Fisher & Paykel HEALTHCARE

Annual Report 2009

CONTENTS

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).

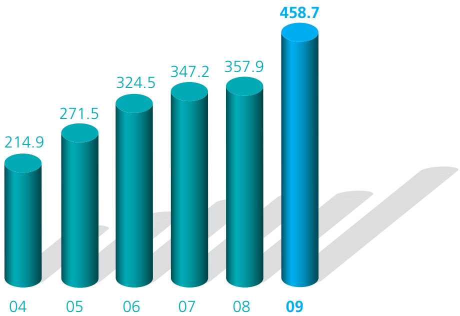
This growth stems from our vision to generate increased value for our shareholders by designing, developing, manufacturing, marketing and selling healthcare devices worldwide which can improve patient care and outcomes.

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 including home care, adult and neonatal intensive care, respiratory care and laparoscopic surgery.

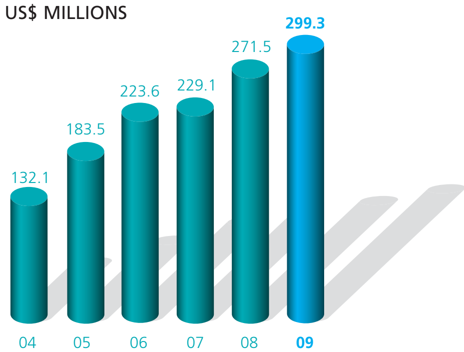
RESULTS IN BRIEF

Operating Revenue*

NZ$ MILLIONS

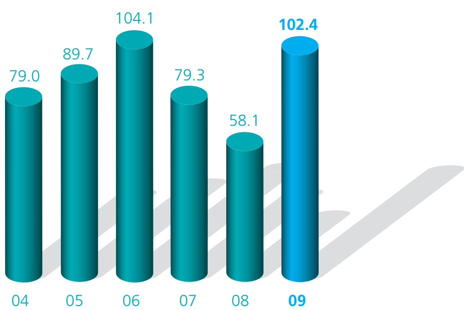


US$ MILLIONS

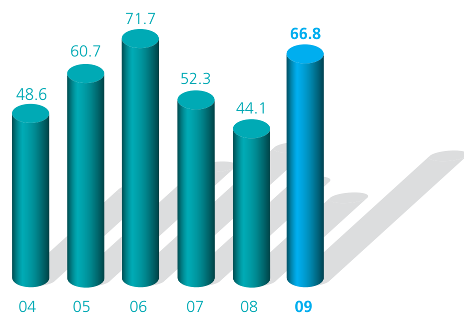


Operating Profit*

NZ$ MILLIONS

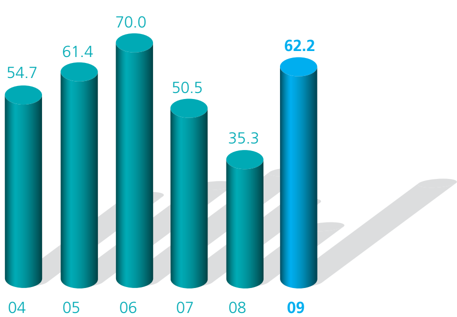


US$ MILLIONS

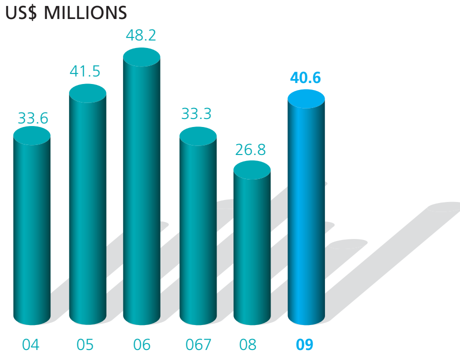


Profit After Tax*

NZ$ MILLIONS



US$ MILLIONS



* 2007 - 2009 results were prepared under NZ IFRS. Results from 2006 and prior years were prepared under previous NZ GAAP.

2009 HIGHLIGHTS

76% increase in operating profit to NZ$102.4 million

76% increase in profit after tax to NZ$62.2 million

28% growth in operating revenue to a record NZ$458.7 million

34% growth in respiratory and acute care product group revenue to NZ$244.5 million

23% growth in OSA product group revenue to NZ$202.6 million

43% pre-tax return on average shareholders' equity

Research and development investment of **6.2%** of operating revenue

Total dividend of **NZ12.4 cents** per share for the year, fully imputed

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.

GARY PAYKEL
Chairman

CHAIRMAN'S REPORT

We have continued to make very encouraging progress in developing new opportunities for growth by expanding the range of applications for our medical devices. In particular, we have expanded the use of our humidification and breathing system technologies outside of our traditional hospital intensive care environment and introduced new premium treatment devices in our OSA product group.

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

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 the 28% growth in our operating revenue to a record NZ$458.7 million for the year ended 31 March 2009.

We achieved a 76% increase in operating profit to NZ$102.4 million compared to NZ$58.1 million for the prior year. Profit after tax also grew 76%, to NZ$62.2 million, compared to NZ$35.3 million for the prior year.

Your directors approved a final dividend of NZ 7.0 cents per share. Total dividends for the year were NZ12.4 cents per share, carrying full NZ imputation credit.

Revenue growth was again a result of a strong contribution from our core product categories of respiratory and acute care and OSA, both of which we believe continue 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 34%. The OSA product group also continued to grow strongly with operating revenue from masks, flow generators and heated humidifiers up 23%.

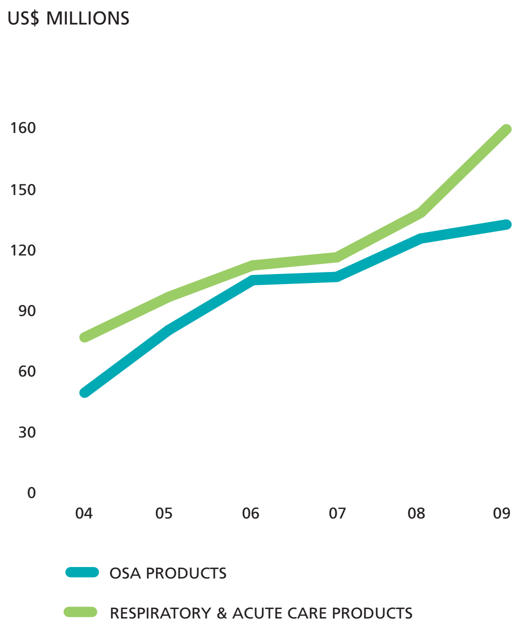
Respiratory and acute care products accounted for 53% of our total operating revenue, OSA products represented 44% and distributed and other products represented 3%. Consumable and accessory products which generate recurring revenue, such as humidifier chambers, breathing circuits and masks, accounted for approximately 74% of core products' operating revenue, up from 71% in the prior year.

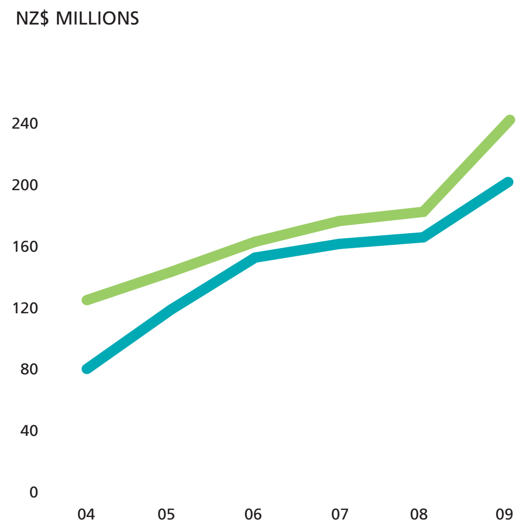
We continue to invest in the expansion of our global sales network with our own people located in 26 countries and our products sold in more than 120 countries. We have an increasing number of our own people supporting customers at a local level and our experience confirms that the stronger our presence in each market, the better we can inform clinicians, build relationships and identify growth opportunities.

Our business is very much global and we sell in a variety of currencies, with a large proportion, approximately 61%, of our operating revenue generated in US dollars. Euros accounted for 22%, Australian dollars 6%, UK pounds 5%, and New Zealand dollars 1% 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 depreciating substantially against the US dollar. The geographic contribution to revenue was North America 46%, Europe 33% and Asia Pacific and Other, 21%.

Selling, general and administrative (SG&A) expenses were NZ$118.9 million, an increase of 22% over the prior year, reflecting increased activity and the effect of the weaker NZ dollar. Excluding the effect of currency translations, SG&A expenses increased by approximately 13%. 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 increased 18% to NZ$28.3 million compared to NZ$24.1 million in the prior year and represented 6.2% of operating revenue. This investment ensured that we continued to expand the range of innovative medical devices that we provide to assist clinicians to improve patient care and outcomes. For the 2009 financial year we expect to receive a one-time R&D tax credit of approximately NZ$3.0 million dollars. The new New Zealand Government has removed the tax credit effective from April 2009.

Our R&D 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 medical applications for our technologies, are critical drivers of our annual revenue and earnings growth. We remain committed to expanding our R&D activities.

The net cash generated from operating activities in the financial year was NZ$62.1 million. Operating cash flow was significantly stronger than the prior year as a result of strong growth in earnings.

Capital expenditure of NZ$22.4 million was primarily for the purchase of production tooling and equipment, computer equipment, software and patents.

Net cash used in financing activities of NZ$37.1 million primarily related to the payment of our interim and final dividends. As at 31 March 2009 we had in place credit facilities that permit us to borrow up to the total of the equivalent of NZ$195.9 million, denominated primarily in NZ dollars, US dollars and Euros.

We operate in specialised international markets and, as Chairman, I believe that shareholder interests are well represented by your Board. We are fortunate in that we have a Board whose experience and knowledge spans marketing, sales, finance, science, medicine, engineering, legal, quality, regulatory, and the many other demands of an international business.

Your Board is committed to ensuring the company adheres to best practice corporate governance standards and you will find the company's governance policies later in this annual report.

The experience, capabilities and commitment of our more than 2000 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. Excellence in quality, research, development, manufacturing, marketing, sales, distribution and administration underpins our ability to grow.

The Board appreciates that our strong performance and our prospects for growth are a result of the combined efforts of our staff and the support we receive from our customers, distributors, suppliers and clinical partners. Our sincere thanks to them all.

Gary Paykel CNZM
Chairman

MICHAEL DANIELL
Managing Director and
Chief Executive Officer

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

CHIEF EXECUTIVE OFFICER'S REVIEW

Our consistent growth strategy is to provide an increasing range of innovative products which can help to improve care and outcomes for patients in a variety of applications. Put simply: better care, for more patients in more places.

In the hospital, we have expanded our offering beyond intensive care ventilation with devices that can be used in non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic surgery. Over the past year we achieved very encouraging progress with revenue from those new applications growing 55%, in constant currency terms, and accounting for 25% of our respiratory and acute care consumables' operating revenue.

In the homecare setting, we continued to expand our range of devices for the treatment of OSA with the introduction of new premium flow generators and masks and our new AIRVO™ humidity therapy product range for patients with Chronic Obstructive Pulmonary Disease (COPD).

As always, we have a number of new products in development, 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 help to reproduce the normal functioning of the nose and upper airways and reduce airway moisture loss and the occurrence of adverse side effects.

Respiratory and acute care product group operating revenue grew 34% overall to NZ$244.5 million. The devices we offer include humidifier controllers, chambers, breathing circuits (the tubing which conveys medical gases to and from the patient), filters, connectors and interfaces.

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

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, assisted by significant hospital Group Purchasing Organisation (GPO) related business in the USA. The increasing number of our humidification systems in use around the world generated continuing growth in adult and neonatal breathing system consumables.

Many of our customers chose to use more of our expanding range of respiratory care devices and the average value of humidifier and breathing system components we provide for each patient continued to increase. Demand for our neonatal oxygen therapy systems and resuscitators also continued to grow strongly.

We have introduced our humidifier system for laparoscopic surgery to European markets following encouraging results from pilot marketing in New Zealand and Australia.

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

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.

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

We estimate that the worldwide market for OSA treatment devices and consumables is now worth approximately US$2.0 billion annually. Increasing diagnosis rates, better treatment devices and improving awareness of the condition are contributing to strong market growth. We have continued to grow strongly, with our broad range of CPAP masks and flow generators generating 23% growth in operating revenue to NZ$202.6 million.

Consistent with the trend over the past few years, we saw a decline in volume of approximately 25%

in standalone CPAP humidification devices as our customers continued to move to integrated flow generator-humidifier systems.

Our innovative products are designed for ease of use and to help 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 comfortable and easy to fit. Our nasal pillows mask, the Opus360™, is extremely small, light and quiet and has been enthusiastically received by our customers.

Many 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 well received by patients, with positive reports of both increased comfort and acceptance.

In the United States, CMS (Centers for Medicare and Medicaid Services) has introduced a reimbursement rule that requires patients' compliance with their CPAP therapy to be recorded. During the year we introduced our SleepStyle™ Auto Flow generators with SensAwake™ and our SleepStyle™ 240 range. Both product ranges incorporate our SmartStick™ USB compliance and efficacy recording technology.

We also introduced two new masks, Zest™ and Forma™. The Zest™ nasal mask combines our new Easy-Clip silicone seal with our previously proven Glider™ and FlexiFit™ technology and is small and quiet and fits most patients straight out of the box. The Forma™ full face mask includes a new FlexiFoam™ cushion, which is soft and light and features active contouring that conforms naturally to the patient's face. We are very encouraged by customer response to the new masks and the sales achieved so far.

Research and Development

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

R&D Investment	**2009**	**2008**	**2007**
Investment in R&D	**NZ$28.3M**	NZ$24.1M	NZ$20.7M
R&D as % of operating revenue	**6.2%**	6.7%	6.0%
R&D staff	**253**	240	225

Patents at 31 March			
US granted	**79**	81	76
US applications pending	**73**	60	67
Rest of world granted	**292**	246	208
Rest of world applications pending	**212**	256	222

Over the year, we increased our R&D spending by 18% to NZ$28.3 million, which represented 6.2% 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 premium flow generator range which includes the SleepStyle™ 200 Auto series flow generators and our SleepStyle™ 240 range. The 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 was completed in our project to develop a system specifically designed to help treat patients with COPD. The new system, which was introduced first into New Zealand and Australia, combines technology from our OSA and intensive care humidification products. We originally designed the system solely for home use, but following positive feed back from hospitals, the design was extended to accommodate hospital use as well. Two models have been introduced, the AIRVO™ for hospital use and myAIRVO™ for home use.

Our new product development projects include new flow generators and consumables for both respiratory and OSA applications.

Sales and Marketing

Our own people are currently located in 26 of the 120 countries where our products are sold. The growing number of staff in these markets helps 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.

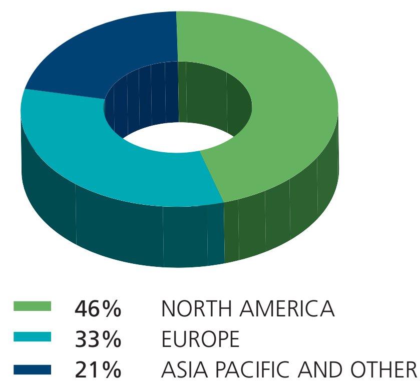
Our sales offices in the UK and Western Europe assist us to deal with the complexities of multiple languages, differing regulatory requirements and market preferences. We have sales offices and distribution centres in France, the UK, Germany and Sweden and sales teams located in Spain, Portugal, Italy, the Netherlands, Belgium, Ireland, Austria, Switzerland and Denmark.

In both India and China we have well-established distribution centres, which provide immediate access to our product range. Each of them serves very large and diverse population groups and supports our in-market distributors. We have an extensive network of distributors throughout the rest of Asia, who represent our products and are supported by our regional sales managers.

During the current year, we intend to invest significantly in expanding our sales and distribution operations, with plans to establish distribution and clinical sales support centres in four additional countries including Japan.

We have further expanded our US and Canadian sales teams to meet growing homecare provider demand and to support our partnership with Cardinal Health, a major provider of products and services to hospitals. Over the past few years Cardinal has secured a number of significant hospital GPO contracts.

REVENUE BY REGION



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 to 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.

TÜV Group, a European notified body, audits our New Zealand facility 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, Japanese, 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 cost increases and reduce our manufacturing costs. These improvements incorporated Lean Techniques and also included the automation of some processes using technology developed in-house. We are committed to Lean and automation as a means of improving health and safety, reducing costs, enhancing our production capability and improving the quality and consistency of our products.

Last year we indicated that we were beginning to plan for manufacturing expansion, both in New Zealand and offshore. We expect that we will need to double our total manufacturing capacity over the next five years.

We have completed our planning, and we have identified Tijuana, Mexico as a suitable location for an offshore manufacturing facility which is close to our major North American markets. This facility will provide shorter delivery times, reduced freight and manufacturing costs and will provide increased geographic diversity.

Our intention is to establish capacity for manufacturing a portion of our more mature, high volume consumable items which will make way for new products and processes at our Auckland, New Zealand site. In the current year we expect to commit approximately NZ$30 million of capital expenditure in New Zealand, which will include new product tooling, equipment for increased capacity and some replacement equipment and a further NZ$18 million for Mexico.

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 27% 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.

We again participated in the Investor Group on Climate Change Australia/New Zealand Carbon Disclosure Project.

Workplace 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. Our health and safety management system is audited annually 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 2,100 people, with 1,670 located in New Zealand and almost 420 located in 25 other countries. Our human resource strategy continues to be focused on attracting, retaining and developing our family of employees around the world. The quality of our past results and our expectation of further growth are a reflection of the calibre of our people around the world. Our people are in diverse workplaces and social settings which contribute to the fabric of our organisation and we continue to support equal employment opportunities for all of our employees.

Our Vision and Values along with our philosophy of continuous improvement is applied to all human resource initiatives and provides ongoing development opportunities for employees. Over the year, we have continued to focus on initiatives that support our organisational capability and growth strategies.

Outlook

Our opportunities to expand in the respiratory care, acute care and OSA markets continue to be positive. We expect to continue 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, resuscitation and laparoscopic surgery. In addition, we believe that our broadening range of premium OSA treatment devices will continue to drive robust growth in that growing market.

The expertise and efforts of our capable teams around the world are reflected in our continuing growth and our encouraging results. Well deserved thanks to all of our people, to our Board, our customers, suppliers, clinical partners and distributors. Thanks also to our shareholders for your continued support and confidence in us.

Michael Daniell
Managing Director and Chief Executive Officer

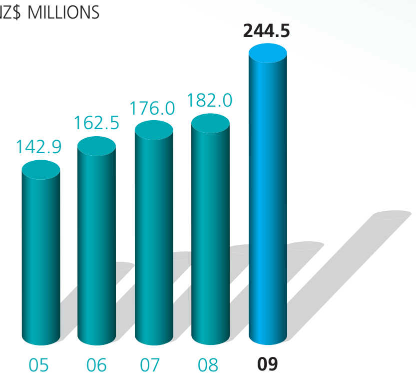
RESPIRATORY AND ACUTE CARE

KEY PRODUCTS

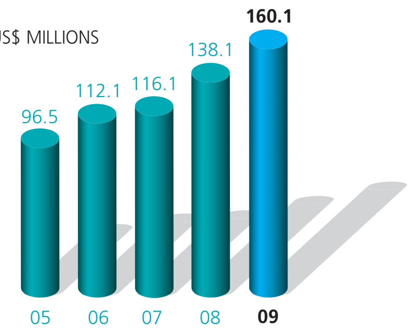
- MR850 Respiratory Humidifier
- MR810 Respiratory Humidifier
- MR880 Respiratory Humidifier
- HC550 Respiratory Humidifier
- MR860 Surgical Humidifier
- MR200 Series Respiratory Humidification Chambers
- Single Use Adult and Neonatal Breathing Circuits
- Single Use Non-Invasive Ventilation Mask range
- Single Use Range of Optiflow™ Oxygen Therapy Interfaces
- Neopuff™ Infant Resuscitator
- Infant Bubble CPAP System
- IW900 Series Infant Warmers

PRODUCT REVENUE*

NZ$ MILLIONS



US$ MILLIONS



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CASE STUDY – Nasal High Flow, a New Era in Respiratory Medicine

At Fisher & Paykel Healthcare, we are continuing to build on our reputation as world leaders in the field of respiratory humidification with Nasal High Flow (NHF™); a therapy developed utilising our unique Optiflow™ technology.

Traditionally, a patient requiring high flow oxygen therapy would be placed on a face mask. Unfortunately, face masks can often be uncomfortable; leading to a lack of patient tolerance, which can reduce treatment effectiveness and increase cost to the hospital.

NHF™ offers a solution by utilising a unique nasal cannula rather than a face mask, to deliver high gas flows; something that has long been considered impossible. Patients experience a much higher level of comfort, as well as the added benefits of being able to eat, drink and communicate without interrupting the delivery of the critical air and oxygen flow. For clinicians, this can mean more effective delivery of care and improved patient outcomes.

We believe that NHF™ has the potential to open up a new era in respiratory medicine, not unlike the introduction of non-invasive ventilation about 15 years ago. We see an opportunity to develop a market similar in size to our current invasive ventilation humidification market segment.


whispered Giraffe. "If we could
the acacia trees with

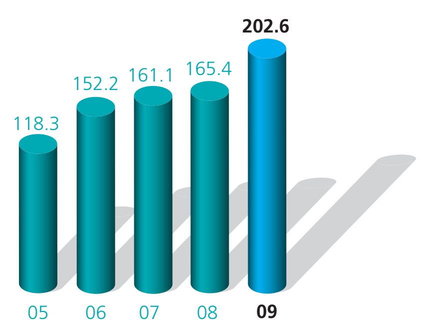
OSA

KEY PRODUCTS

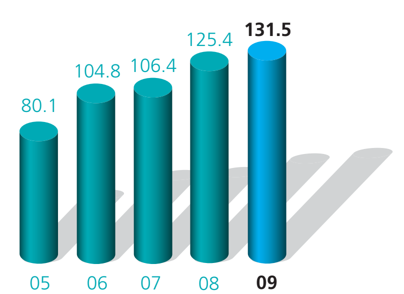
- SleepStyle™ 200 Series Flow Generators
- SleepStyle™ 200 Series Auto Flow Generators
- SleepStyle™ 240 Series Flow Generators
- SleepStyle™ 600 Series Flow Generators
- HC150 CPAP Heated Humidifier
- FlexiFit™ Nasal Mask Range
- FlexiFit™ Full Face Mask
- Zest™ Nasal Mask Range
- Forma™ Full Face Mask
- Opus360™ Nasal Pillows 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 – Zest™ Nasal Mask Range

Early acceptance and positive compliance to CPAP treatment of OSA benefits both the patient and healthcare provider. The correct choice of a CPAP interface is one of the crucial elements for treatment success and helps ensure the patient achieves improved quality of life and is a satisfied customer.

The design of the Zest™ Nasal Mask range was driven by comfort, seal and ease of use. With three sizes to choose from, fitting is made easy for almost all face shapes or sizes.

The new key performance feature of the Zest™ Nasal Mask range is the Easy-Clip Silicone Seal which simply unclips from the base for ease of cleaning and reliably clips back onto the base to ensure ongoing comfort and seal. Our proven mask technology, including the Glider™ strap and FlexiFit™ foam cushion, provide a foundation for this new mask range which is also lighter and more compact than its predecessors.

The introduction of the Zest™ Petite, Standard and Plus Nasal Masks extends our range of CPAP interfaces and offers new benefits to OSA patients and healthcare providers.

CASE STUDY – Daily Humidification Therapy

Monty, an 80 year-old male who suffers from a progressive respiratory disease, Chronic Obstructive Pulmonary Disease (COPD), has been using daily humidification therapy since 2003. Back then, Monty enrolled in a home humidification trial for COPD patients run by Professor Harry Rea of Middlemore Hospital. After the trial, Monty reported that the humidification had improved his quality of life with the most significant outcome being less daily sputum production. Monty's wife, Judy, confirmed that his night time coughing had dramatically reduced, which allowed both of them to get a better night's sleep.

As a result of the benefits received from humidification therapy, Monty has carried on using it daily since 2003 and believes it has slowed the progression of his respiratory disease. He points to his improved health stability by noting that between 2003 and mid-2008 he had no hospital respiratory admissions.

In 2005, Monty was prescribed Long Term Oxygen Therapy and now uses this 24 hours per day. While he is in bed he connects his oxygen supply to the oxygen inlet port of his Fisher & Paykel AIRVO™ humidifier to receive the combined benefit of oxygen therapy and humidification therapy while he sleeps.

Board of Directors

GARY PAYKEL

Gary Paykel, 67, became Chairman upon completion of the reorganisation in November 2001. Mr Paykel has served as a director of Fisher & Paykel Healthcare Corporation Limited (previously known as 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 Limited since March 2004 and is a Companion of the New Zealand Order of Merit.

MICHAEL DANIELL

Michael Daniell, 52, 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 30 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, 68, 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.

ROGER FRANCE

Roger France, 64, became a director in February 2009. Mr France is Chancellor of the University of Auckland, Chairman of Tappenden Holdings Limited, Deputy Chairman of Air New Zealand Limited, a director of Sirius NZ Holdco Limited (the parent company of the Blue Star Print Group) and, until 2008, a director of Fonterra Co-operative Group Limited. He was a partner at PricewaterhouseCoopers and one of its predecessor firms, Coopers & Lybrand, for over 15 years and was the Chief Financial Officer of Allied Farmers Co-operative Limited and Freightways Holdings Limited for ten years. He was the Managing Partner of Coopers & Lybrand in Auckland for five years. Following the merger with PricewaterhouseCoopers, he led the firm's Corporate Value consulting practice in the Asia Pacific region and served as a member of its Governance Board. Mr France received his Bachelor of Commerce degree from the University of Canterbury and is a Chartered Accountant.

LINDSAY GILLANDERS

Lindsay Gillanders, 59, has served as a director of Fisher & Paykel Healthcare Corporation Limited (previously known as Fisher & Paykel Industries Limited) since May 1992. Mr Gillanders has also served as a director of Fisher & Paykel Appliances Holdings Limited since November 2001, Rangatira Limited since October 2002, Auckland Packaging Company Limited since October 2002, Vita New Zealand Limited since November 2004 and as Chairman of Auckland Packaging Company Limited since September 2003. Until completion of the reorganisation in November 2001, Mr Gillanders was responsible for Fisher & Paykel Industries' legal, regulatory, compliance and intellectual property rights, and worked on major commercial agreements including acquisitions and divestments by both the appliances and healthcare businesses. Mr Gillanders received his Bachelor of Law degree with honours from the University of Auckland, New Zealand.

SIR COLIN MAIDEN

Sir Colin Maiden, 76, has served as a director of Fisher & Paykel Healthcare Corporation Limited (previously known as Fisher & Paykel Industries Limited) since May 1978 and as Chairman from 1989 until the reorganisation in November 2001. Sir Colin served as the Vice Chancellor of the University of Auckland from January 1971 to November 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, 53, 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 2009.

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 $102.4 million (2008: $58.1 million) was earned for the year ended 31 March 2009.

The profit after tax was $62.2 million (2008: $35.3 million).

Basic earnings per share were 12.2 cents (2008: 6.9 cents).

Shareholders' Equity

Shareholders' equity at 31 March 2009 totalled $204.3 million (2008: $195.7 million).

Share Issues

During the year:

- 69,795 shares were issued under approved Employee Share Purchase Schemes in accordance with the Company's constitution;
- 6,666 shares were issued under Employee Share Option Plans upon the exercise of previously granted share options;
- 1,634 shares were issued under the Cancellation Offer Facility as approved by shareholders on 12 August 2004; and
- 4,000,000 share options were issued under an approved Employee Share Option Plan.

Dividends

The Directors approved a final dividend to be paid on 6 July 2009 of 7.0 cents per share carrying full NZ imputation credit (2008: 7.0 cents, imputation credit 1.5 cents per share), resulting in total dividends of 12.4 cents per share, carrying full NZ imputation credit, for the year (2008: 12.4 cents, imputation credit 4.16 cents per share).

Directors

In accordance with the Constitution, Lindsay Gillanders and Sir Colin Maiden retire and, being eligible, offer themselves for re-election. In addition, Roger France 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.

Remuneration of Directors

Non-executive Directors received the following Directors' fees from the Company in the year ended 31 March 2009:

	$
Gary Paykel	175,763
Nigel Evans	97,288
Roger France	18,205
Lindsay Gillanders	77,938
Sir Colin Maiden	106,748
Arthur Morris	77,938
Michael Smith	133,537
	687,417

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 Directors' 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, in 2004 the Board confirmed that upon the retirement of Sir Colin Maiden he would be paid a retirement allowance of $170,000, being the amount previously resolved by the Board and agreed to by shareholders at the time of separation of the Fisher & Paykel Group into Fisher & Paykel Healthcare and Fisher & Paykel Appliances.

Upon his retirement from the Board on 24 February 2009, Michael Smith received a retirement allowance of $133,074 (in addition to the Directors' fees paid to him for the year ended 31 March 2009 as set out above). The amount of the retirement allowance was calculated in accordance with the policy described above.

The following non-executive Directors' retirement allowances have been provided for by the Company as at 31 March 2009:

	$
Gary Paykel	159,844
Nigel Evans	88,763
Lindsay Gillanders	70,938
Sir Colin Maiden	170,000
	489,545

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 2009 of $745,317.

In addition to this fixed remuneration, Michael Daniell also received performance based at risk components, both paid out and accrued, of $293,631. Michael Daniell was also issued 160,000 options on 3 September 2008 with a fair value of $27,520. 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 employees of the Company or its subsidiaries is included in the relevant bandings of employee remuneration exceeding $100,000 received in the year ended 31 March 2009, set out in the Statutory Information section of this annual report.

This annual report is dated 26 May 2009 and signed on behalf of the Board by:

Gary Paykel
Chairman

Michael Daniell
Managing Director and Chief Executive Officer

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 Securities Exchange (ASX) Corporate Governance Council Corporate Governance Principles and Recommendations, the New Zealand Stock Exchange Listing Rules relating to corporate governance, the 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. The Governance Manual has recently been updated to more accurately reflect the Company's practices.

The Board considers that the Company's corporate governance practices and procedures substantially reflect 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.com).

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.com).

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 responsibilities of the Company to the executive team under the leadership of the Managing Director to achieve the strategic direction and goals determined by the Board.

THE BOARD

BOARD COMPOSITION

At present, there are seven Directors on the Board. Six out of the seven Directors are non-executive Directors. Michael Daniell, the Chief Executive Officer and Managing Director, is the only executive Director on the Board. The Chairman of the Board is Gary Paykel.

The biography of each Board member, including each Director's skills, experience, expertise and the term of office held by each Director at the date of this annual report 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.com). 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.
3. Given that over three years have elapsed since Gary Paykel was an executive of the former Fisher & Paykel Industries Limited, he is considered to be an independent Director of the Company.
4. 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.
5. 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.
6. No Director has a material contractual relationship with the Company or another group member other than as a Director of the Company.
7. 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.
8. 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 2009 six of the seven current Directors are independent Directors, namely Nigel Evans, Sir Colin Maiden, Gary Paykel, Roger France, 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.com).

AUDIT & RISK COMMITTEE

The primary function of the Audit & Risk Committee is to assist the Board in fulfilling its oversight responsibilities relating to the Company's risk management and internal control framework, the integrity of its financial reporting and the Company's auditing processes and activities.

Corporate Governance continued

Under the Audit & Risk Committee Charter, the Committee must be comprised of non-executive directors, the majority of whom must be independent. Further, the Chair of the Committee must be an independent director and cannot be the Chairman of the Board.

The current members of the Audit & Risk Committee are Roger France (Chairman), Sir Colin Maiden and Nigel Evans and their qualifications are specified in the "Board of Directors" section of this annual report. All members of the Audit & Risk Committee are independent non-executive directors.

Further details are provided in the Audit & Risk Committee Charter available on the Company's website (www.fphcare.com).

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 Roger France. All members of the Remuneration Committee are independent.

Using the Board's criteria for assessment of independence (outlined on the previous page), 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 Roger France. All members of the Nomination Committee are independent.

BOARD PROCESSES

The Board held 10 meetings during the year ended 31 March 2009. 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
Gary Paykel	10	10			1	1
Michael Daniell	10	10				
Nigel Evans	10	9	4	4		
Roger France	2	2	1	1		
Lindsay Gillanders	10	10				
Sir Colin Maiden	10	10	4	4	1	1
Arthur Morris	10	10				
Michael Smith	9	9	3	3	1	1

The Nomination Committee did not meet during the year ended 31 March 2009. However, all members of the Nomination Committee were present at the meeting of the Board on 24 February 2009 at which the appointment of Roger France was discussed and approved.

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 and Roger France, hold shares in the Company, details of which are set out in the "Directors' Shareholdings" 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. In 2004 the Board confirmed that upon the retirement of Sir Colin Maiden he would be paid a retirement allowance of $170,000, being the amount previously resolved by the Board and agreed to by shareholders at the time of separation of the Fisher & Paykel Group into Fisher & Paykel Healthcare and Fisher & Paykel Appliances. This retirement payment will meet the NZSX Listing Rules criteria.

Upon his retirement from the Board on 24 February 2009, Michael Smith received a retirement allowance of $133,074. 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 Company-wide profit sharing bonus, a variable remuneration component based on relevant performance measures, 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.

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.

Corporate Governance continued

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 2009, the Board conducted a performance evaluation in accordance with its policies. A summary of the Company's Performance Evaluation Policy is available on the Company's website (www.fphcare.com).

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 for the oversight and management of financial and non-financial material business risks, 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.

A summary of the Company's Risk Management Policy is available on the Company's website (www.fphcare.com).

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.

The Audit & Risk Committee, in conjunction with management, regularly reports to the Board on the effectiveness of the Company's management of its material business risks and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

As the Company is not a company registered under the Corporations Act 2001 (Commonwealth) ('Act') or a disclosing entity incorporated or formed in Australia for the purposes of the Act, the Chief Executive Officer and Chief Financial Officer are not required to provide a declaration to the Board with respect to the Company's financial statements under section 295A of the Act. However, the Audit & Risk Committee closely monitors financial reporting risks in relation to the preparation of the financial statements. The Audit & Risk Committee, with the assistance of management, work to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Audit & Risk Committee regularly reports to the Board in this regard.

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. Further information with respect to a number of these policies appears below.

TRADING BY COMPANY DIRECTORS AND OFFICERS POLICY

The Trading by Company Directors and Officers Policy identifies circumstances where Directors and officers are permitted or prohibited from trading Company shares. The Company is committed to complying with legal and statutory requirements with respect to ensuring directors and officers do not trade Company shares while in possession of inside information.

With respect to employee share purchase plans or equity based remuneration schemes operating with respect to Company securities, no director or employee is permitted to enter into financial products or arrangements which operate to limit the economic risk of their vested or unvested entitlements.

A summary of the Trading by Company Directors and Officers Policy is available on the Company's website (www.fphcare.com).

MARKET DISCLOSURE POLICY

The Company is committed to the promotion of investor confidence by ensuring that the trading of Company shares takes place in an efficient, competitive and informed market. The Company's Market Disclosure Policy establishes the Company's disclosure policies for meeting the continuous disclosure requirements of both the NZX and the ASX. A summary of the Market Disclosure Policy is available on the Company's website (www.fphcare.com).

SHAREHOLDER COMMUNICATION POLICY

The aim of the Company's communications arrangements is to provide shareholders with information about the Company and to enable shareholders to actively engage with the Company and exercise their rights as shareholders in an informed manner. The Company's Shareholder Communication Policy facilitates communication with shareholders through written and electronic communication, and by facilitating shareholder access to directors, management and the Company's auditors.

A summary of the Shareholder Communication Policy is available on the Company's website (www.fphcare.com).

Five Year Summary (NZ$)

For the year ended 31 March

	2009 NZ$000	2008 NZ$000	2007 NZ$000	2006 NZ$000	2005 NZ$000
			(except as otherwise stated)		
FINANCIAL PERFORMANCE					
Sales revenue	**485,516**	345,966	342,978	289,547	240,566
Foreign exchange gain (loss) on hedged sales	**(26,799)**	11,927	4,179	34,910	30,884
Total operating revenue	**458,717**	357,893	347,157	324,457	271,450
Cost of sales	**(212,087)**	(177,811)	(151,298)	(121,365)	(98,127)
Gross profit	**246,630**	180,082	195,859	203,092	173,323
Gross margin	**53.8%**	50.3%	56.4%	62.6%	63.9%
Other income	**3,000**	-	-	-	-
Selling, general and administrative expenses	**(118,929)**	(97,859)	(95,909)	(81,679)	(67,382)
Research and development expenses	**(28,310)**	(24,091)	(20,668)	(17,348)	(16,196)
Operating profit before financing costs	**102,391**	58,132	79,282	104,065	89,745
Operating margin	**22.3%**	16.2%	22.8%	32.1%	33.1%
Net financing income (expense)	**(17,353)**	(3,822)	337	350	1,247
Other income	**-**	-	-	-	570
Profit before tax	**85,038**	54,310	79,619	104,415	91,562
Tax expense	**(22,805)**	(19,034)	(29,115)	(34,450)	(30,157)
Profit after tax	**62,233**	35,276	50,504	69,965	61,405
Revenue by region:					
North America	**208,861**	165,685	169,689	168,610	132,250
Europe	**151,907**	115,999	107,938	86,421	77,917
Asia Pacific	**71,787**	58,287	53,412	54,656	50,422
Other	**26,162**	17,922	16,118	14,770	10,861
Total	**458,717**	357,893	347,157	324,457	271,450
Revenue by product group:					
Respiratory & acute care	**244,527**	182,043	175,950	162,537	142,940
Obstructive sleep apnea	**202,604**	165,378	161,059	152,150	118,275
Core products subtotal	**447,131**	347,421	337,009	314,687	261,215
Distributed and other	**11,586**	10,472	10,148	9,770	10,235
Total	**458,717**	357,893	347,157	324,457	271,450
FINANCIAL POSITION					
Tangible assets	**371,520**	313,667	305,283	253,896	213,331
Intangible assets	**42,217**	18,000	21,492	13,574	16,979
Total assets	**413,737**	331,667	326,775	267,470	230,310
Liabilities	**(209,436)**	(136,003)	(90,228)	(63,477)	(38,279)
Shareholders' equity	**204,301**	195,664	236,547	203,993	192,031
Net tangible asset backing (cents per share)	**31.8**	34.9	42.1	37.4	37.4
Pre-tax return on average total assets percentage	**22.8%**	16.5%	26.8%	42.0%	40.3%
Pre-tax return on average equity percentage	**42.5%**	25.1%	36.1%	52.7%	47.8%
CASH FLOWS					
Net cash flow from operating activities	**62,065**	44,351	56,346	96,459	72,129
Net cash flow (used in) investing activities	**(22,368)**	(13,457)	(16,745)	(51,652)	(13,846)
Net cash flow (used in) financing activities	**(37,121)**	(35,848)	(47,997)	(50,662)	(65,535)

2007 - 2009 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

	2009 NZ$000	2008 NZ$000	2007 NZ$000 (except as otherwise stated)	2006 NZ$000	2005 NZ$000
SHARES OUTSTANDING					
Weighted basic average shares outstanding	**509,492,237**	509,402,778	510,849,528	508,382,132	508,686,610
Weighted diluted average shares outstanding	**527,363,056**	524,856,394	524,759,124	524,846,569	523,841,480
Basic shares outstanding at end of the year	**509,530,912**	509,452,817	511,248,727	509,331,940	508,635,387
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	**7.0**	7.0	7.0	5.8	5.6
Interim	**5.4**	5.4	5.4	5.4	5.0
Total ordinary dividends	**12.4**	12.4	12.4	11.2	10.6
Basic earnings per share	**12.2**	6.9	9.9	13.8	12.1
Diluted earnings per share	**11.8**	6.7	9.6	13.3	11.7
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	**79**	81	76	61	52
Number of United States patent applications	**73**	60	67	71	70
Number of Rest of World patents	**292**	246	208	145	97
Number of Rest of World patent applications	**212**	256	222	236	234
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**28,310**	24,091	20,668	17,348	16,196
Percentage of operating revenue	**6.2%**	6.7%	6.0%	5.3%	6.0%
CAPITAL EXPENDITURE					
Operational	**19,581**	11,025	17,079	14,655	9,499
Land and buildings	**782**	641	11,627	38,942	8,296
Total	**20,363**	11,666	28,706	53,597	17,795
Capital expenditure : depreciation ratio	**1.3**	0.9	2.2	5.9	2.1
NUMBER OF EMPLOYEES					
By function:					
Research and development	**253**	240	225	190	170
Manufacturing and operations	**1,240**	1,074	929	676	579
Sales, marketing and distribution	**493**	454	398	345	288
Management and administration	**98**	91	86	65	59
Total	**2,084**	1,859	1,638	1,276	1,096
By region:					
New Zealand	**1,666**	1,471	1,304	983	855
North America	**151**	142	131	112	85
Europe	**166**	157	133	121	104
Rest of World	**101**	89	70	60	52
Total	**2,084**	1,859	1,638	1,276	1,096
AVERAGE DAILY EXCHANGE RATES (NZ$1 =)					
USD	**0.6524**	0.7594	0.6568	0.6915	0.6738
AUD	**0.8216**	0.8750	0.8583	0.9180	0.9119
GBP	**0.3773**	0.3782	0.3468	0.3872	0.3651
EUR	**0.4552**	0.5367	0.5117	0.5677	0.5356
JPY	**66.21**	86.78	76.83	78.19	72.36
INR	**29.47**	30.44	29.62	30.53	30.21

Five Year Summary (US$)

For the year ended 31 March

	2009 US$000	2008 US$000	2007 US$000 (except as otherwise stated)	2006 US$000	2005 US$000
FINANCIAL PERFORMANCE					
Sales revenue	**316,751**	262,415	226,366	199,556	162,599
Foreign exchange gain (loss) on hedged sales	**(17,484)**	9,047	2,758	24,060	20,874
Total operating revenue	**299,267**	271,462	229,124	223,616	183,473
Cost of sales	**(138,366)**	(134,870)	(99,857)	(83,645)	(66,324)
Gross profit	**160,901**	136,592	129,267	139,971	117,149
Gross margin	**53.8%**	50.3%	56.4%	62.6%	63.9%
Other income	**1,957**	-	-	-	-
Selling, general and administrative expenses	**(77,589)**	(74,226)	(63,300)	(56,293)	(45,543)
Research and development expenses	**(18,469)**	(18,273)	(13,641)	(11,956)	(10,947)
Operating profit before financing costs	**66,800**	44,093	52,326	71,722	60,659
Operating margin	**22.3%**	16.2%	22.8%	32.1%	33.1%
Net financing income (expense)	**(11,321)**	(2,899)	223	241	843
Other income	-	-	-	-	385
Profit before tax	**55,479**	41,194	52,549	71,963	61,887
Tax expense	**(14,878)**	(14,437)	(19,216)	(23,743)	(20,383)
Profit after tax	**40,601**	26,757	33,333	48,220	41,504
Revenue by region:					
North America	**136,402**	125,624	112,044	116,061	89,662
Europe	**98,677**	88,062	71,297	59,619	52,624
Asia Pacific	**47,172**	44,180	35,170	37,772	33,850
Other	**17,016**	13,596	10,613	10,164	7,337
Total	**299,267**	271,462	229,124	223,616	183,473
Revenue by product group:					
Respiratory & acute care	**160,126**	138,126	116,096	112,073	96,502
Obstructive sleep apnea	**131,485**	125,411	106,350	104,788	80,112
Core products subtotal	**291,611**	263,537	222,446	216,861	176,614
Distributed and other	**7,656**	7,925	6,678	6,755	6,859
Total	**299,267**	271,462	229,124	223,616	183,473
FINANCIAL POSITION					
Tangible assets	**207,865**	246,354	218,003	155,308	179,784
Intangible assets	**23,620**	14,137	15,347	8,303	9,612
Total assets	**231,485**	260,491	233,350	163,611	189,396
Liabilities	**(117,179)**	(106,817)	(64,432)	(38,828)	(44,949)
Shareholders' equity	**114,306**	153,674	168,918	124,783	144,447
Net tangible asset backing (cents per share)	**17.8**	27.4	30.0	22.9	26.5
Pre-tax return on average total assets percentage	**22.6%**	16.7%	26.5%	40.8%	36.2%
Pre-tax return on average equity percentage	**41.4%**	25.5%	35.8%	53.5%	45.6%
CASH FLOWS					
Net cash flow from operating activities	**34,725**	33,640	37,188	66,480	48,753
Net cash flow (used in) investing activities	**(12,515)**	(10,207)	(11,052)	(35,599)	(9,359)
Net cash flow (used in) financing activities	**(20,769)**	(27,191)	(31,678)	(35,733)	(44,295)

2007 - 2009 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

	2009 US$000	2008 US$000	2007 US$000	2006 US$000	2005 US$000
		(except as otherwise stated)			
SHARES OUTSTANDING					
Weighted basic average shares outstanding	**509,492,237**	509,402,778	510,849,528	508,382,132	508,686,610
Weighted diluted average shares outstanding	**527,363,056**	524,856,394	524,759,124	524,846,569	523,841,480
Basic shares outstanding at end of the year	**509,530,912**	509,452,817	511,248,727	509,331,940	508,635,387
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	**4.6**	5.2	4.4	4.1	4.0
Interim	**3.5**	4.2	3.7	3.8	3.0
Total ordinary dividends	**8.1**	9.4	8.1	7.9	7.0
Basic earnings per share	**8.0**	5.3	6.5	9.5	8.2
Diluted earnings per share	**7.7**	5.1	6.4	9.2	7.9
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	**79**	81	76	61	52
Number of United States patent applications	**73**	60	67	71	70
Number of Rest of World patents	**292**	246	208	145	97
Number of Rest of World patent applications	**212**	256	222	236	234
RESEARCH AND DEVELOPMENT					
Research and development expenditure	**18,469**	18,273	13,641	11,956	10,947
Percentage of operating revenue	**6.2%**	6.7%	6.0%	5.3%	6.0%
CAPITAL EXPENDITURE					
Operational	**12,775**	8,362	11,272	10,100	6,421
Land and buildings	**510**	486	7,674	26,839	5,607
Total	**13,285**	8,848	18,946	36,939	12,028
Capital expenditure : depreciation ratio	**1.3**	0.9	2.2	5.9	2.1
NUMBER OF EMPLOYEES					
By function:					
Research and development	**253**	240	225	190	170
Manufacturing and operations	**1,240**	1,074	929	676	579
Sales, marketing and distribution	**493**	454	398	345	288
Management and administration	**98**	91	86	65	59
Total	**2,084**	1,859	1,638	1,276	1,096
By region:					
New Zealand	**1,666**	1,471	1,304	983	855
North America	**151**	142	131	112	85
Europe	**166**	157	133	121	104
Rest of World	**101**	89	70	60	52
Total	**2,084**	1,859	1,638	1,276	1,096
AVERAGE DAILY EXCHANGE RATES (US$1 =)					
NZD	**1.5328**	1.3169	1.5225	1.4461	1.4841
AUD	**1.2594**	1.1522	1.3068	1.3275	1.3533
GBP	**0.5783**	0.4981	0.5279	0.5599	0.5418
EUR	**0.6977**	0.7067	0.7790	0.8210	0.7948
JPY	**101.49**	114.28	116.98	113.07	107.39
INR	**45.17**	40.09	45.10	44.15	44.83

Auditors' Report

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

We have audited the financial statements on pages 37 to 78. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 41 to 50.

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 2009 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 providers of tax and other assurance services.

Unqualified Opinion

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

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
(b) the financial statements on pages 37 to 78:
    (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 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 May 2009 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Auckland

Income Statements

For the year ended 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Notes	Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
39,838	**46,533**	**Operating revenue**	4	**458,717**	357,893
		Cost of sales		**(212,087)**	(177,811)
39,838	**46,533**	Gross profit		**246,630**	180,082
-	**172**	Other income	5	**3,000**	-
(1,171)	**(1,136)**	Selling, general and administrative expenses		**(118,929)**	(97,859)
		Research and development expenses		**(28,310)**	(24,091)
38,667	**45,569**	**Operating profit before financing costs**		**102,391**	58,132
		Financing income		**1,263**	711
(1,720)	**-**	Financing expense		**(8,777)**	(5,748)
		Exchange (loss) gain on foreign currency borrowings		**(9,839)**	1,215
(1,720)	**-**	**Net financing (expense)**		**(17,353)**	(3,822)
36,947	**45,569**	**Profit before tax**	5,7	**85,038**	54,310
(1,228)	**(461)**	Tax expense	7	**(22,805)**	(19,034)
35,719	**45,108**	**Profit after tax**		**62,233**	35,276
		Basic earnings per share	22	**12.2 cps**	6.9 cps
		Diluted earnings per share	22	**11.8 cps**	6.7 cps
		Weighted average basic ordinary shares outstanding	22	**509,492,237**	509,402,778
		Weighted average diluted ordinary shares outstanding	22	**527,363,056**	524,856,394

The accompanying accounting policies and notes form an integral part of the financial statements.

Statements of Changes in Equity

For the year ended 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Notes	Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
106,317	**68,733**	**Total equity at beginning of the year**		**195,664**	236,547
		Changes in fair value of cash flow hedges	21	**(3,071)**	(1,330)
		Transfers to net profit from cash flow hedge reserve	21	**(743)**	(2,991)
		Tax on cash flow hedge reserve movements	16,21	**1,144**	1,465
		Income and expenses recognised directly in equity		**(2,670)**	(2,856)
35,719	**45,108**	Profit after tax		**62,233**	35,276
		Revaluation of land	13,21	**10,850**	-
35,719	**45,108**	**Total recognised income and expenses for the year**		**73,083**	35,276
(63,250)	**(63,175)**	Dividends paid	21	**(63,175)**	(63,250)
2,106	**202**	Issue of share capital	20	**202**	2,106
(12,252)	**-**	Repurchase of share capital	20	**-**	(12,252)
(134)	**133**	Movement in employee share entitlement reserve	21	**133**	(134)
266	**837**	Movement in employee share option reserve	21	**837**	266
(735)	**164**	Movement in treasury shares	21	**164**	(735)
514	**5**	Shares issued under share option schemes for employee services	20	**5**	514
182	**58**	Employee share scheme shares issued for employee services	20	**58**	182
68,733	**52,065**	**Total equity at end of the year**		**204,301**	195,664

The accompanying accounting policies and notes form an integral part of the financial statements.

Balance Sheets

As at 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Notes	Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		ASSETS			
		Current assets			
		Cash and cash equivalents	8	**5,465**	5,263
41	**40**	Trade and other receivables	9	**80,996**	60,262
		Inventories	10	**69,946**	50,770
		Derivative financial instruments	11	**7,566**	3,311
3,602	**2,710**	Tax receivable	12	**8,702**	9,968
56,808	**41,161**	Intergroup advances	25		
60,451	**43,911**	**Total current assets**		**172,675**	129,574
		Non-current assets			
		Property, plant and equipment	13	**204,558**	186,489
		Intangible assets	14	**4,469**	4,287
8,887	**8,741**	Investments in subsidiaries	15		
		Other receivables	9	**1,853**	915
		Derivative financial instruments	11	**13,334**	1,685
173	**145**	Deferred tax asset	16	**16,848**	8,717
69,511	**52,797**	**Total assets**		**413,737**	331,667
		LIABILITIES			
		Current liabilities			
		Interest-bearing liabilities	17	**23,447**	65,007
201	**242**	Trade and other payables	18	**57,737**	41,550
		Provisions	19	**2,203**	2,342
		Tax payable	12	**593**	640
		Derivative financial instruments	11	**9,874**	842
201	**242**	**Total current liabilities**		**93,854**	110,381
		Non-current liabilities			
		Interest-bearing liabilities	17	**97,510**	21,107
		Provisions	19	**1,160**	640
577	**490**	Other payables	18	**3,223**	2,720
		Derivative financial instruments	11	**13,689**	1,155
778	**732**	**Total liabilities**		**209,436**	136,003
		EQUITY			
6,083	**6,348**	Share capital	20	**6,348**	6,083
(2,436)	**(2,272)**	Treasury shares	20,21	**(2,272)**	(2,436)
62,642	**44,575**	Retained earnings	21	**187,726**	188,668
		Asset revaluation reserve	21	**10,850**	-
		Cash flow hedge reserve	21	**(1,765)**	905
184	**317**	Employee share entitlement reserve	21	**317**	184
2,260	**3,097**	Employee share option reserve	21	**3,097**	2,260
68,733	**52,065**	**Total equity**		**204,301**	195,664
69,511	**52,797**	**Total liabilities and equity**		**413,737**	331,667

The accompanying accounting policies and notes form an integral part of the financial statements.

On behalf of the Board
26 May 2009

G A Paykel
Chairman

M G Daniell
Managing Director and Chief Executive Officer

Statements of Cash Flows

For the year ended 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Notes	Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		CASH FLOWS FROM OPERATING ACTIVITIES			
		Receipts from customers		**456,418**	356,551
33,363	**43,937**	Dividends received			
6,475	**2,596**	Interest received		**1,163**	590
(1,133)	**(1,185)**	Payments to suppliers and employees		**(363,436)**	(291,423)
		Tax paid		**(22,818)**	(15,740)
(1,773)	**-**	Interest paid		**(9,262)**	(5,627)
36,932	**45,348**	**Net cash flows from operating activities**	26	**62,065**	44,351
		CASH FLOWS (USED IN) INVESTING ACTIVITIES			
		Sales of property, plant and equipment		**1**	34
		Purchases of property, plant and equipment		**(20,363)**	(11,666)
		Purchases of intangible assets		**(2,006)**	(1,825)
		Net cash flows (used in) investing activities		**(22,368)**	(13,457)
		CASH FLOWS (USED IN) FINANCING ACTIVITIES			
		Employee share purchase schemes		**605**	488
1,091	**186**	Issue of share capital		**186**	1,091
(12,252)	**-**	Repurchase of share capital		**-**	(12,252)
		New borrowings		**36,970**	55,345
		Repayment of borrowings		**(8,580)**	(12,498)
42,251	**20,768**	Intercompany borrowings			
(63,250)	**(63,175)**	Dividends paid		**(63,175)**	(63,250)
(4,772)	**(3,127)**	Supplementary dividends paid to overseas shareholders		**(3,127)**	(4,772)
(36,932)	**(45,348)**	**Net cash flows (used in) financing activities**		**(37,121)**	(35,848)
-	**-**	Net increase (decrease) in cash		**2,576**	(4,954)
		Opening cash		**(3,294)**	2,283
		Effect of foreign exchange rates		**516**	(623)
		Closing cash		**(202)**	(3,294)
		RECONCILIATION OF CLOSING CASH			
		Cash and cash equivalents	8	**5,465**	5,263
		Bank overdrafts	17	**(5,667)**	(8,557)
		Closing cash		**(202)**	(3,294)

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 2009

1. GENERAL INFORMATION

Fisher & Paykel Healthcare Corporation Limited ("Company" or "Parent") together with its subsidiaries ("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 120 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 2013.

These consolidated financial statements were approved for issue by the Board of Directors on 26 May 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the year ended 31 March 2009 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). 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 (NZSX) 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.

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 profit or loss, and the revaluation of land at fair value through equity.

Critical accounting estimates and judgements

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.

Judgements

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. In the ordinary course of business there are some transactions for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determinations are finalised. Refer further detail in Notes 7, 12 and 16.

Estimates

Warranty

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. The calculation of the provision requires estimates.

Notes to the Financial Statements

For the year ended 31 March 2009

Fair value of derivative financial instruments

The Group holds significant amounts of derivatives which are hedge accounted. The estimation of fair values is determined in accordance with the accounting policy stated in Note 2 (O).

B. PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at balance date 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 acquired, 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, 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

Investments in subsidiary companies are valued at cost in the Parent.

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 subsidiaries are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The Group operates as one integrated business. The financial statements are presented in New Zealand dollars, which is the Company's and its subsidiaries' functional currency. The Company's and Group's presentation currency is New Zealand dollars.

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 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.

Notes to the Financial Statements

For the year ended 31 March 2009

E. REVENUE RECOGNITION

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

Sale of 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 recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

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. CURRENT AND DEFERRED 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 any 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).

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. Bank overdrafts are shown within current interest-bearing liabilities on the Balance Sheet.

Notes to the Financial Statements

For the year ended 31 March 2009

K. TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables balances are reviewed on an ongoing basis. Debts known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between an asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within selling, general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses in the Income Statement.

L. INVENTORIES

Inventories are stated at the lower of cost or 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 financing costs.

M. DERIVATIVES

The Group hedge accounts certain derivative financial instruments. 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 at balance date. 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 Group 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).

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 cash flow hedge 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, 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.

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.

Notes to the Financial Statements

For the year ended 31 March 2009

N. FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and 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.

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, except for maturities greater than 12 months after the Balance Sheet date. Derivatives that are designated as hedges can be classified as non-current if they are in a long-term relationship.

Loans and receivables

Loans and 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 date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables in the Balance Sheet.

Recognition and measurement

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 asset. 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. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement within operating profit in the period in which they arise.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 9.

O. FAIR VALUE ESTIMATION FOR FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the mid-point between the bid price and offer price at balance date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance date.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values.

P. PROPERTY, PLANT AND EQUIPMENT

Land is measured at fair value, based on periodic but at least triennial valuations by external independent valuers less any impairment losses recognised after the date of the revaluation.

All other 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 an 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
• Leasehold improvements	2 - 20 years
• Plant and equipment	3 - 15 years
• Vehicles	5 years
• Tooling	3 - 7 years

Notes to the Financial Statements

For the year ended 31 March 2009

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.

Revaluations of land

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Q. INTANGIBLE ASSETS

Patents and trademarks

Patents and trademarks 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 and trademarks 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 not amortised, instead it is tested annually for impairment or immediately if events or changes in circumstances indicate that it might be impaired. Goodwill is 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 of the financial period which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 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. Borrowing costs are expensed as incurred.

T. FINANCING EXPENSE

Financing expense comprises interest expense on interest-bearing liabilities calculated using the effective interest method, and other associated borrowing costs.

Notes to the Financial Statements

For the year ended 31 March 2009

U. PROVISIONS

Provisions are recognised when the Group 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.

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 other payables 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 option 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.

Notes to the Financial Statements

For the year ended 31 March 2009

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 profit or loss, 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.

X. RESERVES

Nature and purpose of reserves

Asset revaluation reserve

Refer accounting policy stated in Note 2 (P).

Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a forward foreign currency cash flow hedge that are recognised directly in equity. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

Employee share entitlement reserve

The employee share entitlement reserve is used to recognise the fair value of shares granted but not vested. Amounts are transferred to share capital when the shares vest to the employee.

Employee share option reserve

The employee share option reserve is used to recognise the fair value of options granted but not exercised. Amounts are transferred to share capital when the options are exercised by the employee.

Treasury shares

Treasury stock is used to recognise those shares held and controlled by Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited.

Y. 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.

Z. 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.

Notes to the Financial Statements

For the year ended 31 March 2009

AA. 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.

AB. ADVERTISING AND SALES PROMOTION COSTS

All advertising and sales promotion costs are expensed as incurred.

AC. 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 the volume of transactions involved.

AD. FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires a company within the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. Financial guarantees are subsequently measured at the greater of the initial recognition amount less amounts recognised as income or the estimated amount expected to have to be paid to a holder for a loss incurred.

AE. CHANGES TO ACCOUNTING POLICIES

There has been a change in accounting policy adopted for the valuation of land as allowed under NZ IAS 16 Property, Plant and Equipment whereby land is now recorded at fair value rather than cost. This has resulted in an increase in the carrying value of land of $10,850,000. The Group believes that the recording and disclosure of land at fair value rather than cost more accurately presents the Group's economic interest in the land.

There have been no other changes in accounting policies.

AF. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

The following standards, interpretations and amendments to published standards that are applicable to the Group but are not yet effective, and have not been early adopted by the Group, are:

NZ IFRS 3: Business Combinations (Revised) and NZ IAS 27: Consolidated and Separate Financial Statements (Revised)

Effective for annual periods beginning on or after 1 July 2009. The amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent re-measurement of the business combination must be put through the Income Statement. Both standards must be adopted at the same time. Impact is dependent on acquisition activity.

This standard has been amended in a number of areas, of which the significant amendments are as follows:

- Transaction costs incurred in connection with the business combination are expensed when incurred and are no longer included in the cost of the acquiree.
- An acquirer recognises contingent consideration at fair value at the acquisition date. Subsequent changes in the fair value of such contingent consideration will often affect the Income Statement.
- The acquirer recognises either the entire goodwill inherent in the acquiree, independent of whether a 100% interest is acquired (full goodwill method), or only the portion of the total goodwill which corresponds to the proportionate interest acquired (as currently the case under NZ IFRS 3).

NZ IFRS 8: Operating Segments

Effective for annual periods beginning on or after 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.

Notes to the Financial Statements

For the year ended 31 March 2009

NZ IFRS 2: Share-based payment - Vesting Conditions and Cancellations

Effective for annual periods beginning on or after 1 January 2009. The amendment includes a number of updates including the revised definitions of 'vest' and 'vesting conditions' and requirements in respect of the treatment of non-vesting conditions and cancellations. The impacts are not expected to be material to the Group.

NZ IAS 1 (Amendment): Presentation of Financial Statements

Effective for periods beginning on or after 1 January 2009. The amendment requires a number of changes to the presentation and disclosure in financial statements. This will have an impact on disclosure only.

The Group will adopt these standards, interpretations, and amendments when they become mandatory.

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 the 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 may be 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 (iv).

(ii) Price risk

The Group has no material exposure to price risk.

(iii) 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 (iv). Refer to Note 17 for further details of the Group's borrowings.

Notes to the Financial Statements

For the year ended 31 March 2009

(iv) 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 +/-15% for foreign exchange risk has been selected (2008: +/-10%). 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. The Group believes that an overall sensitivity of +/-15% is reasonably possible given the exchange rate volatility observed on a historical basis for the preceding 5 year period with a higher weighting given to exchange rate volatility over the preceding year and the range of market expectations for potential future movements. A sensitivity of +/-1% has been selected for interest rate risk. This 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. The tables assume a +/-15% (2008: +/-10%) movement in the New Zealand dollar against all currencies.

2009		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	-15% Profit NZ$000	-15% Equity NZ$000	+15% Profit NZ$000	+15% Equity NZ$000
DERIVATIVE FINANCIAL INSTRUMENTS	**(2,663)**	**-**	**(3,199)**	**-**	**3,005**	**(3,523)**	**(71,839)**	**2,355**	**54,726**
OTHER FINANCIAL ASSETS:									
Cash and cash equivalents	**5,465**	**(3)**	**-**	**8**	**-**	**582**	**-**	**(582)**	**-**
Trade receivables	**75,357**	**-**	**-**	**-**	**-**	**8,169**	**-**	**(8,169)**	**-**
OTHER FINANCIAL LIABILITIES:									
Trade and other payables	**41,374**	**(161)**	**-**	**188**	**-**	**(2,930)**	**-**	**2,930**	**-**
Interest-bearing liabilities	**120,957**	**816**	**-**	**(816)**	**-**	**(5,987)**	**-**	**5,987**	**-**
Total increase/(decrease)		**652**	**(3,199)**	**(620)**	**3,005**	**(3,689)**	**(71,839)**	**2,521**	**54,726**

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 receivables	56,479	-	-	-	-	3,490	-	(3,490)	-
OTHER FINANCIAL LIABILITIES:									
Trade and other payables	30,184	(144)	-	168	-	(1,123)	-	1,123	-
Interest-bearing liabilities	86,114	580	-	(580)	-	(1,923)	-	1,923	-
Total increase/(decrease)		423	(570)	(327)	570	(422)	(9,322)	(594)	8,809

The exchange rate and interest rate sensitivities for 2009 are greater than 2008 as lower exchange rates and interest rates in 2009 have resulted in an increase in exchange rate and interest rate hedging. Additionally, as noted above, an exchange rate sensitivity of +/-15% has been used for 2009 versus +/-10% for 2008, which has resulted in a larger sensitivity for 2009. The Parent is not directly exposed to any significant financial risk.

Notes to the Financial Statements

For the year ended 31 March 2009

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. If customers are independently rated, these ratings are used. If there is no independent rating, management assesses the credit quality of the customer taking into account the customer's financial position, past experience and other factors. The Group holds no collateral over its trade receivables.

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

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

	2009 NZ$000	2008 NZ$000
North America	**33,716**	24,671
Europe	**28,380**	21,662
Asia Pacific	**8,866**	7,274
Other	**5,453**	3,632
Total	**76,415**	57,239

The maximum potential exposure to credit risk is:

	2009 NZ$000	2008 NZ$000
Cash and cash equivalents	**5,465**	5,263
Trade receivables	**76,415**	57,239
Derivative financial instruments	**20,900**	4,996
Total	**102,780**	67,498

See Notes 9 and 11 for further disclosure on credit risk.

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 Parent's liquidity risk exposure is not significant.

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 2009	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	**5,905**	**-**	**-**	**-**
Trade and other payables	**40,885**	**489**	**-**	**-**
Borrowings	**23,097**	**42,434**	**64,911**	**-**

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	9,046	-	-	-
Trade and other payables	29,605	579	-	-
Borrowings	60,765	3,019	21,354	-

Notes to the Financial Statements

For the year ended 31 March 2009

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 10 years:

AS AT 31 MARCH 2009	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	**162,723**	**108,440**	**341,557**	**22,424**
Outflow	**(161,069)**	**(105,189)**	**(341,070)**	**(22,448)**
Net inflow (outflow)	**1,654**	**3,251**	**487**	**(24)**
Foreign currency option contracts*				
Inflow	**-**	**-**	**-**	**-**
Outflow	**-**	**-**	**-**	**-**
Net inflow	**-**	**-**	**-**	**-**
NET SETTLED DERIVATIVES				
Interest rate swaps**				
Net (outflow)	**(1,440)**	**(1,034)**	**(1,905)**	**(959)**

* There are no contractual cash flows in relation to foreign currency option contracts.

** 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.

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	-
Foreign currency option contracts*				
Inflow	-	-	-	-
Outflow	-	-	-	-
Net inflow	-	-	-	-
NET SETTLED DERIVATIVES				
Interest rate swaps**				
Net (outflow)	(417)	(382)	(569)	-

* There are no contractual cash flows in relation to foreign currency option contracts.

** 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 2009

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 instruments for disclosure and recognition 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. The fair value estimates are compared to valuations prepared by the respective counterparties. 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 has been no change in Group policies or objectives in relation to capital risk management since the prior year.

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 (refer to Note 17 for a listing of the principal covenants). The consequences of a breach of these covenants would depend on the nature of the breach, but could range from an instigation of an event of review, to a demand for repayment. There have been no breaches of these covenants or events of review for the current or prior period.

Parent			Consolidated	
2008 NZ$000	2009 NZ$000		2009 NZ$000	2008 NZ$000
		4. OPERATING REVENUE		
		Sales revenue	**485,516**	345,966
		Foreign exchange gain (loss) on hedged sales	**(26,799)**	11,927
33,363	**43,937**	Dividends		
6,475	**2,596**	Interest income on intergroup advances		
39,838	**46,533**	**Total operating revenue**	**458,717**	357,893

Notes to the Financial Statements

For the year ended 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		5. NET OPERATING PROFIT		
36,947	**45,569**	Profit before tax	**85,038**	54,310
		AFTER CHARGING THE FOLLOWING SPECIFIC EXPENSES:		
		Auditors' fees:		
		Statutory audit	**597**	436
		Auditor's half year review	**30**	30
		Accounting standards advice	**29**	46
		Tax compliance fees	**80**	44
		Total auditors' fees	**736**	556
		Donations	**21**	13
		Depreciation:		
		Buildings - structure	**1,327**	1,008
		Buildings - fit-out and other	**4,089**	4,296
		Leasehold improvements	**160**	50
		Plant and equipment	**9,800**	8,217
		Total depreciation	**15,376**	13,571
		Inventory obsolescence	**1,421**	369
		Rental expense	**3,012**	2,338
		Operating leases	**3,790**	3,409
		Amortisation:		
		Patents and trademarks	**995**	1,183
		Software	**931**	798
		Total amortisation	**1,926**	1,981
		Bad debts written off	**562**	284
		Movement in provision for doubtful debts	**298**	(23)
636	**687**	Directors' fees paid	**687**	636
66	**133**	Directors' retirement fees paid	**133**	66
(26)	**(88)**	Movement in accrual for directors' retirement fees	**(88)**	(26)
		AFTER CREDITING THE FOLLOWING SPECIFIC INCOME:		
		Research and development tax credit	**3,000**	-
-	**172**	Gain on transfer of subsidiary company shares		

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		6. EMPLOYEE BENEFITS		
		Wages and salaries	**144,946**	116,108
		Other employment costs	**7,900**	8,399
		Employer contributions to superannuation plans	**5,046**	3,832
		Movement in liability for long service leave	**(22)**	(419)
		Employee share purchase plans - discount on issue	**154**	132
		Employee share purchase plans - interest-free loan	**81**	70
		Employee stock purchase plans	**39**	35
		Employee share option plans	**845**	780
			158,989	128,937

Notes to the Financial Statements

For the year ended 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		7. TAX EXPENSE		
36,947	**45,569**	**Profit before tax**	**85,038**	54,310
12,193	**13,671**	Tax expense at the New Zealand rate of 30% (2008: 33%)	**25,511**	17,922
		Adjustments to tax for:		
		Research and development tax credit	**(900)**	-
(11,026)	**(13,233)**	Non-assessable income	**(132)**	(236)
		Effect of foreign currency translations	**(2,786)**	587
11	**11**	Non-deductible expenses	**476**	328
		Foreign rates other than 30% (2008: 33%)	**1,445**	236
17	**-**	Effect of change in the corporate tax rate	**-**	429
33	**12**	Other	**(809)**	(232)
1,228	**461**	**Tax expense**	**22,805**	19,034
		This is represented by:		
1,202	**433**	Current tax	**29,792**	16,264
26	**28**	Deferred tax	**(6,987)**	2,770
1,228	**461**	**Tax expense**	**22,805**	19,034
3.3%	**1.0%**	Effective tax rate	**26.8%**	35.0%

The New Zealand corporate tax rate changed from 33% to 30% with effect from 1 April 2008 for the Group. The revised rate did not impact the current tax payable or receivable for 2008. However the change in tax rate was taken into account in the measurement of deferred tax at 31 March 2008, with a consequent impact on income tax expense, as detailed above.

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		8. CASH AND CASH EQUIVALENTS		
		Cash at bank - New Zealand dollar balances	**147**	-
		Cash at bank - foreign currency balances	**5,250**	5,213
		Cash in hand	**68**	50
			5,465	5,263
		FOREIGN CURRENCY RISK		
		The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:		
		New Zealand dollars	**228**	5
		United States dollars	**1,056**	2,393
		European Union euros	**2,351**	1,584
		Australian dollars	**6**	1
		British pounds	**64**	4
		Indian rupees	**611**	171
		Chinese yuan	**453**	284
		Other currencies	**696**	821
			5,465	5,263

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 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		9. TRADE AND OTHER RECEIVABLES		
		CURRENT		
		Trade receivables	**76,415**	57,239
		Less allowance for doubtful trade receivables	**(1,058)**	(760)
			75,357	56,479
41	**40**	Other receivables	**5,639**	3,783
41	**40**		**80,996**	60,262
		NON-CURRENT		
		Other receivables	**1,853**	915
			1,853	915
		Foreign currency risk		
		The carrying amounts of the Group's trade receivables are denominated in the following currencies:		
		New Zealand dollars	**756**	613
		United States dollars	**41,195**	29,506
		European Union euros	**23,351**	16,421
		Australian dollars	**4,165**	4,007
		British pounds	**2,792**	2,926
		Canadian dollars	**3,316**	2,984
		Other currencies	**840**	782
			76,415	57,239

The Parent has no trade receivables.

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
Not considered impaired					
31 March 2009	**11,626**	**1,537**	**681**	**245**	**14,089**
31 March 2008	11,848	4,359	1,657	1,431	19,295
Considered impaired					
31 March 2009	**75**	**83**	**38**	**862**	**1,058**
31 March 2008	41	-	-	719	760

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		Movements in the provision for doubtful trade receivables are as follows:		
		Balance at beginning of the year	**760**	783
		Additional provision recognised	**204**	119
		Foreign exchange translation	**217**	(16)
		Receivables written off during the year as uncollectable	**(123)**	(126)
		Balance at end of the year	**1,058**	760

Notes to the Financial Statements

For the year ended 31 March 2009

9. TRADE AND OTHER RECEIVABLES continued

The creation and release of the provision for impaired receivables have been included in Selling, general and administrative expenses 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.

Parent 2008	Parent 2009		Consolidated 2009	Consolidated 2008
		Customer and receivable concentration		
		Five largest customers' proportion of the Group's:		
		Operating revenue	**26.5%**	19.7%
		Trade receivables	**17.1%**	16.0%

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

Fair value

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

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		10. INVENTORIES		
		Materials	**19,013**	15,397
		Finished products	**55,498**	37,905
		Provision for obsolescence	**(4,565)**	(2,532)
			69,946	50,770

Inventory provisions are provided at year end for stock obsolescence.

	Consolidated 2009 NZ$000 Assets	Consolidated 2009 NZ$000 Liabilities	Consolidated 2008 NZ$000 Assets	Consolidated 2008 NZ$000 Liabilities
11. DERIVATIVE FINANCIAL INSTRUMENTS				
CURRENT				
Foreign currency forward exchange contracts - cash flow hedges	**6,503**	**4,422**	896	358
Foreign currency forward exchange contracts - not hedge accounted	**42**	**185**	62	-
Foreign currency option contracts - cash flow hedges	**948**	**3,768**	2,338	484
Interest rate swaps - cash flow hedges	**73**	**1,499**	-	-
Interest rate swaptions - not hedge accounted	**-**	**-**	15	-
	7,566	**9,874**	3,311	842
NON-CURRENT				
Foreign currency forward exchange contracts - cash flow hedges	**12,996**	**9,459**	1,604	99
Foreign currency forward exchange contracts - not hedge accounted				
Foreign currency option contracts - cash flow hedges	**-**	**625**	81	86
Interest rate swaps - cash flow hedges	**338**	**3,605**	-	970
	13,334	**13,689**	1,685	1,155

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

The Parent has no derivative financial instruments.

Notes to the Financial Statements

For the year ended 31 March 2009

Cash flows relating to cash flow hedges are expected to occur as follows:

	As at 31 March 2009			
	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
Foreign exchange derivative instruments inflows	**143,266**	**108,440**	**341,557**	**22,424**
Interest rate derivative instruments inflows	**1,638**	**1,895**	**7,228**	**10,076**
Foreign exchange derivative instruments outflows	**(141,384)**	**(105,189)**	**(341,070)**	**(22,448)**
Interest rate derivative instruments outflows	**(4,185)**	**(3,738)**	**(10,408)**	**(10,689)**

	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
Foreign exchange derivative instruments inflows	31,738	14,856	41,983	-
Interest rate derivative instruments inflows	434	521	2,354	-
Foreign exchange derivative instruments outflows	(31,333)	(14,042)	(41,028)	-
Interest rate derivative instruments outflows	(852)	(903)	(2,925)	-

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

	2009 NZ$000	2008 NZ$000
Purchase commitments forward exchange contracts	**508**	1,902
Sale commitments forward exchange contracts	**615,687**	87,490
Foreign currency borrowing forward exchange contracts	**19,262**	-
NZD call option contracts purchased	**-**	40,655
Collar option contracts - NZD call option purchased (i)	**77,552**	63,279
Collar option contracts - NZD put option sold (i)	**86,384**	70,030

(i) Foreign currency notional principal amounts are equal.

Foreign currency principal amounts hedged in relation to sales commitments were as follows:

	Foreign Currency	
	2009 000s	2008 000s
United States dollars	**US$201,000**	US$59,500
European Union euros	**€103,260**	€42,860
Australian dollars	**A$3,000**	A$3,250
British pounds	**£2,100**	£2,275
Canadian dollars	**C$11,550**	C$9,275
Swiss francs	**SFr1,325**	SFr760
Swedish kronor	**kr3,000**	kr5,000

Foreign currency principal amounts hedged in relation to purchase commitments were as follows:

	Foreign Currency	
	2009 000s	2008 000s
European Union euros	**€100**	€300
Japanese yen	**¥24,000**	¥110,000

Notional principal amounts of interest rate derivative contracts outstanding were as follows:

	2009 NZ$000	2008 NZ$000
Interest rate swaps	**99,151**	19,099
Interest rate swaptions	**-**	10,000

Interest rate swaps will expire from financial years 2010 through to 2019.

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 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		12. CURRENT TAX		
		Balance at beginning of the year		
		Tax payable	**(640)**	(757)
3,568	**3,602**	Tax receivable	**9,968**	5,289
3,568	**3,602**		**9,328**	4,532
(1,202)	**(433)**	Total tax expense in current year	**(29,792)**	(16,264)
		Tax paid	**22,818**	15,740
		Research and development tax credit	**3,000**	-
4,772	**(473)**	Supplementary dividend tax credit	**3,127**	4,772
(3,536)	**14**	Other movements	**(372)**	548
34	**(892)**		**(1,219)**	4,796
		Balance at end of the year		
		Tax payable	**(593)**	(640)
3,602	**2,710**	Tax receivable	**8,702**	9,968
3,602	**2,710**		**8,109**	9,328

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	Land Cost	Land Revaluation	Buildings Structure	Buildings Fit out and other	Buildings Leasehold improvements	Plant & equipment	Capital projects Buildings	Capital projects Other	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
13. PROPERTY, PLANT AND EQUIPMENT									
COST AND REVALUATION									
Balance at 1 April 2007	59,200	-	49,475	52,042	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	59,200	-	49,475	52,868	857	77,192	799	8,762	249,153
Balance at 1 April 2008	**59,200**	**-**	**49,475**	**52,868**	**857**	**77,192**	**799**	**8,762**	**249,153**
Additions	**-**	**10,850**	**-**	**-**	**158**	**1,947**	**841**	**19,669**	**33,465**
Transfers	**-**	**-**	**-**	**654**	**-**	**10,536**	**(654)**	**(10,536)**	**-**
Disposals	**-**	**-**	**-**	**(123)**	**(17)**	**(2,687)**	**-**	**-**	**(2,827)**
Balance at 31 March 2009	**59,200**	**10,850**	**49,475**	**53,399**	**998**	**86,988**	**986**	**17,895**	**279,791**
DEPRECIATION AND IMPAIRMENT LOSSES									
Balance at 1 April 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
Balance at 1 April 2008	**-**	**-**	**3,507**	**17,693**	**521**	**40,943**	**-**	**-**	**62,664**
Depreciation charge for the year	**-**	**-**	**1,327**	**4,089**	**160**	**9,800**	**-**	**-**	**15,376**
Disposals	**-**	**-**	**-**	**(123)**	**(20)**	**(2,664)**	**-**	**-**	**(2,807)**
Balance at 31 March 2009	**-**	**-**	**4,834**	**21,659**	**661**	**48,079**	**-**	**-**	**75,233**
CARRYING AMOUNTS									
At 1 April 2007	59,200	-	46,976	38,587	386	32,835	670	9,938	188,592
At 31 March 2008	59,200	-	45,968	35,175	336	36,249	799	8,762	186,489
At 31 March 2009	**59,200**	**10,850**	**44,641**	**31,740**	**337**	**38,909**	**986**	**17,895**	**204,558**

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, by DTZ New Zealand Ltd as at 31 March 2009 was $150.700 million (2008: $169.850 million). The Parent holds no property, plant and equipment.

Land revaluation

Land, comprising 42.0238 hectares at East Tamaki, Auckland was revalued with an effective date of 31 March 2009 (refer to Note 2 (AE) for the change in accounting policy). The independent valuers used were DTZ New Zealand Ltd. The valuation was made on the basis of recent market transactions on arms length terms, with reference to the land's best use and highest value.

Notes to the Financial Statements

For the year ended 31 March 2009

	Software NZ$000	Patents & trademarks NZ$000	Patent & trademark applications NZ$000	Goodwill NZ$000	Total NZ$000
14. INTANGIBLE ASSETS					
COST					
Balance at 1 April 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
Balance at 1 April 2008	**5,409**	**3,339**	**3,027**	**3,853**	**15,628**
Additions	**726**	**-**	**1,382**	**-**	**2,108**
Transfers	**-**	**554**	**(554)**	**-**	**-**
Disposals	**(6)**	**(23)**	**-**	**-**	**(29)**
Balance at 31 March 2009	**6,129**	**3,870**	**3,855**	**3,853**	**17,707**
AMORTISATION AND IMPAIRMENT LOSSES					
Balance at 1 April 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
Balance at 1 April 2008	**3,932**	**2,892**	**1,694**	**2,823**	**11,341**
Amortisation for the year	**931**	**538**	**457**	**-**	**1,926**
Disposals	**(6)**	**(23)**	**-**	**-**	**(29)**
Balance at 31 March 2009	**4,857**	**3,407**	**2,151**	**2,823**	**13,238**
CARRYING AMOUNTS					
At 1 April 2007	1,214	781	1,450	1,030	4,475
At 31 March 2008	1,477	447	1,333	1,030	4,287
At 31 March 2009	**1,272**	**463**	**1,704**	**1,030**	**4,469**

There are no individually material intangible assets. 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 9.6% (2008: 11%). Cash flows beyond March 2009 have been extrapolated using a constant growth rate of 10% (2008: 5%) to March 2019, which is conservative when compared to the compound annual growth rate of 12.9% (2008: 12.8%) over the past 5 years, and a terminal growth rate of 2% (2008: 2%) beyond March 2019. 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 2009

Parent 2008 NZ$000	Parent 2009 NZ$000	
		15. INVESTMENTS IN SUBSIDIARIES
8,887	**8,741**	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 2009	Interest held by Group 2008	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%**	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Asia Limited	NZ	**100%**	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare Asia Investments Limited	NZ	**100%**	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare India Private Limited	India	**100%**	0%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Limited	Hong Kong	**100%**	0%	Marketing Support
Fisher & Paykel Healthcare Americas Investments Limited	NZ	**100%**	0%	Non-Trading Holding Company
Fisher & Paykel Healthcare S.A. de C.V.	Mexico	**100%**	0%	Non-Trading Company

All subsidiaries have a balance date of 31 March with the exception of Fisher & Paykel do Brasil Ltda, Fisher & Paykel Healthcare (Guangzhou) Limited and Fisher & Paykel Healthcare S.A. de C.V. 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 to Note 17).

Notes to the Financial Statements

For the year ended 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		16. DEFERRED TAX ASSET		
		The balance comprises temporary differences attributable to:		
173	**145**	Provisions and accruals	**15,537**	9,052
		Depreciation	**(728)**	(629)
		Amortisation	**1,163**	1,111
		Other	**120**	(429)
		Cash flow hedges	**756**	(388)
173	**145**		**16,848**	8,717
		Movements		
199	**173**	Balance at beginning of the year	**8,717**	10,451
		Credited (charged) to the Income Statements:		
(26)	**(28)**	Provisions and accruals	**6,485**	(3,792)
		Depreciation	**(99)**	871
		Amortisation	**52**	151
		Other	**549**	-
(26)	**(28)**		**6,987**	(2,770)
		Credited to the Statements of Changes in Equity	**1,144**	1,465
		Tax rate change	**-**	(429)
173	**145**	**Balance at end of the year**	**16,848**	8,717
		Timing of usage		
		The amount of the deferred tax balance expected to be used:		
		Within one year	**15,646**	8,306
173	**145**	Greater than one year	**1,202**	411
173	**145**		**16,848**	8,717

The New Zealand corporate tax rate changed from 33% to 30% with effect from 1 April 2008 for the Group. The revised rate did not impact the current tax payable or receivable for 2008. However the change in tax rate was taken into account in the measurement of deferred tax at 31 March 2008, with a consequent impact on income tax expense, as detailed above.

Notes to the Financial Statements

For the year ended 31 March 2009

17. INTEREST-BEARING LIABILITIES

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		CURRENT		
		Bank overdrafts	**5,667**	8,557
		Borrowings	**17,780**	56,450
			23,447	65,007
		NON-CURRENT		
		Borrowings	**97,510**	21,107
			97,510	21,107
			Foreign currency	
		Bank overdrafts in foreign currencies	**000s**	**000s**
		European Union euros	**€1,743**	€2,625
		Australian dollars	**A$792**	A$552
		British pounds	**£123**	£176
		Swedish kronor	**kr408**	kr983
			Foreign currency	
		Borrowings in foreign currencies	**000s**	**000s**
		United States dollars	**US$15,230**	US$15,000
		European Union euros	**€8,000**	€1,000
		Australian dollars	**A$2,300**	-
		Borrowings due for repayment	**NZ$000**	**NZ$000**
		Current	**17,780**	56,450
		One to two years	**38,200**	2,008
		Two to three years		
		Three to four years	**59,310**	-
		Four to five years	**-**	19,099
		Over five years		
		Non-current	**97,510**	21,107

These borrowings have been aged in accordance with the expiry dates of the facilities. At balance date the weighted average interest rate is 4.9% (2008: 7.4%)

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.

Notes to the Financial Statements

For the year ended 31 March 2009

	Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
17. INTEREST-BEARING LIABILITIES continued		
Unused lines of credit		
Bank overdraft facilities	**8,175**	3,795
Borrowing facilities	**66,762**	91,282
	74,937	95,077

Fair value

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

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		18. TRADE AND OTHER PAYABLES		
		CURRENT		
		Trade payables	**23,677**	14,660
		Employee entitlements	**16,852**	11,945
201	**242**	Other payables and accruals	**17,208**	14,945
201	**242**		**57,737**	41,550
		NON-CURRENT		
		Employee entitlements	**2,734**	2,141
577	**490**	Other payables and accruals	**489**	579
577	**490**		**3,223**	2,720
		Foreign currency risk		
		The carrying amounts of the Group's trade and other payables are denominated in the following currencies:		
778	**732**	New Zealand dollars	**34,199**	26,943
		United States dollars	**12,271**	6,477
		European Union euros	**8,016**	5,327
		Australian dollars	**2,068**	2,303
		British pounds	**1,693**	1,916
		Other currencies	**2,713**	1,304
778	**732**		**60,960**	44,270

Fair value

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

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		19. PROVISIONS		
		CURRENT		
		Warranty provision:		
		Balance at beginning of the year	**2,342**	1,408
		Current year provision	**2,899**	3,080
		Warranty expenses incurred	**(3,038)**	(2,146)
		Balance at end of the year	**2,203**	2,342

Notes to the Financial Statements

For the year ended 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		19. PROVISIONS continued		
		NON-CURRENT		
		Warranty provision:		
		Balance at beginning of the year	**640**	432
		Current year provision	**520**	208
		Warranty expenses incurred		
		Balance at end of the year	**1,160**	640

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 and labour.

The total provision of $3,363,000 is expected to be fully utilised during the 2010 and 2011 financial years. There will be no reimbursements.

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		20. SHARE CAPITAL		
		All shares are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share. All ordinary shares have equal voting rights.		
15,533	**6,083**	Share capital at beginning of the year	**6,083**	15,533
2,106	**202**	Issue of share capital	**202**	2,106
(12,252)	**-**	Repurchase of share capital (i)	**-**	(12,252)
514	**5**	Shares issued under share option schemes for employee services	**5**	514
182	**58**	Employee share scheme shares issued for employee services	**58**	182
6,083	**6,348**	Share capital at end of the year	**6,348**	6,083
(2,436)	**(2,272)**	Less accounted for as treasury shares	**(2,272)**	(2,436)
3,647	**4,076**		**4,076**	3,647
		Number of authorised shares		
511,248,727	**509,452,817**	Number of shares on issue at beginning of the year	**509,452,817**	511,248,727
		Shares issued:		
525,396	**69,795**	Employee share purchase schemes	**69,795**	525,396
355,001	**6,666**	Exercise of share options	**6,666**	355,001
972,883	**1,634**	Exercise of share options under cancellation facility	**1,634**	972,883
(3,649,190)	**-**	On-market share buy-back (i)	**-**	(3,649,190)
509,452,817	**509,530,912**	Total number of shares on issue	**509,530,912**	509,452,817
(808,561)	**(788,965)**	Less accounted for as treasury shares	**(788,965)**	(808,561)
508,644,256	**508,741,947**		**508,741,947**	508,644,256

(i) Nil (2008: 3,649,190) 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 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		21. RESERVES		
		Retained earnings		
90,173	**62,642**	Balance at beginning of the year	**188,668**	216,642
35,719	**45,108**	Profit after taxation	**62,233**	35,276
		Dividends: (i)		
(35,775)	**(35,662)**	Final 2008 (2007)	**(35,662)**	(35,775)
(27,475)	**(27,513)**	Interim 2009 (2008)	**(27,513)**	(27,475)
62,642	**44,575**	**Balance at end of the year**	**187,726**	188,668
		Asset revaluation reserve		
		Balance at beginning of the year		
		Revaluation of land	**10,850**	-
		Balance at end of the year	**10,850**	-
		Cash flow hedge reserve (ii)		
		Balance at beginning of the year	**905**	3,761
		Revaluation of derivative financial instruments	**(3,071)**	(1,330)
		Transfer to profit before tax	**(743)**	(2,991)
		Deferred tax	**1,144**	1,465
		Balance at end of the year	**(1,765)**	905
		Employee share entitlement reserve		
318	**184**	Balance at beginning of the year	**184**	318
132	**154**	Employee expense for the year	**154**	132
(182)	**(58)**	Transfer to share capital on vesting of shares to employees	**(58)**	(182)
(84)	**37**	Other movements	**37**	(84)
184	**317**	**Balance at end of the year**	**317**	184
		Employee share option reserve		
1,994	**2,260**	Balance at beginning of the year	**2,260**	1,994
780	**842**	Employee expense for the year	**842**	780
(514)	**(5)**	Transfer to share capital on exercise or expiry of options	**(5)**	(514)
2,260	**3,097**	**Balance at end of the year**	**3,097**	2,260
		Treasury shares		
(1,701)	**(2,436)**	Balance at beginning of the year	**(2,436)**	(1,701)
(1,066)	**114**	Treasury shares issued to employee share purchase plans	**114**	(1,066)
331	**50**	Shares transferred to employees	**50**	331
(2,436)	**(2,272)**	**Balance at end of the year**	**(2,272)**	(2,436)

(i) Supplementary dividends of $3,127,000 were paid (2008: $4,772,000). All dividends are recognised as distributions to shareholders.

(ii) There was no ineffectivenes in relation to cash flow hedges.

Notes to the Financial Statements

For the year ended 31 March 2009

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.

	Consolidated 2009 NZ$000	2008 NZ$000
Profit after tax	**62,233**	35,276
Weighted average number of ordinary shares outstanding (000s)	**509,492**	509,403
Basic earnings per share (cents per share)	**12.2 cps**	6.9 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.

	Consolidated 2009 NZ$000	2008 NZ$000
Profit after tax	**62,233**	35,276
Weighted average number of ordinary shares outstanding (000s)	**509,492**	509,403
Adjustment for share options (000s)	**17,871**	15,453
Weighted average number of ordinary shares for diluted earnings per share (000s)	**527,363**	524,856
Diluted earnings per share (cents per share)	**11.8 cps**	6.7 cps

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 three months 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 2009 options had been granted to 275 employees (2008: 247). Options granted to employees have no voting rights until they have been exercised and ordinary shares have been issued.

Notes to the Financial Statements

For the year ended 31 March 2009

23. SHARE BASED PAYMENTS continued

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

31 MARCH 2009				Year of Issue			
	2009(i)	2008(ii)	2007(iii)	2006(iv)	2005(v)	2003(vi)	Total
Balance at beginning of the year	**-**	3,908,100	3,831,300	3,770,400	4,315,008	-	**15,824,808**
Granted during the year	**4,000,000**	-	-	-	-	-	**4,000,000**
Exercised during the year (vii)	**-**	-	-	-	(31,664)	-	**(31,664)**
Lapsed due to resignation	**(61,000)**	(144,000)	(133,500)	(99,300)	(53,336)	-	**(491,136)**
Balance at end of the year	**3,939,000**	3,764,100	3,697,800	3,671,100	4,230,008	-	**19,302,008**

31 MARCH 2008			Year of Issue			
	2008(ii)	2007(iii)	2006(iv)	2005(v)	2003(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

(i) Options expiring September 2013 have exercise prices based on future costs of capital and dividends using a base price of $3.11 per option.
(ii) Options expiring December 2012 have exercise prices based on future costs of capital and dividends using a base price of $3.31 per option.
(iii) Options expiring December 2011 have exercise prices based on future costs of capital and dividends using a base price of $4.26 per option.
(iv) Options expiring September 2010 have exercise prices based on future costs of capital and dividends using a base price of $3.58 per option.
(v) Options expiring August 2009 have exercise prices based on future costs of capital and dividends using a base price of $2.63 per option.
(vi) Options which expired March 2008 had an exercise price of $2.20 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 19,302,008 outstanding options (2008: 15,824,808 options), 7,729,878 options (2008: 3,269,178 options) were exercisable.

Options exercised in 2009 resulted in 6,666 shares (2008: 355,001 shares) being issued at $3.04 (2008: $2.20 each). The related weighted average price at the time of exercise was $3.19 (2008: $3.02) per share.

Total options cancelled in 2009 of 24,998 (2008: 3,131,840 options) resulted in 1,634 shares (2008: 972,883 shares) being issued at $3.08 (2008: $3.26) per share. The related weighted average price at the time of cancellation was $3.30 (2008: $3.31) per share.

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

Financial Year	Expiry	Exercise Price	Options 2009	Options 2008
2010	August 2009	Variable (i)	**4,230,008**	4,315,008
2011	September 2010	Variable (ii)	**3,671,100**	3,770,400
2012	December 2011	Variable (iii)	**3,697,800**	3,831,300
2013	December 2012	Variable (iv)	**3,764,100**	3,908,100
2014	September 2013	Variable (v)	**3,939,000**	-
			19,302,008	15,824,808

(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 have exercise prices based on future costs of capital and dividends using a base price of $3.58 per option.
(iii) Options expiring December 2011 have exercise prices based on future costs of capital and dividends using a base price of $4.26 per option.
(iv) Options expiring December 2012 have exercise prices based on future costs of capital and dividends using a base price of $3.31 per option.
(v) Options expiring September 2013 have exercise prices based on future costs of capital and dividends using a base price of $3.11 per option.

The fair value of options granted during the period determined using the Binomial Options Pricing Model was $0.172 (2008: $0.23) per option or $688,000 (2008: $910,000) in aggregate.

Notes to the Financial Statements

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The significant inputs into the model were:

	2009	2008
Share price at grant date	**$3.11**	$3.31
Base price at grant date	**$3.11**	$3.31
Expected/historical share price volatility	**12.4%**	11.8%
Dividends expected over option life (cents)	**58.3**	52.7
Option life (years)	**5**	5
Risk free interest rate	**6.05%**	7.25%
Cost of equity	**10.22%**	10.70%

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

	2009	2008
Total amount expensed in year for employee share option plans	**$845,000**	$780,000

EMPLOYEE SHARE PURCHASE PLANS

Shares are issued at a discount of 20% of market price, on terms permitted by the Schemes in accordance with sections DC12 and 13 of the New Zealand Income Tax Act 2007, 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 Schemes are paid to the employees. Voting rights on the shares are exercisable by the Trustees under the Schemes.

788,965 shares (2008: 808,561) are held by the Schemes, being 0.2% (2008: 0.2%) of the Company's issued and paid up capital. As at 31 March 2009, all shares were allocated to employees, except for 91,083 (2008: 31,414). Once vested an employee participant may elect to transfer the shares into his or her own name after which the shares are freely transferable.

All shares are allocated to employees at the time of issue, on the condition that should they leave the Company before the qualifying period ends, their shares will be repurchased by the Trustees at the lesser of market price and the price at which the shares were originally allocated to the employee, subject to repayment of the original loan.

Any such repurchased shares are held by the Trustees for allocation to future Schemes. Trustees of the Employee Share Purchase Schemes are appointed by the Company.

At 31 March 2009 the total receivable owing from employees is $1,370,000 (2008: $1,514,000).

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

	2009		2008	
	Price*	Number	Price*	Number
As at beginning of the year	**$2.87**	**777,147**	$3.03	576,228
Granted during the year	**-**	**-**	$2.51	520,813
Vested during the year	**$2.58**	**(19,596)**	$2.46	(252,072)
Lapsed due to resignation	**$2.87**	**(59,669)**	$3.00	(67,822)
As at end of the year	**$2.88**	**697,882**	$2.87	777,147

* Weighted average

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

Financial Year	Vesting	Issue Price		Shares	
		2009	2008	2009	2008
2009	February 2008	**-**	$2.58*	**-**	25,982
2010	June 2009	**$3.60***	$3.62*	**233,699**	246,984
2011	December 2010 and February 2011	**$2.51***	$2.51*	**464,183**	504,181
				697,882	777,147

*Weighted average

Notes to the Financial Statements

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23. SHARE BASED PAYMENTS continued

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 zero as no new shares were issued in the current year (2008: $500,000).

	2009	2008
Total amount expensed in year for employee share purchase plans		
- Discount on issue	**$154,000**	$132,000
- Interest-free loan	**$81,000**	$70,000

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 2009 totalled 69,795 (2008: 70,232).

	2009	2008
Total amount expensed in year for employee stock purchase plans	**$39,000**	$35,000

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		24. RETIREMENT BENEFIT OBLIGATIONS		
		Balance Sheet obligations for:		
		Pension benefits asset	**-**	69
		Pension benefits liability	**(415)**	-
		Income Statement (credit) charge:		
		Pension benefits	**515**	(2,210)
		All qualifying New Zealand based employees of the Group plus employees in certain other countries are entitled to superannuation benefits from the Group's defined contribution superannuation plans on retirement, disability, death or resignation. In addition to these Plans, 3 (2008: 3) New Zealand based 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.		
		The amounts recognised in the Balance Sheet are determined as follows:		
		Present value of the defined benefit obligation	**810**	448
		Fair value of defined benefit plan assets	**(532)**	(494)
		Present value of unfunded obligations	**278**	(46)
		Adjustments or contributions tax	**137**	(23)
		Net (asset) liability in the Balance Sheet	**415**	(69)

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Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		The major categories of the Plan's assets are as follows:		
		Cash	**31.8%**	17.4%
		Debt instruments	**54.2%**	59.3%
		Equity instruments	**0.0%**	21.1%
		Property	**1.3%**	2.2%
		Other assets	**12.7%**	0.0%
		The movement in the defined benefit obligation over the year is as follows:		
		Balance at beginning of the year	**448**	7,372
		Current service cost (Company)	**19**	105
		Interest costs	**11**	167
		Contributions by Plan participants	**9**	38
		Actuarial losses (gains)	**323**	(207)
		Benefits paid	**-**	(71)
		Curtailments	**-**	(6,956)
		Balance at end of the year	**810**	448
		The movement in the fair value of Plan assets of the year is as follows:		
		Balance at beginning of the year	**494**	3,737
		Expected return on Plan assets	**30**	98
		Actuarial (losses)	**(10)**	(41)
		Contributions by Group companies	**9**	2,200
		Contributions by Plan participants	**9**	38
		Benefits paid	**-**	(71)
		Transfer to defined contribution plan	**-**	(5,467)
		Balance at end of the year	**532**	494
		The amounts recognised in the Income Statements are as follows:		
		Current service cost	**19**	105
		Interest costs	**11**	167
		Expected return on Plan assets	**(18)**	(98)
		Net actuarial losses (gains) recognised in year	**343**	(805)
		Increase in allowance for tax funded by employer	**160**	-
		Losses (gains) on curtailments and settlements	**-**	(1,579)
		Total included in employee benefits expense	**515**	(2,210)

Of the total charge for 2009 $103,000, $129,000 and $283,000 were included in cost of sales, selling, general and administrative expenses and research and development expenses respectively.

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.

The actual return on Plan assets was $(1,000) (2008: $97,000).

Notes to the Financial Statements

For the year ended 31 March 2009

24. RETIREMENT BENEFIT OBLIGATIONS continued

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

	2009	2008
Discount rate	**3.74%**	4.47%
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 2008 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 2009 was $691,000 (2008: $224,000).

	2009 NZ$000	2008 NZ$000
Historical Summary:		
Present value of the defined benefit obligation	**810**	448
Fair value of defined benefit plan assets	**(532)**	(494)
Present value of unfunded obligations	**278**	(46)
Employer Superannuation Contribution Tax	**137**	(23)
Surplus (deficit)	**415**	(69)
Experience adjustments arising on plan liabilities	**323**	(207)
Experience adjustments arising on plan assets	**(10)**	(41)

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 $41,161,000 (2008: $56,808,000).

Material transactions between the Parent and its subsidiaries were:

- Interest charged in respect of the loans to subsidiaries of $2,596,000 (2008: $6,475,000).
- Dividends received by the Parent from its subsidiaries $43,937,000 (2008: $33,363,000).

These amounts are not outstanding at balance date.

Notes to the Financial Statements

For the year ended 31 March 2009

(a) Key Management and Director Compensation

Key management and director compensation for the years ended 31 March 2009 and 2008 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. Key management personnel did not receive and are not entitled to receive any post employment or long term benefits.

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		Wages and salaries	**2,777**	2,569
		Other employment costs	**1,213**	521
		Employer contributions to superannuation plans	**146**	167
		Employee share purchase plans	**2**	2
		Employee share option plans	**195**	201
636	**687**	Directors' fees paid	**687**	636
66	**133**	Directors' retirement fees paid	**133**	66
(26)	**(88)**	Movement in accrual for directors' retirement fees	**(88)**	(26)
676	**732**	**Total compensation**	**5,065**	4,136

The amounts of key management and director compensation outstanding as at balance date are $905,000 (2008: $318,000) for the Group and $315,000 (2008: $407,000) for the Parent.

(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 entities related to them during the period.

26. CASH FLOW RECONCILIATIONS

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
35,719	**45,108**	Profit after tax	**62,233**	35,276
		Add (deduct) non-cash items:		
		Depreciation and writedown of property, plant and equipment to recoverable amount	**15,376**	13,571
		Amortisation of intangibles	**1,926**	1,981
		Accrued financing income / expense	**264**	89
		Movement in provisions	**381**	1,142
(26)	**(28)**	Movement in deferred tax asset	**(6,987)**	3,199
		Movement in working capital:		
(6)	**(46)**	Trade and other payables	**25,374**	(2,596)
(11)	**1**	Trade and other receivables	**(21,672)**	(4,214)
		Inventory	**(19,176)**	(4,073)
4,746	**3,099**	Provision for taxation net of supplementary dividend paid	**4,346**	(24)
(3,490)	**(2,786)**	Intercompany advances in relation to operating cashflows		
36,932	**45,348**	**Net cash flows from operating activities**	**62,065**	44,351

Notes to the Financial Statements

For the year ended 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		27. IMPUTATION CREDIT ACCOUNTS		
12,834	**52**	Balance at beginning of the year	**104**	13,298
13,600	**16,300**	Imputation credits attached to dividends received		
		Imputation credits arising from taxation paid	**16,305**	13,188
(26,381)	**(16,306)**	Imputation credits attached to dividends paid to shareholders	**(16,306)**	(26,381)
(1)	**-**	Other movements	**-**	(1)
52	**46**	**Balance at end of the year**	**103**	104
		Imputation credits directly and indirectly available to shareholders as at 31 March are:		
		Parent	**46**	52
		Subsidiaries	**57**	52
		Balance at end of the year	**103**	104

28. CONTINGENT LIABILITIES

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

The Parent has a contingent liability relating to guarantees of all subsidiary company indebtedness (refer to Note 17).

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		29. COMMITMENTS		
		Capital expenditure commitments contracted for but not recognised as at the reporting date	**4,653**	1,544
		Gross commitments under non-cancellable operating leases for the Group:		
		Within one year	**5,010**	4,054
		Between one and two years	**4,019**	2,902
		Between two and five years	**2,237**	2,916
		Over five years		
			11,266	9,872

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

Notes to the Financial Statements

For the year ended 31 March 2009

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 profit or loss	Derivatives used for hedging	Total
			31 March 2009				
			Assets as per Balance Sheets				
			Cash and cash equivalents	**5,465**	**-**	**-**	**5,465**
			Trade receivables	**75,357**	**-**	**-**	**75,357**
			Derivative financial instruments	**-**	**91**	**20,809**	**20,900**
41,161	**-**	**41,161**	Intergroup advances				
41,161	**-**	**41,161**	**Total**	**80,822**	**91**	**20,809**	**101,722**
				Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities measured at amortised cost	Total
			31 March 2009				
			Liabilities as per Balance Sheets				
			Interest-bearing liabilities	**-**	**-**	**120,957**	**120,957**
			Trade and other payables	**-**	**-**	**41,374**	**41,374**
			Derivative financial instruments	**135**	**23,428**	**-**	**23,563**
			Total	**135**	**23,428**	**162,331**	**185,894**
Loans and receivables	Other financial assets	Total		Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total
			31 March 2008				
			Assets as per Balance Sheets				
			Cash and cash equivalents	5,263	-	-	5,263
			Trade receivables	56,479	-	-	56,479
			Derivative financial instruments	-	62	4,934	4,996
56,808	-	56,808	Intergroup advances				
56,808	-	56,808	**Total**	61,742	62	4,934	66,738
				Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities measured at amortised cost	Total
			31 March 2008				
			Liabilities as per Balance Sheets				
			Interest-bearing liabilities	-	-	86,114	86,114
			Trade and other payables	-	-	30,184	30,184
			Derivative financial instruments	381	1,616	-	1,997
			Total	381	1,616	116,298	118,295

Notes to the Financial Statements

For the year ended 31 March 2009

Parent 2008 NZ$000	Parent 2009 NZ$000		Consolidated 2009 NZ$000	Consolidated 2008 NZ$000
		31. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
		Fair value gains		
		Foreign exchange forward contracts	**29**	62
		Foreign currency option contracts	**-**	171
-	**-**		**29**	233
		Fair value losses		
		Foreign exchange forward contracts	**(185)**	-
		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 Group operates in one business segment, being the design, manufacture and marketing of medical devices. The results are detailed in the primary financial statements.

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		Total assets		Capital expenditure		Depreciation and amortisation	
	2009 NZ$000	2008 NZ$000	2009 NZ$000	2008 NZ$000	2009 NZ$000	2008 NZ$000	2009 NZ$000	2008 NZ$000
SEGMENT:								
North America	**208,861**	165,685	**62,596**	43,239	**258**	193	**739**	375
Europe	**151,907**	115,999	**48,933**	35,964	**313**	438	**722**	406
Asia Pacific: External	**71,787**	58,287	**302,131**	252,403	**21,776**	12,824	**15,829**	14,763
Intercompany	**283,551**	189,737						
Other	**26,162**	17,922	**77**	61	**22**	36	**12**	8
Less intercompany	**(283,551)**	(189,737)						
	458,717	357,893	**413,737**	331,667	**22,369**	13,491	**17,302**	15,552

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.

In relation to inter-segment transactions, pricing is conducted on an "arm's length" basis.

33. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 26 May 2009 the directors approved the payment of a fully imputed 2009 final dividend of $35,669,210 (7.0 cents per share) to be paid on 6 July 2009.

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, 76% 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	45
110,001	-	120,000	36
120,001	-	130,000	29
130,001	-	140,000	29
140,001	-	150,000	24
150,001	-	160,000	40
160,001	-	170,000	19
170,001	-	180,000	12
180,001	-	190,000	12
190,001	-	200,000	5
200,001	-	210,000	9
210,001	-	220,000	7
220,001	-	230,000	6
230,001	-	240,000	3
240,001	-	250,000	1
250,001	-	260,000	1
260,001	-	270,000	2
270,001	-	280,000	2
280,001	-	290,000	1
290,001	-	300,000	2
310,001	-	320,000	2
340,001	-	350,000	1
350,001	-	360,000	1
390,001	-	400,000	1
400,001	-	410,000	1
430,001	-	440,000	1
440,001	-	450,000	1
490,001	-	500,000	1
540,001	-	550,000	1
550,001	-	560,000	1
640,001	-	650,000	1
700,001	-	710,000	1

Statutory Information

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

	Number of Holders	%	Number of Ordinary Shares	%
1 to 999	2,854	14.49	1,424,350	0.28
1,000 to 4,999	9,991	50.72	23,049,853	4.52
5,000 to 9,999	3,542	17.98	22,865,363	4.49
10,000 to 99,999	3,153	16.00	62,985,450	12.36
100,000 and over	159	0.81	399,235,121	78.35
Total	19,699	100.00	509,560,137	100.00

The details set out above were as at 26 May 2009.

As disclosed in Note 23 of the Financial Statements there were 19,302,008 options on issue to employees as at 31 March 2009.

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 541 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 26 May 2009.

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

LIMITATIONS ON THE ACQUISITION OF SECURITIES

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (i.e. 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 20% or more 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 Office is likely to be required where an "overseas person" acquires shares in the Company that amount to 25% or more of the shares issued by the Company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

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

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 26 May 2009, were as follows:

	Ordinary Shares	%
UBS Nominees Pty Limited and related bodies corporate (notice dated 25 November 2008)	33,869,031	6.65
AMP Capital Investors (NZ) Limited (notice dated 21 October 2008)	32,129,978	6.31
Caledonia (Private) Investments Pty Limited and its associates (notice dated 24 February 2009)	32,115,810	6.30
Schroder Investment Management (Australia) Limited and associated entities (notice dated 20 May 2009)	25,872,310	5.08

As at 26 May 2009, the Company had 509,560,137 ordinary shares on issue.

Statutory Information

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders as at 26 May 2009 were:

	Ordinary Shares	%
HSBC Nominees (New Zealand) Limited	63,770,745	12.51
National Nominees New Zealand Limited	54,944,802	10.78
UBS Nominees Pty Limited	29,460,312	5.78
National Nominees Limited	19,566,026	3.84
Citibank Nominees (New Zealand) Limited	17,929,496	3.52
Accident Compensation Corporation	15,593,096	3.06
NZ Superannuation Fund Nominees Limited	14,486,269	2.84
J P Morgan Nominees Australia Limited	13,714,286	2.69
Premier Nominees Limited	13,255,893	2.60
ANZ Nominees Limited	8,497,235	1.67
Custodial Services Limited	8,464,754	1.66
AMP Investments Strategic Equity Growth Fund	7,544,265	1.48
NZGT Nominees Limited	6,650,172	1.31
Cogent Nominees Pty Limited	6,190,849	1.21
TEA Custodians Limited	5,711,826	1.12
FNZ Custodians Limited	5,560,352	1.09
NZ Guardian Trust Investment Nominees Limited	4,969,300	0.98
Private Nominees Limited	4,493,430	0.88
Guardian Trust Investment Nominees (RWT) Limited	3,815,128	0.75
Masfen Securities Limited	3,651,070	0.72

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following shares in the Company at 31 March 2009:

Gary Paykel	- beneficially owned	2,522,635
	- not beneficially owned	2,608,306
Michael Daniell*	- beneficially owned	733,517
	- not beneficially owned	739,271
Nigel Evans	- beneficially owned	23,180
	- not beneficially owned	2,042,415
Roger France	- beneficially owned	Nil
Lindsay Gillanders	- beneficially owned	514,415
Sir Colin Maiden	- beneficially owned	54,295
Arthur Morris	- beneficially owned	Nil

* Mr Daniell had a beneficial interest in 975,000 options issued under the 2003 Share Option Plan.

SHARE DEALINGS BY DIRECTORS

In accordance with Section 148(2) of the Companies Act 1993, the Board has received disclosures from the Directors named below of acquisitions or dispositions of relevant interests in the Company between 1 April 2008 and 31 March 2009, and details of those dealings were entered in the Company's interests register. The particulars of such disclosures are:

Michael Daniell was granted 160,000 options for nil consideration, convertible into 160,000 shares in accordance with their terms, on 3 September 2008 under the 2003 Share Option Plan.

Nigel Evans is a trustee of the Woolf Fisher Trust which disposed of:

(a) 1,250,000 shares on 27 February 2009 at $3.22 per share; and

(b) 250,000 shares on 2 March 2009 at $3.218 per share.

Nigel Evans does not have a beneficial interest in any of the shares held, or disposed of, by the Woolf Fisher Trust.

Statutory Information

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 2009.

Other than Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited, of which Gary Paykel is a director, 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 2009, are included in the relevant bandings for remuneration disclosed at the beginning of the "Statutory Information" section of this annual report.

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 2009, and those who ceased to hold office during the year ended 31 March 2009, 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 Asia Investments Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Americas Investments 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

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

Fisher & Paykel Healthcare SAS (France)
Michael Daniell, Paul Shearer, Patrick McSweeny, Ian Hopkinson (Colin Board ceased to hold office during the year)

Fisher & Paykel Holdings GmbH (Germany)
Ian Hopkinson (Colin Board ceased to hold office during the year)

Fisher & Paykel Healthcare GmbH & Co KG (Germany)
Ian Hopkinson, Peter Spoljaric (Colin Board ceased to hold office during the year)

Fisher & Paykel Healthcare AB (Sweden)
Michael Daniell, Paul Shearer, Patrick McSweeny, Ian Hopkinson (Colin Board ceased to hold office during the year)

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

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

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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 Healthcare India Private Limited (India)
Michael Daniell, Paul Shearer, David Boyle, Thekkanathu Paily Bastin

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

Fisher & Paykel Healthcare S.A. de C.V. (Mexico)
Michael Daniell, Lewis Gradon

Fisher & Paykel do Brasil 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 2009 (with the exception of Michael Smith's disclosures which were current up to the date he retired on 24 February 2009) 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

Statutory Information

DISCLOSURE OF INTERESTS BY DIRECTORS continued

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

NIGEL EVANS
A director of:
Managers & Consultants Limited
Quark Technology Limited

A trustee of:
Woolf Fisher Trust

ROGER FRANCE
Chancellor of:
University of Auckland

Chairman of:
Tappenden Holdings Limited

A director of:
Air New Zealand Limited
Sirius NZ Holdco Limited
Blue Star Print Group
Tappenden Management Limited

LINDSAY GILLANDERS
Chairman of:
Auckland Packaging Company Limited

A director of:
Fisher & Paykel Appliances Holdings Limited
LRS Management Limited
Rangatira Limited
Vita New Zealand Limited

SIR COLIN MAIDEN
A member of:
Marsh (NZ) Limited Advisory Group

ARTHUR MORRIS
Chairman of:
DNA Diagnostics Limited

CEO of:
Diagnostic Medlab Limited

MICHAEL SMITH (retired on 24 February 2009)
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

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

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

USE OF COMPANY INFORMATION

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

GROUP STRUCTURE

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED* OWNS:

Fisher & Paykel Healthcare Limited (NZ)*
Fisher & Paykel Healthcare Pty Limited (Australia)*
Fisher & Paykel Healthcare Treasury Limited (NZ)*
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)
Fisher & Paykel Healthcare Limited (UK)
Fisher & Paykel Holdings Inc. (USA)
Fisher & Paykel do Brasil Ltda (Brazil)
Fisher & Paykel Healthcare (Guangzhou) Limited (China)
Fisher & Paykel Healthcare Asia Limited (NZ)
Fisher & Paykel Healthcare Americas Investments Limited

* COMPANIES OPERATING UNDER A NEGATIVE PLEDGE AGREEMENT

Statutory Information

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)

FISHER & PAYKEL HEALTHCARE ASIA INVESTMENTS LIMITED (NZ) OWNS:
Fisher & Paykel Healthcare India Private Limited (India)
Fisher & Paykel Healthcare K.K. (Japan)
Fisher & Paykel Healthcare Limited (Hong Kong)

FISHER & PAYKEL HEALTHCARE AMERICAS INVESTMENTS LIMITED (NZ) OWNS:
Fisher & Paykel Healthcare S.A. de C.V. (Mexico)

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 2009 are as follows:

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

During the 12 months to 31 March 2009:

- At the Annual Meeting of Shareholders held on 22 August 2008, Gary Paykel and Michael Smith retired by rotation in accordance with the Company's constitution, and were re-elected to the Board.
- At the Annual Meeting of Shareholders held on 22 August 2008, Arthur Morris retired following his casual appointment in accordance with the Company's constitution, and was re-elected to the Board.
- At the Board meeting held on 24 February 2009, Michael Smith resigned and Roger France was appointed to fill the casual vacancy in accordance with the Company's constitution.

EXECUTIVES' DETAILS

Michael Daniell, Managing Director and Chief Executive Officer

SENIOR MANAGEMENT

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

Directory

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

Physical address:	15 Maurice Paykel Place, East Tamaki, Auckland 2013, New Zealand
Telephone:	+64 9 574 0100
Facsimile:	+64 9 574 0158
Postal address:	PO Box 14348, Panmure, Auckland, 1741 New Zealand
Internet address:	www.fphcare.com
Email address:	investor@fphcare.co.nz

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

Physical address:	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

Physical address:	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

Physical address:	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.