Fisher & Paykel HEALTHCARE

Annual Report 2008

Fisher & Paykel
HEALTHCARE

Contents

Annual Report 2008

Improving Care and Outcomes

We have consistently achieved strong revenue growth in our core product groups which include devices for use in respiratory care, acute care and the treatment of obstructive sleep apnea (OSA).

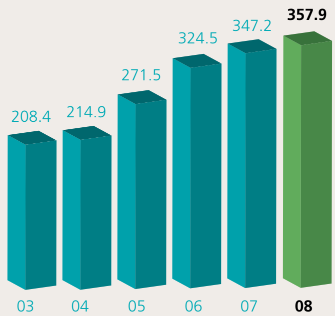
This growth stems from our vision to generate increased value for our shareholders by designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes.

We continued to make considerable progress in our objective to provide a broadening range of innovative products 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 respiratory care and laparoscopic surgery.

Results in Brief

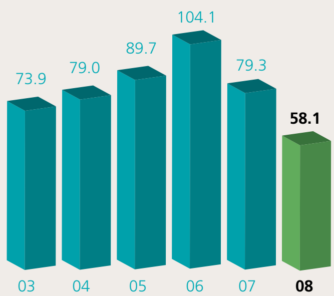
Operating Revenue*

NZ$ MILLIONS



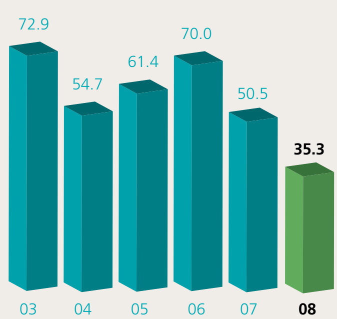
Operating Profit*

NZ$ MILLIONS

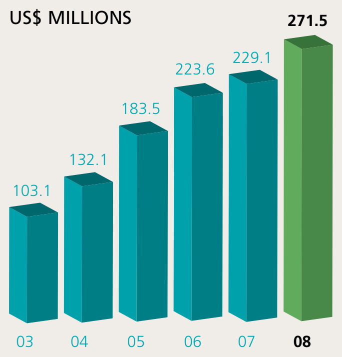


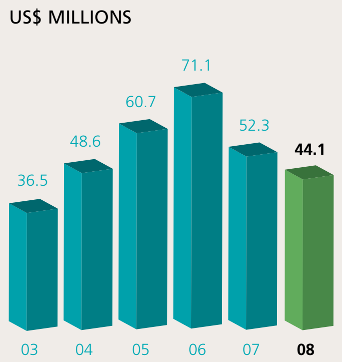
Profit After Tax*

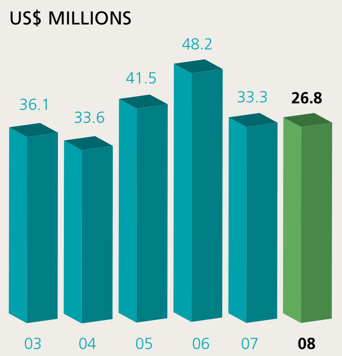
NZ$ MILLIONS



* 2007 and 2008 results were prepared under NZ IFRS. Results from 2006 and prior years were prepared under previous NZ GAAP.







2008 Highlights

18% growth in operating revenue to a record US$271.5 million

19% growth in respiratory and acute care product group revenue to US$138.1 million

18% growth in OSA product group revenue to US$125.4 million

NZ$58.1 million operating profit

NZ$35.3 million profit after tax

Pre-tax return on average shareholders' equity of 25%

Research and development investment of 6.7% of operating revenue

Total dividend of NZ 12.4 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.

An increasing number of hospitals, physicians, nurses, therapists and homecare providers are choosing our devices to assist with treatment of their patients.

GARY PAYKEL
Chairman

Chairman's Report

We have continued to expand the range of innovative medical devices that we provide to assist clinicians to improve patient care and outcomes.

An increasing number of hospitals, physicians, nurses, therapists and homecare providers are choosing our devices to assist with treatment of their patients. Their support is reflected in our record operating revenue of NZ$357.9 million for the year ended 31 March 2008.

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

The Company's financial statements for the year ended 31 March 2008 and the comparative financial information for the period ended 31 March 2007 have been prepared under the New Zealand equivalents to International Financial reporting Standards (NZ IFRS). The notes to the financial statements include reconciliations and discussion of differences between previous New Zealand GAAP and NZ IFRS.

Our business is very much global and we sell in a variety of currencies, with a large proportion, approximately 58%, of our operating revenue generated in US dollars. Euros accounted for 22%, Australian dollars 8%, UK pounds 6%, and New Zealand dollars 2% of our operating revenue. Exchange rates between the New Zealand dollar and other currencies were again volatile during the year, with the New Zealand dollar appreciating 15% on average compared to the US dollar. The geographic contribution to revenue was North America 46%, Europe 33% and Asia Pacific and Other, 21%.

We achieved an operating profit of NZ$58.1 million compared to NZ$79.3 million for the prior year, the reduction primarily reflecting the effect of the weaker US dollar and, to a lesser extent, increased expenses. Profit after tax for the year was NZ$35.3 million.

Your directors approved a final dividend of NZ 7.0 cents per share, carrying NZ 1.5 cents of imputation credit. Total dividends for the year were NZ 12.4 cents per share with a total of NZ 4.16 cents of imputation credit.

Revenue growth was again a result of a strong contribution from our core product categories of respiratory and acute care and OSA which we believe continued to achieve gains in market share.

Respiratory and acute care products, which include our heated humidification systems and neonatal care devices, made the largest contribution to growth with operating revenue up 19%, in US dollar terms.

The OSA product group continued to also grow strongly with operating revenue from masks, flow generators and humidifiers up 18% in US dollar terms.

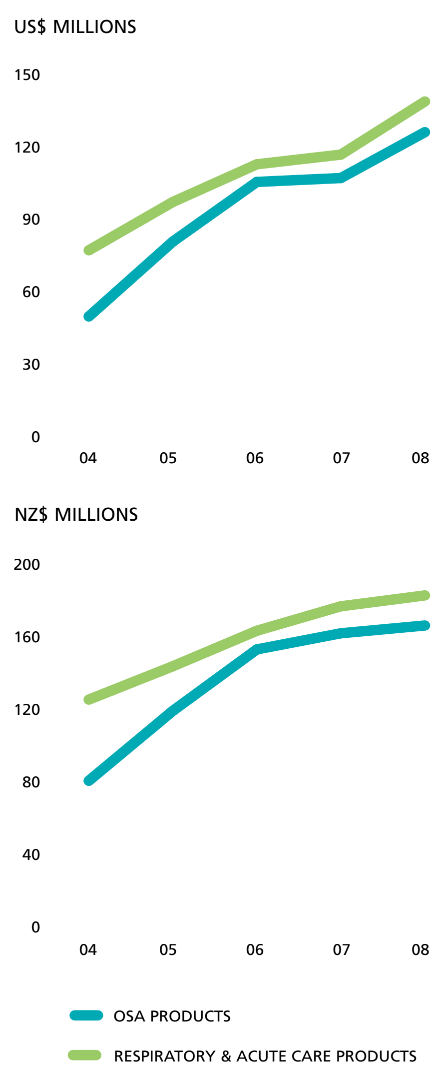
Of our total operating revenue, respiratory and acute care products accounted for 51%, OSA represented 46% and distributed and other products represented 3%. Consumable and accessory products, such as humidifier chambers, breathing circuits and masks, accounted for approximately 71% of core products operating revenue, up from 66% in the prior year.

Foreign exchange hedging gains contributed approximately NZ$11.9 million to operating revenue when compared to the average spot exchange rates for the year.

We continue to invest in the expansion of our global sales network with our own people now located in 26 countries and our products sold in more than 110 countries. We have an increasing number of our own people supporting customers at a local level and our experience confirms that the stronger our presence in each market, the better we can inform customers, build relationships and identify growth opportunities.

Selling, general and administrative (SG&A) expenses were NZ$97.9 million, an increase of 2% over the prior year. Excluding the effect of currency translations, SG&A expenses increased by approximately 9%. The increase was primarily due to an increase in the number of our sales, marketing and operations staff to support our growth.

REVENUE BY PRODUCT GROUP*



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Our research and development (R&D) expenses represented 6.7% of operating revenue, an increase of 17% to NZ$24.1 million compared to NZ$20.7 million in the prior year. This investment was spread across our core product groups, as we continued to develop our products and technology. New and improved products and processes, along with the 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.

The net cash generated from operating activities in the financial year was NZ$44.4 million. Operating cash flow was lower than the prior year primarily as a result of less favourable foreign exchange hedging and foreign currency rates of exchange than experienced in the prior year.

Capital expenditure of NZ$13.5 million was primarily for the purchase of production tooling and equipment, computer equipment, software and patents.

Net cash used in financing activities of NZ$35.8 million primarily related to the payment of our interim and final dividends and the completion of our NZ$27.5 million share buyback programme. We initiated the buyback programme in March 2004 and acquired 9,423,727 ordinary shares in total at an average price of NZ$2.92 per share.

We had in place credit facilities that permit us to borrow up to the total of the equivalent of NZ$177.4 million, denominated primarily in NZ dollars, US dollars and Euros.

Excellence in quality, research, development, manufacturing, marketing, sales and administration underpins our ability to grow. The experience, capabilities and commitment of our 1,860 people worldwide ensures we are able to offer innovative medical devices which can help to improve patient care and outcomes and enable us to deliver the long term growth in value expected by our shareholders. Our people are also responsible for the valued relationships we have with our customers, distributors, suppliers and clinical partners. We thank them all for their contribution and support.

Gary Paykel CNZM
Chairman


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Our consistent growth strategy is to provide a broadening range of innovative products which can help to improve care and outcomes for an increasing range of patients in a variety of applications.

MICHAEL DANIELL
Managing Director and Chief Executive Officer

Chief Executive's Review

Our consistent growth strategy is to provide a broadening range of innovative products which can help to improve care and outcomes for an increasing range of patients in a variety of applications.

For some time we have been expanding our range of devices for use in the hospital beyond our traditional humidifier systems for use in intensive care ventilation. We now also offer devices that can be used in non-invasive ventilation, oxygen therapy, humidity therapy, neonatal care and laparoscopic surgery. Over the past year those new applications generated 20% of our respiratory and acute care consumables revenue.

In the homecare setting, we continued to gain market share with our growing range of devices for the treatment of OSA.

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

Respiratory and Acute Care

Our 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 and from the patient (breathing circuits), filters, connectors and interfaces.

Our neonatal care devices include warmers, respiratory systems and resuscitators. These devices are used to assist newborn babies (particularly those born prematurely) with temperature regulation and breathing.

We also offer a humidification system which humidifies the cold, dry carbon dioxide gas which is used to inflate the patient's abdomen during 'keyhole' or laparoscopic surgery.

We continued to achieve market share gains with our range of respiratory humidification system controllers. The increasing number of our humidification systems in use around the world generated continuing growth in adult and neonatal breathing system consumables.

The average value of humidifier and breathing system components we provide for each patient continued to increase as our customers choose to use more of our expanding range of respiratory care devices.

Demand for our neonatal warmers and resuscitators also continued to grow strongly and an increasing number of hospitals are adopting our Neopuff™ resuscitator system.

Following encouraging results from pilot marketing in New Zealand and Australia of our humidifier system for laparoscopic surgical use, we have now begun to introduce the system to other international markets.

Overall, our respiratory and acute care product group operating revenue grew 19% to US$138.1 million.

We have additional 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.

Obstructive Sleep Apnea

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

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

We estimate that the worldwide market for OSA treatment devices and consumables is worth more than US$1.8 billion annually. Increasing diagnosis rates, better treatment devices and improving awareness of the condition are contributing to a 15% annual market growth rate. We have continued 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.

Most people with OSA do not realize that they have a condition which causes excessive daytime fatigue, is associated with cardiovascular disease and strokes and is directly linked to hypertension.

Our innovative products are designed for ease of use and to help to improve patient acceptance and compliance with CPAP therapy. Our nasal and full face masks incorporate our patented FlexiFit™ and Glider™ technologies which help make them easy to fit and comfortable. Our newest mask, the Opus360™ nasal pillows mask, is extremely small, light and quiet and has been enthusiastically received by our customers.

A large proportion of our CPAP flow generators incorporate our ThermoSmart™ humidification technology. ThermoSmart™ technology 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 flow generators with ThermoSmart™ technology have been very well received by patients, with positive reports of both increased comfort and acceptance.

OSA product group operating revenue grew strongly, with revenue from masks and flow generators up 21%, taking total operating revenue to US$125.4 million, up 18% on the prior year. Consistent with the trend over the past few years, we saw a decline in volume of approximately 33% in standalone CPAP humidification devices as our customers continued to move to integrated flow generator-humidifier systems.

In the United States, CMS (Centers for Medicare and Medicaid Services) have indicated that they will, in future, pay for CPAP therapy following home diagnosis. Previously, coverage was provided only if diagnosis was performed in an accredited sleep laboratory. We believe that home diagnosis has the potential to significantly increase the number of patients diagnosed and may encourage the prescription of higher value flow generators, such as our recently introduced SleepStyle™ 200 Auto.

Research and Development

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

Investment in R&D	**2008** **NZ$24.1M**	2007 NZ$20.7M	2006 NZ$17.3M
R&D as % of operating revenue	**6.7%**	6.0%	5.3%
R&D staff	**240**	225	190
Patents at 31 March US granted	**81**	76	61
US applications pending	**60**	67	71
Rest of world granted	**246**	208	145
Rest of world applications pending	**256**	222	236

Over the year, we increased our R&D spending by 17% to NZ$24.1 million, which represented 6.7% of operating revenue. This increase reflects the increased numbers of engineers, scientists, physiologists and other staff employed in product and process research and development activities across all of our core product groups.

During the year we introduced the new Opus360™ nasal pillows mask and completed development of the SleepStyle™ 200 Auto series flow generator. This auto-adjusting flow generator range continuously monitors the OSA patient's breathing and applies sufficient pressure to prevent apneas occurring. It is also the first to incorporate our unique SensAwake™ technology, which senses when the patient is awake and promptly reduces the delivered pressure to make it easier to get back to sleep.

Product and clinical development is almost complete in our project to develop a system specifically designed to help treat patients with Chronic Obstructive Pulmonary Disease (COPD). The new system combines technology from our OSA and intensive care humidification products. We originally designed the system solely for home use, but following postive feed back from hospitals, the design has been modified to accommodate hospital use as well.

As well as the new COPD device, our new product development projects include more flow generators and interfaces for both respiratory and OSA applications.

Sales and Marketing

Our own people are now located in 26 of the 110 countries where our products are sold. The growing number of staff in these markets help us to ensure that 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 allowing us to build the good relationships that support our business growth.

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 and Spain and to open a new sales office in Stockholm enabling us to serve customers in Sweden and Denmark.

In Asia we have offices in Japan and the rapidly developing markets of China and India. Each of them serves very large and diverse population groups and supports our in-market distributors. In both India and China we have well established distribution warehouses, which provide immediate access to our product range.

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

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. Cardinal has been very active throughout the year promoting our products and has successfully negotiated significant new hospital group purchasing organisation contracts. 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.

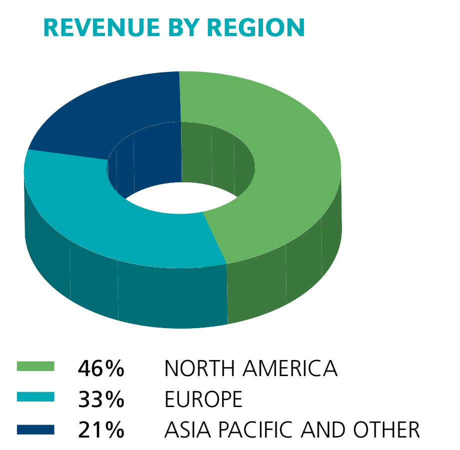
Australia and New Zealand are especially important markets for us as they are often the first countries to receive our new products, enabling us to gauge initial customer acceptance and to develop marketing material ready for worldwide release.

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 ensuring 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 and obtain clearance from the US Food and Drug Administration for new products prior to sale into the US. 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 continued to invest in and further develop our quality management systems to ensure that our processes and procedures meet both our business needs and changing international regulatory requirements. Continuous improvement ensures that our products and services meet the highest possible quality standards and surpass our customers' expectations.

TŪV 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.

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 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.

At our usual rate of growth, which has us doubling manufacturing volumes every four or five years, we will be at capacity in our Auckland facilities within two or three years. At our Annual Shareholders' Meeting last year we indicated that we were beginning to plan for the next facility expansion and would be investigating locations outside New Zealand to spread geographic risk and to reduce some manufacturing costs.

We have almost completed those investigations and we believe it is likely we will choose to place a significant proportion of growth in manufacturing capacity offshore, in either Mexico or Asia.

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 against that standard and certified annually by the Swiss-based European notified body, Société Générale de Surveillance.

We continued to improve our recycling processes and our recycling of plastics, paper and metals increased by 45% at our Auckland site. 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.

In May 2008 we participated in the Investor Group on Climate Change Australia/New Zealand Carbon Disclosure Project.

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 internally annually and by the ACC. To sustain tertiary certification, we have continued to improve our systems.

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 1,860 people, with 1,470 located in New Zealand and almost 390 located in 25 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. Over the year, we have continued to focus on initiatives that support our organisational growth strategies.

Outlook

Our opportunities to grow market share in the respiratory care, acute care and OSA markets continue to be positive. We expect to see an increasing contribution to growth from products for the treatment of patients in a range of additional applications which include non-invasive ventilation, oxygen therapy, humidity therapy and resuscitation. In addition, we believe that our broadening range of OSA treatment devices will continue to drive robust growth in that rapidly expanding market.

The efforts and expertise of our dedicated teams around the world are reflected in our continuing growth. Sincere thanks to all of them and also to our Board, our customers, suppliers, clinical partners, distributors and our shareholders for their continued support and confidence in us.

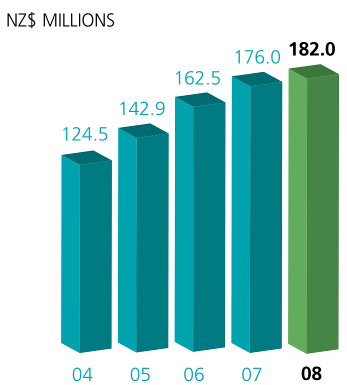
Michael Daniell
Managing Director and Chief Executive Officer

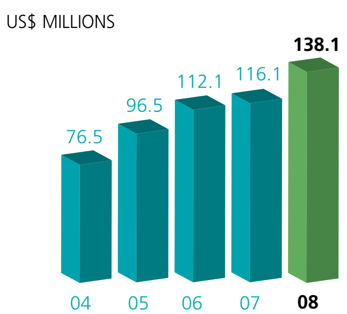
RESPIRATORY AND ACUTE CARE

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
- RD900 Neopuff™ Infant Resuscitator
- Infant Bubble CPAP System
- IW900 Series Infant Warmers

PRODUCT REVENUE*





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CASE STUDY – Patient Acceptance, the Key to Non-invasive Ventilation

Imagine putting your head out of a car window while speeding along the road on a cold winter's day. How comfortable would it be to breathe? How long could you do it for? It is likely you would experience an uncomfortable sensation caused by the flow of cold dry air into your respiratory system rapidly depleting your airways of necessary heat and moisture.

Patients requiring non-invasive ventilation (where respiratory support is provided via a face mask) can receive breathing assistance for hours, days or even weeks. How successful this treatment is can hinge on the extent that patients can tolerate it. Effectiveness can be compromised because of the cold dry air and oxygen flows provided by the ventilator. Failure to tolerate the treatment may lead to intubation, where a tube is inserted into the patient's airway. This can substantially increase both the cost of treatment and the risk to the patient.

Adding humidity to the essential gas flow improves patients' tolerance to non-invasive ventilation[1]. This can increase the likelihood of treatment success, reduce the need for intubation and significantly reduce the cost of treatment and risk of complications.

Patient tolerance is also influenced by how comfortable the patient finds the mask they must wear. As an integral part of the Fisher & Paykel Healthcare humidification system, we offer a superior range of single patient use face masks that have proven popular with both clinical staff and patients.

1. Kacmarek R. Non-invasive Positive-Pressure Ventilation: the little things do make a difference! Respiratory Care 2003; 48:919-921


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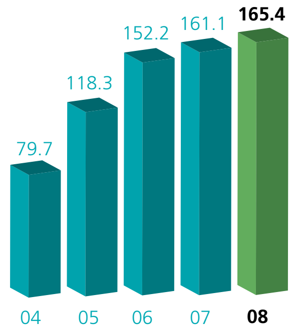
OSA

KEY PRODUCTS

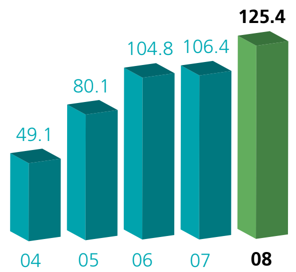
- SleepStyle™ 200 Series Flow Generators
- SleepStyle™ 200 Series Auto Flow Generators
- SleepStyle™ 600 Series Flow Generators
- HC150 CPAP Heated Humidifier
- FlexiFit™ Nasal Mask Range
- FlexiFit™ Full Face Mask
- Opus360™ Nasal Pillows Mask
- Infinity™ 481 Direct Nasal Mask
- Aclaim2™ Nasal Mask
- Oracle™ 452 Oral Mask
- HC431NIV Full Face Mask
- HC407NIV Nasal Mask
- HC300 Series Chambers

PRODUCT REVENUE*

NZ$ MILLIONS



US$ MILLIONS



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Case Study – SleepStyle™ 200 Series Auto Flow Generator

We believe everyone should enjoy a good night's sleep. To those who suffer from OSA and those who provide treatment for them, we offer SleepStyle™ – an innovative family of CPAP solutions.

Our newest device in this range is the SleepStyle™ 200 AutoCPAP which has an advanced auto-adjusting system designed to enhance patient comfort for OSA patients with our unique SensAwake™ Technology.

The SleepStyle™ 200 Auto Series automatically detects interruptions to normal breathing and provides pressure on demand to meet the breath-by-breath needs of the patient. The auto-adjusting algorithm detects and effectively responds to flow limitation, apnea and hypopnea.

In addition, the SleepStyle™ 200 AutoCPAP incorporates SensAwake™, a unique comfort-related feature that identifies when the patient is awake and promptly reduces the delivered pressure to facilitate the transition back to sleep. Research shows that patients commonly arouse from sleep and experience awake states[2]. It is at these times that OSA patients might become intolerant of their CPAP pressure, making it difficult for the patient to return to sleep. SensAwake™ aims to increase sleep quality and ultimately improve compliance with the therapy.

The SleepStyle™ 200 Auto device also offers removable media in the form of a SmartStick™ which allows comprehensive data transfer simply via USB technology and provides easy monitoring of treatment.

The introduction of the SleepStyle™ 200 Auto Series extends our CPAP range and offers significant benefits for OSA treatment, with the opportunity for enhanced comfort, acceptance and patient management.

2. Stammnitz A, Jerrentrup A, Penzel T, et al. Automatic CPAP titration with different self-setting devices in patients with obstructive sleep apnoea. Eur Respir J 2004; 24:273-278

Board of Directors

GARY PAYKEL

Gary Paykel, 66, 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 Team New Zealand since March 2004 and is a Companion of the New Zealand Order of Merit.

MICHAEL SMITH

Michael Smith, 63, 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. In addition, Mr Smith has been a director of ING Property Trust Management Limited since October 2002 and Chairman since October 2004, Chairman of ING (NZ) Holdings Limited since September 2005, a director of Hauraki Private Equity No. 1 Fund since March 2002 and Hauraki Private Equity No. 2 Fund since February 2004. Mr Smith received his Master of Commerce degree from the University of Auckland, New Zealand, and is a graduate of the PMD Business Course at the Harvard Business School.

MICHAEL DANIELL

Michael Daniell, 51, 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 EVANS

Nigel Evans, 67, 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, Lindsay Gillanders, Sir Colin Maiden and Arthur Morris.

LINDSAY GILLANDERS

Lindsay Gillanders, 58, 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 MAIDEN

Sir Colin Maiden, 75, has served as a director of Fisher & Paykel Industries Limited since May 1978, 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 2003. Sir Colin has been a director of DB Breweries Limited and its subsidiaries since May 1994. 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.

ARTHUR MORRIS

Arthur Morris, 52, became a director in February 2008. Dr Morris is a fellow of the Royal Australasian College of Pathologists, Australasian Society for Microbiology and the Infectious Diseases Society of America. Dr Morris trained in Dunedin, Invercargill and Auckland before spending 3 years at Duke University Medical Centre, North Carolina, USA, returning to New Zealand in 1994. Dr Morris is Chairman of DNA Diagnostics Limited and the CEO of Diagnostic Medlab Limited. Dr Morris received his First Class Honours (Microbiology) and medical degrees from the University of Otago and his doctoral degree from the University of Auckland.

Directors' Report

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 31 March 2008.

Principal Activities

Fisher & Paykel Healthcare Corporation Limited (the Company) is a world leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea.

Group Profit

An operating profit before tax of $58.1 million (2007: $79.3 million) was earned for the year ended 31 March 2008.

The profit after tax was $35.3 million (2007: $50.5 million).

Basic earnings per share were 6.9 cents (2007: 9.9 cents).

Shareholders' Equity

Shareholders' equity at 31 March 2008 totalled $195.7 million (2007 $236.5 million).

Share Issues

During the year, 525,396 shares were issued under approved Employee Share Purchase Schemes in accordance with the Company's Constitution.

During the year, 1,327,884 shares were issued under Employee Share Option Plans upon the exercise of previously granted share options. Of these shares, 972,883 shares were issued under the Cancellation Offer Facility as approved by shareholders on 12 August 2004.

During the year, 3,957,100 share options were issued under an approved Employee Share Option Plan.

Dividends

The Directors approved a final dividend to be paid on 27 June 2008 of 7.0 cents per share with an imputation credit of 1.5 cents per share (2007: 7.0 cents, imputation credit 3.45 cents per share), resulting in total dividends of 12.4 cents per share, with imputation credits of 4.16 cents per share, for the year (2007: 12.4 cents, imputation credits 6.11 cents per share).

Directors

In accordance with the Constitution, Gary Paykel and Michael Smith retire and, being eligible, offer themselves for re-election. In addition, Arthur Morris who was appointed by the Directors during the year, retires and being eligible, offers himself for election.

Disclosure of Interests by Directors

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

New Zealand Stock Exchange Waiver

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 2008:

	$
Adrienne Clarke	74,642
Nigel Evans	88,531
Lindsay Gillanders	70,906
Sir Colin Maiden	97,132
Gary Paykel	159,825
Michael Smith	132,775
Arthur Morris	12,083
	635,894

The maximum total monetary sum payable by the Company by way of Directors' fees is $800,000 per annum as approved by shareholders at the 2007 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.

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.

Upon her retirement from the Board on 20 February 2008, Adrienne Clarke received a retirement allowance of $65,973 (in addition to the directors fees paid to her for the year ending 31 March 2008 as set out above). The amount of the retirement allowance was calculated in accordance with the policy described above.

Directors' Report (continued)

The following non-executive Directors' retirement allowances have been provided for by the Company as at 31 March 2008:

	$
Nigel Evans	80,375
Lindsay Gillanders	63,500
Sir Colin Maiden	170,000
Gary Paykel	142,975
Michael Smith	120,392
	577,242

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 2008 of $701,246.

In addition to this fixed remuneration, Michael Daniell also received performance based at risk components, both paid out and accrued, of $96,304. Michael Daniell was also issued 160,000 options on 17 December 2007 with a fair value of $36,800. These options were valued using a variant of the Binomial Options Pricing Model (the assumptions for this calculation are included in Note 23 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 2008 set out in the Statutory Information section of this annual report.

Gary Paykel
Chairman
21 May 2008

Michael Daniel
Managing Director and Chief Executive Officer
21 May 2008

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 Corporate Governance Principles and 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, including each Director's skills, experience and expertise, 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. 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. No Director has 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 2008 six of the current seven Directors are independent Directors, namely Nigel Evans, Sir Colin Maiden, Gary Paykel, Michael Smith, Lindsay Gillanders and Arthur Morris.

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 2008. The table below shows attendance at the Board and committee meetings. With the exception of January and June, 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
Adrienne Clarke	9	8				
Michael Daniell	10	10				
Nigel Evans	10	9	4	4		
Lindsay Gillanders	10	9				
Sir Colin Maiden	10	9	4	4	2	2
Gary Paykel	10	9			2	2
Michael Smith	10	10	4	4	2	2
Arthur Morris	2	2				

Corporate Governance (continued)

The Nomination Committee did not meet during the year ended 31 March 2008.

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 except Arthur Morris 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 non-executive Director in office at the time of the 2004 Shareholders' Meeting (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.

Upon her retirement from the Board on 20 February 2008, Adrienne Clarke received a retirement allowance of $65,973. The amount of this allowance was calculated in accordance with the policy described above.

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 set out in the Statutory Information 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 2008, 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.

Five Year Summary (NZ$)

For the year ended 31 March

	2008 NZ$000	2007 NZ$000	2006 NZ$000 (except as otherwise stated)	2005 NZ$000	2004 NZ$000
FINANCIAL PERFORMANCE					
Revenue before hedging	**345,966**	342,978	289,547	240,566	214,865
Foreign exchange gains on hedged sales	**11,927**	4,179	34,910	30,884	-
Total operating revenue	**357,893**	347,157	324,457	271,450	214,865
Cost of sales	**(177,811)**	(151,298)	(121,365)	(98,127)	(62,590)
Gross profit	**180,082**	195,859	203,092	173,323	152,275
Gross margin	**50.3%**	56.4%	62.6%	63.9%	70.9%
Selling, general and administrative expenses	**(97,859)**	(95,909)	(81,679)	(67,382)	(59,145)
Research and development expenses	**(24,091)**	(20,668)	(17,348)	(16,196)	(14,115)
Operating profit before financing costs	**58,132**	79,282	104,065	89,745	79,015
Operating margin	**16.2%**	22.8%	32.1%	33.1%	36.8%
Net financing income (expense)	**(3,822)**	337	350	1,247	1,920
Other income	**-**	-	-	570	-
Profit before tax	**54,310**	79,619	104,415	91,562	80,935
Tax expense	**(19,034)**	(29,115)	(34,450)	(30,157)	(26,236)
Profit after tax	**35,276**	50,504	69,965	61,405	54,699
Revenue by region:					
North America	**165,685**	169,689	168,610	132,250	93,610
Europe	**115,999**	107,938	86,421	77,917	64,469
Asia Pacific	**58,287**	53,412	54,656	50,422	47,959
Other	**17,922**	16,118	14,770	10,861	8,827
Total	**357,893**	347,157	324,457	271,450	214,865
Revenue by product group:					
Respiratory & acute care	**182,043**	175,950	162,537	142,940	124,542
Obstructive sleep apnea	**165,378**	161,059	152,150	118,275	79,687
Core products subtotal	**347,421**	337,009	314,687	261,215	204,229
Distributed and other	**10,472**	10,148	9,770	10,236	10,636
Total	**357,893**	347,157	324,457	271,450	214,865
FINANCIAL POSITION					
Tangible assets	**313,667**	305,283	253,896	213,331	206,436
Intangible assets	**18,000**	21,492	13,574	16,979	17,737
Total assets	**331,667**	326,775	267,470	230,310	224,173
Liabilities	**(136,003)**	(90,228)	(63,477)	(38,279)	(32,948)
Shareholders' equity	**195,664**	236,547	203,993	192,031	191,225
Net tangible asset backing (cents per share)	**34.9**	42.1	37.4	37.4	34.4
Pre-tax return on average total assets percentage	**16.5%**	26.8%	42.0%	40.3%	35.7%
Pre-tax return on average equity percentage	**25.1%**	36.1%	52.7%	47.8%	42.1%
CASH FLOWS					
Net cash flow from operating activities	**44,351**	56,346	96,459	72,129	60,177
Net cash flow from (used in) investing activities	**(13,457)**	(16,745)	(51,652)	(13,846)	8,247
Net cash flow (used in) financing activities	**(35,848)**	(47,997)	(50,662)	(65,535)	(56,013)

2007 and 2008 figures are prepared under NZ IFRS. 2006 and prior years are prepared under previous NZ GAAP.

Five Year Summary (NZ$)

For the year ended 31 March

	2008 NZ$000	2007 NZ$000	2006 NZ$000 (except as otherwise stated)	2005 NZ$000	2004 NZ$000
SHARES OUTSTANDING					
Weighted basic average shares outstanding	**509,402,778**	510,849,528	508,382,132	508,686,610	512,119,710
Weighted diluted average shares outstanding	**524,856,394**	524,759,124	524,846,569	523,841,480	524,113,140
Basic shares outstanding at end of the year	**509,452,817**	511,248,727	509,331,940	508,635,387	511,284,795
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	**7.0**	7.0	5.8	5.6	5.4
Interim	**5.4**	5.4	5.4	5.0	4.8
Total ordinary dividends	**12.4**	12.4	11.2	10.6	10.2
Basic earnings per share	**6.9**	9.9	13.8	12.1	10.7
Diluted earnings per share	**6.7**	9.6	13.3	11.7	10.4
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	**81**	76	61	52	45
Number of United States patent applications	**60**	67	71	70	58
Number of non-United States patents	**246**	208	145	97	52
Number of non-United States patent applications	**256**	222	236	234	214
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**24,091**	20,668	17,348	16,196	14,115
Percentage of operating revenue	**6.7%**	6.0%	5.3%	6.0%	6.6%
CAPITAL EXPENDITURE					
Operational	**11,025**	17,079	14,655	9,499	9,300
Land and buildings	**641**	11,627	38,942	8,296	236
Total	**11,666**	28,706	53,597	17,795	9,536
Capital expenditure : depreciation/amortisation ratio	**0.9**	2.2	5.9	2.1	1.2
NUMBER OF EMPLOYEES					
By function:					
Research and development	**242**	225	190	170	150
Manufacturing and operations	**1,072**	929	676	579	440
Sales, marketing and distribution	**454**	398	345	288	256
Management and administration	**91**	86	65	59	54
Total	**1,859**	1,638	1,276	1,096	900
By region:					
New Zealand	**1,471**	1,304	983	855	690
North America	**142**	131	112	85	77
Europe	**157**	133	121	104	93
Rest of World	**89**	70	60	52	40
Total	**1,859**	1,638	1,276	1,096	900
AVERAGE DAILY EXCHANGE RATES (NZ$1 =)					
USD	**0.7594**	0.6568	0.6915	0.6738	0.6130
AUD	**0.8750**	0.8583	0.9180	0.9119	0.8828
GBP	**0.3782**	0.3468	0.3872	0.3651	0.3620
EUR	**0.5367**	0.5117	0.5677	0.5356	0.5213
JPY	**86.78**	76.83	78.19	72.36	69.11
INR	**30.44**	29.62	30.53	30.21	28.11

Five Year Summary (US$)

For the year ended 31 March

	2008 US$000	2007 US$000	2006 US$000	2005 US$000	2004 US$000
			(except as otherwise stated)		
FINANCIAL PERFORMANCE					
Revenue before hedging	**262,415**	226,366	199,556	162,599	132,056
Foreign exchange gains on hedged sales	**9,047**	2,758	24,060	20,874	-
Total operating revenue	**271,462**	229,124	223,616	183,473	132,056
Cost of sales	**(134,870)**	(99,857)	(83,645)	(66,324)	(38,468)
Gross profit	**136,592**	129,267	139,971	117,149	93,588
Gross margin	**50.3%**	56.4%	62.6%	63.9%	70.9%
Selling, general and administrative expenses	**(74,226)**	(63,300)	(56,293)	(45,543)	(36,350)
Research and development expenses	**(18,273)**	(13,641)	(11,956)	(10,947)	(8,675)
Operating profit before financing costs	**44,093**	52,326	71,722	60,659	48,563
Operating margin	**16.2%**	22.8%	32.1%	33.1%	36.8%
Net financing income (expense)	**(2,899)**	223	241	843	1,180
Other income	**-**	-	-	385	-
Profit before tax	**41,194**	52,549	71,963	61,887	49,743
Tax expense	**(14,437)**	(19,216)	(23,743)	(20,383)	(16,125)
Profit after tax	**26,757**	33,333	48,220	41,504	33,618
Revenue by region:					
North America	**125,624**	112,044	116,061	89,662	57,722
Europe	**88,062**	71,297	59,619	52,624	39,594
Asia Pacific	**44,180**	35,170	37,772	33,850	29,294
Other	**13,596**	10,613	10,164	7,337	5,446
Total	**271,462**	229,124	223,616	183,473	132,056
Revenue by product group:					
Respiratory & acute care	**138,126**	116,096	112,073	96,502	76,489
Obstructive sleep apnea	**125,411**	106,350	104,788	80,112	49,055
Core products subtotal	**263,537**	222,446	216,861	176,614	125,544
Distributed and other	**7,925**	6,678	6,755	6,859	6,512
Total	**271,462**	229,124	223,616	183,473	132,056
FINANCIAL POSITION					
Tangible assets	**246,354**	218,003	155,308	179,784	141,012
Intangible assets	**14,137**	15,347	8,303	9,612	11,223
Total assets	**260,491**	233,350	163,611	189,396	152,235
Liabilities	**(106,817)**	(64,432)	(38,828)	(44,949)	(25,301)
Shareholders' equity	**153,674**	168,918	124,783	144,447	126,934
Net tangible asset backing (cents per share)	**27.4**	30.0	22.9	26.5	22.6
Pre-tax return on average total assets percentage	**16.7%**	26.5%	40.8%	36.2%	36.0%
Pre-tax return on average equity percentage	**25.5%**	35.8%	53.5%	45.6%	42.7%
CASH FLOWS					
Net cash flow from operating activities	**33,640**	37,188	66,480	48,753	36,670
Net cash flow from (used in) investing activities	**(10,207)**	(11,052)	(35,599)	(9,359)	5,068
Net cash flow (used in) financing activities	**(27,191)**	(31,678)	(35,733)	(44,295)	(34,109)

2007 and 2008 figures are prepared under NZ IFRS. 2006 and prior years are prepared under previous NZ GAAP.

Five Year Summary (US$)

For the year ended 31 March

	2008 US$000	2007 US$000	2006 US$000	2005 US$000	2004 US$000
		(except as otherwise stated)			
SHARES OUTSTANDING					
Weighted basic average shares outstanding	**509,402,778**	510,849,528	508,382,132	508,686,610	512,119,710
Weighted diluted average shares outstanding	**524,856,394**	524,759,124	524,846,569	523,841,480	524,113,140
Basic shares outstanding at end of the year	**509,452,817**	511,248,727	509,331,940	508,635,387	511,284,795
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	**5.2**	4.4	4.1	4.0	3.0
Interim	**4.2**	3.7	3.8	3.0	3.2
Total ordinary dividends	**9.4**	8.1	7.9	7.0	6.2
Basic earnings per share	**5.3**	6.5	9.5	8.2	6.6
Diluted earnings per share	**5.1**	6.4	9.2	7.9	6.4
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	**81**	76	61	52	45
Number of United States patent applications	**60**	67	71	70	58
Number of non-United States patents	**246**	208	145	97	52
Number of non-United States patent applications	**256**	222	236	234	214
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**18,273**	13,641	11,956	10,947	8,675
Percentage of operating revenue	**6.7%**	6.0%	5.3%	6.0%	6.6%
CAPITAL EXPENDITURE					
Operational	**8,362**	11,272	10,100	6,421	5,716
Land and buildings	**486**	7,674	26,839	5,607	145
Total	**8,848**	18,946	36,939	12,028	5,861
Capital expenditure : depreciation/amortisation ratio	**0.9**	2.2	5.9	2.1	1.2
NUMBER OF EMPLOYEES					
By function:					
Research and development	**242**	225	190	170	150
Manufacturing and operations	**1,072**	929	676	579	440
Sales, marketing and distribution	**454**	398	345	288	256
Management and administration	**91**	86	65	59	54
Total	**1,859**	1,638	1,276	1,096	900
By region:					
New Zealand	**1,471**	1,304	983	855	690
North America	**142**	131	112	85	77
Europe	**157**	133	121	104	93
Rest of World	**89**	70	60	52	40
Total	**1,859**	1,638	1,276	1,096	900
AVERAGE DAILY EXCHANGE RATES (US$1 =)					
NZD	**1.3169**	1.5225	1.4461	1.4841	1.6314
AUD	**1.1522**	1.3068	1.3275	1.3533	1.4401
GBP	**0.4981**	0.5279	0.5599	0.5418	0.5906
EUR	**0.7067**	0.7790	0.8210	0.7948	0.8505
JPY	**114.28**	116.97	113.07	107.39	112.74
INR	**40.09**	45.09	44.15	44.83	45.85

Auditors' Report

PRICEWATERHOUSECOOPERS

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

We have audited the financial statements on pages 35 to 79. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2008 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 39 to 46.

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 2008 and their financial performance and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and the provision of other assurance related services.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 35 to 79:

  (i) comply with generally accepted accounting practice in New Zealand;

  (ii) comply with International Financial Reporting Standards; and

  (iii) give a true and fair view of the financial position of the Company and Group as at 31 March 2008 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 21 May 2008 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Auckland

Income Statements

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Notes	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
55,011	**39,838**	**Operating revenue**	4	**357,893**	347,157
		Cost of sales		**(177,811)**	(151,298)
55,011	**39,838**	Gross profit		**180,082**	195,859
(931)	**(1,171)**	Selling, general and administrative expenses		**(97,859)**	(95,909)
		Research and development expenses		**(24,091)**	(20,668)
54,080	**38,667**	**Operating profit before financing costs**		**58,132**	79,282
		Financing income		**711**	824
-	**(1,720)**	Financing expense		**(5,748)**	(2,949)
		Exchange gain on foreign currency borrowings		**1,215**	2,462
-	**(1,720)**	**Net financing income (expense)**		**(3,822)**	337
54,080	**36,947**	**Profit before tax**	5	**54,310**	79,619
(1,608)	**(1,228)**	Tax expense	7	**(19,034)**	(29,115)
52,472	**35,719**	**Profit after tax**		**35,276**	50,504
		Basic earnings per share	22	**6.9 cps**	9.9 cps
		Diluted earnings per share	22	**6.7 cps**	9.6 cps
		Weighted average basic ordinary shares outstanding	22	**509,402,778**	510,849,528
		Weighted average diluted ordinary shares outstanding	22	**524,856,394**	524,759,124

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

Balance Sheets

As at 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Notes	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		ASSETS			
		Current assets			
		Cash and cash equivalents	8	**5,263**	7,742
30	**41**	Trade and other receivables	9	**60,262**	56,010
		Inventories	10	**50,770**	46,697
		Derivative financial instruments	11	**3,311**	3,943
3,568	**3,602**	Tax receivable	12	**9,968**	5,289
94,417	**56,808**	Intergroup advances	25		
98,015	**60,451**	**Total current assets**		**129,574**	119,681
		Non-current assets			
		Property, plant and equipment	13	**186,489**	188,592
		Intangible assets	14	**4,287**	4,475
8,887	**8,887**	Investments in subsidiaries	15		
		Other receivables	9	**915**	953
		Derivative financial instruments	11	**1,685**	2,623
199	**173**	Deferred tax asset	16	**8,717**	10,451
107,101	**69,511**	**Total assets**		**331,667**	326,775
		LIABILITIES			
		Current liabilities			
		Interest-bearing liabilities	17	**65,007**	40,845
180	**201**	Trade and other payables	18	**41,550**	37,688
		Provisions	19	**2,342**	1,408
		Tax payable	12	**640**	757
		Derivative financial instruments	11	**842**	197
180	**201**	**Total current liabilities**		**110,381**	80,895
		Non-current liabilities			
		Interest-bearing liabilities	17	**21,107**	-
		Provisions	19	**640**	432
604	**577**	Other payables	18	**2,720**	8,901
		Derivative financial instruments	11	**1,155**	-
784	**778**	**Total liabilities**		**136,003**	90,228
		EQUITY			
15,533	**6,083**	Share capital	20	**6,083**	15,533
(1,701)	**(2,436)**	Treasury shares	20, 21	**(2,436)**	(1,701)
90,173	**62,642**	Retained earnings	21	**188,668**	216,642
		Cash flow hedge reserve	21	**905**	3,761
318	**184**	Employee share entitlement reserve	21	**184**	318
1,994	**2,260**	Employee share option reserve	21	**2,260**	1,994
106,317	**68,733**	**Total equity**		**195,664**	236,547
107,101	**69,511**	**Total liabilities and equity**		**331,667**	326,775

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

On behalf of the Board
21 May 2008

G A Paykel
Chairman

M G Daniell
Managing Director and Chief Executive Officer

Statements of Changes in Equity

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Notes	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
115,282	**106,317**	**Total equity at beginning of the year**		**236,547**	241,465
		Movement in cash flow hedge reserve, net of tax	21	**(2,856)**	6,015
52,472	**35,719**	Profit after tax		**35,276**	50,504
52,472	**35,719**	**Total recognised income and expense for the year**		**32,420**	56,519
(63,354)	**(63,250)**	Dividends paid	21	**(63,250)**	(63,354)
44	**-**	Increase in equity from disposition of unallocated shares	20	**-**	44
1,352	**2,106**	Issue of share capital	20	**2,106**	1,352
-	**(12,252)**	Repurchase of share capital	20	**(12,252)**	-
161	**(134)**	Movement in employee share entitlement reserve	21	**(134)**	161
607	**266**	Movement in employee share option reserve	21	**266**	607
(498)	**(735)**	Movement in treasury shares	21	**(735)**	(498)
170	**514**	Share options issued for employee services	21	**514**	170
81	**182**	Employee share scheme shares issued for employee services	21	**182**	81
106,317	**68,733**	**Total equity at end of the year**		**195,664**	236,547

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

Statements of Cash Flows

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Notes	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		CASH FLOWS FROM OPERATING ACTIVITIES			
		Receipts from customers		**356,551**	347,667
49,085	**33,363**	Dividends received			
5,926	**6,475**	Interest received		**590**	907
(943)	**(1,133)**	Payments to suppliers and employees		**(291,423)**	(264,089)
		Tax paid		**(15,740)**	(25,335)
-	**(1,773)**	Interest paid		**(5,627)**	(2,804)
54,068	**36,932**	**Net cash flows from operations**	26	**44,351**	56,346
		CASH FLOWS (USED IN) INVESTING ACTIVITIES			
		Sale of property, plant and equipment		**34**	87
		Purchase of property, plant and equipment		**(11,666)**	(26,971)
		Purchase of intangible assets		**(1,825)**	(1,735)
		Sale of short-term investments		**-**	18,832
		Purchase of short-term investments		**-**	(6,958)
		Net cash flows (used in) investing activities		**(13,457)**	(16,745)
		CASH FLOWS (USED IN) FINANCING ACTIVITIES			
		Employee share purchase schemes		**488**	445
469	**1,091**	Issue of share capital		**1,091**	469
-	**(12,252)**	Repurchase of share capital		**(12,252)**	-
107	**-**	Disposition of unallocated employee share scheme shares		**-**	107
		New borrowings		**55,345**	19,514
		Repayment of borrowings		**(12,498)**	-
13,888	**42,251**	Intercompany borrowings			
(63,354)	**(63,250)**	Dividends paid		**(63,250)**	(63,354)
(5,178)	**(4,772)**	Supplementary dividends paid to overseas shareholders		**(4,772)**	(5,178)
(54,068)	**(36,932)**	**Net cash flows (used in) financing activities**		**(35,848)**	(47,997)
-	**-**	Net (decrease) in cash		**(4,954)**	(8,396)
		Opening cash		**2,283**	11,048
		Effect of foreign exchange rates		**(623)**	(369)
		Closing cash		**(3,294)**	2,283
		RECONCILIATION OF CLOSING CASH			
		Cash and cash equivalents	8	**5,263**	7,742
		Bank overdrafts	17	**(8,557)**	(5,459)
		Closing cash		**(3,294)**	2,283

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

Notes to the Financial Statements

For the year ended 31 March 2008

1. GENERAL INFORMATION

Fisher & Paykel Healthcare Corporation Limited ("Company" or "Parent") together with its subsidiaries (the "Group") is a leading designer, manufacturer and marketer of medical device products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea. Products are sold in over 110 countries worldwide.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 15 Maurice Paykel Place, East Tamaki, Auckland.

These consolidated financial statements were approved for issue by the Board of Directors on 21 May 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the year ended 31 March 2008 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards (IFRS).

A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

Entities reporting

The financial statements are the consolidated financial statements of the Group, comprising the Company and its subsidiaries. The Company and its subsidiaries are designated as profit-oriented entities for financial reporting purposes. The financial statements of the Parent are for the Company as a separate legal entity.

Statutory base

The Company is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is also listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX). The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Application of NZ IFRS 1
First time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

The Group's annual financial statements for the year ended 31 March 2008 are the first financial statements that are prepared under NZ IFRS. NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

The Company's transition date is 1 April 2006. The Group prepared its opening NZ IFRS balance sheet as at that date.

The reconciliations in Note 34 provide a quantification of the effect of the transition to NZ IFRS. The three reconciliations provide details of the impact of the transition on:

- profit for the twelve months ended 31 March 2007
- equity at 1 April 2006 – opening position
- equity at 31 March 2007

There are no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under the previous NZ GAAP.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the Income Statement.

Notes to the Financial Statements

For the year ended 31 March 2008

Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The Directors regularly review all accounting policies and areas of judgement in presenting the financial statements.

The Group tests annually whether the warranty provision as disclosed in note 19 and calculated in accordance with the accounting policy stated in Note 2 (U) is sufficient to meet future obligations.

B. PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 March 2008 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Intercompany transactions and balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investments

Subsidiary companies are valued at cost.

C. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Group is organised into one primary segment, being the design and manufacture of medical devices. The secondary segment is geographical where the group is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

D. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Company's operations are measured using the currency of the primary economic environment in which the Company operates ("the functional currency") as one integrated business, therefore one functional currency is used for all jurisdictions. The financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using either the exchange rates prevailing at the dates of the transactions or at rates that approximate the actual exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary

Notes to the Financial Statements

For the year ended 31 March 2008

assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

E. REVENUE RECOGNITION

Revenue includes the fair value for the sale of products, net of Sales Taxes, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

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.

Financing income

Financing income is accounted for as earned.

Dividend income

Dividend income is accounted for as earned.

F. GOODS AND SERVICES TAX (GST)

The Income Statements have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheets are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

G. INCOME TAX

The tax expense or tax income for the period is the tax payable or receivable on the current period's taxable income based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and changes to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

H. LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease.

I. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Notes to the Financial Statements

For the year ended 31 March 2008

J. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

K. TRADE RECEIVABLES

Trade receivables are recognised initially at cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The movement in the amount of the provision is recognised in the Income Statement.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. When a trade receivable is uncollectable, it is written off against the provision for doubtful receivables. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

L. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

M. DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The company designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

Authorised subsidiaries document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. These subsidiaries also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. Any ineffective portion is designated as a fair value hedge with the gain or loss recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the period when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

Notes to the Financial Statements

For the year ended 31 March 2008

Derivatives that do not qualify for hedge accounting

Certain derivative instruments may not qualify for hedge accounting and hedge accounting may not be adopted for certain derivative instruments. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement.

N. FINANCIAL ASSETS

The group classifies its financial assets in the following categories: at fair value through profit or loss, and trade and other receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the assets. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Income Statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

O. FAIR VALUE ESTIMATION FOR FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities must be calculated for recognition and measurement or for disclosure purposes.

The fair value of financial assets that are not traded in an active market (for example, over-the-counter-derivatives) is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Gains or losses arising from changes in the fair value of the financial assets category are presented in the Income Statement in the period in which they arise.

P. PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognised in the Income Statement.

Notes to the Financial Statements

For the year ended 31 March 2008

Q. INTANGIBLE ASSETS

Patents

Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents over their anticipated useful lives of 5 to 15 years. In the event of a patent being superseded, the unamortised costs are written off immediately to the Income Statement.

Software costs

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 3 to 10 years.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

R. TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end the financial period which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

S. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

T. FINANCING EXPENSE

Financing expense comprises interest expense on interest-bearing liabilities calculated using the effective interest rate method.

U. PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

V. SHARE CAPITAL

Ordinary shares are classified as capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

Notes to the Financial Statements

For the year ended 31 March 2008

W. EMPLOYEE BENEFITS

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Equity-settled share-based compensation

Employee option plans

The Employee Share Option Plans allow Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share option reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the options granted is measured using the Binomial Options Pricing Model, taking into account the terms and conditions upon which the options are granted. When options are exercised the amount in the share options reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital.

Employee share plans

The Employee Share Ownership Plans allow Group employees to acquire shares of the Company. The fair value of shares granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share entitlement reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the shares granted has been assessed as being equal to the discount provided on issue of the shares.

Interest-free loans are provided to employees in some jurisdictions to assist the employees to purchase the shares. The fair value of the interest-free loan is recognised as a financing expense in the Income Statement with a corresponding increase in the employee share entitlement reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the interest-free loan has been assessed by calculating the benefit provided to employees by discounting the payments on the loan at the estimated pre-tax financing rate of the employees.

Superannuation plans

Companies within the Group contribute to defined benefit and defined contribution superannuation plans for the benefit of all employees. Defined benefit superannuation plans provide defined lump sum benefits based on years of service and final average salary. Defined contribution plans receive fixed contributions from the Group, and the Group's legal and constructive obligation is limited to these contributions.

Defined benefit

A liability or asset in respect of defined benefit superannuation plans is recognised in the Balance Sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund as at the reporting date, calculated by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with maturity and currency that match, as closely as possible, the estimated future cash outflows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in retained earnings as incurred.

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation are taken into account in measuring the net liability or asset.

Defined contribution

Contributions to defined contribution superannuation plans are recognised as an expense in the Income Statement as they become payable.

Notes to the Financial Statements

For the year ended 31 March 2008

X. DIVIDENDS

Provision is made for the amount of any dividend declared and approved on or before the balance date but not distributed at balance date.

Y. 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.

Z. RESEARCH & 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.

AA. ADVERTISING AND SALES PROMOTION COSTS

All advertising and sales promotion costs are expensed as incurred.

AB. 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 balances.

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

(iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. 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, being durations of 3 months or less, are disclosed net, due to short-term maturities and volume of transactions involved.

AC. 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.

AD. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods but which the Group has not early adopted:

- NZ IFRS 3 (Amendment) *Business Combinations* (effective from 1 January 2009). The amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent remeasurement of the business combination must be put through the profit and loss. Impact is dependent on acquisition activity.
- NZ IFRS 8 *Operating segments* (effective from 1 January 2009). NZ IFRS 8 replaces NZ IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This will have an impact on disclosure only.
- NZ IAS 1 (Amendment) *Presentation of Financial Statements*. The amendment requires a number of changes to the presentation and disclosures in financial statements.

Notes to the Financial Statements

For the year ended 31 March 2008

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and options, and interest rate swaps and swaptions to manage certain risk exposures.

The Board of Directors has approved policies and guidelines for the Group that identify and evaluate risks and authorise various financial instruments to manage financial risks. These policies and guidelines are reviewed regularly.

The Parent is not directly exposed to any significant financial risk.

A. MARKET RISK

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, European Union euro, British pound, Australian dollar, Japanese yen and Canadian dollar.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Refer to Notes 9 and 18 for receivables and payables denominated in foreign currencies.

The purpose of the Group's foreign currency risk management 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 within policy parameters to manage risk associated with anticipated sales or costs denominated principally in US dollars, European Union 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.

Foreign exchange contracts and options in relation to sales are designated at the Group level as hedges of foreign exchange risk on specific forecast foreign currency denominated sales.

Major capital expenditure in foreign currency is hedged with forward exchange contracts and options.

Refer to Note 11 for notional principal amounts and valuations of foreign exchange contracts and options outstanding at balance date. A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at Note 3 A (iii).

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating-to-fixed interest rate swaps and interest rate swaptions. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate swaptions give the right, but not the obligation, to enter into an interest rate swap at a fixed rate at a future date. Under the Group Treasury policy, the mix between economically fixed and floating debt is reviewed on a regular basis. Interest rate swaps are accounted for as cash flow hedges.

Refer to Note 11 for notional principal amounts and valuations of interest rate swaps and swaptions outstanding at balance date. A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table at Note 3 A (iii). Refer to Note 17 for further details of the Group's borrowings.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk. A sensitivity of 10% for foreign exchange risk has been selected. The Group's primary foreign currency exposure is the New Zealand dollar versus the US dollar, with other currencies as discussed above forming the balance of the exposure. While it is unlikely that an equal 10% movement of the New Zealand dollar would be observed against all currencies, an overall sensitivity of 10% is reasonable given the exchange rate volatility observed on a historical basis for the preceding 5 year period and market expectations for potential future movements.

A sensitivity of 1% has been selected for interest rate risk. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of historical data for the preceding 5 year period.

Amounts are shown net of income tax. All variables other than the applicable interest rates and exchange rates are held constant.

Notes to the Financial Statements

For the year ended 31 March 2008

2008		Interest rate risk				Foreign exchange risk			
	Carrying amount NZ$000	-1% Profit NZ$000	-1% Equity NZ$000	+1% Profit NZ$000	+1% Equity NZ$000	-10% Profit NZ$000	-10% Equity NZ$000	+10% Profit NZ$000	+10% Equity NZ$000
Derivative Financial Instruments	**2,999**	**(5)**	**(570)**	**77**	**570**	**(1,208)**	**(9,322)**	**192**	**8,809**
Other Financial Assets:									
Cash and cash equivalents	**5,263**	**(8)**	**-**	**8**	**-**	**342**	**-**	**(342)**	**-**
Trade and other receivables	**60,262**	**-**	**-**	**-**	**-**	**3,736**	**-**	**(3,736)**	**-**
Other Financial liabilities:									
Trade and other payables	**41,550**	**(144)**	**-**	**168**	**-**	**(1,123)**	**-**	**1,123**	**-**
Interest-bearing liabilities	**86,114**	**580**	**-**	**(580)**	**-**	**(1,923)**	**-**	**1,923**	**-**
Total increase/(decrease)		**423**	**(570)**	**(327)**	**570**	**(176)**	**(9,322)**	**(840)**	**8,809**

2007		Interest rate risk				Foreign exchange risk			
	Carrying amount NZ$000	-1% Profit NZ$000	-1% Equity NZ$000	+1% Profit NZ$000	+1% Equity NZ$000	-10% Profit NZ$000	-10% Equity NZ$000	+10% Profit NZ$000	+10% Equity NZ$000
Derivative Financial Instruments	6,369	-	-	-	-	-	(5,072)	-	6,371
Other Financial Assets:									
Cash and cash equivalents	7,742	(15)	-	16	-	467	-	(467)	-
Trade and other receivables	56,010	-	-	-	-	3,501	-	(3,501)	-
Other Financial liabilities:									
Trade and other payables	37,688	(170)	-	200	-	(971)	-	971	-
Interest-bearing liabilities	40,845	276	-	(276)	-	(1,347)	-	1,347	-
Total increase/(decrease)		91	-	(60)	-	1,650	(5,072)	(1,650)	6,371

The interest rate sensitivity for 2008 is greater than 2007 as in 2008 interest rate derivatives had been entered into and also 2008 interest-bearing liabilities had increased due to funding required for repurchase of share capital and dividend payments.

The Parent is not directly exposed to any significant financial risk.

B. CREDIT RISK

Credit risk is managed on a Group basis. Other than only operating in the medical devices industry, the Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

The Group's exposure to credit risk for trade receivables as at 31 March by geographic region is as follows:

	2008 NZ$000	2007 NZ$000
North America	**24,671**	24,471
Europe	**21,662**	19,992
Asia Pacific	**7,274**	7,025
Other	**3,632**	2,160
Total	**57,239**	53,648

Notes to the Financial Statements

For the year ended 31 March 2008

C. LIQUIDITY RISK

Management monitors rolling forecasts of the Group's liquidity position on the basis of expected cash flow. See Note 17 for details of available facilities.

The tables below analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 March 2008	Less than 1 year NZ$000	Between 1 and 2 years NZ$000	Between 2 and 5 years NZ$000	Over 5 years NZ$000
Bank overdrafts	**8,557**	**-**	**-**	**-**
Trade payables	**14,660**	**-**	**-**	**-**
Borrowings	**56,450**	**2,008**	**19,099**	**-**

As at 31 March 2007	Less than 1 year NZ$000	Between 1 and 2 years NZ$000	Between 2 and 5 years NZ$000	Over 5 years NZ$000
Bank overdrafts	5,459	-	-	-
Trade payables	15,907	-	-	-
Borrowings	35,386	-	-	-

The Group enters into forward exchange contracts to manage the risk associated with foreign currency denominated receivables and also to manage the purchase of foreign currency denominated inventory and capital items. The Group enters into interest rate swaps to manage interest rate risk.

The tables below analyse the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and impact the Income Statement at various dates between Balance Date and the following 5 years:

As at 31 March 2008	Less than 1 year NZ$000	Between 1 and 2 years NZ$000	Between 2 and 5 years NZ$000	Over 5 years NZ$000
GROSS SETTLED DERIVATIVES				
Forward foreign exchange contracts				
Inflow	**32,358**	**15,051**	**41,983**	**-**
Outflow	**(32,004)**	**(14,252)**	**(41,028)**	**-**
Net inflow	**354**	**799**	**955**	**-**
NET SETTLED DERIVATIVES				
Interest rate swaps*				
Net (outflow)	**(417)**	**(382)**	**(569)**	**-**

*The amounts expected to be receivable in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date.

Notes to the Financial Statements

For the year ended 31 March 2008

As at 31 March 2007	Less than 1 year NZ$000	Between 1 and 2 years NZ$000	Between 2 and 5 years NZ$000	Over 5 years NZ$000
GROSS SETTLED DERIVATIVES				
Forward foreign exchange contracts				
Inflow	26,552	9,262	19,889	-
Outflow	(24,697)	(8,266)	(17,686)	-
Net inflow	1,855	996	2,203	-
NET SETTLED DERIVATIVES				
Interest rate swaps*				
Net inflow	-	-	-	-

*The amounts expected to be receivable in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date.

D. FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Refer to Note 2 (O) for further information on fair value estimation.

E. CAPITAL RISK MANAGEMENT

The main objective of capital risk management is to ensure the Group operates as a going concern, meets debts as they fall due, maintains the best possible capital structure, and reduces the cost of capital. Group capital consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure the Group has the ability to review the size of the dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated monthly and reported to the banks semi-annually. The principal covenants relating to capital management are the interest cover ratio, the net tangible assets minimum requirement and total tangible assets ratio. There have been no breaches of these covenants or events of review for the current or prior period.

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		4. OPERATING REVENUE		
		Revenue before hedging		
		North America	**158,909**	167,606
		Europe	**112,665**	106,464
		Asia Pacific	**57,209**	52,992
		Other	**17,183**	15,916
49,085	**33,363**	Dividends		
5,926	**6,475**	Interest income on intergroup advances		
55,011	**39,838**	Total revenue before hedging	**345,966**	342,978
		Foreign exchange gains on hedged sales	**11,927**	4,179
55,011	**39,838**	Total operating revenue	**357,893**	347,157

Notes to the Financial Statements

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Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		5. NET OPERATING PROFIT		
54,080	**36,947**	Profit before tax	**54,310**	79,619
		After charging:		
		Auditors' fees:		
		Statutory audit	**436**	377
		Auditor's half year review	**30**	27
		International Financial Reporting Standards accounting advice	**46**	29
		Tax compliance fees	**44**	59
		Total auditors' fees	**556**	492
		Donations	**13**	3
		Depreciation:		
		Buildings - structure	**1,008**	822
		Buildings - fit-out and other	**4,296**	3,606
		Leasehold improvements	**50**	33
		Plant and equipment	**8,217**	6,638
		Total depreciation	**13,571**	11,099
		Rental expense	**2,338**	2,566
		Operating lease expense	**3,409**	2,602
		Amortisation:		
		Patents and trademarks	**1,183**	1,034
		Software	**798**	396
		Total amortisation	**1,981**	1,430
		Interest:		
		Borrowings	**5,553**	2,717
-	**1,720**	Other	**195**	232
		Total interest	**5,748**	2,949
		Bad debts written off	**284**	266
		Movement in provision for doubtful debts	**(23)**	228
571	**636**	Directors' fees	**636**	571
		After crediting:		
49,085	**33,363**	Dividends received		

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		6. EMPLOYEE BENEFITS		
		Wages and salaries	**116,108**	93,990
		Other employment costs	**8,399**	6,098
		Employer contributions to superannuation plans	**3,832**	4,067
		Movement in liability for long service leave	**(419)**	570
		Employee share purchase plans - discount on issue	**132**	121
		Employee share purchase plans - interest free loan	**70**	62
		Employee stock purchase plans	**35**	58
		Employee share option plans	**780**	777
			128,937	105,743

Notes to the Financial Statements

For the year ended 31 March 2008

7. INCOME TAX EXPENSE

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
54,080	**36,947**	Profit before tax	**54,310**	79,619
17,846	**12,193**	Tax expense at the New Zealand rate of 33%	**17,922**	26,274
		Adjustments to taxation for:		
(16,246)	**(11,026)**	Non-assessable income	**(236)**	(464)
10	**11**	Non-deductible expenses	**601**	1,596
		Foreign rates other than 33%	**236**	715
1,610	**1,178**	This year's taxation	**18,523**	28,121
-	**17**	Release of deferred tax asset due to reduction in income tax rate	**428**	-
(2)	**33**	Other	**83**	994
1,608	**1,228**	Tax expense	**19,034**	29,115
		This is represented by:		
1,608	**1,202**	Current taxation	**16,076**	30,017
-	**26**	Deferred taxation	**2,958**	(902)
1,608	**1,228**	Tax expense	**19,034**	29,115

The New Zealand corporate tax rate has changed from 33% to 30% with effect from 1 April 2008 for the Group. This revised rate has not impacted the current tax payable or receivable for the period but will do so in future periods. However the change in tax rate has been taken into account in the measurement of deferred tax at the end of the period, with a consequent impact on income tax expense, as detailed above.

8. CASH AND CASH EQUIVALENTS

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		Cash at bank - NZD balances	**-**	573
		Cash at bank - foreign currency balances	**5,213**	7,115
		Cash in hand	**50**	54
			5,263	7,742
		The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:		
		New Zealand dollars	**5**	615
		United States dollars	**2,393**	4,256
		European Union euros	**1,584**	1,714
		Australian dollars	**1**	1
		British pounds	**4**	3
		Other currencies	**1,276**	1,153
			5,263	7,742

FAIR VALUE

Carrying amounts of cash and cash equivalents are equal to their fair values.

Notes to the Financial Statements

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		9. TRADE AND OTHER RECEIVABLES		
		CURRENT		
		Trade receivables	**57,239**	53,648
		Less allowance for doubtful trade receivables	**(760)**	(783)
			56,479	52,865
30	**41**	Other receivables	**3,783**	3,145
30	**41**		**60,262**	56,010
		NON-CURRENT		
		Other receivables	**915**	953
			915	953
		The carrying amounts of the Group's trade receivables are denominated in the following currencies:		
		New Zealand dollars	**613**	612
		United States dollars	**29,506**	29,091
		European Union euros	**16,421**	15,112
		Australian dollars	**4,007**	3,586
		British pounds	**2,926**	2,593
		Canadian dollars	**2,984**	2,524
		Other currencies	**782**	130
			57,239	53,648

Ageing of trade receivables beyond normal terms

The ageing analysis of consolidated trade receivables beyond normal terms is as follows:

	1-30 days NZ$000	31-60 days NZ$000	61-90 days NZ$000	90+ days NZ$000	Total NZ$000
31 March 2008	11,889	4,359	1,657	2,150	20,055
31 March 2007	10,772	3,965	1,373	2,850	18,960

As at 31 March 2008 trade receivables of $760,000 (2007: $783,000) were past due and considered impaired and trade receivables of $19,295,000 (2007: $18,177,000) were past due but not considered impaired.

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		Movements in the provision for doubtful trade receivables are as follows:		
		Balance at beginning of the year	**783**	555
		Additional provision recognised	**119**	349
		Foreign exchange translation	**(16)**	(50)
		Receivables written off during the year as uncollectable	**(126)**	(71)
		Balance at end of the year	**760**	783

The creation and release of the provision for impaired receivables has been included in Selling, General and Administrative expense in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The individually impaired receivables relate mainly to customers which are in difficult economic situations.

Notes to the Financial Statements

For the year ended 31 March 2008

9. TRADE AND OTHER RECEIVABLES continued

CUSTOMER AND RECEIVABLE CONCENTRATION

	Consolidated 2008	Consolidated 2007
Five largest customers' proportion of the Group's:		
Operating revenue	**19.7%**	21.2%
Trade receivables	**16.0%**	15.0%

There is no history of default in relation to these customers.

FAIR VALUE

Carrying amounts of trade receivables are equivalent to their fair values.

10. INVENTORIES

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		Materials	**15,397**	13,993
		Finished products	**37,905**	35,704
		Provision for obsolescence	**(2,532)**	(3,000)
			50,770	46,697

Inventory provisions are provided at period ends for stock obsolescence.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated 2008 NZ$000 Assets	Consolidated 2008 NZ$000 Liabilities	Consolidated 2007 NZ$000 Assets	Consolidated 2007 NZ$000 Liabilities
CURRENT				
Foreign currency forward exchange contracts	**958**	**358**	1,593	196
Foreign currency option contracts	**2,338**	**484**	2,350	1
Interest rate swaptions	**15**	**-**	-	-
	3,311	**842**	3,943	197
NON-CURRENT				
Foreign currency forward exchange contracts	**1,604**	**99**	2,623	-
Foreign currency option contracts	**81**	**86**	-	-
Interest rate swaps	**-**	**970**	-	-
	1,685	**1,155**	2,623	-

Refer to Note 2 (O) for information on the calculation of fair values.

Notes to the Financial Statements

For the year ended 31 March 2008

	2008 NZ$000	2007 NZ$000
Notional principal amounts of forward exchange and option contracts outstanding were as follows:		
Purchase commitments forward exchange contracts	**1,902**	1,893
Sale commitments forward exchange contracts	**87,490**	53,810
NZD call option contracts purchased	**40,655**	75,225
Collar option contracts - NZD call option purchased (i)	**63,279**	29,304
Collar option contracts - NZD put option sold (i)	**70,030**	32,668

(i) Foreign currency notional principal amounts are equal.

	Foreign Currency	
	000s	000s
Foreign currency principal amounts of sale commitments forward exchange contracts and put option contracts purchased were as follows:		
USD	**US$59,500**	US$60,000
EUR	**€42,860**	€25,530
GBP	**£2,275**	£2,345
AUD	**A$3,250**	A$3,580
CAD	**C$9,275**	C$6,875
CHF	**SFr760**	-
SEK	**kr5,000**	-

	Foreign Currency	
	000s	000s
Foreign currency principal amounts of purchase commitments forward exchange contracts were as follows:		
EUR	**€300**	€180
JPY	**¥110,000**	¥110,000

	2008 NZ$000	2007 NZ$000
Notional principal amounts of interest rate derivative contract outstanding were as follows:		
Interest rate swaps	**19,099**	-
Interest rate swaptions	**10,000**	-

All interest rate swaps will expire during the 2013 financial year and interest rate swaptions will expire during the 2009 financial year.

CREDIT RISK

The Group's exposure to credit risk from derivative financial instruments is limited because it does not expect non-performance of the obligation contained therein due to the credit rating of the financial institutions concerned. The Group does not require collateral or other security to support derivative financial instruments.

Notes to the Financial Statements

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		12. CURRENT TAX		
		BALANCE AT BEGINNING OF THE YEAR		
		Tax payable	**(757)**	(517)
3,230	**3,568**	Tax receivable	**5,289**	5,228
(1,608)	**(1,202)**	Total tax expense in current year	**(16,076)**	(30,017)
		Tax paid	**15,740**	25,335
5,178	**4,772**	Supplementary dividend tax credit	**4,772**	5,178
(3,232)	**(3,536)**	Other movements	**360**	(675)
		BALANCE AT END OF THE YEAR		
		Tax payable	**(640)**	(757)
3,568	**3,602**	Tax receivable	**9,968**	5,289

13. PROPERTY, PLANT AND EQUIPMENT

	Land NZ$000	Buildings Structure NZ$000	Buildings Fit out and other NZ$000	Leasehold improvements NZ$000	Plant & equipment NZ$000	Capital projects Buildings NZ$000	Capital projects Other NZ$000	Total NZ$000
COST								
Balance at 1 April 2006	54,117	25,322	22,788	776	53,863	49,728	10,605	217,199
Additions	-	-	-	155	242	9,446	14,576	24,419
Transfers	-	27,845	30,659	-	15,243	(58,504)	(15,243)	-
Disposals	-	-	(14)	(74)	(2,318)	-	-	(2,406)
Balance at 31 March 2007	54,117	53,167	53,433	857	67,030	670	9,938	239,212
Additions	**-**	**-**	**4**	**-**	**980**	**1,009**	**9,509**	**11,502**
Transfers	**-**	**-**	**880**	**-**	**10,685**	**(880)**	**(10,685)**	**-**
Disposals	**-**	**-**	**(58)**	**-**	**(1,503)**	**-**	**-**	**(1,561)**
Balance at 31 March 2008	**54,117**	**53,167**	**54,259**	**857**	**77,192**	**799**	**8,762**	**249,153**
DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at 1 April 2006	-	1,677	9,863	518	29,808	-	-	41,866
Depreciation charge for the year	-	822	3,606	33	6,638	-	-	11,099
Disposals	-	-	(14)	(80)	(2,251)	-	-	(2,345)
Balance at 31 March 2007	-	2,499	13,455	471	34,195	-	-	50,620
Depreciation charge for the year	**-**	**1,008**	**4,296**	**50**	**8,217**	**-**	**-**	**13,571**
Disposals	**-**	**-**	**(58)**	**-**	**(1,469)**	**-**	**-**	**(1,527)**
Balance at 31 March 2008	**-**	**3,507**	**17,693**	**521**	**40,943**	**-**	**-**	**62,664**
CARRYING AMOUNTS								
At 1 April 2006	54,117	23,645	12,925	258	24,055	49,728	10,605	175,333
At 31 March 2007	54,117	50,668	39,978	386	32,835	670	9,938	188,592
At 31 March 2008	**54,117**	**49,660**	**36,566**	**336**	**36,249**	**799**	**8,762**	**186,489**

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, valued by DTZ New Zealand as at 31 March 2008 was $169.850 million (2007: $168.100 million). The Parent holds no property, plant and equipment.

Notes to the Financial Statements

For the year ended 31 March 2008

14. INTANGIBLE ASSETS

	Software NZ$000	Patents & trademarks NZ$000	Patents & trademarks applications NZ$000	Goodwill NZ$000	Total NZ$000
COST					
Balance at 1 April 2006	3,735	1,861	2,763	3,853	12,212
Additions	726	100	910	-	1,736
Transfers	-	674	(674)	-	-
Disposals	-	-	-	-	-
Balance at 31 March 2007	4,461	2,635	2,999	3,853	13,948
Additions	**985**	**83**	**649**	**-**	**1,717**
Transfers	**-**	**621**	**(621)**	**-**	**-**
Disposals	**(37)**	**-**	**-**	**-**	**(37)**
Balance at 31 March 2008	**5,409**	**3,339**	**3,027**	**3,853**	**15,628**
AMORTISATION AND IMPAIRMENT LOSSES					
Balance at 1 April 2006	2,851	1,269	1,100	2,823	8,043
Amortisation for the year	396	585	449	-	1,430
Disposals	-	-	-	-	-
Balance at 31 March 2007	3,247	1,854	1,549	2,823	9,473
Amortisation for the year	**798**	**1,038**	**145**	**-**	**1,981**
Disposals	**(113)**	**-**	**-**	**-**	**(113)**
Balance at 31 March 2008	**3,932**	**2,892**	**1,694**	**2,823**	**11,341**
CARRYING AMOUNTS					
At 1 April 2006	884	592	1,663	1,030	4,169
At 31 March 2007	1,214	781	1,450	1,030	4,475
At 31 March 2008	**1,477**	**447**	**1,333**	**1,030**	**4,287**

The Parent holds no intangible assets.

IMPAIRMENT TEST FOR GOODWILL

Goodwill relates to the acquisition of Fisher & Paykel Healthcare GmbH & Co KG, which is the cash generating unit to which the total amount of goodwill is allocated. The recoverable amount is based on a value-in-use calculation. That calculation uses cash flow projections based on budgets approved by the Board to March 2009, and a pre-tax discount rate of 11%. Cash flows beyond March 2009 have been extrapolated using a constant growth rate of 5% to March 2018, which is conservative when compared to the compound annual growth rate of 12.8% over the past 5 years, and a terminal growth rate of 2% beyond March 2018. The calculation supports the carrying amount of the recorded goodwill. The Board believes that any reasonably possible change in the key assumptions used in the calculation would not cause the carrying amount to exceed its recoverable amount.

Notes to the Financial Statements

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000	
		15. INVESTMENTS IN SUBSIDIARIES
8,887	**8,887**	Investments in subsidiaries

The Parent's investment in subsidiaries comprises shares at cost. 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 2008	Interest held by Group 2007	Principal activities
*Fisher & Paykel Healthcare Limited	NZ	**100%**	100%	Manufacture & Distribution of Healthcare Products
*Fisher & Paykel Healthcare Pty Limited	Australia	**100%**	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Limited	UK	**100%**	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Inc.	USA	**100%**	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare SAS	France	**100%**	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare GmbH & Co KG	Germany	**100%**	100%	Distribution of Healthcare Products
Fisher & Paykel Holdings Inc.	USA	**100%**	100%	Non-Trading Holding Company
Fisher & Paykel Holdings GmbH	Germany	**100%**	100%	Non-Trading Holding Company
*Fisher & Paykel Healthcare Properties Limited	NZ	**100%**	100%	Property Owning Company
Fisher & Paykel 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
Fisher & Paykel Healthcare (Guangzhou) Limited	China	**100%**	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited	NZ	**100%**	100%	Employee Share Purchase Trustee Company
Fisher & Paykel Healthcare AB	Sweden	**100%**	0%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Asia Ltd	NZ	**100%**	0%	Non-Trading Holding Company
Fisher & Paykel Healthcare Asia Investments Ltd	NZ	**100%**	0%	Non-Trading Holding Company

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 for statutory compliance purposes.

*Fisher & Paykel Healthcare Corporation Limited together with those above companies marked with an asterisk are the companies in the Negative Pledge Deed (refer Note 17).

Notes to the Financial Statements

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		16. DEFERRED TAX ASSET		
		The balance comprises temporary differences attributable to:		
		Amounts recognised in profit or loss		
199	**173**	Provisions and accruals	**9,052**	12,844
		Depreciation	**(629)**	(1,500)
		Amortisation	**1,111**	960
		Tax rate change	**(429)**	-
199	**173**		**9,105**	12,304
		Amounts recognised directly in equity		
		Cash flow hedges	**(388)**	(1,853)
199	**173**		**8,717**	10,451
		Movements		
199	**199**	Balance at beginning of the year	**10,451**	11,844
-	**(26)**	Credited (charged) to the Income Statements	**(2,958)**	902
		Credited (charged) to equity	**1,465**	(2,963)
		Tax rate change	**(429)**	-
		Other movements	**188**	668
199	**173**	Balance at end of the year	**8,717**	10,451

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		17. INTEREST-BEARING LIABILITIES		
		Current		
		Bank overdrafts	**8,557**	5,459
		Borrowings	**56,450**	35,386
			65,007	40,845
		Non-current		
		Borrowings	**21,107**	-
			21,107	-

Notes to the Financial Statements

For the year ended 31 March 2008

17. INTEREST-BEARING LIABILITIES continued

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008	Consolidated 2007
		Bank overdrafts in foreign currencies:	**Foreign currency 000s**	**000s**
		United States dollars	**-**	US$633
		European Union euros	**€2,625**	v €2,236
		Australian dollars	**A$552**	A$417
		British pounds	**£176**	£69
		Swedish krona	**kr983**	-
		Unused lines of credit	**NZ$000s**	**NZ$000s**
		Bank overdraft facilities	**3,795**	5,151
		Borrowings due for repayment:		
		Current	**56,450**	35,386
		One to two years	**2,008**	-
		Two to three years		
		Three to four years		
		Four to five years	**19,099**	-
		Term	**21,107**	-

These borrowings have been aged in accordance with the repayment terms of the facilities. At year end the weighted average interest rate is 7.4% (2007: 7.4%)

	Consolidated 2008	Consolidated 2007
Borrowings in foreign currencies:	**Foreign currency 000s**	**000s**
United States dollars	**US$15,000**	US$10,000
European Union euros	**€1,000**	€1,000

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 15. The negative pledge includes the covenant that security can be given only in limited circumstances.

The principal covenants of the negative pledge are that:

(a) the 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.

	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
Unused lines of credit		
Borrowings	**91,282**	75,487

Fair value

Carrying amounts of interest bearing liabilities are equivalent to their fair values.

Notes to the Financial Statements

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		18. TRADE AND OTHER PAYABLES		
		CURRENT		
		Trade payables	**14,660**	15,907
		Employee entitlements	**11,945**	10,339
180	**201**	Other payables and accruals	**14,945**	11,442
180	**201**		**41,550**	37,688
		NON-CURRENT		
		Employee entitlements	**2,141**	8,297
604	**577**	Other payables and accruals	**579**	604
604	**577**		**2,720**	8,901
		Foreign currency risk		
		The carrying amounts of the Group's trade and other payables are denominated in the following currencies:		
784	**778**	New Zealand dollars	**26,943**	31,621
		United States dollars	**6,477**	6,266
		European Union euros	**5,327**	4,241
		Australian dollars	**2,303**	1,697
		British pounds	**1,916**	1,943
		Other currencies	**1,304**	821
784	**778**		**44,270**	46,589

Fair value

Carrying amounts of trade and other payables are equivalent to their fair values.

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		19. PROVISIONS		
		CURRENT		
		Warranty provision		
		Balance at beginning of the year	**1,408**	1,144
		Current year provision	**3,080**	2,200
		Warranty expenses incurred	**(2,146)**	(1,936)
		Balance at end of the year	**2,342**	1,408
		TERM		
		Warranty provision		
		Balance at beginning of year	**432**	532
		Current year provision	**208**	(100)
		Warranty expenses incurred		
		Balance at end of the year	**640**	432

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.

Notes to the Financial Statements

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		20. SHARE CAPITAL		
		All shareholders rank equally with one vote attaching to each fully paid ordinary share.		
13,886	**15,533**	Share capital at beginning of the year	**15,533**	13,886
1,352	**2,106**	Issue of share capital	**2,106**	1,352
44	**-**	Increase in equity from disposition of unallocated shares	**-**	44
-	**(12,252)**	Repurchase of share capital (i)	**(12,252)**	-
170	**514**	Share options issued for employee services	**514**	170
81	**182**	Employee share scheme shares issued for employee services	**182**	81
15,533	**6,083**	Share capital at end of the year	**6,083**	15,533
(1,701)	**(2,436)**	Less accounted for as treasury shares	**(2,436)**	(1,701)
13,832	**3,647**		**3,647**	13,832
		Number of shares		
509,331,940	**511,248,727**	Number of shares on issue at beginning of the year	**511,248,727**	509,331,940
		Shares issued:		
301,623	**525,396**	Employee share purchase schemes	**525,396**	301,623
88,674	**355,001**	Exercise of share options	**355,001**	88,674
1,526,490	**972,883**	Exercise of share options under cancellation facility	**972,883**	1,526,490
-	**(3,649,190)**	On-market share buy-back (i)	**(3,649,190)**	-
511,248,727	**509,452,817**	Total number of shares on issue	**509,452,817**	511,248,727
(624,931)	**(808,561)**	Less accounted for as treasury shares	**(808,561)**	(624,931)
510,623,796	**508,644,256**		**508,644,256**	510,623,796

(i) 3,649,190 (2007: nil) shares were repurchased on-market and cancelled under the Company's on-market buy-back programme as announced on 17 March 2004.

Notes to the Financial Statements

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		21. RESERVES		
		RESERVES		
90,173	**62,642**	Retained earnings	**188,668**	216,642
		Cash flow hedge reserve	**905**	3,761
318	**184**	Employee share entitlement reserve	**184**	318
1,994	**2,260**	Employee share option reserve	**2,260**	1,994
(1,701)	**(2,436)**	Treasury shares	**(2,436)**	(1,701)
90,784	**62,650**		**189,581**	221,014
		RETAINED EARNINGS		
101,055	**90,173**	Balance at beginning of the year	**216,642**	229,492
52,472	**35,719**	Profit after taxation	**35,276**	50,504
		Dividends: (i)		
(35,751)	**(35,775)**	Final 2007 (2006)	**(35,775)**	(35,751)
(27,603)	**(27,475)**	Interim 2008 (2007)	**(27,475)**	(27,603)
90,173	**62,642**	Balance at end of the year	**188,668**	216,642
		CASH FLOW HEDGE RESERVE		
		Balance at beginning of the year	**3,761**	(2,254)
		Revaluation	**(1,330)**	5,718
		Transfer to net profit	**(2,991)**	3,260
		Deferred tax	**1,465**	(2,963)
		Balance at end of the year	**905**	3,761
		EMPLOYEE SHARE ENTITLEMENT RESERVE		
157	**318**	Balance at beginning of the year	**318**	157
121	**132**	Employee expense for the year	**132**	121
(81)	**(182)**	Transfer to share capital on vesting of shares to employees	**(182)**	(81)
121	**(84)**	Other movements	**(84)**	121
318	**184**	Balance at end of the year	**184**	318
		EMPLOYEE SHARE OPTION RESERVE		
1,387	**1,994**	Balance at beginning of the year	**1,994**	1,387
777	**780**	Employee expense for the year	**780**	777
(170)	**(514)**	Transfer to share capital on exercise of options	**(514)**	(170)
1,994	**2,260**	Balance at end of the year	**2,260**	1,994
		TREASURY SHARES		
(1,203)	**(1,701)**	Balance at beginning of the year	**(1,701)**	(1,203)
(498)	**(1,066)**	Treasury shares issued to employee share purchase plans	**(1,066)**	(498)
-	**331**	Shares transferred to employees	**331**	-
(1,701)	**(2,436)**	Balance at end of the year	**(2,436)**	(1,701)

(i) All dividends paid were fully imputed. Supplementary dividends of $4,772,000 were paid (2007: $5,178,000).

Notes to the Financial Statements

For the year ended 31 March 2008

	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000

22. EARNINGS PER SHARE

BASIC

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year.

	2008 NZ$000	2007 NZ$000
Profit after tax	**35,276**	50,504
Weighted average number of ordinary shares outstanding (000s)	**509,403**	510,850
Basic earnings per share (cents per share)	**6.9 cps**	9.9 cps

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Options are convertible into the Company's shares, and are therefore considered dilutive securities for diluted earnings per share.

	2008 NZ$000	2007 NZ$000
Profit after tax	**35,276**	50,504
Weighted average number of ordinary shares outstanding (000s)	**509,403**	510,850
Adjustment for share options (000s)	**15,453**	13,909
Weighted average number of ordinary shares for diluted earnings per share (000s)	**524,856**	524,759
Diluted earnings per share (cents per share)	**6.7 cps**	9.6 cps

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For the year ended 31 March 2008

23. SHARE BASED PAYMENTS

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, the employees or, if applicable, the employees' executors, will have one month in respect of the 2001 plan, and three months in respect of the 2003 plan, to exercise all outstanding options. On a termination of employment for any other reason all outstanding vested and unvested options will lapse. As at 31 March 2008 options had been granted to 247 employees (2007: 210). Options granted to employees have no voting rights until they have been exercised and ordinary shares have been issued.

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

31 March 2008	Year of Issue						
	2008(i)	2007(ii)	2006(iii)	2005(iv)	2003(v)	2002(vi)	Total
Balance at beginning of the year	**-**	3,973,800	3,898,500	4,533,341	3,363,510	-	15,769,151
Granted during the year	**3,957,100**	-	-	-	-	-	3,957,100
Exercised during the year (vii)	**-**	-	-	(123,332)	(3,363,509)	-	(3,486,841)
Lapsed due to resignation	**(49,000)**	(142,500)	(128,100)	(95,001)	(1)	-	(414,602)
Balance at end of the year	**3,908,100**	3,831,300	3,770,400	4,315,008	-	-	15,824,808

31 March 2007	Year of Issue					
	2007(ii)	2006(iii)	2005(iv)	2003(v)	2002(vi)	Total
Balance 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 (vii)	-	-	(310,825)	(733,995)	(2,178,810)	(3,223,630)
Lapsed due to resignation	(25,800)	(66,000)	(78,334)	(31,170)	(7,500)	(208,804)
Balance at end of the year	3,973,800	3,898,500	4,533,341	3,363,510	-	15,769,151

(i) Options expiring December 2012 have exercise prices based on future costs of capital and dividends using a base price of $3.31 per option.

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

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

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

(v) Options which expired March 2008 had an exercise price of $2.20 per option.

(vi) Options which expired November 2006 had an exercise price of $2.13 per option.

(vii) 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 15,824,808 outstanding options (2007: 15,769,151 options), 3,269,178 options (2007: 4,630,170 options) were exercisable.

Options exercised in 2008 resulted in 355,001 shares (2007: 88,674 shares) being issued at $2.20 each (2007: $2.18 each). The related weighted average price at the time of exercise was $3.02 (2007: $4.30) per share.

Total options cancelled in 2008 of 3,131,840 (2007: 3,134,956 options) resulted in 972,883 shares (2007: 1,526,490 shares) being issued at $3.26 (2007: $4.35) per share. The related weighted average price at the time of cancellation was $3.31 (2007: $4.36) per share.

Notes to the Financial Statements

For the year ended 31 March 2008

23. SHARE BASED PAYMENTS continued

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

Financial Year	Expiry	Exercise Price	Options 2008	Options 2007
2008	March 2008	$2.20	**-**	3,363,510
2009	Not applicable			
2010	August 2009	Variable (i)	**4,315,008**	4,533,341
2011	September 2010	Variable (ii)	**3,770,400**	3,898,500
2012	December 2011	Variable (iii)	**3,831,300**	3,973,800
2013	December 2012	Variable (iv)	**3,908,100**	-
			15,824,808	15,769,151

(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.

(iv) Options expiring December 2012 at exercise prices based on future costs of capital and dividends using a base price of $3.31 per option.

The fair value of options granted during the period determined using the Binomial Options Pricing Model was $0.23 (2007: $0.21) per option or $910,000 (2007: $840,000) in aggregate.

The significant inputs into the model were:

	2008	2007
Share price at grant date	**$3.31**	$4.26
Base price at grant date	**$3.31**	$4.26
Expected/historical share price volatility	**11.8%**	11.6%
Dividends expected over option life (cents)	**52.7**	72.8
Option life (years)	**5**	5
Risk free interest rate	**7.25%**	6.30%
Cost of equity	**10.70%**	10.05%

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

	2008	2007
Total amount expensed in year for employee share option plans	**$780,000**	$777,000

EMPLOYEE SHARE PURCHASE PLANS

Shares are issued at a discount of 20% of market price, on terms permitted by the Schemes in accordance with section DC12 and 13 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. 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.

808,561 shares (2007: 624,931) are held by the Schemes, being 0.2% (2007: 0.1%) of the Company's issued and paid up capital. As at 31 March 2008, all shares were allocated to employees, except for 31,414 (2007: 48,703). Once vested an employee participant may elect to transfer the shares into his or her own name after which the shares are freely transferable.

Notes to the Financial Statements

For the year ended 31 March 2008

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 2008 the total receivable owing from employees is $1,514,000 (2007: $1,049,000).

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

	2008		2007	
	Price*	Number	Price*	Number
As at beginning of the year	**$3.03**	**576,228**	$2.37	366,075
Granted during the year	**$2.51**	**520,813**	$3.62	291,918
Vested during the year	**$2.46**	**(252,072)**	$1.50	(34,026)
Lapsed due to resignation	**$3.00**	**(67,822)**	$2.77	(47,739)
As at end of the year	**$2.87**	**777,147**	$3.03	576,228

*Weighted average

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

Financial Year	Vesting	Issue Price		Shares	
		2008	2007	2008	2007
2008	November 2007 and February 2008	**$2.58***	$2.47*	**25,982**	298,332
2009	Not applicable				
2010	June 2009	**$3.62***	$3.62*	**246,984**	277,896
2011	December 2010 and February 2011	**$2.51***	-	**504,181**	-
				777,147	576,228

*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 $500,000 (2007: $400,000).

	2008	2007
Total amount expensed in year for employee share purchase plans		
- Discount on issue	**$132,000**	$121,000
- Interest free loan	**$70,000**	$62,000

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 2008 totalled 70,232 (2007: 65,609).

	2008	2007
Total amount expensed in year for employee stock purchase plans	**$34,000**	$58,000

Notes to the Financial Statements

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Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		24. RETIREMENT BENEFIT OBLIGATIONS		
		Balance Sheet obligations for:		
		Pension benefits asset	**69**	-
		Pension benefits liability	**-**	5,425
		Income Statement (credit) charge:		
		Pension benefits	**(2,210)**	867

All employees of the Group are entitled to superannuation benefits from the Group's defined contribution superannuation plan on retirement, disability, death or resignation. In addition to the Plan, 3 (2007: 22) employees have benefits on a defined benefit basis such that should their account balances under the Plan at the time a benefit is payable be below the defined benefit level, the Company makes a special contribution. The defined benefit arrangements provide a top up lump sum benefit based on years of membership and final average salary.

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		The amounts recognised in the Balance Sheet are determined as follows:		
		Present value of the defined benefit obligation	**448**	7,372
		Fair value of defined benefit plan assets	**494**	3,737
		Present value of unfunded obligations	**(46)**	3,635
		Unrecognised actuarial gains		
		Unrecognised past service costs		
		Net liability before adjustment to be funded by employer	**(46)**	3,635
		Adjustments or contributions tax	**(23)**	1,790
		Other components of defined benefit obligations		
		Net (asset) liability in the Balance Sheet	**(69)**	5,425
		The major categories of the Plan's assets are as follows:		
		Cash	**17.4%**	22.8%
		Debt instruments	**59.3%**	22.3%
		Equity instruments	**21.1%**	39.0%
		Property	**2.2%**	15.9%
		Other assets	**0.0%**	0.0%
		The movement in the defined benefit obligation over the year is as follows:		
		Balance at beginning of the year	**7,372**	6,369
		Current service cost (Company)	**105**	511
		Interest costs	**167**	251
		Contributions by plan participants	**38**	170
		Actuarial gains (losses)	**(207)**	131
		Benefits paid	**(71)**	(60)
		Curtailments	**(6,956)**	-
		Balance at end of the year	**448**	7,372

Notes to the Financial Statements

For the year ended 31 March 2008

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		The movement in the fair value of Plan assets of the year is as follows:		
		Balance at beginning of the year	**3,737**	3,315
		Expected return on plan assets	**98**	212
		Actuarial gains (losses)	**(41)**	100
		Contributions by Group companies	**2,200**	-
		Contributions by Plan participants	**38**	170
		Benefits paid	**(71)**	(60)
		Transfer to defined contribution plan	**(5,467)**	-
		Balance at end of the year	**494**	3,737
		The amounts recognised in the Income Statements are as follows:		
		Current service cost	**105**	511
		Interest costs	**167**	251
		Expected return on Plan assets	**(98)**	(212)
		Net actuarial losses (gains) recognised in year	**(805)**	317
		Losses (gains) on curtailments and settlements	**(1,579)**	-
		Total included in employee benefits expense	**(2,210)**	867

Of the total credit for 2008 $444,000, $555,000 and $1,211,000 were included in cost of sales, selling, general and administrative expenses and research and development expenses respectively.

Of the total charge for 2007 $176,000, $474,000 and $217,000 were included in cost of sales, selling, general and administrative expenses and research and development expenses respectively.

The actual return on plan assets was $97,000 (2007: $197,000)

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2008	2007
Discount rate	**4.47%**	3.95%
Expected return on Plan assets	**6.00%**	6.00%
Future salary increase	**4.50%**	4.50%

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of Plan assets to these major categories. This resulted in the selection of a 6.0% rate of return net of tax (and expenses).

During the year the defined benefit liabilities for all but 3 employees were curtailed, and the current liability was settled by the transfer to a defined contribution arrangement. At the same time the Company separately provided for a contingent liability in respect of providing for a minimum benefit level on retirement. The amount provided for at 31 March 2008 was $150,000.

	2008 NZ$000	2007 NZ$000
Historic Summary:		
Present value of the defined benefit obligation	**448**	7,372
Fair value of defined benefit plan assets	**494**	3,737
Present value of unfunded obligations	**(46)**	3,635
SSCWT	**(23)**	1,790
Surplus (deficit)	**(69)**	5,425
Experience adjsutments arising on plan liabilities	**(207)**	131
Experience adjsutments arising on plan assets	**(41)**	100

Notes to the Financial Statements

For the year ended 31 March 2008

25. RELATED PARTY TRANSACTIONS

During the period 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 period.

During the period the Company advanced and repaid loans to its subsidiaries by way of internal current accounts. 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 entered into certain transactions with its subsidiaries as follows:

Material amounts outstanding between the Parent and its subsidiaries at year end were:

- Loans from the Parent to subsidiaries $56,808,000 (2007: $94,417,000).

Material transactions between the Parent and its subsidiaries were:

- Interest charged in respect of the loans to subsidiaries of $6,475,000 (2007: $5,926,000).
- Dividends received by the Parent from its subsidiaries $33,357,000 (2007: $49,083,000).

(a) Key Management and Director Compensation

Key management and director compensation for the years ended 31 March 2008 and 2007 is set out below. The key management personnel include the directors of the Company and those employees who the Company have deemed to have disclosure obligations under Section 19T of the Securities Markets Act 1988.

Parent			Consolidated	
2007 NZ$000	2008 NZ$000		2008 NZ$000	2007 NZ$000
		Wages and salaries	**3,844**	3,883
571	**636**	Directors fees	**636**	571
		Other employment costs	**291**	288
		Employer contributions to superannuation plans	**217**	197
		Employee share purchase plans	**3**	3
		Employee stock purchase plans	**1**	1
		Employee share option plans	**275**	247
571	**636**	Total compensation	**5,267**	5,190

(b) Other Transactions with Key Management and Directors or Entities related to them

There have been no other material transactions with key management and directors or entites related to them during the period.

Notes to the Financial Statements

For the year ended 31 March 2008

26. CASH FLOW RECONCILIATION

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
52,472	**35,719**	Profit after tax	**35,276**	50,504
		Add (deduct) non-cash items:		
		Depreciation and writedown of property, plant and equipment to recoverable amount	**13,571**	11,099
		Amortisation of intangibles	**1,981**	1,430
		Accrued financing income / expense	**89**	60
		Movement in provisions	**1,142**	163
-	**(26)**	Movement in deferred tax asset	**3,199**	(1,570)
		Movement in working capital:		
(17)	**(6)**	Trade and other payables	**(2,596)**	3,560
9	**(11)**	Trade and other receivables	**(4,214)**	(2,576)
		Inventory	**(4,073)**	(11,682)
4,840	**4,746**	Provision for taxation net of supplementary dividend paid	**(24)**	5,358
(3,236)	**(3,490)**	Intercompany advances in relation to operating cashflows		
54,068	**36,932**	Net cash flows from operations	**44,351**	56,346

27. IMPUTATION CREDIT ACCOUNTS

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
15,359	**12,834**	Balance at beginning of the year	**13,298**	15,511
23,500	**13,600**	Imputation credits attached to dividends received		
		Imputation credits arising from taxation paid	**13,188**	23,812
(26,026)	**(26,381)**	Imputation credits attached to dividends paid to shareholders	**(26,381)**	(26,026)
1	**(1)**	Other movements	**(1)**	1
12,834	**52**	Balance at end of the year	**104**	13,298
		Imputation credits directly and indirectly available to shareholders as at 31 March are:		
		Parent	**52**	12,834
		Subsidiaries	**52**	464
		Balance at end of the year	**104**	13,298

Notes to the Financial Statements

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28. CONTINGENT LIABILITIES

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.

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.

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

Contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated are as follows:

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		Letters of credit	**21,330**	21,469

Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		29. COMMITMENTS		
		Capital expenditure commitments contracted for but not recognised as at the reporting date	**1,544**	1,957
		Gross commitments under non-cancellable operating leases for the Group:		
		Within one year	**4,054**	3,473
		Between one and two years	**2,902**	2,537
		Between two and five years	**2,916**	3,861
		Over five years		
			9,872	9,871

Operating lease commitments relate mainly to occupancy leasing of buildings. There are no renewal options or options to purchase in respect of leases of plant and equipment.

Notes to the Financial Statements

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30. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Parent				Consolidated			
NZ$000	NZ$000	NZ$000		NZ$000	NZ$000	NZ$000	NZ$000
Loans and receivables	**Other financial assets**	**Total**		**Loans and receivables**	**Assets at fair value through the profit and loss**	**Derivatives used for hedging**	**Total**
			31 MARCH 2008				
			Assets as per Balance Sheets				
			Cash and cash equivalents	**5,263**	**-**	**-**	**5,263**
56,849	**-**	**56,849**	Trade and other receivables	**61,177**	**-**	**-**	**61,177**
			Derivative financial instruments	**-**	**62**	**4,934**	**4,996**
-	**8,887**	**8,887**	Investment in subsidiaries				
56,849	**8,887**	**65,736**	Total	**66,440**	**62**	**4,934**	**71,436**
				Liabilities at fair value through the profit and loss	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
			31 MARCH 2008				
			Liabilities as per Balance Sheets				
			Interest-bearing liabilities	**-**	**-**	**86,114**	**86,114**
			Derivative financial instruments	**381**	**1,616**	**-**	**1,997**
			Total	**381**	**1,616**	**86,114**	**88,111**
Loans and receivables	**Other financial assets**	**Total**		**Loans and receivables**	**Assets at fair value through the profit and loss**	**Derivatives used for hedging**	**Total**
			31 MARCH 2007				
			Assets as per Balance Sheets				
			Cash and cash equivalents	7,742	-	-	7,742
94,447	-	94,447	Trade and other receivables	56,963	-	-	56,963
			Derivative financial instruments	-	-	6,566	6,566
-	8,887	8,887	Investment in subsidiaries				
94,447	8,887	103,334	Total	64,705	-	6,566	71,271
				Liabilities at fair value through the profit and loss	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
			31 MARCH 2007				
			Liabilities as per Balance Sheets				
			Interest-bearing liabilities	-	-	40,845	40,845
			Derivative financial instruments	-	197	-	197
			Total	-	197	40,845	41,042

Notes to the Financial Statements

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Parent 2007 NZ$000	Parent 2008 NZ$000		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000
		31. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
		Fair value gains		
		Foreign exchange forward contracts	**62**	-
		Foreign currency option contracts	**171**	-
			233	-
		Fair value losses		
		Interest rate swaptions	**(7)**	-

Changes in fair values of foreign exchange contracts and options which have not been hedge accounted are recorded within Operating Profit.

Changes in fair values of interest rate swaptions which have not been hedge accounted are recorded within Financing Expense.

32. SEGMENTS

a. Primary segment - business

The company operates in one business segment, being the design, manufacture and marketing of medical devices.

b. Secondary segment - geographical

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

	Operating revenue 2008 NZ$000	Operating revenue 2007 NZ$000	Total assets 2008 NZ$000	Total assets 2007 NZ$000	Capital expenditure 2008 NZ$000	Capital expenditure 2007 NZ$000
SEGMENT:						
North America	**165,685**	169,689	**43,239**	44,979	**193**	667
Europe	**115,999**	107,938	**35,964**	31,849	**438**	783
Asia Pacific	**58,287**	53,412	**252,403**	249,898	**12,824**	27,221
Other	**17,922**	16,118	**61**	49	**36**	35
	357,893	347,157	**331,667**	326,775	**13,491**	28,706

In presenting the information on geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

33. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 21 May 2008 the directors approved the payment of a 50% imputed (based on a 30% tax rate) 2008 final dividend of $35,661,697 (7.0 cents per share) to be paid on 27 June 2008.

Notes to the Financial Statements

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34. EXPLANATION OF TRANSITION TO NEW ZEALAND IFRS

1. RECONCILIATION OF PREVIOUS NEW ZEALAND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (NZ GAAP) TO NEW ZEALAND EQUIVALENTS TO IFRS (NZ IFRS)

(a) At the date of transition to NZ IFRS: 1 April 2006

Parent						Consolidated		
Previous NZ GAAP NZ$000	Effect of transition to NZ IFRS NZ$000	NZ IFRS NZ$000	Notes		Notes	Previous NZ GAAP NZ$000	Effect of transition to NZ IFRS NZ$000	NZ IFRS NZ$000
				ASSETS				
				Current assets				
				Cash and cash equivalents		16,554	-	**16,554**
				Short-term investments		12,000	-	**12,000**
21	-	**21**		Trade and other receivables	b	54,310	(621)	**53,689**
				Inventories	a	36,190	(1,175)	**35,015**
17	(17)	**-**	c	Employee share ownership plans loans	c	354	(354)	**-**
				Derivative financial instruments	b	-	979	**979**
3,230	-	**3,230**		Tax receivable		5,228	-	**5,228**
105,455	(1,242)	**104,213**	c	Intergroup advances				
108,723	(1,259)	**107,464**		**Total current assets**		124,636	(1,171)	**123,465**
				Non-current assets				
				Property, plant and equipment	f,g	128,296	47,037	**175,333**
				Intangible assets	f	3,285	884	**4,169**
95,872	(87,452)	**8,420**	h	Investments in subsidiaries				
				Other receivables		703	-	**703**
				Employee share ownership plans loans	c	261	(261)	**-**
				Derivative financial instruments				
199	-	**199**		Deferred tax asset	d	10,289	1,555	**11,844**
204,794	(88,711)	**116,083**		**Total assets**		267,470	48,044	**315,514**
				LIABILITIES				
				Current liabilities				
				Interest-bearing liabilities		23,841	-	**23,841**
197	-	**197**		Trade and other payables	c,e	36,839	754	**37,593**
				Provisions		1,144	-	**1,144**
				Tax payable		517	-	**517**
				Derivative financial instruments	b	-	3,061	**3,061**
197	-	**197**		**Total current liabilities**		62,341	3,815	**66,156**
				Non-current liabilities				
				Provisions		532	-	**532**
604	-	**604**		Other payables	c,e	604	6,653	**7,257**
				Derivative financial instruments	b	-	104	**104**
801	-	**801**		**Total liabilities**		63,477	10,572	**74,049**
				EQUITY				
13,886	-	**13,886**		Share capital		13,886	-	**13,886**
-	(1,203)	**(1,203)**	c	Treasury shares	c	-	(1,203)	**(1,203)**
107,627	(6,572)	**101,055**	c	Retained earnings	a,c,d,e,g	190,353	39,139	**229,492**
82,480	(80,936)	**1,544**	c,h	Reserves	a,b,c	(246)	(464)	**(710)**
203,993	(88,711)	**115,282**		**Total equity**		203,993	37,472	**241,465**
204,794	(88,711)	**116,083**		**Total liabilities and equity**		267,470	48,044	**315,514**

Notes to the Financial Statements

For the year ended 31 March 2008

34. EXPLANATION OF TRANSITION TO NEW ZEALAND IFRS continued

1. RECONCILIATION OF PREVIOUS NEW ZEALAND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (NZ GAAP) TO NEW ZEALAND EQUIVALENTS TO IFRS (NZ IFRS) continued

(b) At the end of the last reporting period under previous NZ GAAP: 31 March 2007

Parent						Consolidated		
Previous NZ GAAP NZ$000	Effect of transition to NZ IFRS NZ$000	NZ IFRS NZ$000	Notes		Notes	Previous NZ GAAP NZ$000	Effect of transition to NZ IFRS NZ$000	NZ IFRS NZ$000
				ASSETS				
				Current assets				
				Cash and cash equivalents		7,742	-	**7,742**
30	-	**30**		Trade and other receivables	b	57,838	(1,828)	**56,010**
				Inventories		46,697	-	**46,697**
				Employee share ownership plans loans	c	614	(614)	**-**
				Derivative financial instruments	b	-	3,943	**3,943**
3,568	-	**3,568**		Tax receivable		5,289	-	**5,289**
95,157	(740)	**94,417**	c	Intergroup advances				
98,755	(740)	**98,015**		**Total current assets**		118,180	1,501	**119,681**
				Non-current assets				
				Property, plant and equipment	f,g	141,885	46,707	**188,592**
				Intangible assets	f	2,876	1,599	**4,475**
95,344	(86,457)	**8,887**	h	Investments in subsidiaries				
				Other receivables		953	-	**953**
				Employee share ownership plans loans	c	435	(435)	**-**
				Derivative financial instruments	b	-	2,623	**2,623**
199	-	**199**		Deferred tax asset	d	10,338	113	**10,451**
194,298	(87,197)	**107,101**		**Total assets**		274,667	52,108	**326,775**
				LIABILITIES				
				Current liabilities				
				Interest-bearing liabilities		40,845	-	**40,845**
180	-	**180**		Trade and other payables	c,e	37,107	581	**37,688**
				Provisions		1,408	-	**1,408**
				Tax payable		757	-	**757**
				Derivative financial instruments	b	-	197	**197**
180	-	**180**		**Total current liabilities**		80,117	778	**80,895**
				Non-current liabilities				
				Provisions		432	-	**432**
604	-	**604**		Other payables	c,e	604	8,297	**8,901**
784	-	**784**		**Total liabilities**		81,153	9,075	**90,228**
				EQUITY				
13,930	1,603	**15,533**	c	Share capital	c	13,930	1,603	**15,533**
-	(1,701)	**(1,701)**	c	Treasury shares	c	-	(1,701)	**(1,701)**
98,097	(7,924)	**90,173**	c	Retained earnings	a,c,d,e,g	185,956	30,686	**216,642**
81,487	(79,175)	**2,312**	c,h	Reserves	a,b,c	(6,372)	12,445	**6,073**
193,514	(87,197)	**106,317**		**Total equity**		193,514	43,033	**236,547**
194,298	(87,197)	**107,101**		**Total liabilities and equity**		274,667	52,108	**326,775**

Notes to the Financial Statements

For the year ended 31 March 2008

34. EXPLANATION OF TRANSITION TO NEW ZEALAND IFRS continued

2. RECONCILIATION OF PROFIT UNDER PREVIOUS NZ GAAP TO PROFIT UNDER NEW ZEALAND EQUIVALENTS TO IFRS (NZ IFRS)

(a) Reconciliation of profit for the year ended 31 March 2007

Parent						Consolidated		
Previous NZ GAAP NZ$000	**Total effect of transition to NZ IFRS NZ$000**	**NZ IFRS NZ$000**	**Notes**		**Notes**	**Previous NZ GAAP NZ$000**	**Total effect of transition to NZ IFRS NZ$000**	**NZ IFRS NZ$000**
49,085	-	**49,085**		Revenue before hedging	a	347,931	(4,953)	**342,978**
				Foreign exchange gains on hedged sales	a,b	8,534	(4,355)	**4,179**
49,085	-	**49,085**		**Total operating revenue**		356,465	(9,308)	**347,157**
				Cost of sales	c,e	(150,918)	(380)	**(151,298)**
49,085	-	**49,085**		Gross profit		205,547	(9,688)	**195,859**
(931)	-	**(931)**		Selling, general and administrative expenses	c,e,f	(95,769)	(140)	**(95,909)**
				Research and development expenses	c,e	(20,175)	(493)	**(20,668)**
48,154	-	**48,154**		**Operating profit before financing costs**		89,603	(10,321)	**79,282**
5,926	-	**5,926**		Financing income		824	-	**824**
				Financing expense	c	(2,886)	(63)	**(2,949)**
				Exchange gain on foreign currency borrowings	a	-	2,462	**2,462**
5,926	-	**5,926**		**Net financing income (expense)**		(2,062)	2,399	**337**
54,080	-	**54,080**		**Profit before tax**		87,541	(7,922)	**79,619**
(1,608)	-	**(1,608)**		Income tax expense	d	(29,936)	821	**(29,115)**
52,472	-	**52,472**		**Profit after tax**		57,605	(7,101)	**50,504**

3. NOTES TO THE RECONCILIATIONS

a. Functional currency

Under NZ IFRS the functional currency of the Parent and all subsidiaries is New Zealand dollars as all operations are fully integrated operations.

Previously exchange rate differences on translation of the assets and liabilities of overseas-based subsidiaries were passed through the Currency Translation Reserve ("CTR"). Included in the CTR were balances relating to exchange rate translation differences on intercompany transfers of inventory. The Group has elected to apply the exemption in NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* At the date of transition to NZ IFRS the CTR is deemed to be zero.

From 1 April 2006 the functional currency of the foreign operations is New Zealand dollars and all transactions entered into by the foreign operations are accounted for as if they had been entered into by the New Zealand entities. The effects of this on the transition reconciliation financial statements are:

- the previous NZ GAAP movement in the CTR for the year ended 31 March 2007 is allocated to the appropriate lines of the NZ IFRS Income Statement depending on the nature of each item. This results in a reduction of profit after tax in the year ended 31 March 2007 of $2.5m.
- the exchange rate translation differences on intercompany inventory transfers which were held within CTR at 31 March 2007 are removed from the CTR under NZ IFRS and allocated to the Income Statement. This results in a reduction of profit before tax in the year ended 31 March 2007 of $2.2m.
- other Balance Sheet amounts relating to CTR components are removed or adjusted as appropriate.

Notes to the Financial Statements

For the year ended 31 March 2008

34. EXPLANATION OF TRANSITION TO NEW ZEALAND IFRS continued

3. NOTES TO THE RECONCILIATIONS continued

b. Hedge accounting

In accordance with NZ IAS 39 *Financial Instruments : Recognition and Measurement* all derivatives have been recognised at fair value on the Balance Sheet. All foreign exchange instruments have been documented and accounted for as cash flow hedges.

Previously hedging was undertaken on a net sales/costs basis with the hedged item being the cashflow resulting from intercompany sales less the New Zealand based foreign currency costs. Under NZ IFRS the hedged item is external sales.

The change has three effects:

- there is a change in the timing of the recognition of differences in the hedge rate versus the underlying transaction rate which causes a reallocation of exchange rate differences between periods. The effect on the year ended 31 March 2007 is a reduction in profit before tax of $1.5m.
- there is a change to the allocation of exchange rate differences in the Income Statement within each period caused by the change from hedging net intercompany sales to hedging external sales.
- foreign currency option premium amounts are included within the fair value of derivatives on the Balance Sheet.

c. Share-based remuneration and employee share schemes

The Company issues share options to selected employees as a form of equity-based compensation. NZ IFRS requires the recognition of a compensatory expense in respect of these share options. For the year ended 31 March 2007 a compensatory expense in relation to share options issued to employees of $0.8m has been recognised.

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. NZ IFRS requires the recognition of a compensatory expense based on the amortisation over the relevant vesting period of the fair value of the discount on shares issued by the ESOP. For the year ended 31 March 2007 a compensatory expense in relation to ESOPs of $0.2m has been recognised.

At transition to NZ IFRS, under NZ IAS 32 *Financial Instruments : Presentation* and NZ SIC-12 *Consolidation – Special Purpose Entities* the Company has recorded shares held by the trustee of the Fisher & Paykel Healthcare Share Purchase Plan as treasury stock. When shares vest, are reissued or otherwise disposed of, any consideration received is included in the Group's contributed capital. This results in an adjustment of $1.2m at transition between share capital and treasury stock, and a further small adjustment at 31 March 2007.

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% of the lower of the market price at the time of issue and the market price at the beginning of the annual offering period. NZ IFRS requires the Company to determine the fair value of all the ESPP benefit and to amortise the expenses over the relevant vesting periods. For the year ended 31 March 2007 a compensatory expense in relation to ESPPs of $0.1m has been recognised.

d. Taxation

Under NZ IFRS deferred tax is calculated using a "balance sheet" approach, which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of Balance Sheet items rather than the accounting and tax values recognised in the Income Statement. Under previous NZ GAAP depreciation on buildings structure was treated as a permanent difference whereas under NZ IFRS this becomes a temporary difference. In addition several of the NZ IFRS adjustments have a deferred tax impact.

The effect on the deferred tax asset of the adoption of NZ IFRS is an increase of $1.0m, with a reduction of $0.9m at 31 March 2007. As a result of adopting NZ IFRS for the year ended 31 March 2007 a reduction in tax expense of $0.7m has been recognised.

e. Employee benefits

Under previous NZ GAAP long service leave liability was recognised when the long-service leave was fully vested. In accordance with NZ IAS 19 *Employee Benefits* a provision for long service leave has been calculated using an actuarial technique from the

Notes to the Financial Statements

For the year ended 31 March 2008

employees' commencement date to the extent that it is probable that the leave will vest. The effect of recognising long service leave liability in accordance with NZ IFRS resulted in an increase in liabilities of $2.2m at 1 April 2006 and an expense of $0.6m for the year ended 31 March 2007.

Companies within the Group contribute to pension plans for employees. The majority of employees are members of defined contribution plans. Under previous NZ GAAP contributions to the plans were expensed when made, which is consistent with NZ IFRS. A company within the Group also operates a defined benefit plan for a small number of employees. The Group has elected to apply the exemption available in NZ IFRS1 and has recognised cumulative actuarial gains and losses at 1 April 2006. The Group has recognised the deficit of the defined benefit plan as a liability of $4.6m in the Balance Sheet as at 1 April 2006 and has recorded an expense in relation to defined benefit superannuation of $0.9m for the year ended 31 March 2007.

In accordance with NZ IAS 19 a provision for sick leave has been established for employees with entitlements in excess of one year, where there is likelihood that the entitlement will be taken.

f. Intangible assets

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 is recognised as an expense at the time the loss in value is identified. As a result, the goodwill amortisation charge was written back at 31 March 2007. The carrying amount of goodwill has increased by $0.4m at 31 March 2007, with a consequent increase in profit before tax of $0.4m for the year ended 31 March 2007.

Software assets have been reclassified as intangibles to comply with NZ IAS 38 *Intangible Assets*.

g. Fair value as deemed cost

A company within 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 . The Company has elected to apply the exemption available in NZ IFRS 1 to measure land at the date of transition to NZ IFRS at its fair value and use that value as its deemed cost.

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. This results in an increase in the deemed cost of land within Property, Plant and Equipment of $47.9m and a corresponding increase in retained earnings.

h. Investment in subsidiaries

Under NZ IFRS the Parent company is required to record investments in subsidiaries at cost. Under previous NZ GAAP the investment in subsidiaries was recorded at net tangible asset value by the Parent company. The result of this change is a reduction of the Parent company's investment and shareholders funds of $87.0m and $86.5m at 1 April 2006 and 31 March 2007 respectively.

Statutory Information

EMPLOYEE REMUNERATION

The Group 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 74% 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 the Company, received remuneration and other benefits that exceeded NZ$100,000 in value as follows:

Remuneration			Number of employees
$		$	
100,000	-	110,000	35
110,001	-	120,000	40
120,001	-	130,000	37
130,001	-	140,000	30
140,001	-	150,000	18
150,001	-	160,000	17
160,001	-	170,000	6
170,001	-	180,000	9
180,001	-	190,000	1
190,001	-	200,000	6
200,001	-	210,000	1
210,001	-	220,000	4
220,001	-	230,000	1
230,001	-	240,000	1
240,001	-	250,000	1
250,001	-	260,000	1
260,001	-	270,000	1
270,001	-	280,000	3
280,001	-	290,000	1
290,001	-	300,000	2
320,001	-	330,000	1
350,001	-	360,000	1
390,001	-	400,000	1
430,001	-	440,000	1
510,001	-	520,000	1
520,001	-	530,000	2

Statutory Information (continued)

	Number of Holders	%	Number of Ordinary Shares	%
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED				
1 to 1,000	3,769	19.30	2,396,177	0.47
1,001 to 5,000	9,783	50.10	26,450,195	5.19
5,001 to 10,000	3,236	16.57	24,274,429	4.77
10,001 to 100,000	2,586	13.25	59,323,065	11.64
100,001 and over	153	0.78	397,008,951	77.93
Total	19,527	100.00	509,452,817	100.00

The details set out above were as at 22 May 2008.

As disclosed in note 23 of the Financial Statements there were 15,824,808 options on issue to employees as at 31 March 2008.

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 540 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 22 May 2008.

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. On 30 August 2007, the Company announced that the on-market share buy-back programme had been completed. In total, the Company had repurchased and cancelled 9,423,727 shares at a total cost of $27.5 million and a cost per share of $2.92.

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.

	Ordinary Shares	%

SUBSTANTIAL SECURITY HOLDERS

According to notices given under the Securities Markets Act 1988, the substantial security holders in ordinary shares (being the only class of listed voting securities) of the Company and their relevant interests according to the substantial security holder file as at 22 May 2008 were as follows:

	Ordinary Shares	%
Caledonia Investments Pty Limited and associated entities (notice dated 30 November 2007)	47,323,807	9.29
UBS Nominees Pty Limited and related bodies corporate (notice dated 27 February 2008)	45,192,939	8.87
Schroder Investment Management Australia Limited (notice dated 18 April 2008)	47,573,694	9.34

Statutory Information (continued)

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders as at 22 May 2008 were:

	Ordinary Shares	%
HSBC Nominees (New Zealand) Limited	60,313,621	11.84
National Nominees New Zealand Limited	49,118,440	9.64
UBS Nominees Pty Limited	41,250,223	8.10
ANZ Nominees Limited	16,680,497	3.27
Citibank Nominees (New Zealand) Limited	15,573,955	3.06
J P Morgan Nominees Australia Limited	14,057,607	2.76
NZ Superannuation Fund Nominees Limited	12,371,435	2.43
National Nominees Limited	12,094,889	2.37
Premier Nominees Ltd	10,214,974	2.01
Accident Compensation Corporation	9,693,107	1.90
Custodial Services Limited	7,733,609	1.52
FNZ Custodians Limited	6,288,289	1.23
Citicorp Nominees Pty Limited	6,242,808	1.23
NZGT Nominees Limited	6,169,386	1.21
AMP Investments Strategic Equity Growth Fund	5,841,067	1.15
TEA Custodians Limited	4,649,468	0.91
Emerald Capital Investments Limited	4,400,000	0.86
Abned Nominees NZ Limited	4,350,456	0.85
HSBC Custody Nominees (Australia) Limited	4,323,173	0.85
Custody and Investment Nominees Limited	4,140,266	0.81

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following shares in the Company at 31 March 2008:

Michael Daniell*	- beneficially owned	733,517
	- not beneficially owned	743,075
Nigel Evans	- beneficially owned	23,180
	- not beneficially owned	3,542,415
Lindsay Gillanders	- beneficially owned	514,415
Sir Colin Maiden	- beneficially owned	54,295
Michael Smith	- beneficially owned	200,000
Gary Paykel	- beneficially owned	2,522,635
	- not beneficially owned	2,612,110
Arthur Morris	- beneficially owned	Nil

* Mr Daniell had a beneficial interest in 815,000 options issued under the 2003 Share Option Plan.

Statutory 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 2007 and 31 March 2008. The particulars of such disclosures are:

Michael Daniell and Gary 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.

Gary Paykel transferred 139,000 shares on 20 June 2007 to a family trust at $3.51 per share.

Michael Daniell:

a) cancelled 200,000 options and in return was issued 69,552 shares on 28 August 2007 at $3.373 per share;
b) disposed of 69,552 shares between 28 and 30 August 2007 at an average price of $3.395 per share;
c) cancelled 170,000 options and in return was issued 46,801 shares on 4 December 2007 at $3.1977 per share;
d) disposed of 46,801 shares between 4 and 5 December 2007 at an average price of $3.1915 per share; and
e) was granted 160,000 options on 17 December 2007 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 2008.

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 2008, 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 persons who held office as Directors of subsidiary companies at 31 March 2008, and those who ceased to hold office during the year ended 31 March 2008, are as follows:

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 Asia Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)
Gary Paykel, Michael Daniell, Tony Barclay

Fisher & Paykel Healthcare Pty Limited (Australia)
Michael Daniell, Lewis Gradon, Paul Shearer, David Boyle (Greg Watson ceased to hold office during the year)

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

Statutory Information (continued)

SUBSIDIARY COMPANY DIRECTORS continued

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

Fisher & Paykel Healthcare AB (Sweden)
Michael Daniell, Paul Shearer, Colin Board

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

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

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 given by Directors which remain current as at 31 March 2008 (with the exception of Adrienne Clarke's disclosures which were current up to the date she retired on 20 February 2008) are as follows:

GARY PAYKEL

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

A director of:
ACG Capital Limited
Endeavour Yachting Limited
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited
Howgate Holdings Limited
Keano Enterprises Limited
Lady Ruby Investments Limited
Levante Holdings Limited
Levante Marine Services Limited
New Zealand 93 Limited
Premier Icons New Zealand Limited
Sport Lemonade Corporation Limited
Stonex Systems Limited
Team New Zealand Limited
The Friends of Milly Molly (NZ) Limited

A trustee of:
Andsar Family Trust
Endeavour Yachting Limited
Levante No. 2 Trust
Maurice Paykel Charitable Trust (Inc)
Maurice and Phyllis Paykel Trust (Inc)
Team New Zealand Trust

A shareholder in:
Fisher & Paykel Healthcare Corporation Limited
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited – 100 ordinary shares jointly held with Michael Daniell

Statutory Information (continued)

MICHAEL DANIELL

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

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

NIGEL EVANS

A director of:
Managers & Consultants Limited
Quark Technology Limited

A trustee of:
Woolf Fisher Trust

LINDSAY 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

SIR COLIN MAIDEN

Chairman of:
DB Breweries Limited

A director of:
DB Breweries Limited and Subsidiaries

A member of:
Marsh (NZ) Limited Advisory Group

MICHAEL SMITH

Chairman and trustee of:
The Lion Foundation

Chairman of:
ING (NZ) Holdings Limited
ING Property Trust Management Limited

A director of:
Hauraki Private Equity No. 1 Fund
Hauraki Private Equity No. 2 Fund

ARTHUR MORRIS

Chairman of:
DNA Diagnostics Limited

CEO of:
Diagnostic Medlab Limited

ADRIENNE CLARKE (retired on 20 February 2008)

A director of:
Hexima Limited
Tridan Limited
Woolworths Limited (retired on 30 September 2007)

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.

Statutory Information (continued)

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 Employee Share Purchase Trustee 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)
Fisher & Paykel Healthcare Asia Limited (NZ)
* 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 Healthcare AB (Sweden)

FISHER & PAYKEL HOLDINGS GMBH (GERMANY) OWNS:

Fisher & Paykel Healthcare GmbH & Co KG (Germany)

FISHER & PAYKEL HEALTHCARE ASIA LIMITED (NZ) OWNS:

Fisher & Paykel Healthcare Asia Investments Limited (NZ)

ALL COMPANIES ARE WHOLLY OWNED

DIRECTORS' DETAILS

The persons holding office as Directors of Fisher & Paykel Healthcare Corporation Limited at any time during, or since the end of, the year ended 31 March 2008 are as follows:

Gary Paykel	Chairman, Non-Executive, Independent
Michael Daniell	Managing Director and Chief Executive Officer
Michael Smith	Deputy Chairman, Non-Executive, Independent
Adrienne Clarke	Non-Executive, Independent
Sir Colin Maiden	Non-Executive, Independent
Nigel Evans	Non-Executive, Independent
Lindsay Gillanders	Non-Executive, Independent
Arthur Morris	Non-Executive, Independent

At the Annual Meeting of Shareholders held on 23 August 2007, Adrienne Clarke and Nigel Evans retired by rotation in accordance with the Company's constitution, and were re-elected to the Board. Adrienne Clarke subsequently retired from the Board on 20 February 2008 and was replaced on the same date by Arthur Morris.

EXECUTIVE'S 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.