,651
Gross margin on trading revenue	**59.4%**	70.1%	72.0%	70.9%	67.6%
Selling, general, and administrative expenses	**64,411**	56,293	45,543	36,350	27,411
Research and development expenses	**13,316**	11,956	10,947	8,675	5,704
Operating profit	**59,138**	71,722	60,659	48,563	36,536
Operating margin on trading revenue	**25.7%**	35.9%	37.3%	36.8%	35.5%
Net interest income (expense)	**(1,361)**	241	843	1,180	1,483
Foreign exchange gain (loss)	**-**	-	-	-	16,975
Other income	**-**	-	385	-	-
Profit before taxation	**57,777**	71,963	61,887	49,743	54,994
Taxation	**(19,758)**	(23,743)	(20,383)	(16,125)	(18,941)
Profit after taxation	**38,019**	48,220	41,504	33,618	36,053
Trading revenue by region:					
North America	**113,381**	93,997	70,522	57,722	50,071
Europe	**71,069**	57,548	50,826	39,594	28,938
Asia Pacific	**35,342**	37,847	33,914	29,294	20,402
Other	**10,708**	10,164	7,337	5,446	3,652
Total	**230,500**	199,556	162,599	132,056	103,063
Trading revenue by product group:					
OSA products	**107,075**	88,174	65,698	49,055	41,999
Respiratory and humidification products	**99,046**	89,954	78,777	68,068	50,752
Neonatal care products	**17,704**	14,759	11,340	8,421	4,864
Respiratory and acute care products	**116,750**	104,713	90,117	76,489	55,616
Core products subtotal	**223,825**	192,887	155,815	125,544	97,615
Distributed products	**5,541**	5,510	5,318	5,137	4,308
Other products	**1,134**	1,159	1,466	1,375	1,140
Distributed and other products	**6,675**	6,669	6,784	6,512	5,448
Total	**230,500**	199,556	162,599	132,056	103,063
FINANCIAL POSITION					
Tangible assets	**186,704**	155,308	151,060	136,454	120,135
Intangible assets	**9,436**	8,303	12,023	11,724	6,477
Total assets	**196,140**	163,611	163,083	148,178	126,612
Liabilities	**(57,952)**	(38,828)	(27,106)	(21,778)	(19,888)
Shareholders' equity	**138,188**	124,783	135,977	126,400	106,724
Net tangible asset backing (cents per share)	**25.2**	22.9	24.4	22.4	19.6
Pre-tax return on average total assets percentage	**32.1%**	44.1%	39.8%	36.2%	49.6%
Pre-tax return on average equity percentage	**43.9%**	55.2%	47.2%	42.7%	60.3%
CASH FLOWS					
Net cash flow from operating activities	**36,910**	66,480	48,753	36,670	22,212
Net cash flow from (used in) investing activities	**(11,052)**	(35,599)	(9,359)	5,068	(25,199)
Net cash flow (used in) financing activities	**(31,433)**	(35,733)	(44,295)	(34,109)	(25,786)

Five Year Financial Summary (US$)

For the years ended 31 March

	2007 US$000	2006 US$000	2005 US$000 (except as otherwise stated)	2004 US$000	2003 US$000
SHARES OUTSTANDING					
Weighted basic average shares outstanding	**510,849,528**	508,382,132	508,686,610	512,119,710	511,837,245
Weighted diluted average shares outstanding	**524,759,124**	524,846,569	523,841,480	524,113,140	519,801,995
Basic shares outstanding at end of the year	**511,248,727**	509,331,940	508,635,387	511,284,795	512,183,995
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	**4.4**	4.1	4.0	3.0	2.4
Interim	**3.7**	3.8	3.0	3.2	2.2
Total dividends	**8.1**	7.9	7.0	6.2	4.6
Basic earnings per share	**7.4**	9.5	8.2	6.6	7.0
Diluted earnings per share	**7.2**	9.2	7.9	6.4	6.9
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	**76**	61	52	45	32
Number of United States patent applications	**67**	71	70	58	53
Number of non-United States patents	**208**	145	97	52	48
Number of non-United States patent applications	**222**	236	234	214	158
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**13,316**	11,956	10,947	8,675	5,704
Percentage of trading revenue	**5.8%**	6.0%	6.7%	6.6%	5.5%
CAPITAL EXPENDITURE					
Operational	**11,272**	10,100	6,421	5,716	3,328
Land and buildings	**7,674**	26,839	5,607	145	4,811
Total	**18,946**	36,939	12,028	5,861	8,139
Capital expenditure : depreciation/amortisation ratio	**2.2**	5.9	2.1	1.2	2.2
NUMBER OF EMPLOYEES					
By function:					
Research and development	**225**	190	170	150	130
Manufacturing and operations	**929**	676	579	440	370
Sales, marketing and distribution	**398**	345	288	256	220
Management and administration	**86**	65	59	54	47
Total	**1,638**	1,276	1,096	900	767
By region:					
New Zealand	**1,304**	983	855	690	586
North America	**131**	112	85	77	63
Europe	**133**	121	104	93	81
Rest of World	**70**	60	52	40	37
Total	**1,638**	1,276	1,096	900	767
AVERAGE EXCHANGE RATES (US$1 =)					
NZD	**1.5152**	1.4497	1.4795	1.6271	2.0222
AUD	**1.2986**	1.3330	1.3444	1.4375	1.7747
GBP	**0.5276**	0.5619	0.5394	0.5872	0.6453
EUR	**0.7764**	0.8230	0.7898	0.8477	1.0042
JPY	**116.67**	113.44	106.58	-	-
INR	**45.32**	44.19	45.01	-	-

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

Auditors' Report

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

We have audited the financial statements on pages 41 to 68. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 45 to 48.

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 2007 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.

(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 41 to 68:

    (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 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 23 May 2007 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Auckland

Statements of Financial Performance

For the year ended 31 March 2007

Parent 2006 NZ$000	Parent 2007 NZ$000		Notes	Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
57,311	**55,011**	**Trading revenue**		**349,242**	289,547
		Hedging gains		**7,223**	34,910
57,311	**55,011**	Total operating revenue	1	**356,465**	324,457
(895)	**(931)**	**Operating expenses**		**(266,862)**	(220,392)
56,416	**54,080**	**Operating profit**		**89,603**	104,065
		Interest income		**824**	1,154
		Interest expense		**(2,886)**	(804)
56,416	**54,080**	Profit before taxation	2	**87,541**	104,415
(1,819)	**(1,608)**	Taxation	3	**(29,936)**	(34,450)
54,597	**52,472**	**Profit after taxation**		**57,605**	69,965
		Basic earnings per share		**11.3 cps**	13.8 cps
		Diluted earnings per share		**11.0 cps**	13.3 cps
		Weighted average basic shares outstanding		**510,849,528**	508,382,132
		Weighted average diluted shares outstanding		**524,759,124**	524,846,569

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

Statements of Financial Position

As at 31 March 2007

Parent 2006 NZ$000	Parent 2007 NZ$000		Notes	Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
		ASSETS			
		Current assets			
		Cash and bank		**7,742**	16,554
		Short-term investments		**-**	12,000
21	**30**	Debtors and prepayments	4	**57,838**	54,310
		Inventories	5	**46,697**	36,190
3,230	**3,568**	Taxation	6	**5,289**	5,228
17	**-**	Employee share ownership plans loans	9	**614**	354
105,455	**95,157**	Intergroup advances			
108,723	**98,755**	**Total current assets**		**118,180**	124,636
		Long-term assets			
		Property, plant and equipment	7	**141,885**	128,296
		Patents and trademarks	8	**2,231**	2,255
		Employee share ownership plans loans	9	**435**	261
95,872	**95,344**	Investments in subsidiaries	10		
		Debtors and prepayments	4	**953**	703
		Goodwill on consolidation	11	**645**	1,030
199	**199**	Deferred taxation	12	**10,338**	10,289
204,794	**194,298**	**Total assets**		**274,667**	267,470
		LIABILITIES			
		Current liabilities			
		Bank overdrafts	13	**5,459**	5,506
		Trade creditors		**15,907**	18,335
		Provisions	14	**1,408**	1,144
		Borrowings	15	**35,386**	18,335
		Taxation	6	**757**	517
197	**180**	Other liabilities	16	**21,200**	18,504
197	**180**	**Total current liabilities**		**80,117**	62,341
		Long-term liabilities			
		Provisions	14	**432**	532
604	**604**	Other liabilities	16	**604**	604
801	**784**	**Total liabilities**		**81,153**	63,477
		SHAREHOLDERS' EQUITY			
203,993	**193,514**	**Total shareholders' equity**	17	**193,514**	203,993
204,794	**194,298**	**Total liabilities and shareholders' equity**		**274,667**	267,470

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

On behalf of the Board
23 May 2007

G A Paykel
Chairman

M G Daniell
Managing Director and Chief Executive Officer

Statements of Movements in Equity

For the year ended 31 March 2007

Parent 2006 NZ$000	Parent 2007 NZ$000		Notes	Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
		Total recognised revenues and expenses			
54,597	**52,472**	Profit after taxation		**57,605**	69,965
18,713	**(993)**	Movement in revaluation reserve	17		
		Movement in currency translation reserve	17	**(6,126)**	3,345
73,310	**51,479**			**51,479**	73,310
		Contributions from shareholders			
588	**1,352**	Issue of share capital	17	**1,352**	588
-	**44**	Increase in equity from disposition of unallocated shares	17	**44**	-
588	**1,396**			**1,396**	588
		Distributions to shareholders			
(5,053)	**-**	Repurchase of share capital	17	**-**	(5,053)
(56,883)	**(63,354)**	Dividends	17	**(63,354)**	(56,883)
(61,936)	**(63,354)**			**(63,354)**	(61,936)
11,962	**(10,479)**	**Movements in shareholders' equity for the year**		**(10,479)**	11,962
192,031	**203,993**	**Shareholders' equity at beginning of the year**		**203,993**	192,031
203,993	**193,514**	**Shareholders' equity at end of the year**		**193,514**	203,993

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

Statements of Cash Flows

For the year ended 31 March 2007

Parent 2006 NZ$000	Parent 2007 NZ$000		Notes	Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
		CASH FLOWS FROM OPERATING ACTIVITIES			
		Receipts from customers		**347,667**	339,666
50,906	**49,085**	Dividends received		**2**	6
6,537	**5,926**	Interest received		**907**	1,260
(813)	**(943)**	Payments to suppliers and employees		**(264,091)**	(216,723)
		Taxation paid		**(25,335)**	(26,882)
		Interest paid		**(2,804)**	(868)
56,630	**54,068**	**Net cash flow from operations**	18	**56,346**	96,459
		CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
		Sale of property, plant and equipment		**87**	38
		Purchase of property, plant and equipment		**(27,579)**	(52,491)
		Patent and trademark registration costs		**(1,127)**	(1,106)
23,887	**-**	Sale of short-term investments		**18,832**	23,887
(10,106)	**-**	Purchase of short-term investments		**(6,958)**	(21,980)
13,781	**-**	**Net cash flow from (used in) investing activities**		**(16,745)**	(51,652)
		CASH FLOWS (USED IN) FINANCING ACTIVITIES			
		Employee share purchase schemes		**445**	373
588	**469**	Issue of share capital		**469**	588
(5,053)	**-**	Repurchase of share capital		**-**	(5,053)
-	**107**	Disposition of unallocated employee share scheme shares		**107**	-
		Short term borrowings, net		**19,514**	15,419
(22,130)	**13,888**	Intercompany borrowings			
(56,925)	**(63,354)**	Dividends paid		**(63,354)**	(56,925)
(5,064)	**(5,178)**	Supplementary dividends paid to overseas shareholders		**(5,178)**	(5,064)
(88,584)	**(54,068)**	**Net cash flow (used in) financing activities**		**(47,997)**	(50,662)
(18,173)	**-**	Net (decrease) in cash		**(8,396)**	(5,855)
18,173	**-**	Opening cash		**11,048**	16,816
		Effect of foreign exchange rates		**(369)**	87
		Closing cash		**2,283**	11,048
		RECONCILIATION OF CLOSING CASH			
		Cash and bank		**7,742**	16,554
		Bank overdrafts	13	**(5,459)**	(5,506)
		Closing cash		**2,283**	11,048

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

Statement of Accounting Policies

For the year ended 31 March 2007

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

These financial statements are presented in accordance with the New Zealand Companies Act 1993, the New Zealand Financial Reporting Act 1993 and Generally Accepted Accounting Practice ("GAAP") in New Zealand. The Parent Company's financial statements are for Fisher & Paykel Healthcare Corporation Limited (the Company) as a separate entity and the Consolidated financial statements are for the Fisher & Paykel Healthcare Group (the Group), which includes all its subsidiaries.

NATURE OF OPERATIONS

Fisher & Paykel Healthcare is a leading designer and manufacturer of heated humidification products and systems for use in respiratory care and the treatment of obstructive sleep apnea. We also offer an innovative range of neonatal care products. Our products are sold in over 110 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 financial performance and position have been applied:

BASIS OF CONSOLIDATION

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

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.

ESTIMATES

The preparation of financial statements in conformity with GAAP 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.

FOREIGN CURRENCY TRANSLATIONS

The financial statements of foreign operations 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 each 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.

INCOME DETERMINATION

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.

Statement of Accounting Policies

For the year ended 31 March 2007

ADVERTISING AND SALES PROMOTION COSTS

All advertising and sales promotion costs are expensed as incurred.

LEASES

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

RESEARCH AND DEVELOPMENT

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

GOVERNMENT GRANTS

The Group 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.

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.

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.

VALUATION OF ASSETS

INVESTMENTS

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

DEBTORS

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

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.

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

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.

Statement of Accounting Policies

For the year ended 31 March 2007

EMPLOYEE SHARE OWNERSHIP PLANS

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

The Group 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.

EMPLOYEE SHARE OPTION PLANS

The Group 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.

IMPAIRMENT OF LONG-LIVED ASSETS

Annually the Directors assess the carrying value of each asset considering them on a grouped basis determined at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other Group assets. Where the estimated recoverable amount of the asset based upon the 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.

VALUATION OF LIABILITIES

EMPLOYEE ENTITLEMENTS

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

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.

FOREIGN CURRENCY

The Group enters into foreign currency option contracts and forward foreign currency contracts in order to manage its foreign exchange risk.

The purpose of the Group's foreign currency hedging activities is to protect the Group 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 Group enters into forward foreign currency contracts and foreign currency option contracts to hedge anticipated net sales/costs 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.

HEDGING

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.

Statement of Accounting Policies

For the year ended 31 March 2007

STATEMENTS OF CASH FLOWS

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

(i) Cash comprises cash and bank and bank overdrafts.

(ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment 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.

Cash flows from short term borrowings are disclosed net, due to the short-term maturities and volume of transactions involved.

GROUP FINANCIAL GUARANTEES

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

PRIOR YEAR COMPARATIVES

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

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies.

Notes to the Financial Statements

For the year ended 31 March 2007

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
NOTE 1		**OPERATING REVENUE**		
		Trading revenue		
		North America	**171,683**	136,598
		Europe	**107,575**	83,415
		Asia Pacific	**53,693**	54,764
		Other	**16,291**	14,770
50,906	**49,085**	Dividends		
6,405	**5,926**	Interest		
57,311	**55,011**	Total trading revenue	**349,242**	289,547
		Hedging gains (i)	**7,223**	34,910
57,311	**55,011**	Total operating revenue	**356,465**	324,457
		(i) Hedging gains on foreign currency option contracts and forward foreign currency contracts relating to sales made to foreign based subsidiaries.		
NOTE 2		**NET OPERATING PROFIT**		
56,416	**54,080**	Profit before taxation	**87,541**	104,415
		After charging:		
		Auditors' fees:		
		Statutory audit	**377**	360
		Auditor's half year review	**27**	26
		International Financial Reporting Standards accounting advice	**29**	7
		Tax compliance fees	**59**	65
		Total auditors' fee	**492**	458
		Donations	**3**	7
		Depreciation:		
		Buildings - structure	**822**	451
		Buildings - fit-out and other	**3,606**	2,142
		Leasehold improvements	**55**	19
		Plant and equipment	**7,352**	5,829
		Total depreciation	**11,835**	8,441
		Goodwill amortisation	**385**	385
		Patent and trademark amortisation	**1,034**	715
		Interest:		
		Borrowings	**2,717**	458
		Other	**169**	346
		Total interest	**2,886**	804
		Research and development	**20,175**	17,348
		Rental and operating leases	**5,168**	4,152
		Bad debts written off	**266**	26
		Movement in provision for doubtful debts	**228**	196
501	**571**	Directors' fees	**571**	501
		After crediting:		
50,906	**49,085**	Dividends received	**2**	6

Notes to the Financial Statements

For the year ended 31 March 2007

NOTE 3 TAXATION

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
56,416	**54,080**	Profit before taxation	**87,541**	104,415
18,617	**17,846**	Taxation at current rate of 33%	**28,889**	34,457
		Adjustments to taxation for:		
(16,818)	**(16,246)**	Non-assessable income	**(464)**	(143)
9	**10**	Non-deductible expenses	**498**	300
		Foreign rates other than 33%	**720**	(535)
1,808	**1,610**	This year's taxation	**29,643**	34,079
11	**(2)**	Other	**293**	371
1,819	**1,608**	Income tax expense	**29,936**	34,450
		This is represented by:		
1,836	**1,608**	Current taxation	**30,018**	31,377
(17)	**-**	Deferred taxation	**(82)**	3,073
1,819	**1,608**	Income tax expense	**29,936**	34,450

NOTE 4 DEBTORS AND PREPAYMENTS

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
		CURRENT		
		Trade debtors	**53,829**	50,157
		Less allowance for doubtful accounts	**(783)**	(555)
			53,046	49,602
		Foreign currency option premium prepaid	**371**	621
21	**30**	Other debtors and prepayments	**4,421**	4,087
21	**30**		**57,838**	54,310
		TERM		
		Other debtors and prepayments	**953**	703
			953	703

NOTE 5 INVENTORIES

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
		Materials	**13,993**	10,003
		Finished products	**35,704**	28,918
		Provision for obsolescence	**(3,000)**	(2,731)
			46,697	36,190

Notes to the Financial Statements

For the year ended 31 March 2007

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
NOTE 6		**TAXATION**		
		BALANCE AT BEGINNING OF THE YEAR		
		Taxation payable	**(517)**	(628)
4,489	**3,230**	Taxation recoverable	**5,228**	4,603
(1,836)	**(1,608)**	Total taxation expense in current year	**(30,018)**	(31,377)
		Taxation paid	**25,335**	26,882
5,064	**5,178**	Supplementary dividend tax credit	**5,178**	5,064
(4,487)	**(3,232)**	Other movements	**(674)**	167
		BALANCE AT END OF THE YEAR		
		Taxation payable	**(757)**	(517)
3,230	**3,568**	Taxation recoverable	**5,289**	5,228
NOTE 7		**PROPERTY, PLANT AND EQUIPMENT**		
		Land		
		- Cost	**6,196**	6,196
		- Improvements	**5,083**	-
			11,279	6,196
		Buildings		
		- Structure	**53,167**	25,322
		- Fit-out and other	**48,350**	22,788
		Less accumulated depreciation	**(15,953)**	(11,540)
			85,564	36,570
		Total land and buildings	**96,843**	42,766
		Leasehold improvements	**857**	776
		Less accumulated depreciation	**(471)**	(518)
			386	258
		Plant and equipment	**71,493**	57,598
		Less accumulated depreciation	**(37,444)**	(32,660)
			34,049	24,938
		Capital projects		
		- Buildings	**669**	49,728
		- Other	**9,938**	10,606
			10,607	60,334
		Total cost	**195,753**	173,014
		Less total accumulated depreciation	**(53,868)**	(44,718)
			141,885	128,296

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, valued by DTZ New Zealand as at 31 March 2007 was $168.100 million (2006: $108.000 million).

Notes to the Financial Statements

For the year ended 31 March 2007

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
NOTE 8		**PATENTS AND TRADEMARKS**		
		Patents and trademarks	**2,635**	1,861
		Less accumulated amortisation	**(1,854)**	(1,269)
			781	592
		Patent and trademark applications	**2,999**	2,763
		Less accumulated amortisation	**(1,549)**	(1,100)
			1,450	1,663
		Total cost	**5,634**	4,624
		Less total accumulated amortisation	**(3,403)**	(2,369)
			2,231	2,255
NOTE 9		**EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS**		
		Share purchase loans due for repayment:		
17	-	Current	**614**	354
		One to two years	**381**	261
		Two to five years	**54**	-
		Term	**435**	261
17	-	Total	**1,049**	615

Employee share option plans

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, an 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 termination of employment for any other reason all outstanding vested and unvested options will lapse. As at 31 March 2007 options had been granted to 210 employees (2006: 186 employees). Options granted to employees have no voting rights until they have been exercised and ordinary shares have been issued.

Notes to the Financial Statements

For the year ended 31 March 2007

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

31 March 2007

	Year of Issue					
	2007 (i)	2006 (ii)	2005(iii)	2003 (iv)	2002 (v)	Total
As at beginning of the year	**-**	3,964,500	4,922,500	4,128,675	2,186,310	15,201,985
Granted during the year	**3,999,600**	-	-	-	-	3,999,600
Exercised during the year (vi)	**-**	-	(310,825)	(733,995)	(2,178,810)	(3,223,630)
Lapsed during the year	**(25,800)**	(66,000)	(78,334)	(31,170)	(7,500)	(208,804)
As at end of the year	**3,973,800**	3,898,500	4,533,341	3,363,510	-	15,769,151

31 March 2006

	Year of Issue				
	2006(ii)	2005(iii)	2003(iv)	2002(v)	Total
As at beginning of the year	-	4,997,500	4,605,501	6,917,512	16,520,513
Granted during the year	3,995,200	-	-	-	3,995,200
Exercised during the year (vi)	-	-	(450,158)	(4,728,702)	(5,178,860)
Lapsed due to resignation	(30,700)	(75,000)	(26,668)	(2,500)	(134,868)
As at end of the year	3,964,500	4,922,500	4,128,675	2,186,310	15,201,985

(i) Options expiring December 2011 have exercise prices based on future costs of capital and dividends using a base price of $4.26 per option.

(ii) Options expiring September 2010 have exercise prices based on future costs of capital and dividends using a base price of $3.58 per option.

(iii) Options expiring August 2009 have exercise prices based on future costs of capital and dividends using a base price of $2.63 per option.

(iv) Options expiring March 2008 have an exercise price of $2.20 per option.

(v) Options expiring November 2006 have an exercise price of $2.13 per option.

(vi) The number of options exercised during the year also includes any options cancelled under the cancellation facility. The cancellation facility allows optionholders to cancel their options and receive in return ordinary shares equal in value to the gain on the options.

Out of the 15,769,151 outstanding options (2006: 15,201,985 options), 4,630,170 options (2006: 5,081,471 options) were exercisable.

Options exercised in 2007 resulted in 88,674 shares (2006: 214,283 shares) being issued at $2.18 (2006: $2.13) per share. The related weighted average price at the time of exercise was $4.30 (2006: $3.64) per share.

Total options cancelled in 2007 of 3,134,956 (2006: 4,964,077 options) resulted in 1,526,490 shares (2006: 2,083,813 shares) being issued at $4.35 (2006: $3.65) per share. The related weighted average price at the time of exercise was $4.35 (2006: $3.65) per share.

Notes to the Financial Statements

For the year ended 31 March 2007

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Financial Year	Expiry	Exercise Price	Options 2007	Options 2006
2007	November 2006	$2.13	**-**	2,186,310
2008	March 2008	$2.20	**3,363,510**	4,128,675
2009	Not applicable			
2010	August 2009	Variable (i)	**4,533,341**	4,922,500
2011	September 2010	Variable (ii)	**3,898,500**	3,964,500
2012	December 2011	Variable (iii)	**3,973,800**	-
			15,769,151	15,201,985

(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 September 2010 at exercise prices based on future costs of capital and dividends using a base price of $3.58 per option.

(iii) Options expiring December 2011 at exercise prices based on future costs of capital and dividends using a base price of $4.26 per option.

The fair value of options granted during the period determined using the Binomial Options Pricing Model was $0.209 (2006: $0.28) per option or $840,000 (2006: $1,120,000) in aggregate.

The significant inputs into the model were:

	Inputs 2007	Inputs 2006
Share price at grant date	**$4.26**	$3.58
Base price at grant date	**$4.26**	$3.58
Expected/historical share price volatility	**12%**	16%
Dividends expected over option vesting period (cents)	**72.8**	61.9
Option life (years)	**5**	5
Risk free interest rate	**6.30%**	5.62%
Cost of equity	**10.05%**	9.70%

The expected price volatility is derived by analysing the historical volatility over a recent historical period similar to the term of the option.

Employee share ownership plans

Shares are issued at a discount of 20% of market price, on terms permitted by the Schemes in accordance with section DC12 of the New Zealand Income Tax Act 2004, with no interest being charged on the loans. All New Zealand and Australian full time employees are eligible to participate after a qualifying period, with the maximum amount of the loan capped at $2,340 per employee. 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.

624,931 shares (2006: 422,566) are held by the Schemes, being 0.1% (2006: 0.1%) of the Company's ordinary shares on issue. As at 31 March 2007, all shares were allocated to employees, except for 48,703 (2006: 56,491). 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.

At 31 March 2007 the total receivable owing from employees is $1,049,000 (2006: $615,000).

Notes to the Financial Statements

For the year ended 31 March 2007

Movements in the number of shares outstanding and their related weighted average issue prices are as follows:

	2007		2006	
	Price*	Number	Price*	Number
As at beginning of the year	**2.37**	**366,075**	2.00	696,864
Granted during the year	**3.62**	**291,918**	-	-
Vested during the year	**1.50**	**(34,026)**	1.49	(276,575)
Lapsed due to resignation	**2.77**	**(47,739)**	2.01	(54,214)
As at end of the year	**3.03**	**576,228**	2.37	366,075

*Weighted average

Shares outstanding at the end of the year have the following vesting dates and issue prices:

Financial Year	Vesting	Issue Price		Shares	
		2007	2006	2007	2006
2007	April 2007	**-**	$1.47*	**-**	34,650
2008	November 2007 and February 2008	**$2.47***	$2.47*	**298,332**	331,425
2009	Not applicable				
2010	June 2009	**$3.62***	-	**277,896**	-
				576,228	366,075

*Weighted average

The fair value of shares granted during the period has been determined as being the discount on issue and the present value of the interest free loan to the employee and is $400,000 (2006: nil).

Employee stock purchase plan

Shares are issued at a discount of 15% being the lower of the market price at the date of issue or the market price at the beginning of the annual offering period (normally 1 January) in accordance with section 423 of the US Internal Revenue Code, as amended. All North American employees working more than 20 hours per week are eligible after a qualifying period. Employees make regular payroll contributions to the plan with shares being issued to employees quarterly to the value of their accumulated contributions to the plan.

All shares are allocated to employees at the time of issue and vest immediately.

Shares issued in 2007 totalled 65,609 (2006: 67,355).

Notes to the Financial Statements

For the year ended 31 March 2007

NOTE 10 INVESTMENTS IN SUBSIDIARIES

Parent 2006 NZ$000	Parent 2007 NZ$000	
95,872	95,344	Investments in subsidiaries

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 2007	Interest held by Group 2006	Principal activities
* Fisher & Paykel Healthcare Limited	NZ	**100%**	100%	Manufacture & Distribution of Medical Devices
* Fisher & Paykel Healthcare Pty Limited	Australia	**100%**	100%	Distribution of Medical Devices
Fisher & Paykel Healthcare Limited	UK	**100%**	100%	Distribution of Medical Devices
Fisher & Paykel Healthcare Inc.	USA	**100%**	100%	Distribution of Medical Devices
Fisher & Paykel Healthcare SAS	France	**100%**	100%	Distribution of Medical Devices
Fisher & Paykel Healthcare GmbH & Co KG	Germany	**100%**	100%	Distribution of Medical Devices
Fisher & Paykel Healthcare (Guangzhou) Limited	China	**100%**	0%	Distribution of Medical Devices
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 do Brasil Ltda	Brazil	**100%**	100%	Marketing Support
Fisher & Paykel Healthcare K.K.	Japan	**100%**	100%	Marketing Support
* Fisher & Paykel Healthcare Treasury Limited	NZ	**100%**	100%	Treasury Management

All subsidiaries have a balance date of 31 March with the exception of Fisher & Paykel do Brasil Ltda and Fisher & Paykel Healthcare (Guangzhou) Limited which have a balance date of 31 December.

* Fisher & Paykel Healthcare Corporation Limited together with those above companies marked with an asterisk (the Guaranteeing Group) are the companies in the Negative Pledge Deed (refer note 15).

NOTE 11 GOODWILL ON CONSOLIDATION

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
		Goodwill at beginning of the year	**3,853**	3,853
		Accumulated amortisation at beginning of the year	**(2,823)**	(2,438)
		Unamortised balance at beginning of the year	**1,030**	1,415
		Current year amortisation	**(385)**	(385)
		Unamortised balance at end of the year	**645**	1,030
		Comprising:		
		Goodwill	**3,853**	3,853
		Accumulated amortisation	**(3,208)**	(2,823)
			645	1,030

Notes to the Financial Statements

For the year ended 31 March 2007

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
NOTE 12		**DEFERRED TAXATION**		
183	**199**	Balance at beginning of the year	**10,289**	13,182
17	**-**	Current year timing differences	**82**	(3,073)
(1)	**-**	Other movements	**(33)**	180
199	**199**	Balance at end of the year	**10,338**	10,289
NOTE 13		**BANK OVERDRAFTS**		
		Bank overdrafts	**5,459**	5,506
		Bank overdrafts in foreign currencies: AUD 0.417 million (2006: AUD 0.360 million) GBP 0.069 million (2006: GBP 0.121 million) EUR 2.236 million (2006: EUR 2.379 million) USD 0.633 million (2006: USD 0.008 million)		
		Bank overdrafts are supported either directly or indirectly by the Negative Pledge Deed (refer note 15).		
		UNUSED LINES OF CREDIT		
		Bank overdraft facilities	**5,151**	5,826
NOTE 14		**PROVISIONS**		
		CURRENT		
		Warranty provision		
		Balance at beginning of the year	**1,144**	817
		Current year provision	**2,200**	1,824
		Warranty expenses incurred	**(1,936)**	(1,497)
		Balance at end of the year	**1,408**	1,144
		TERM		
		Warranty provision		
		Balance at beginning of year	**532**	539
		Current year provision	**(100)**	(7)
		Warranty expenses incurred		
		Balance at end of the year	**432**	532

Notes to the Financial Statements

For the year ended 31 March 2007

NOTE 15 BORROWINGS

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
		Borrowing facilities due for repayment:		
		Current	**35,386**	18,335
		One to two years		
		Two to three years		
		Term		

These borrowings have been aged in accordance with the repayment terms of the facilities. All borrowings are drawn down by way of short term bills at interest rates current at draw down date (weighted average 7.4%, 2006: 7.4%).

Borrowings in foreign currencies total EUR 1.0 million (2006: EUR 1.0 million), USD 10.0 million (2006: USD 10.0 million).

A Negative Pledge Deed has been executed and certain of the Group's bankers have been provided undertakings under this Deed. The companies in the Group providing the undertakings under the Negative Pledge Deed are listed in note 10. The Negative Pledge Deed includes the covenant that security can be given only in limited circumstances.

The principal covenants of the Negative Pledge Deed are that:

(a) the interest cover ratio for the Group shall not be less than 3 times;

(b) the net tangible assets of the Group shall not be less than $100 million; and

(c) the total tangible assets of the Guaranteeing Group shall constitute at least 80% of the total tangible assets of the Group.

2006 NZ$000	2007 NZ$000		2007 NZ$000	2006 NZ$000
		UNUSED LINES OF CREDIT		
		Borrowings	**75,487**	95,016

NOTE 16 OTHER LIABILITIES

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
		CURRENT		
		Employee entitlements	**9,758**	8,982
197	**180**	Other creditors and accruals	**11,442**	9,522
197	**180**		**21,200**	18,504
		TERM		
604	**604**	Other creditors and accruals	**604**	604
604	**604**		**604**	604

Notes to the Financial Statements

For the year ended 31 March 2007

NOTE 17 SHAREHOLDERS' EQUITY

511,248,727 (2006: 509,331,940) ordinary shares issued and paid up. All shareholders rank equally with one vote attaching to each fully paid ordinary share.

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
128,264	**121,513**	Shareholders' equity before reserves brought forward	**204,239**	195,622
588	**1,352**	Issue of share capital (i)	**1,352**	588
54,597	**52,472**	Profit after taxation	**57,605**	69,965
-	**44**	Increase in equity from disposition of unallocated shares	**44**	-
(5,053)	**-**	Repurchase of share capital (ii)	**-**	(5,053)
		Dividends: (iii)		
(29,427)	**(35,751)**	Final 2006 (2005)	**(35,751)**	(29,427)
(27,498)	**(27,603)**	Interim 2007 (2006)	**(27,603)**	(27,498)
42	**-**	Unclaimed dividends written back	**-**	42
121,513	**112,027**	Shareholders' equity before reserves carried forward	**199,886**	204,239
63,767	**82,480**	Revaluation reserve brought forward		
18,713	**(993)**	Revaluation of subsidiaries		
		Currency translation reserve brought forward	**(246)**	(3,591)
		Movement for the year	**(6,126)**	3,345
82,480	**81,487**	Total reserves	**(6,372)**	(246)
203,993	**193,514**	Total shareholders' equity	**193,514**	203,993

(i) 301,623 (2006: 48,359) shares were issued under Share Purchase Schemes and 1,615,164 (2006: 2,298,096) shares were issued under Employee Share Option Plans (refer note 9) upon exercise of previously granted share options in the year ended 31 March 2007. Of the shares issued under Employee Share Option Plans, 1,526,490 (2006: 2,083,813) shares were issued under the Cancellation Offer Facility, as approved by shareholders on 12 August 2004.

(ii) Nil (2006: 1,649,902) 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 $5,178,000 were paid (2006: $5,064,000).

Notes to the Financial Statements

For the year ended 31 March 2007

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
NOTE 18		**CASH FLOW RECONCILIATION**		
		RECONCILIATION OF PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES		
54,597	**52,472**	Profit after taxation	**57,605**	69,965
		Add (deduct) non-cash items:		
		Depreciation and writedown of property, plant and equipment to recoverable amount	**11,835**	8,441
		Amortisation of patents and trademarks	**1,034**	715
		Amortisation of goodwill	**385**	385
(219)	**-**	Accrued interest income / expense	**60**	128
		Movement in provisions	**163**	321
(16)	**-**	Movement in deferred taxation	**(49)**	2,893
		Movement in working capital:		
66	**(17)**	Payables and accruals	**2,328**	9,471
131	**(9)**	Debtors and prepayments	**(3,786)**	(6,298)
		Inventory	**(13,850)**	(5,720)
6,323	**4,840**	Provision for taxation net of supplementary dividend paid	**5,358**	4,328
(4,252)	**(3,218)**	Intercompany advances in relation to operating cash flows		
		Movement in unrealised revaluations of foreign currency instruments	**-**	8,033
		Foreign currency exchange translation	**(4,737)**	3,797
56,630	**54,068**	Net cash flow from operations	**56,346**	96,459
NOTE 19		**IMPUTATION CREDIT ACCOUNTS**		
14,831	**15,359**	Balance at beginning of the year	**15,511**	14,831
23,500	**23,500**	Imputation credits attached to dividends received		
		Imputation credits arising from taxation paid	**23,812**	23,652
(22,974)	**(26,026)**	Imputation credits attached to dividends paid to shareholders	**(26,026)**	(22,974)
2	**1**	Other movements	**1**	2
15,359	**12,834**	Balance at end of the year	**13,298**	15,511
		Imputation credits directly and indirectly available to shareholders as at 31 March are:		
		Parent	**12,834**	15,359
		Subsidiaries	**464**	152
		Balance at end of the year	**13,298**	15,511
NOTE 20		**CONTINGENT LIABILITIES**		
24,235	**21,469**	Parent company guarantees		

Periodically we are a party to litigation including product liability and patent claims. To date such claims have been few in number and have been expensed or covered by our insurance. The Directors are unaware of the existence of any claim or other contingencies that would have a material impact on the operations of the Group.

The Parent has a contingent liability relating to gurantees of subsidiary company indebtedness.

Notes to the Financial Statements

For the year ended 31 March 2007

NOTE 21 COMMITMENTS

Parent 2006 NZ$000	Parent 2007 NZ$000		Consolidated 2007 NZ$000	Consolidated 2006 NZ$000
		Capital expenditure commitments as at 31 March	**1,957**	11,872
		Lease commitments under non-cancellable operating leases:		
		Within one year	**3,473**	2,772
		Between one and two years	**2,537**	1,529
		Between two and three years	**1,781**	803
		Between three and four years	**1,026**	20
		Between four and five years	**1,054**	-
		Over five years		
			9,871	5,124

Operating lease commitments relate mainly to occupancy leasing of buildings.

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:

Parent 2006	Parent 2007			Consolidated 2007	Consolidated 2006
		NZ$1.00 =	USD	**0.7141**	0.6117
			AUD	**0.8844**	0.8549
			GBP	**0.3646**	0.3507
			EUR	**0.5350**	0.5033
			JPY	**84.16**	71.83
			INR	**31.12**	27.31

CURRENCY TRANSLATIONS AND HEDGING

The Group sells products in a variety of currencies, predominantly US dollars and Euros. Because the Group's audited consolidated financial statements are denominated in New Zealand dollars, fluctuations in the relative value of the New Zealand dollar to other currencies will affect the reported amount of expenses incurred and sales invoiced in other currencies.

For example, if sales invoiced in US dollars were to increase by 5 percent during a period when the New Zealand dollar appreciated by 7 percent relative to the US dollar, as a result of the translation of US dollar revenue into New Zealand dollars for financial statement reporting purposes the Group would report a decline in these revenues. Accordingly financial performance from year to year must be analysed in light of any fluctuations in the relative values of the principal currencies in which the Group conducts business compared to the New Zealand dollar.

In the financial year ended 31 March 2007 approximately 62 per cent (2006: 65 percent) of trading revenue was denominated in US dollars. The Group makes a significant proportion of US dollar sales to customers outside the United States. Euros, British pounds and Australian dollars represented approximately 20, 6 and 7 per cent of trading revenue (2006: 17, 7 and 7 per cent) respectively in the past financial year.

Notes to the Financial Statements

For the year ended 31 March 2007

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.

In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the Parent have been eliminated. All transactions with related parties were in the normal course of business and provided on commercial terms.

The Parent company entered into certain transactions with its subsidiaries as follows:

Material amounts outstanding between the Parent company and its subsidiaries at year end were:
Loans from the Company to subsidiaries $95,157,000 (2006: $105,455,000).

Material transactions between the Parent company and its subsidiaries were:
Interest charged in respect of the loans to subsidiaries $5,926,000 (2006: $5,584,000).
Dividends received by the Parent company from its subsidiaries $49,083,000 (2006: $50,900,000).

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 foreign currency trading cash flows and advice is taken on likely foreign currency rate trends. The Group enters into foreign currency option contracts and forward foreign currency contracts in managing its foreign exchange risk.

The purpose of the Group's foreign currency hedging activities is to protect the Group 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 Group enters into foreign currency option contracts and forward foreign currency contracts to hedge anticipated net sales/costs denominated principally in US dollars, Euros, British pounds, Australian dollars, Japanese Yen and Canadian dollars.

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

FAIR VALUE

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

	2007		2006	
	Carrying Amount NZ$000	Fair Value NZ$000	Carrying Amount NZ$000	Fair Value NZ$000
Cash and bank	**7,742**	**7,742**	16,554	16,554
Short-term investments	**-**	**-**	12,000	12,000
Debtors	**53,046**	**53,046**	49,602	49,602
Employee share ownership plans loans	**1,049**	**905**	615	547
Bank overdrafts	**(5,459)**	**(5,459)**	(5,506)	(5,506)
Borrowings	**(35,386)**	**(35,386)**	(18,335)	(18,335)
Creditors	**(15,907)**	**(15,907)**	(19,173)	(19,173)
Foreign currency forward exchange contracts	**-**	**4,020**	-	(2,081)
Foreign currency option contracts	**-**	**2,349**	-	(105)

Notes to the Financial Statements

For the year ended 31 March 2007

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

	2007		2006	
	Carrying Amount NZ$000	Fair Value NZ$000	Carrying Amount NZ$000	Fair Value NZ$000
Intergroup advances	**95,157**	**95,157**	105,455	105,455
Employee share ownership plans loans	**-**	**-**	17	17
Creditors	**(180)**	**(180)**	(197)	(197)

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

CASH AND 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.

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 amounts of forward exchange and option contracts outstanding were as follows:

	2007 NZ$000	2006 NZ$000
Purchase commitments forward exchange contracts	**1,893**	1,302
Sale commitments forward exchange contracts	**53,810**	47,299
Put option contracts purchased	**104,529**	85,224
Call option contracts sold (i)	**32,668**	6,306

(i) This represents the sold floor component of collar option contracts. In all cases there is a matching foreign currency principal amount (the purchased cap or ceiling) included within "put option contracts purchased".

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

FOREIGN CURRENCY

	2007 000	2006 000
USD	**US$60,000**	US$65,520
EUR	**€25,530**	€11,762
GBP	**£2,345**	£2,329
AUD	**A$3,580**	A$3,411
CAD	**C$6,875**	C$3,835

Notes to the Financial Statements

For the year ended 31 March 2007

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

FOREIGN CURRENCY

	2007 000	2006 000
EUR	**€180**	-
JPY	**¥110,000**	¥95,000

CREDIT RISK

Forward foreign currency exchange contracts, foreign currency option contracts, interest rate swaps and interest rate forward locks are 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 represented the following proportion of the Group's revenue: 2007 21.2% (2006: 24.5%).

RECEIVABLE CONCENTRATION

The five largest customers represented the following proportion of the Group's debtors: 2007 15.0% (2006: 21.8%).

NOTE 25 EMPLOYEE REMUNERATION

Fisher & Paykel Healthcare operates in a number of countries where remuneration market levels differ widely. The offshore remuneration amounts are converted into New Zealand dollars. Of the employees noted in the table below 78% are employed by the Group outside New Zealand. During the year a number of employees or former employees of the Group, not being directors of Fisher & Paykel Healthcare Corporation Limited, received remuneration and other benefits that exceeded NZ$100,000 in value as follows:

Remuneration $		$	Number of employees
100,000	-	110,000	30
110,001	-	120,000	33
120,001	-	130,000	32
130,001	-	140,000	23
140,001	-	150,000	9
150,001	-	160,000	19
160,001	-	170,000	9
170,001	-	180,000	7
180,001	-	190,000	5
190,001	-	200,000	6
200,001	-	210,000	3
210,001	-	220,000	1
220,001	-	230,000	4
230,001	-	240,000	1
240,001	-	250,000	1
250,001	-	260,000	2
260,001	-	270,000	2
280,001	-	290,000	1
290,001	-	300,000	3
350,001	-	360,000	2
430,001	-	440,000	1
500,001	-	510,000	1
560,001	-	570,000	1
570,001	-	580,000	1

Notes to the Financial Statements

For the year ended 31 March 2007

NOTE 26 SIGNIFICANT EVENTS AFTER BALANCE DATE

On 23 May 2007 the directors approved the payment of a fully imputed 2007 final dividend of $35,789,764 (7.0 cents per share) to be paid on 29 June 2007.

NOTE 27 IMPLEMENTATION OF NEW ZEALAND EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As announced by New Zealand's Accounting Standards Review Board in late 2002 the Group 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 ended 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.

The Group will adopt NZ IFRS for the year ending 31 March 2008, including comparative financial information for the year ended 31 March 2007.

The areas of significant difference for the Group between previous New Zealand GAAP and NZ IFRS are set out below. A number of these differences from current accounting policy have not been fully quantified as at this stage the Group is unable to reliably quantify all the effects.

Functional currency No currency translation reserve post implementation.	Based on the criteria in NZ IAS21 and the current nature of the Group's activities the Group has assessed the functional currency of the Parent and all subsidiaries to be New Zealand dollars, as all operations are fully integrated operations.
Foreign currency hedging of foreign subsidiaries' sales not inter-company sales.	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 non-monetary 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 Group currently hedges a significant portion of its foreign currency exposure via hedging inter-company sales. On adoption of NZ IFRS the functional currency of the foreign subsidiaries will change to New Zealand dollars. The Group will change to hedging the local currency sales in the foreign subsidiaries to New Zealand dollars.

Notes to the Financial Statements

For the year ended 31 March 2007

Hedge accounting Initial impact on shareholders' funds on implementation. Volatility in future earnings. New assets or liabilities recognised.	The Group maintains an off-balance sheet portfolio of foreign currency option contracts and forward foreign exchange 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 previous New Zealand 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. The Group believes hedge accounting is achievable for the majority of the Group's activities. As at 31 March 2007 the Group estimates that a new asset being a fair value asset of $6.6 million (2006: $1.0 million) and a new liability being a fair value liability of $0.2 million (2006: $3.2 million) would be recorded under NZ IFRS on the Statement of Financial Position had NZ IFRS already been adopted. The Group believes that the hedges would achieve hedge effectiveness with the net fair value being held in the cash flow hedge reserve increasing shareholders' funds by $6.4 million (2006: $2.2 million decrease), prior to the impact of tax (refer to Taxation section below). The Group also uses financial instruments as hedges to manage exposures to interest rate risks. As at 31 March 2007 the Group had no interest rate hedges in place (2006: nil). Where the Group is unable to meet NZ IFRS hedge criteria this could result in earnings volatility.
Share-based remuneration Initial impact on shareholders' funds on implementation. Higher expenses.	The Company issues share options to selected employees as a form of equity-based compensation. The Group's current accounting policy does not recognise a compensatory expense in respect of these share options. The Company also issues shares under the Employee Share Ownership Plan ("ESOP") to employees in New Zealand and Australia. The shares are usually offered to employees at a discount of 20% of the market price at the time of issue. The Group's current accounting policy does not recognise a compensatory expense for the discount on the issue of these shares. The Company also issues shares under the Employee Stock Purchase Plan ("ESPP") to employees in North America. The shares are purchased by qualifying employees from payroll deductions at a discount of 15% from the lower of the market price at the time of issue or the market price at the beginning of the annual offering period. The Group's current accounting policy 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 ESPP, and amortise the expenses over the relevant vesting periods. For the year ended 31 March 2007 the Group estimates that a compensatory expense in relation to share options issued to employees would approximate $0.8 million. The Group estimates that the expense for the year ending 31 March 2008 would approximate $0.7 million. For the year ended 31 March 2007 the Group estimates that a compensatory expense in relation to the ESOP and ESPP would approximate $0.3 million. The Group estimates that the expense for the year ending 31 March 2008 would approximate $0.3 million.

Notes to the Financial Statements

For the year ended 31 March 2007

Taxation Initial impact on shareholders' funds 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 Statement of Financial Position 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 shareholders' funds on implementation. Higher expenses. Additional liabilities recognised.	The Group 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. The Group estimates that the long-service leave liability upon adoption of NZ IFRS as at 31 March 2006 would be $2.2 million. The Group also estimates that the long-service leave liability as at 31 March 2007 under NZ IFRS would be $2.8 million. The estimated expense under NZ IFRS for the year ended 31 March 2007 would therefore be $0.6 million. The Group operates a pension plan for employees. The majority of the Group's employees are members of a defined contribution plan, and under previous NZ GAAP contributions to the plan are expensed when made. This treatment is consistent with NZ IFRS. The Group also operates a defined benefit plan for a small number of employees. Under NZ IFRS the Group will be required to recognise the surplus or deficit of the defined benefit plan as an asset or liability in the Statement of Financial Position, with the resulting movement recognised in the Statement of Financial Performance. In relation to the defined benefit pension plan there will be an initial impact on shareholders' funds on implementation of NZ IFRS which the Group is currently in the process of estimating, and the Group expects to recognise higher employee expenses under NZ IFRS. We believe that the above items will result in an increase in annual expenses recognised in the Statements of Financial Performance.
Accounting for goodwill Initial impact on shareholders' funds 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 recoverable amount of goodwill is valued higher than the book value this will result in a lower expense in the Statement of Financial Performance. Under previous NZ GAAP goodwill amortisation of $0.4 million is recorded on an annual basis. The Group believes that under NZ IFRS goodwill amortisation would not be recorded and that no impairment in the value of the Group's goodwill would be recorded on transition to NZ IFRS.

Notes to the Financial Statements

For the year ended 31 March 2007

Fair value as deemed cost Initial impact on shareholders' funds on implementation. Increase in asset value recognised.	Under NZ IFRS the Group may elect to measure an item of property, plant and equipment at the date of transition to NZ IFRS at its fair value and use that value as its deemed cost. The Group has identified one asset that has a fair value significantly different to the historical cost recorded under current NZ GAAP, being land owned at East Tamaki in Auckland. Based upon an independent valuation carried out by DTZ New Zealand in March 2006 the fair value of this land was $59.2 million. This valuation compares to a historical cost value comprising the purchase price and subsequent improvements of $11.3 million recorded in these condensed financial statements. Based upon these values the Group intends to make a deemed cost adjustment in respect to land of $47.9 million upon adoption of NZ IFRS.
Investment in subsidiaries (Parent) Decrease in asset value recognised. Decrease in shareholders' funds recognised.	Under NZ IFRS the Parent company will be required to record investments in subsidiaries at cost. Under previous NZ GAAP the investment in subsidiaries is recorded at net tangible asset value by the Parent company. The result of this change would be to reduce the value of the investment and shareholders' funds in the Parent company by the same amount. As at 31 March 2007 the Parent company estimates that the reduction to both investment in subsidiaries and shareholders' funds would be $81.2 million. Upon consolidation there would be no change to the Group's investment or shareholders' funds balances.

On adoption of NZ IFRS the majority of the transitional adjustments required will be made retrospectively against opening shareholders' funds.

The areas identified above should not be taken as an exhaustive list of all the differences between previous 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. These potential changes might result in a material difference to the information presented here.

Shareholder Information

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

SIZE OF HOLDINGS	NUMBER OF HOLDERS	%	ORDINARY SHARES NUMBER OF SHARES	%
1 - 1,000	3,284	18.11	2,037,427	0.40
1,001 - 5,000	9,182	50.62	24,693,891	4.83
5,001 – 10,000	3,091	17.04	23,147,830	4.52
10,001 – 100,000	2,422	13.35	55,124,925	10.78
100,001 – and over	160	0.88	406,368,354	79.47
Total	18,139	100.00	511,372,427	100.00

The details set out above were as at 25 May 2007.

As disclosed in note 9 of the Financial Statements there were 15,769,151 options on issue to employees as at 31 March 2007.

The Company only has one class of shares on issue, ordinary shares, and these shares are listed on the NZSX and ASX. There are no other classes of equity security currently on issue. The Company's ordinary shares each carry a right to vote on any resolution on a poll at a meeting of shareholders. Holders of ordinary shares may vote at a meeting in person, or by proxy, representative or attorney. Voting may be conducted by voice, by show of hands, or poll. There are no voting rights attaching to options.

There were 378 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 25 May 2007.

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 buy-back programme of up to $27.5 million. At 31 March 2007, the Company had repurchased and cancelled 5,774,537 shares at a total cost of $15.3 million and a cost per share of $2.65. The Company intends to complete the share buy-back 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) 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 likely to have, the effect of substantially lessening competition in the market.

SUBSTANTIAL SECURITY HOLDERS

Pursuant to Section 26 of the Securities Markets Act 1988, the substantial security holders and their shareholdings according to the substantial security holder file as at 25 May 2007 were as follows:

	ORDINARY SHARES	%
The Capital Group Companies Inc. (notice dated 15 November 2004)	44,025,000	8.61
Caledonia Investments Pty Limited & associated entities (notice dated 21 November 2006)	42,005,078	8.21

Shareholder Information (continued)

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders as at 25 May 2007 were:

	ORDINARY SHARES	%
New Zealand Central Securities Depository Limited	236,407,768	46.23
UBS Nominees Pty Limited	32,490,462	6.35
National Nominees Limited	18,269,217	3.57
Citicorp Nominees Pty Limited	11,949,426	2.34
J P Morgan Nominees Australia Limited	9,586,017	1.87
Custodial Services Limited	8,817,847	1.72
Gurshon Fisher	5,447,050	1.07
FNZ Custodians Limited	5,248,591	1.03
Emerald Capital Investments Limited	4,400,000	0.86
Peter Hanbury Masfen & Joanna Alison Masfen	3,651,070	0.71
Woolf Fisher Trust Inc	3,542,415	0.69
Abned Nominees NZ Limited	3,114,316	0.61
HSBC Custody Nominees (Australia) Limited	2,978,769	0.58
Private Nominees Limited	2,968,961	0.58
Gary Albert Paykel & Dorothy Mary Paykel & Keith Raymond Rushbrook	2,382,935	0.47
Joyce Fisher & Anthony John James Agar & Graeme Louis Collinson & Noel Stuart Robinson	2,157,530	0.42
Joyce Fisher	2,055,590	0.40
Queensland Investment Corporation	2,028,746	0.40
UBS Wealth Management Australia Nominees Pty Limited	1,776,905	0.35
Investment Custodial Services Limited	1,699,614	0.33

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 25 May 2007 were:

National Nominees New Zealand Limited	79,932,433
HSBC Nominees (New Zealand) Limited	58,199,912
ANZ Nominees Limited	15,696,106
Citibank Nominees (New Zealand) Limited	15,376,939
TEA Custodians Limited	12,470,634
Accident Compensation Corporation	11,519,482
Custody and Investment Nominees Limited	7,235,805
Premier Nominees Limited	6,153,331
NZ Superannuation Fund Nominees Limited	5,000,739
Asteron Life Limited	3,501,800

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 2007:

A E Clarke	- beneficially owned	50,000
M G Daniell (i)	- beneficially owned	733,517
	- not beneficially owned	585,602
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
P M Smith	- beneficially owned	200,000
G A Paykel	- beneficially owned	2,522,635
	- not beneficially owned	2,454,637

(i) Mr Daniell had a beneficial interest in 1,005,000 options issued under the 2003 Share Option Plan.

Shareholder Information (continued)

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 2006 and 31 March 2007. The 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 shares pursuant to the Company's Employee Share Purchase Scheme.

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

Mr Gillanders transferred 139,700 shares to a family trust on 31 May 2006 at an average price of $4.32 per share.

Mr Daniell cancelled 525,000 options and in return was issued 273,437 shares on 1 June 2006 at $4.4452 per share.

Mr Daniell transferred 357,257 shares to a family trust on 7 June 2006 at an average price of $4.57 per share.

Mr Daniell cancelled 100,000 options and in return was issued 49,475 shares on 28 August 2006 at $4.2157 per share.

A trust for which Mr Paykel is a non-beneficial trustee received 130,587 shares by way of transfer from the estate of Maurice Paykel on 29 August 2006 for no consideration.

A trust for which Mr Paykel is a non-beneficial trustee received 65,293 shares by way of transfer from the estate of Maurice Paykel on 29 August 2006 for no consideration.

Mr Daniell disposed of 25,000 shares on 31 August 2006 at $4.05 per share.

Mr Daniell disposed of 24,475 shares on 2 November 2006 at an average price of $4.25 per share.

Mr Smith transferred 200,000 shares on 8 November 2006 to a family trust at $4.24 per share.

Mr Daniell was granted 180,000 options on 13 December 2006 under the 2003 Share Option Plan.

STATUTORY DISCLOSURE

Subsidiary Company Directors

Section 211(2) of the 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 2007.

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

The remuneration and other benefits of such employees (received as employees) totalling $100,000 or more during the year ended 31 March 2007, are included in the relevant bandings for remuneration disclosed in the Notes to the Financial Statements.

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 in their capacity as a Director.

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

Fisher & Paykel do Brazil Ltda (Brazil)
Brazilian law does not require directors. Decision making authority lies with the directors of its shareholders.

Fisher & Paykel Healthcare (Guangzhou) Limited (China)
Michael Daniell, Paul Shearer, David Boyle, Zhiping Hou

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 Group Holdings Limited
a director of:
ACG Capital Limited
Edison Limited
Endeavour Yachting Limited
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited
Howgate Holdings Limited
Investment 102 Limited
104 Limited
Keano Enterprises Limited
Lady Ruby Investments Limited
Levante Holdings Limited
New Zealand 93 Limited
Sport Lemonade Corporation Limited
Stonex Systems Limited
Team New Zealand Limited
a trustee of:
Andsar Family Trust
Eden Park Trust Board
Endeavour Yachting Limited
Levante No. 2 Trust
Maurice Paykel Charitable Trust (Inc)
Maurice and Phyllis Paykel Trust (Inc)
Team New Zealand Trust
The Friends of Milly Molly (NZ) Limited
a shareholder in:
ACG Capital Limited
Edison Limited
Fisher & Paykel Appliances Holdings Limited
Fisher & Paykel Healthcare Corporation Limited
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited – 100 ordinary shares jointly held with MG Daniell
Howgate Holdings Limited
Keano Enterprises Limited
Lady Ruby Investments Limited
Investment 102 Limited
104 Limited
Milly Molly Group Holdings Limited
New Zealand 93 Limited
Silverdale Park Limited
Sport Lemonade Corporation
Stonex Systems Limited

ADRIENNE CLARKE

a director of:
Woolworths Limited
Tridan Limited
Hexima 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 GA Paykel

N T EVANS

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

W L GILLANDERS

Chairman of:
Auckland Packaging Company Limited
Vita New Zealand Limited
a director of:
Fisher & Paykel Appliances Holdings Limited
Fisher & Paykel Trustee Limited
LRS Management Limited
Rangatira Limited

C J MAIDEN

Chairman of:
D B Breweries Limited
a director of:
D B Breweries Limited and Subsidiaries
The New Zealand Refining Co Limited
a trustee of:
Fisher & Paykel Executive Share Purchase Scheme
a member of:
Marsh (NZ) Limited Advisory Group

P M SMITH

Chairman and trustee of:
The Lion Foundation
Chairman of:
BrainZ Instruments Limited
ING (NZ) Holdings Limited
ING Property Trust Management Limited
Tru-Test Corporation Limited
a director of:
Auckland International Airport Limited
Hauraki Private Equity No. 1 Fund
Hauraki Private Equity No. 2 Fund

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 do Brasil Ltda (Brazil)
Fisher & Paykel (Guangzhou) Limited (China)

**COMPANIES OPERATING UNDER A NEGATIVE PLEDGE AGREEMENT*

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

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 2007:

At the Annual Meeting of Shareholders held on 24 August 2006, Sir Colin J. Maiden and W. Lindsay Gillanders 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 1142, 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
(for use within Australia only)
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.