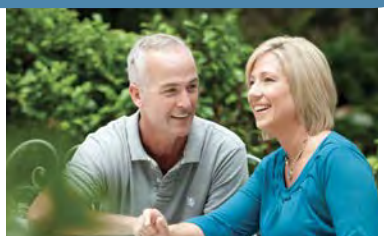
Annual Report
2012

IMPROVING PATIENT CARE AND OUTCOMES





Fisher & Paykel HEALTHCARE

Contents

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.

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.

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.

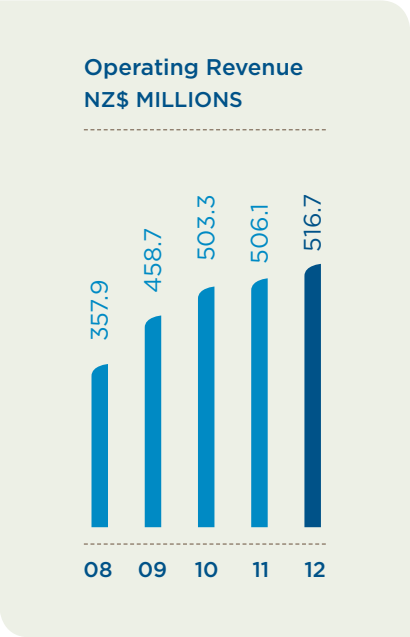
ENVIRONMENT

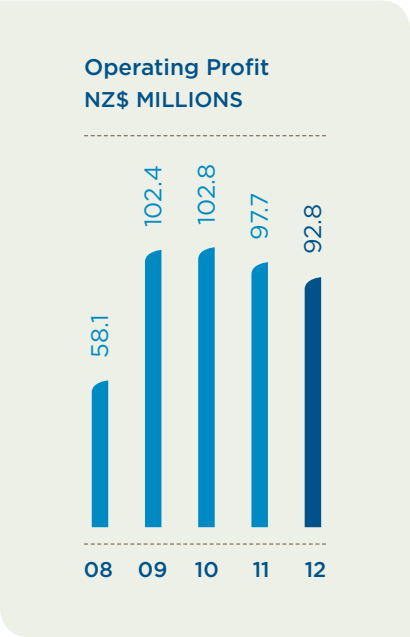
Reflecting our commitment to minimise the impact of our operations on the environment, we aim to develop products and manufacturing processes which are as friendly to the environment as practicable.

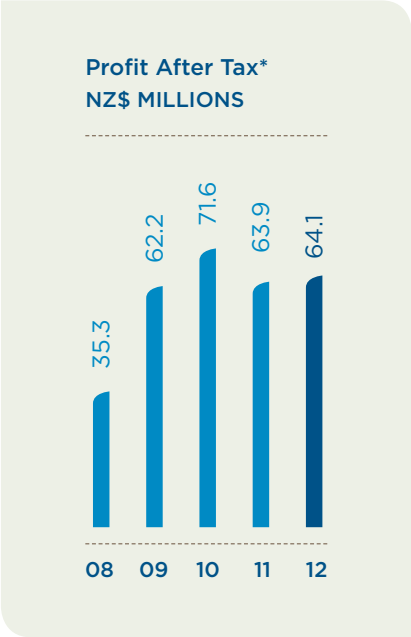
SOCIETY

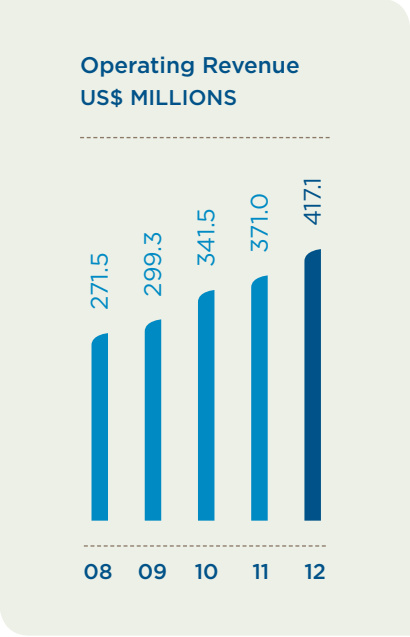
We will conduct our business at all times in a fair, ethical, consistent and professional manner. We accept our responsibility to be a trustworthy community neighbour and will continue to support community affairs.

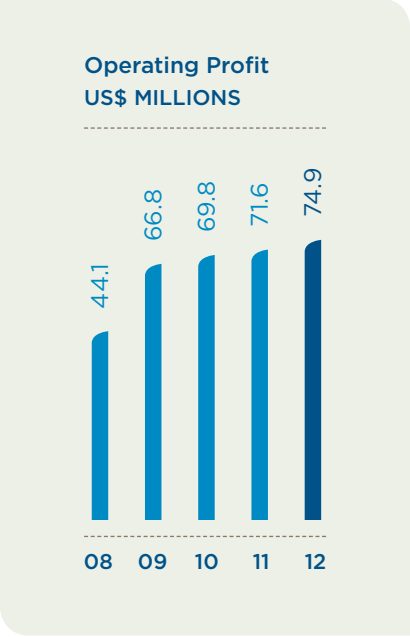
Results in Brief

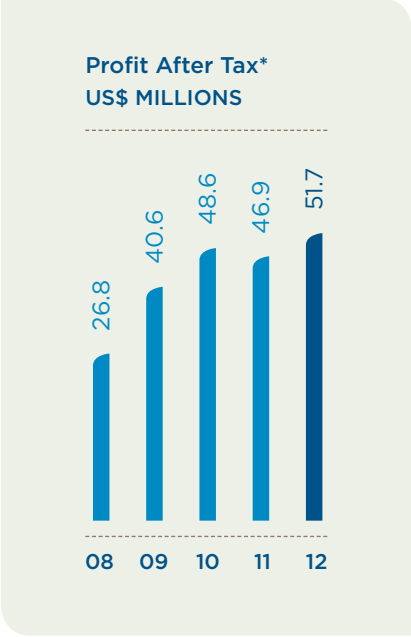












* Prior to one-off non-cash deferred tax charges (2011)

2012 Highlights

We have continued to make very encouraging progress in developing new opportunities for growth by expanding the range of applications for our medical devices.

18% ↑

GROWTH IN RESPIRATORY AND ACUTE CARE PRODUCT GROUP REVENUE TO US$218.6 MILLION

8.1%

OF OPERATING REVENUE INVESTED IN RESEARCH AND DEVELOPMENT

$64.1m

NZ$64.1 MILLION NET PROFIT AFTER TAX

$516.7m

NZ$516.7 MILLION RECORD OPERATING REVENUE

27.9%

PRE-TAX RETURN ON AVERAGE NZ$ SHAREHOLDERS' EQUITY

12.4c

TOTAL DIVIDEND OF NZ12.4 CENTS PER SHARE FOR THE YEAR, FULLY IMPUTED

Chairman's Report

TONY CARTER
CHAIRMAN

Our objective is to increase shareholder value by designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes. Our strategy to achieve this goal has been to provide an expanding range of innovative medical devices for an increasing range of applications and to expand our global presence.

With our continued commitment to research and development, we believe we are very well placed to continue with the successful execution of our strategy with the introduction of a number of exciting, innovative products in the year ahead.

Healthcare providers around the world continue to seek opportunities to control the overall cost of care through efficiencies, reduced intensity of care and improved outcomes. Our medical devices support those objectives, helping to keep patients at home and out of the hospital to reduce length of stay and to avoid an escalation of care.

OPERATING PERFORMANCE

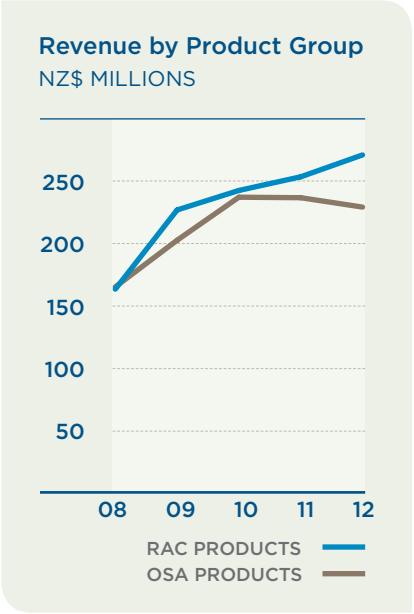
For the year ended 31 March 2012 we achieved record operating revenue of NZ$516.7 million despite continuing unfavourable exchange rate movements. We achieved net profit after tax of NZ$64.1 million, compared to NZ$52.5 million for the prior year. The prior year result included one-off non-cash deferred tax charges of NZ$11.5 million.

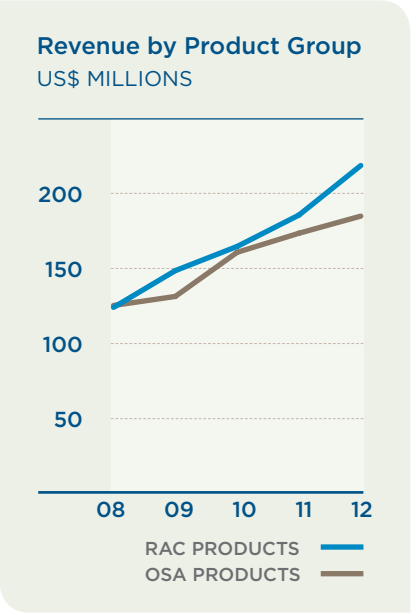
FOR THE YEAR ENDED 31 MARCH 2012 WE ACHIEVED RECORD OPERATING REVENUE OF NZ$516.7 MILLION DESPITE CONTINUING UNFAVOURABLE EXCHANGE RATE MOVEMENTS.

In constant currency terms, operating revenue grew 8% and net profit after tax grew 23% (excluding the prior year deferred tax charges), reflecting revenue growth, disciplined control of expenses and other efficiencies.

Our two major product groups, respiratory and acute care (RAC) and obstructive sleep apnea (OSA), made encouraging progress during the year with new products and applications contributing to growth.

In the hospital setting we have steadily increased the range of applications for our medical devices beyond our traditional intensive care application and we offer products that are used in non-invasive





ventilation, oxygen therapy, humidity therapy and surgery. Revenue from those new applications continued to grow strongly and represented a third of our RAC consumable sales for the year.

During the year we completed the international introduction of our F&P ICON™ flow generator range for the treatment of OSA and enjoyed strong flow generator market share gains as a result. We also began the introduction of a range of very innovative new masks.

We expect innovation to continue to underpin our performance. We have under development an extensive pipeline of new products, which we believe will continue to support our growth. A number of these new products will be introduced in the current year.

We also continued to increase our international presence, with expansion of capacity at our manufacturing facility in Tijuana, Mexico and increases in our global sales and support teams elsewhere.

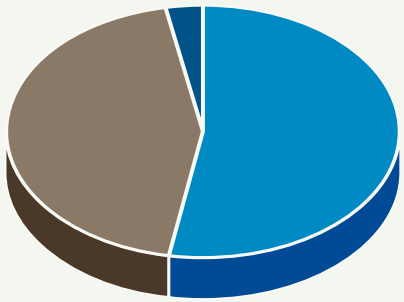
OUR TWO MAJOR PRODUCT GROUPS, RESPIRATORY AND ACUTE CARE (RAC) AND OBSTRUCTIVE SLEEP APNEA (OSA), MADE ENCOURAGING PROGRESS DURING THE YEAR WITH NEW PRODUCTS AND APPLICATIONS CONTRIBUTING TO GROWTH.

DIVIDEND AND CAPITAL STRUCTURE

We recognise the need to provide our shareholders with a strong return on investment, consistent with long-term growth. A final dividend of 7.0 cents per ordinary share will be paid on 6 July 2012, bringing the total dividend for the year to 12.4 cents per share, carrying full New Zealand imputation credit. For New Zealand resident shareholders, that results in a gross dividend of 9.722 cents per ordinary share. Eligible non-resident shareholders will receive a supplementary dividend of 1.235 cents per share. The final dividend takes the total gross dividends for the past year to 17.222 cents for New Zealand residents.

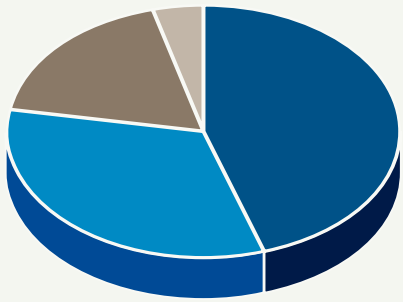
Chairman's Report Continued

Revenue *by Product Group*



53% RESPIRATORY & ACUTE CARE
44% OBSTRUCTIVE SLEEP APNEA
3% DISTRIBUTED & OTHER

Revenue *by Region*



45% NORTH AMERICA
33% EUROPE
18% ASIA-PACIFIC
4% OTHER

The dividend reinvestment plan has again been offered for this year's final dividend payment. Consistent with our intention to increase the equity base of the Company, a 3% discount will be applied to shares issued under the plan. The plan provides a convenient method for reinvesting all or part of your dividends in further Fisher & Paykel Healthcare shares free of brokerage charges.

We intend to progressively increase shareholders' funds to ensure that we have capacity to continue to implement our foreign currency hedging policy as we grow. We expect that the current dividend will be maintained in real terms, subject to earnings performance, until such time as the target capital structure is achieved. Longer term, we expect that a dividend pay-out ratio of greater than 60% will be appropriate to maintain target gearing.

CORPORATE GOVERNANCE

Your Board seeks to achieve the highest standards of corporate governance. We continue to keep our corporate governance policies and procedures under review to ensure that they are consistent, both in form and in substance, with best practice. A full and separate statement of our governance policies has been provided later in this Annual Report.

TEN YEARS OF GROWTH

Mid-November 2011 marked the 10 year anniversary of the separation of Fisher & Paykel Industries Limited into two listed companies: Fisher & Paykel Healthcare Corporation Limited and Fisher & Paykel Appliances Holdings Limited.

At the end of March 2012 Gary Paykel, who has served as our Chairman since separation, retired from that role, although he continues to serve as a valued member of the Board.

On behalf of the Board, I would like to express our thanks to Gary for the outstanding contribution that he has made to the Company over his 10 years as Chairman.

ON BEHALF OF THE BOARD, I WOULD LIKE TO EXPRESS OUR THANKS TO GARY FOR THE OUTSTANDING CONTRIBUTION THAT HE HAS MADE TO THE COMPANY OVER HIS 10 YEARS AS CHAIRMAN.

Since separation and during Gary's time as chairman, the Company has grown more than fourfold, with revenue increasing from US$89.3 million to US$417.1 million; a compound annual growth rate (CAGR) of 17%. In NZ dollars, operating revenue grew from NZ$214.6 million to NZ$516.7 million; a CAGR of 9%, in the face of an almost doubling in the value of the NZ dollar over the decade.

Since the separation in 2001 the Company has declared NZ$911 million of gross dividends, reflecting our robust levels of profitability, cash flows and high returns on invested capital.

Over the decade, thousands of new jobs have been created with the worldwide team growing from 716 people in 15 countries, to 2,592 people in 32 countries, reflecting strong growth and increased vertical integration in manufacturing and sales.

I would like to express my appreciation to the members of our Board and to our employees for their efforts over the past 10 years in achieving these excellent results.

OUR PEOPLE

The experience, capabilities and commitment of our more than 2,500 people worldwide and excellence in quality, research, development, manufacturing, marketing, sales, distribution and administration are fundamental to our ability to grow and to deliver the long-term growth in value expected by our shareholders.

The Board appreciates that our progress is a result of the combined efforts of our staff and the support we receive from our customers,

Chairman's Report Continued

distributors, suppliers and clinical partners. We thank them all for their commitment and hard work in the past year in the face of a continuing difficult global economic environment.

THE EXPERIENCE, CAPABILITIES AND COMMITMENT OF OUR MORE THAN 2,500 PEOPLE WORLDWIDE AND EXCELLENCE IN QUALITY, RESEARCH, DEVELOPMENT, MANUFACTURING, MARKETING, SALES, DISTRIBUTION AND ADMINISTRATION ARE FUNDAMENTAL TO OUR ABILITY TO GROW AND TO DELIVER THE LONG-TERM GROWTH IN VALUE EXPECTED BY OUR SHAREHOLDERS.

LOOKING AHEAD

We believe that we remain very well positioned to deliver strong underlying growth in the year ahead, particularly as a number of significant new products become established during the year.

We see strong growth opportunities in both the respiratory and acute care and obstructive sleep apnea markets and we continue to seek efficiencies in our operations in New Zealand, Mexico and around the world.

Tony Carter
Chairman

Chief Executive Officer's Review

MICHAEL DANIELL
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Our consistent growth strategy is to provide an expanding range of innovative medical devices which can help to improve care and outcomes for patients in an increasing range of applications, both in the hospital and homecare settings.

In the hospital setting, as well as heated humidification systems for use in intensive care ventilation, we offer devices that can be used in non-invasive ventilation, oxygen therapy, humidity therapy and surgery. Over the year we made very encouraging progress, with revenue from these new applications growing 24% in constant currency terms and accounting for approximately one third of our respiratory and acute care (RAC) consumables operating revenue.

In homecare, we have continued to develop and expand our range of devices with completion of the worldwide introduction of both our F&P ICON flow generator range for the treatment of obstructive sleep apnea (OSA), the introduction of our revolutionary F&P Pilairo™ nasal pillows mask and development of the second generation AIRVO™ 2 humidity therapy device for patients with chronic obstructive pulmonary disease (COPD).

The RAC product group represented 53% of our total operating revenue, the OSA product group represented 44% and distributed and other products represented 3%. Recurring revenue from consumable and accessory products, such as humidifier chambers, breathing circuits and masks, accounted for 75% of total operating revenue.

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, oxygen therapy or humidity 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.

Chief Executive Officer's Review Continued

RAC product group operating revenue grew 18% to US$218.6 million or 13% in constant currency terms. 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 infant-sized respiratory systems as well as resuscitators and warmers. These devices are used to assist new-born 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 and which can be used to improve outcomes in open surgery.

We have recently introduced new breathing system consumables and we have more in 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

OSA product group operating revenue increased by 7% to US$184.9 million or 3% in constant currency terms, reflecting strong demand for our new ICON flow generator offset by a decline in mask revenue ahead of the introduction of several new mask ranges.

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.

OUR INNOVATIVE PRODUCTS ARE DESIGNED FOR EASE OF USE AND TO HELP IMPROVE PATIENT ACCEPTANCE AND COMPLIANCE WITH CPAP THERAPY.

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 worth almost US$2.5 billion annually. Increasing diagnosis rates, better diagnostic and treatment devices and improving awareness of the condition are contributing to market growth. Our innovative products are designed for ease of use and to help improve patient acceptance and compliance with CPAP therapy.

The F&P ICON product range integrates our leading technologies into stylish, compact and intelligent devices to deliver a better night's sleep for OSA patients.

The F&P ICON combines both exceptional style and technology to fit unobtrusively into the home setting, has a very small footprint and incorporates our innovative technologies, including InfoUSB™, ThermoSmart™ and SensAwake™.

Our nasal and full face masks incorporate our patented FlexiFit™, FlexiFoam™ and Glider™ technologies which help to make them comfortable and easy to fit. Late in the year we began the introduction of our extremely quiet F&P Zest Q™ nasal mask and our revolutionary

R&D INVESTMENT	2010	2011	2012
Investment in R&D	NZ$35.3M	NZ$39.3M	NZ$42.0M
R&D as % of operating revenue	7.0%	7.8%	8.1%
R&D employees	295	322	325
PATENTS AT 31 MARCH			
US Patents	82	92	98
US applications pending (incl. PCTs*)	87	100	107
Rest of world granted	333	366	413
Rest of world applications pending (excl. PCTs*)	200	196	189

** PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions.*

F&P Pilairo nasal pillows masks. Both have been very well received by customers.

Our InfoSmart™ technologies provide a full range of communication and compliance reporting options to assist with monitoring and encouraging patient compliance with their CPAP therapy. We recently launched InfoSmart™ Web, which provides our customers with an elegant online portal for patient compliance data that can be conveniently accessed via the Internet. It offers unique features to help improve our customers' operational efficiency. Those features include proactive compliance management through a dashboard, integration of InfoUSB™ for very low cost patient data uploads and automated reminders.

InfoSmart Web enables providers and physicians to collaborate on patient data simply with detailed compliance and efficacy reporting, and seamlessly integrates with our InfoGSM™ wireless modem.

WE REMAIN COMMITTED TO EXPANDING OUR R&D ACTIVITIES BROADLY IN LINE WITH REVENUE GROWTH.

RESEARCH AND DEVELOPMENT

Our research and development (R&D) expenses increased 7% to NZ$42 million and represented 8.1% 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.

Our R&D expenditure was directed across a broad range of projects in our core product groups, as we continued to develop our products, processes 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 broadly in line with revenue growth.

Chief Executive Officer's Review Continued

In our RAC product group we are introducing around the world our second generation Evaqua™ breathing circuits for both adult and neonatal applications. We have also recently commenced the introduction of our revolutionary new neonatal Optiflow™ interfaces and a new Bubble CPAP-compatible oxygen and pressure monitor. We have also begun introduction of AIRVO 2, the next generation of our innovative humidity therapy system, for use in both the home and hospital.

We will soon be releasing a new version of our ICON Premo CPAP flow generator which includes our unique SensAwake™ technology and responsive pressure relief, which will further improve comfort for CPAP users. During the current year we will also be introducing several more innovative masks.

Our current new product development pipeline includes a broad range of new OSA and non-invasive ventilation masks, flow generators, humidifier systems and consumables.

SALES AND MARKETING

Selling, general and administrative expenses were NZ$142.6 million, an increase of 0.5% over the prior year (or 6% in constant currency terms), reflecting an increased number of sales, marketing and operations staff to support our growth.

Our own people are currently located in 32 of the more than 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 products or applications for our products are quickly brought to the attention of health professionals and our customers.

OUR OWN PEOPLE ARE CURRENTLY LOCATED IN 32 OF THE MORE THAN 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 PRODUCTS OR APPLICATIONS FOR OUR PRODUCTS 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 United Kingdom 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 United Kingdom, Germany, Sweden and Turkey, with sales teams also located in Spain, Portugal, Italy, the Netherlands, Belgium, Ireland, Austria, Switzerland and Denmark.

In the rapidly growing economies of the BRIC countries we have continued to invest in the markets of India and China, where we have well-established distribution centres which provide immediate access to our products. Each of them serves very large and diverse population groups and supports our in-market distributors, while in Brazil and Russia we have product specialists who provide in-market customer support.

We have an extensive network of distributors throughout Asia and the Middle East, who sell our products and are supported by our regional sales managers and product specialists based in New Zealand, Korea, Egypt and Saudi Arabia.

During the year we expanded our operations in Japan. Our initiative to sell our products directly to hospital sub-distributors and homecare providers in Japan has resulted in developing new relationships and greater market understanding which will underpin our future growth in this very important market.

In the United States we continued to support growing homecare provider demand and we extended our distribution agreement with CareFusion, our United States hospital distributor, for a further three years. Our North American distribution centres in California, Kentucky and Quebec continued to provide efficient delivery of our products 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.

The geographic contribution to operating revenue was North America 45%, Europe 33%, Asia-Pacific and Other 22%.

QUALITY AND REGULATORY

Providing medical devices which are able to assist clinicians and caregivers to improve patient care and outcomes is fundamental to our success. 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.

As manufacturers of medical devices we are required to comply with a wide range of country-specific regulations and are routinely audited for compliance to the applicable regulations. Our products destined for the United States must comply with the US Food and Drug Administration Quality System Regulation and require market clearance prior to commercialisation. Similarly, our products destined for the European Union, Canada or Japan must comply with the European Medical Device Directive, CMDCAS and JPAL respectively and require country-specific market clearance prior to commercialisation. 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.

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 and Mexico facilities annually. This is required to maintain the certification that allows us to place a CE mark on our products which is necessary for entry into European Union markets and to meet Canadian, Japanese, Australian and other regulatory requirements.

Chief Executive Officer's Review Continued

MANUFACTURING AND OPERATIONS

During the year we invested NZ$67.5 million in capital expenditure, with approximately NZ$17.5 million invested primarily in equipment for increased manufacturing capacity, new product tooling and replacement equipment. Approximately NZ$47.4 million was invested in the new building on our Auckland site, due for completion in late 2012. This building will provide capacity in the future to more than double New Zealand-based R&D, clinical research and marketing activities, and also includes increased office, manufacturing and warehouse space.

The increased manufacturing of consumable products at our facility in Tijuana progressed as expected. We continue to increase capacity in Mexico as demand for our high volume consumables increases and expect the facility to be manufacturing approximately half of our consumables volume within four years.

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

We operate an integrated enterprise resource planning system which provides reporting of sales and is used for forecasting, scheduling, manufacturing, ordering components, processing orders and managing inventory.

Over the year we realised design, purchasing and process improvements which help offset cost increases and reduce manufacturing costs. We are committed to Lean processes, continuous improvement 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.

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 New Zealand site environmental management system is certified to ISO14001, the international environmental management standard. We are audited annually against that standard and certified tri-annually by the Swiss-based European notified body, Société Générale de Surveillance.

We continue to improve our recycling processes and over the year recycled approximately 50% of our waste material. Landscaped settlement ponds take rainwater run-off 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.

Our Mexico manufacturing facility's proximity to our major markets not only means lower transport costs but also a decrease in air emissions as long distance transport of products from our New Zealand facility is reduced.

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

WORKPLACE HEALTH AND SAFETY

We are committed to providing all of our employees with a healthy and safe working environment. We continue to focus on achieving excellence in health and safety initiatives and work with local authorities and organisations as required. By adopting a philosophy of health and safety being the responsibility of all employees and by focussing on continuous

improvement, we enjoy an environment that promotes active participation in our various health and safety programmes.

HUMAN RESOURCES

At the end of March 2012 we employed a total of 2,592 people, with 1,718 located in New Zealand and 874 located in 31 other countries. Our human resource strategy continues to be focused on attracting talent as well as retaining and developing our family of employees around the world.

Our past progress 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, are applied to all human resource initiatives and provide 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 exciting. 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 noninvasive ventilation, oxygen therapy, humidity therapy, resuscitation and surgery. In addition, we believe that our expanding range of premium OSA treatment products will drive robust growth in that growing market.

OUR OPPORTUNITIES TO EXPAND IN THE RESPIRATORY CARE, ACUTE CARE AND OSA MARKETS CONTINUE TO BE EXCITING.

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

Michael Daniell
Managing Director and Chief Executive Officer

10 Years On

"IT'S BEEN 10 YEARS SINCE SEPARATION. HERE'S A SNAPSHOT OF SOME KEY MILESTONES AND ACHIEVEMENTS"

NOVEMBER 2001

Company separates from F&P Appliances

Release of Evaqua breathing circuit technology

MARCH 2004

MAY 2004

$1 million sponsorship for the development of a clinical education centre at Auckland City Hospital

Release of the Optiflow humidification system

APRIL 2005

NOVEMBER 2006

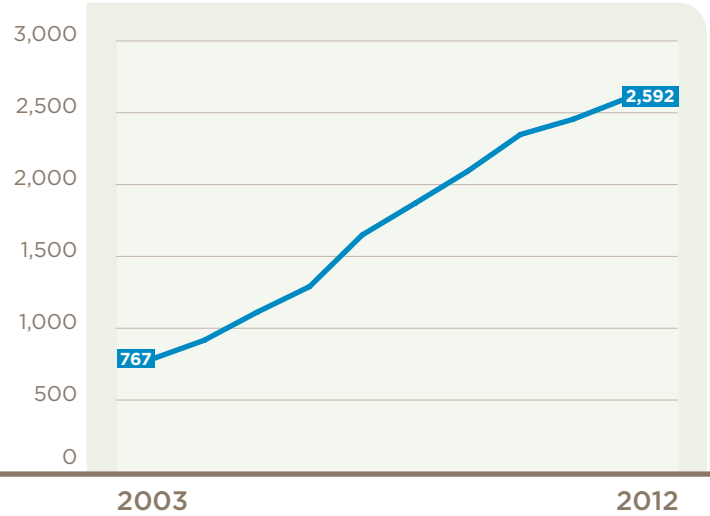
Second building on our Auckland site is opened

Growth Indication

TOTAL EMPLOYEES

CUMULATIVE GROSS DIVIDEND (NZ$000)

US$ REVENUE (US$000)



"OUR RESULTS REFLECT OUR COMMITMENT TO INNOVATION AND AN ENDURING VISION TO IMPROVE PATIENT CARE AND OUTCOMES"

Release of SleepStyle Auto adjusting flow generator

SEPTEMBER 2007

OCTOBER 2008

Release of Zest nasal mask

Release of the revolutionary F&P ICON flow generator range

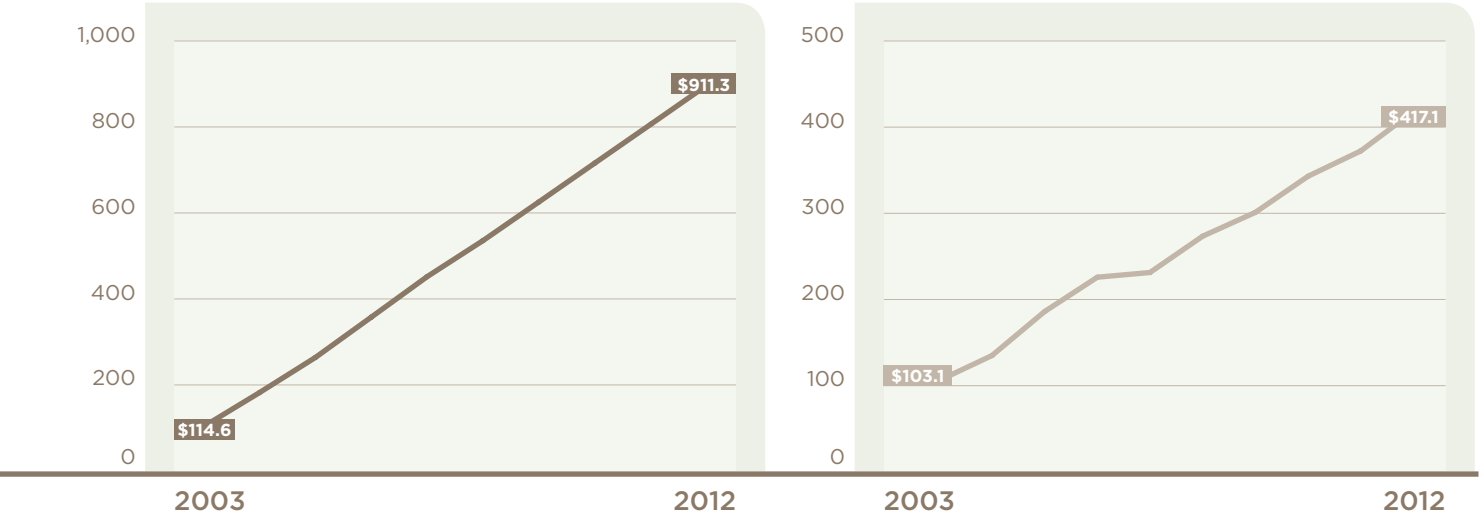
MARCH 2010

APRIL 2010

Manufacturing commences at our new facility in Tijuana, Mexico

F&P Pilairo nasal pillows mask is released

DECEMBER 2011



Respiratory & Acute Care

KEY PRODUCTS

MR850 Respiratory Humidifier System

MR810 Respiratory Humidifier System

MR880 Respiratory Humidifier System

HC550 Respiratory Humidifier System

MR860 HumiGard™ Surgical Humidifier System

Single Use 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

AIRVO™ Series Humidifiers with Integrated Flow Generator

Case Study

F&P Optiflow™

ECONOMIC AND PATIENT BENEFITS REVEALED

In April 2010, Bon Secours St. Francis Health System in Greenville, South Carolina, USA, introduced heated humidification for BiPAP and Optiflow to reduce costs and improve patient outcomes. The results were quite remarkable, with a 45% reduction in the number of days patients were on BiPAP and a 4.5 day reduction in the average hospital length of stay for patients receiving BiPAP during the 2011 fiscal year.

WRITTEN BY: Joseph Whitten, Director Respiratory Care Services, Bon Secours St. Francis Health System, Greenville, South Carolina, USA.

BACKGROUND

Bon Secours St. Francis Health System established special project groups, known as clinical transformation teams, to identify ways to reduce costs. Joseph Whitten, Director Respiratory Care Services was part of the ICU clinical transformation team. After a Fisher & Paykel Healthcare presentation on heated humidification and Optiflow, the team recognized the immediate benefits this could provide and ordered seven units for throughout the hospital.

"Once we started implementing heated humidification and Optiflow, it just caught on. People were so impressed with it," says Joseph.

CLINICIANS ONBOARD

Initially, the prospect of delivering up to 60L/ min through a nasal cannula was hard to imagine for some of the hospital's nursing staff and doctors. Things changed once they were given the chance to try Optiflow on themselves.

"The staff that tried Optiflow said it was nothing like they'd imagined it would be," explains Joseph. "In fact one of our pulmonologists said it felt like power steering for your breathing."

PATIENT TYPES

Bon Secours St. Francis Health System is using heated humidification and Optiflow in their critical care units and emergency departments. They're also using it with their COPD patients, oncology patients and for palliative care. "We've used it for patients who may have otherwise needed BiPAP and had to remain in an ICU. We've been able to move them out to the oncology floor and manage them with Optiflow instead," explains Joseph.

In one case, during the early stages of implementing Optiflow, an end-stage COPD patient was having difficulty breathing and didn't want to be put on a breathing machine. "The respiratory therapist was 'all out of tricks' for this lady. He went and got an Optiflow humidified high flow nasal cannula and within minutes she settled down. The patient's daughter was really grateful," explains Joseph. "The therapist was so excited he called me right away and said 'hey man I've got to tell you this story'.

COLLABORATION A KEY FACTOR

The ICU clinical transformation team included people from all disciplines – RTs, physicians, nurses, nursing administration, a clinical pharmacist and a case manager – so everyone came to understand and see the value of heated humidification and Optiflow at the same time.

"Everyone looked at everything from their own area of expertise," explains Joseph. "I think in health care today, a true interdisciplinary approach to any initiative is going to help with success. The biggest thing is to have everybody on board with it, educated about it and ready to go with it.

MEASURED BENEFITS POST IMPLEMENTATION

For patients receiving BiPAP, when compared with the 2009 data there was:

- a two day reduction in the average hospital length of stay during the 2010 financial year
- a four and a half day reduction in the average hospital length of stay during the 2011 financial year

The hospital has also:

- reduced the total number of cases receiving BiPAP by 37 cases
- reduced the total number of patient days for patients who received BiPAP by 1,320 days
- achieved a 45% reduction in BiPAP utilisation
- achieved a 41% reduction in direct cost to the Bon Secours St. Francis Health System for patients who received BiPAP
- reduced ventilator use by 9%

"We have basically halved our total number of days on BiPAP," explains Joseph. "Many people seeing that would expect our ventilator days to have gone up. But our ventilator cases actually went down by 116 cases or a total decrease of 641 patient days for patients who received mechanical ventilation."

Obstructive Sleep Apnea

KEY PRODUCTS

ICON™ Auto Flow Generator

ICON™ Premo Flow Generator

ICON™ Novo Flow Generator

SleepStyle™ Flow Generators

HC150 CPAP Heated Humidifier

FlexiFit™ Nasal Mask Range

FlexiFit™ Full Face Mask Range

Zest™ Q Nasal Mask Range

Zest™ Nasal Mask Range

Forma™ Full Face Mask

Pilairo™ Nasal Pillows Mask

Opus™ 360 Nasal Pillows Mask

Oracle™ Oral Mask

Forma™ NIV Full Face Mask

FlexiFit™ 407 NIV Nasal Mask

HC300 Series Humidification Chambers

Info Technologies Patient Management System including:

InfoSmart™ Software
InfoUSB™ Data Transfer

LabPort™ and LabSmart™ Laboratory Titration System

Case Study

F&P Pilairo™

NASAL PILLOWS MASK

Introducing the NEW revolutionary F&P Pilairo Nasal Pillows mask.

Every detail of the F&P Pilairo has been carefully researched, developed and engineered to improve patient SleepLife*. The F&P Pilairo represents minimalist, highly effective nasal pillows design at its best and sets new benchmarks for comfort, seal and easy use.

Weighing in as the lightest F&P nasal pillows mask (1.83 ounces/52 grams), the F&P Pilairo is light on the patient and big on performance.

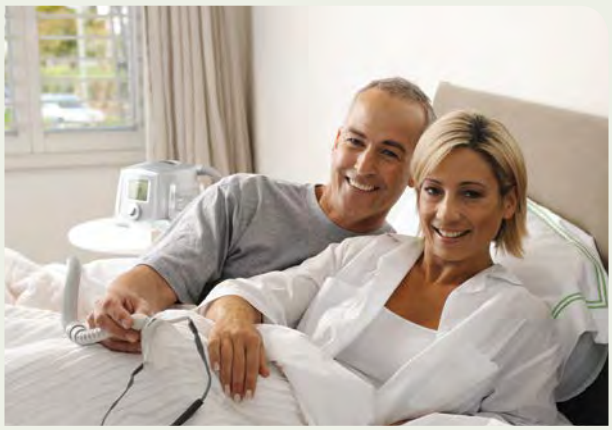
The clever design integrates a new self-inflating AirPillow™ Seal and minimalist Stretchwise™ headgear. As a result, the patient experiences freedom of movement coupled with stability they can trust.

The revolutionary AirPillow Seal and lightweight comfort of the F&P Pilairo truly puts it in a league of its own.

The new AirPillow Seal is soft, comfortable and highly effective. This fine seal is ergonomically designed to self-inflate with CPAP flow, to gently envelop the nose and form a double seal in and around the nares. This unique sealing mechanism makes the F&P Pilairo extremely versatile by allowing it to fit a range of nasal sizes and shapes with a single size seal.

The new Stretchwise Headgear makes the need for complicated adjustments and complex headgear redundant. Made from a soft latex-free elasticized thread with intelligent-stretch properties, the headgear automatically customises to the wearer. No manual adjustments are necessary with one convenient size to fit most.

The F&P Pilairo offers a revolutionary high performance mask for improved therapy and a better SleepLife.



** We sleep for a third of our lives. During sleep we grow, we repair, memories are made; our bodies and minds are rejuvenated. Sleep feeds our quality of life.*

Financial Review

Net profit after tax was NZ$64.1 million for the year ended 31 March 2012, an increase of 22% compared to the prior year of NZ$52.5 million.

After excluding the one-off non-cash deferred tax charges of NZ$11.5 million for the year ended 31 March 2011 (related to the New Zealand government's removal of depreciation on buildings and the reduction in the New Zealand company tax rate from 30% to 28%) an increase of 0.3% was recorded. The increase in the full year net profit after tax (prior to the one-off non-cash deferred tax charges) reflects revenue expansion, disciplined control of expenses and other operational efficiencies, which together allowed our growth in net profit after tax to reach *23%*[1] in constant currency terms. This positive result was offset by the significant appreciation of the NZ dollar against all major currencies.

The Company's financial statements for the year ended 31 March 2012 and the comparative financial information for the year ended 31 March 2011 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and IFRS.

Operating revenue increased by 2%, or *8%* in constant currency terms.

The Directors have approved a final dividend of NZD 7.0 cents per ordinary share carrying a full imputation credit of 2.7222 cents per share (100% imputed based on a 28% tax rate). Non-resident shareholders will receive a supplementary dividend of NZD 1.2353 cents per share. The final dividend will be paid on 6 July 2012, with a record date of 22 June 2012 and an ex dividend date of 18 June 2012 for the ASX and 20 June 2012 for the NZX.

The Directors have maintained the dividend payment for the year at 12.4 cps being 5.4 cps interim and 7.0 cps final on the basis that the Company's underlying earnings and cashflow in NZ dollar terms have been stable. The Company offers eligible shareholders the opportunity to receive ordinary shares rather than cash under the Dividend Reinvestment Plan (DRP). The Directors have maintained a discount on the DRP of 3% to encourage shareholders to take up the offer as part of the Company's plan to build shareholders' funds.

In May 2010 the Directors reviewed the Company's capital structure and determined that the Company needed to progressively increase its shareholders' funds, to ensure that it has capacity to continue to implement its foreign currency hedging policy as the Company grows.

A target debt to debt plus equity ratio of 5% to 15% (excluding unrealised financial instrument gains or losses) was established. The Directors expect that, subject to earnings performance, the dividend will be maintained in real terms until such time as the target capital structure is achieved. Longer term, the Directors expect that a dividend payout ratio of greater than 60% will be appropriate to maintain target gearing.

[1] *To avoid confusion, all references to constant currency amounts or percentages are stated in italics*

FINANCIAL PERFORMANCE

The following table sets out the consolidated statement of financial performance for the years ended 31 March 2011 and 2012 in NZ$:

	YEAR ENDED 31 MARCH	
	2011 NZ$000's	2012 NZ$000's
Operating revenue	**506,074**	**516,688**
Cost of sales	228,372	241,651
Gross profit	277,702	275,037
Gross margin	**54.9%**	**53.2%**
Other income	1,200	2,400
Selling, general and administrative expenses	141,882	142,644
Research and development expenses	39,277	41,988
Total operating expenses	181,159	184,632
Operating profit before financing costs	**97,743**	**92,805**
Operating margin	**19.3%**	**18.0%**
Net financing income (expense)	(4,929)	(488)
Profit before tax	**92,814**	**92,317**
Tax expense excluding the effect of legislative changes in May 2010	28,868	28,207
Profit after tax excluding legislative changes	63,946	64,110
Tax expense relating to legislative changes in May 2010	(11,480)	-
Profit after tax	**52,466**	**64,110**

FOREIGN EXCHANGE EFFECTS

We are exposed to movements in foreign exchange rates, with approximately 52% of our operating revenue generated in US dollars, 23% in Euros, 6% in Australian dollars, 4% in British pounds, 4% in Canadian dollars, 4% in Japanese yen, 1% in New Zealand dollars and 6% in other currencies.

Financial Review Continued

As we increase our number of direct sales operations an increasing proportion of our revenue is generated in local currencies, reducing our operating revenue exposure to the US dollar. Our cost base is also becoming more diverse, as we expand our manufacturing output from Mexico.

Exchange rates between the New Zealand dollar and the currencies in which we receive revenue were again very volatile during the period, with the New Zealand dollar appreciating substantially against the US dollar when compared to the comparable period last year. Our hedging policy again served us well, with hedging gains contributing NZ$49.5 million (2011: NZ$38.4 million) to operating profit.

The reported results for the year ended 31 March 2012 were adversely impacted by movements in the value of the New Zealand dollar when compared to the results for the year ended 31 March 2011.

The average daily spot rate and the average effective exchange rate (i.e. the accounting rate, incorporating the benefit of forward exchange contracts entered into by the Company in respect of the relevant financial year) of our main foreign currency exposures for the years ended 31 March 2011 and 2012 are set out in the table below:

	AVERAGE DAILY SPOT RATE		AVERAGE EFFECTIVE EXCHANGE RATE	
	YEAR ENDED 31 MARCH		YEAR ENDED 31 MARCH	
	2011	2012	2011	2012
USD	0.7330	0.8072	0.6192	0.6641
EUR	0.5545	0.5864	0.4808	0.4823

The impact of balance sheet translations of offshore assets and liabilities for the year ended 31 March 2012 resulted in a reduction in revenue of NZ$4.3 million (2011: NZ$2.2 million) and a reduction in operating profit of NZ$5.2 million (2011: NZ$1.5 million).

CONSTANT CURRENCY ANALYSIS

A constant currency income statement is prepared each month to enable the board and management to monitor and assess the Company's underlying financial performance without any distortion from changes in foreign exchange rates. The table opposite provides estimated NZ dollar income statements for the relevant periods, which have all been restated at the budget foreign exchange rates for the 2012 financial year but after excluding the impact of movements in foreign exchange rates, hedging results and balance sheet translations.

CONSTANT CURRENCY INCOME STATEMENTS (UNAUDITED)	Year ended March 2010 NZ$000	Year ended March 2011 NZ$000	Variation 2010 to 2011 %	Year ended March 2012 NZ$000	Variation 2011 to 2012 %
Operating revenue	***451,359***	***474,985***	***+5***	***514,117***	***+8***
Cost of sales	*224,101*	*228,852*	*+2*	*246,184*	*+8*
Gross profit	*227,258*	*246,133*	*+8*	*267,933*	*+9*
Other income	*3,183*	*1,200*	*-62*	*2,400*	*+100*
Selling, general and administrative expenses	*134,624*	*144,932*	*+8*	*153,739*	*+6*
Research & development expenses	*35,272*	*39,277*	*+11*	*41,988*	*+7*
Total operating expenses	*169,896*	*184,209*	*+8*	*195,727*	*+6*
Operating profit	***60,545***	***63,124***	***+4***	***74,606***	***+18***
Financing expenses (net)	*5,584*	*5,473*	*-2*	*4,268*	*-22*
Profit before tax	***54,961***	***57,651***	***+5***	***70,338***	***+22***
Tax expense	*16,725*	*17,824*	*+7*	*21,465*	*+20*
Profit after tax	***38,236***	***39,827***	***+4***	***48,873***	***+23***

1. The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2012, are USD 0.74, EUR 0.53, AUD 0.75, GBP 0.46, CAD 0.72, JPY 61 and MXN 8.80.
2. The tax expense figures exclude the impact of the one-off non-cash deferred tax charges in the 2011 year.

In constant currency terms, operating revenue increased by *8%* and operating profit increased by *18%* for the year, as we continued to generate significant operating leverage from disciplined expense control, positive contributions from our Mexico manufacturing facility and from direct sales operations established over the past few years.

This constant currency analysis is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and track the Company's financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each year.

Financial Review Continued

A reconciliation of the constant currency income statements above to the actual income statements for each year is provided below.

RECONCILIATION OF CONSTANT CURRENCY TO ACTUAL INCOME STATEMENTS (UNAUDITED)	Year ended March 2010 NZ$000	Year ended March 2011 NZ$000	Year ended March 2012 NZ$000
Profit before tax (constant currency)	***54,961***	***57,651***	***70,338***
Spot exchange rate effect	27,325	(2,249)	(25,961)
Foreign exchange hedging result	28,675	38,397	49,542
Balance sheet revaluation	(4,146)	(986)	(1,602)
Profit before tax (as reported)	**106,815**	**92,814**	**92,317**

In summary, ignoring the effects of balance sheet translations (which are relatively immaterial), over the last two years the movement in the value of the NZ dollar against other currencies has had a net adverse impact on the Company's profit before tax of over *NZ$32* million. The spot rate impact over the two years was *NZ$53.3* million of which *NZ$20.9* million was mitigated by the Company's hedging programme.

OPERATING REVENUE

Operating revenue increased by 2% to NZ$516.7 million for the financial year ended 31 March 2012 from NZ$506.1 million for the financial year ended 31 March 2011, principally due to increased sales volume from our core products during the financial year.

Operating revenue in constant currency terms increased *8%* for the year, and *8%* for our core products.

Operating revenue was further impacted by the translation of foreign exchange trade receivables in our offshore offices. Operating revenue for the financial year ended 31 March 2012 was reduced by approximately NZ$4.3 million. The reduction in operating revenue was approximately NZ$2.2 million for the financial year ended 31 March 2011.

The following table sets out operating revenue by product group for the financial years ended 31 March 2011 and 2012:

	YEAR ENDED 31 MARCH	
	2011 NZ$000's	2012 NZ$000's
Respiratory and acute care products	253,303	270,830
OSA products	236,654	229,105
Core products sub total	489,957	499,935
Distributed and other products	16,117	16,753
Total	**$506,074**	**$516,688**

Underlying growth in demand for our respiratory humidification systems was strong throughout the year. This resulted in total operating revenue of NZ$270.8 million for the respiratory and acute care product group, being growth of 7% in NZ dollars, but *13%* in constant currency terms compared with last year.

Expansion of the application of products and technologies to the care of patients beyond our traditional invasive ventilation market continued, with an increasing proportion of consumables revenue coming from devices used in non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic surgery. Constant currency revenue for these new applications grew *24%* for the year ended 31 March 2012 and in total represented 33% of respiratory and acute care consumables revenue.

Very strong revenue growth in consumables and accessories was supported by robust growth in demand for humidifier controllers despite the current international economic climate.

In the respiratory and acute care group, underlying average sell prices were supported by some modest selling price increases.

In our OSA product group, operating revenue declined 3% to NZ$229.1 million, but in constant currency terms increased *3%* for the year. ICON flow generator sales grew strongly over the year, resulting in constant currency flow generator operating revenue growth of *18%*. Constant currency mask revenue reduced *4%* for the year, although was almost equal to the prior corresponding period for the fourth quarter, following introduction of our new F&P Zest Q and F&P Pilairo masks into selected countries.

Sales of respiratory and acute care products represented 50% and 52% of operating revenue for the financial years ended 31 March 2011 and 2012 respectively. Sales of OSA products represented 47% and 44% of operating revenue for the financial years ended 31 March 2011 and 2012 respectively.

Financial Review Continued

Sales of consumable and accessory products for core products accounted for approximately 76% and 74% of operating revenue for the financial years ended 31 March 2011 and 2012 respectively.

The following table sets forth our operating revenue for each of our regional markets for the years ended 31 March 2011 and 2012:

	YEAR ENDED 31 MARCH	
	2011 NZ$000's	2012 NZ$000's
North America	233,706	230,563
Europe	159,438	170,355
Asia Pacific	90,115	92,981
Other	22,815	22,789
Total	**$506,074**	**$516,688**

The breakdown of revenue presented above is based on the geographical location of the customer.

Output increased over the year at our facility in Tijuana, Mexico as we commissioned increased capacity. The Mexico manufacturing facility now produces approximately 25% of our total consumables output.

EXPENSES

Research and development activities are primarily conducted in New Zealand. Research and development expenses totalled NZ$42.0 million for the year ended 31 March 2012 compared to NZ$39.3 million in the previous financial year. The increase was attributable to increases in research and development personnel and costs in connection with the continuing expansion of product and process development activities for the respiratory and acute care and OSA product groups. A number of new products have recently been released to the market, with more to follow during the 2013 financial year. Research and development expenses represented 8.1% of operating revenue for the financial year ended 31 March 2012.

Research and development expenses are expected to continue to increase broadly in line with constant currency revenue growth.

Selling, general and administrative expenses increased by 1% to NZ$142.6 million in the financial year ended 31 March 2012 compared to NZ$141.9 million in the previous financial year. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities. In constant currency terms selling, general and administrative expenses have increased by *6%* in the financial year ended 31 March 2012.

GROSS PROFIT

Gross profit decreased to NZ$275.0 million, or 53.2% of operating revenue, in the financial year ended 31 March 2012 from NZ$277.7 million, or 54.9% of operating revenue, in the financial year ended 31 March 2011. Gross profit decreased despite underlying business growth as the strength of the NZ dollar adversely impacted NZ dollar revenue. Constant currency gross margin percentage increased marginally due to a number of factors, including positive RAC product mix, logistics and manufacturing improvements.

In constant currency terms cost of sales increased by *8%* in the financial year ended 31 March 2012, a slightly lower rate than revenue growth.

OPERATING PROFIT

Operating profit decreased by 5.0% to NZ$92.8 million in the financial year ended 31 March 2012 from NZ$97.7 million in the financial year ended 31 March 2011.

In constant currency terms, operating profit increased by *18%*.

BALANCE SHEET

Our gearing[2] at 31 March 2012 was 26.4%, in line with our gearing at 31 March 2011. The gearing has remained steady as we have been able to maintain our ratios through profit retention and land revaluation despite the increase in capital expenditure in relation to the construction of our new building.

The gearing figure remains above the target range of 5% to 15%. As previously noted the Directors intend to ensure that the Company progressively moves its gearing into the target range, subject to exchange rate movements, profitability and dividend payout.

FUNDING

We had total available debt funding of $195 million as at 31 March 2012, of which approximately $80 million was undrawn, and cash on hand of $6 million. Bank debt facilities provide all available funding given the modest level of requirements. We have $73 million of debt maturing in the next 12 months, and are confident we can renew or refinance on satisfactory terms.

DEBT MATURITY

The average maturity of the debt of $100 million was 1.6 years and the currency split was 59% New Zealand dollar; 18% US dollar; 15% Euro; 5% Australian dollar; 1% Japanese Yen and 2% other currencies.

INTEREST RATES

Approximately 80% of all borrowings were at fixed interest rates with an average duration of 6.1 years and an average rate of 6.0%. Inclusive of floating rate borrowings the average interest rate on the debt is currently 5.5%. All interest rates are inclusive of margins but not fees.

Interest coverage for the period was 35 times and the group remains in a sound financial position.

[2] *Net interest bearing debt (debt less cash and cash equivalents) to net interest bearing debt and equity (less cash flow hedge reserve-unrealised).*

Financial Review Continued

The interest coverage for the period included interest capitalised to the new building project, $2.2 million for the period compared to $0.5 million for the corresponding period last year.

CASHFLOW

Cashflow from operations was $93.9 million compared with $71.1 million for the 2011 financial year. The improvement is due to higher receipts in the current period from the further monetisation of USD forward exchange contracts and higher tax payments in the first half of last year, as a result of the monetisation of USD forward exchange contracts in the 2010 financial year.

Capital expenditure for the period was $67.5 million compared with $43.2 million in the prior year. Of this total, $47.4 million was for the new building project on our East Tamaki, Auckland site, and the balance related predominantly to new product tooling and manufacturing equipment.

DIVIDEND

The directors have approved a final dividend for the financial year ended 31 March 2012 of NZ7.0 cents per ordinary share (2011: NZ7.0 cents), and will be fully imputed at a rate of 28%.

The dividend will be paid on 6 July 2012 to holders registered as at 5.00pm Friday 22 June 2012 (NZT). The shares will be quoted on an ex-dividend basis from 18 June 2012 for the ASX and 20 June 2012 for the NZSX.

DIVIDEND REINVESTMENT PLAN

The dividend reinvestment plan is being offered for this dividend payment. The last day for receipt of the election notice for participation in the dividend reinvestment plan is the record date for the relevant dividend in accordance with the terms of the Company's dividend reinvestment plan.

A 3% discount will be applied to shares issued under the plan.

FINANCIAL HIGHLIGHTS

UNAUDITED	YEAR ENDED MARCH 2011	YEAR ENDED MARCH 2012
Pre-tax return on average shareholders' equity	30.6%	27.9%
Earnings per share (cents)	12.4[3]	12.2
Dividends per share (cents)	12.4	12.4
Gearing	26.4%	26.4%
Interest cover (times)	16.5	34.7

[3] *Excluding deferred tax charges*

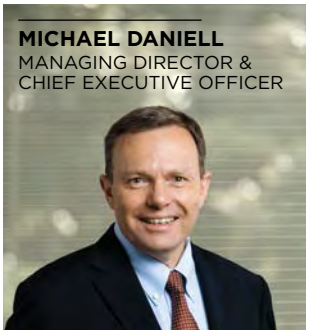
FOREIGN EXCHANGE HEDGING POSITION

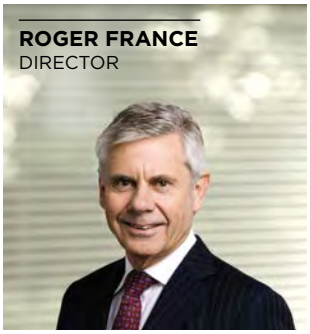
The hedging position for our main exposures, the US dollar and Euro, as at the date of this report is:

	YEAR TO 31 MARCH			
	2013	2014	2015	2016
USD % cover of expected exposure	92%	44%	5%	0%
USD average rate of cover	0.76	0.74	0.75	-
USD Close-out value to Income Statement (NZ$000)[4]	$17,781	$21,291	$0	$0
EUR % cover of expected exposure	81%	49%	38%	5%
EUR average rate of cover	0.48	0.41	0.40	0.37

[4] *Foreign currency hedging gains to be released to the Income Statement from the Cash Flow Reserve - Realised from previously monetised USD forward exchange contracts.*

Board of Directors





TONY CARTER

Tony Carter, 54, became a director in December 2010 and was appointed Chairman in April 2012. Mr Carter is a director of Fletcher Building Limited, Air New Zealand Limited, ANZ National Bank Limited, is co-chairman of the New Zealand Initiative and is a trustee of the Maurice Carter Charitable Trust. He served as Managing Director of Foodstuffs New Zealand Limited for ten years from 2001 to 2010. Mr Carter received his Master of Engineering degree from the University of Canterbury, New Zealand, and a Master of Philosophy degree from Loughborough University of Technology, United Kingdom University of Technology, United Kingdom.

MICHAEL DANIELL

Michael Daniell, 55, became Managing Director and Chief Executive Officer in November 2001. Mr Daniell served as the General Manager of Fisher & Paykel's healthcare business from May 1990 until November 2001. From 1979 until May 1990, Mr Daniell held various positions in the 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.

NIGEL EVANS

Nigel Evans, 71, became a director 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 a Master of Science degree from the University of Auckland 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, 67, 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 Blue Star Group Holdings Limited and was, 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 Fellow of the New Zealand Institute of Chartered Accountants.

LINDSAY GILLANDERS

Lindsay Gillanders, 62, has served as a director since May 1992. Mr Gillanders has also served as a director of Rangatira Limited since October 2002, Auckland Packaging Company Limited since October 2002 and as Chairman of Auckland Packaging Company Limited since September 2003. Until November 2001, Mr Gillanders was responsible for Fisher & Paykel's 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.

ARTHUR MORRIS

Arthur Morris, 56, became a Director in February 2008. Dr Morris is a fellow of the Royal Australasian College of Pathologists, the 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 Chief Executive Officer 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.

GARY PAYKEL

Gary Paykel, 70, has been a Director of Fisher & Paykel Healthcare Corporation Limited (previously known as Fisher & Paykel Industries Limited) since August 1979 and served as Chairman from November 2001 until March 2012. 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 Fisher & Paykel Industries. 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.

Directors' Report

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 31 March 2012.

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 NZ$92.8 million (2011: NZ$97.7 million) was earned for the year ended 31 March 2012. The profit after tax was NZ$64.1 million (2011: NZ$52.5 million which included one-off non-cash deferred tax charges of NZ$11.5 million). Basic earnings per share were 12.2 cents (2011: 10.2 cents).

SHAREHOLDERS' EQUITY

Shareholders' equity at 31 March 2012 totalled NZ$348.2 million (2011: $313.3 million).

SHARE ISSUES

During the year:

- 9,510,407 shares were issued under the Company's dividend reinvestment plan;
- 89,819 shares were issued under approved Employee Share Purchase Schemes in accordance with the Company's constitution;
- No shares were issued under Employee Share Option Plans upon the exercise of previously granted share options;
- No shares were issued under the Cancellation Offer Facility as approved by shareholders on 12 August 2004; and
- 4,999,950 share options were issued under an approved Employee Share Option Plan.

DIVIDENDS

The Directors approved a final dividend to be paid on 6 July 2012 of 7.0 cents per share carrying full NZ imputation credit at 28% (2011: 7.0 cents per share, full NZ imputation credit at 28%), resulting in total dividends for the year of 12.4 cents per share, carrying full NZ imputation credit (2011: 12.4 cents per share carrying full NZ imputation credit).

DIRECTORS

In accordance with the Company's Constitution, Roger France and Arthur Morris will retire and, being eligible, offer themselves for re-election. In addition, Michael Daniell who was re-appointed by the Directors as Managing Director 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 2012:

	NZ$
Tony Carter	$106,003
Nigel Evans	$99,550
Roger France	$109,230
Lindsay Gillanders	$89,430
Arthur Morris	$79,750
Gary Paykel	$179,850
	$663,813

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 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.

The following non-executive Directors' retirement allowances have been provided for by the Company as at 31 March 2012:

	NZ$
Nigel Evans	$99,550
Lindsay Gillanders	$83,246
Gary Paykel	$179,850
	$362,646

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 2012 of $900,775.

In addition to this fixed remuneration, Michael Daniell also received performance-based at-risk components, both paid out and accrued, of $454,963. Michael Daniell was also issued 200,000 options on 16 September 2011 with a fair value of $26,425. 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 2012 set out in the Statutory Information section of this Annual Report.

This Annual Report is dated 25 May 2012 and signed on behalf of the Board by:

Tony Carter
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 Corporate Governance Principles and Guidelines (collectively, the Principles).

The Governance Manual for the Company consists of various charters and policies. 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 set 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 Code of Conduct for the Company requires all employees to deal honestly with all professional advisers, customers and suppliers and to not accept or offer bribes or improper inducements to or from anyone.

The Code of Conduct for the Company states that employees shall not, without the prior consent of the Company, support a political party or organisation other than in a personal capacity. The Company also has a policy that it does not make corporate level political donations. 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 Managing Director and Chief Executive Officer, is the only executive Director on the Board. The Chairman of the Board is Tony Carter.

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. 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 such service provider, within the last three years.
4. No Director is a material supplier or customer of the Company or other group member, or an Officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
5. No Director has a material contractual relationship with the Company or another group member other than as a Director of the Company.
6. No Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. In this context, the Board specifically confirms that it has unanimously endorsed Gary Paykel's and Lindsay Gillanders' position as valued independent Directors of the Company.

Corporate Governance Continued

7. All Directors are free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Based on these assessments, the Company considers that, as at 31 March 2012, six of the seven current Directors are independent Directors, namely Tony Carter, Nigel Evans, Roger France, Lindsay Gillanders, Arthur Morris and Gary Paykel.

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.

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), Tony Carter 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 Tony Carter (Chairman), Lindsay Gillanders and Roger France.

All members of the Remuneration Committee are independent Directors.

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 diversity of background, experience and qualifications of the candidate.

As we operate in specialised international markets, the Board believes that it is important to have a board consisting of members with diverse backgrounds, experience and skills. The Board also seeks to have experience and knowledge which spans marketing, sales, finance, science,

	BOARD		AUDIT & RISK COMMITTEE		REMUNERATION COMMITTEE	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Tony Carter	10	10	3	3		
Michael Daniell	10	10				
Nigel Evans	10	10	3	3		
Roger France	10	10	3	3	2	2
Lindsay Gillanders	10	10			2	2
Arthur Morris	10	10				
Gary Paykel	10	10			2	2

medicine, engineering, legal and/or regulatory to meet the demands of an international business.

The current members of the Nomination Committee are Tony Carter (Chairman), Lindsay Gillanders and Roger France. All members of the Nomination Committee are independent Directors.

BOARD PROCESSES

The Board held 10 meetings during the year ended 31 March 2012. The table above shows attendance at the Board and committee meetings. Normally, 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. No Nomination Committee meetings were held during the year.

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.

At the Company's Annual Meeting of Shareholders held on 19 August 2011, all of the then-serving Directors attended the meeting.

DIRECTORS' REMUNERATION

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

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

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

Directors do not take a portion of their remuneration under an equity security plan but all Directors, except Arthur Morris, hold shares in the Company, details of which are set out in the "Directors' Shareholdings" section of this

Corporate Governance Continued

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, 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.

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 plan.

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.

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 2012, performance evaluations took place in relation to the Board, the Board's committees and the Directors in accordance with the Company's 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 Company 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 four times 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) or a disclosing entity incorporated or formed in Australia for the purposes of that 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, works 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 financial auditors, remuneration, market disclosure, communication with shareholders, diversity, 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 to trade, 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.

Corporate Governance Continued

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 NZSX 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 communication 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).

DIVERSITY POLICY

The Company is committed to providing equal employment opportunities and as such, has a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experiences. The Company ensures that our selection processes for recruitment and employee development opportunities are free from bias and are based on merit.

The Board has conducted its annual assessment of its diversity objectives and its progress towards achieving these objectives and reports the following:

- The Company has appointed the Vice President - Human Resources as the Diversity Manager. The Diversity Manager has reviewed existing recruitment processes and practices to ensure that they are free from any discrimination.
- The Board has delegated to the Nomination Committee the responsibility for reviewing the Company's Diversity Policy. On an annual basis, the Nomination Committee will review the Company's Diversity Policy, its diversity objectives and the Company's achievement against its diversity objectives, including the representation of women at all levels of the organisation.

The Company will implement a diversity awareness programme for executives and management and will continue to monitor its policies and practices to ensure that they are free from bias.

As at 31 March 2012, 46% of employees of the Company were female employees. Female representation at senior management level was 16%. There were no female Board members.

The Company's Diversity Policy is available on the Company's website (www.fphcare.com).

Financial Information

Five Year Financial Summary (NZ$)

FOR THE YEARS ENDED 31 MARCH

	2008 NZ$000	2009 NZ$000	2010 NZ$000	2011 NZ$000	2012 NZ$000
				(EXCEPT AS OTHERWISE STATED)	
FINANCIAL PERFORMANCE					
Sales revenue	345,966	485,516	474,755	467,680	466,726
Foreign exchange gain (loss) on hedged sales	11,927	(26,799)	28,567	38,394	49,962
Total operating revenue	**357,893**	**458,717**	**503,322**	**506,074**	**516,688**
Cost of sales	(177,811)	(212,087)	(231,939)	(228,372)	(241,651)
Gross profit	180,082	246,630	271,383	277,702	275,037
Gross margin	50.3%	53.8%	53.9%	54.9%	53.2%
Other income	–	3,000	4,269	1,200	2,400
Selling, general and administrative expenses	(97,859)	(118,929)	(137,541)	(141,882)	(142,644)
Research and development expenses	(24,091)	(28,310)	(35,272)	(39,277)	(41,988)
Total operating expenses	**(121,950)**	**(147,239)**	**(172,813)**	**(181,159)**	**(184,632)**
Operating profit before financing costs	58,132	102,391	102,839	97,743	92,805
Operating margin	16.2%	22.3%	19.8%	19.3%	18.0%
Net financing income (expense)	(3,822)	(17,353)	3,976	(4,929)	(488)
Profit before tax	54,310	85,038	106,815	92,814	92,317
Tax expense	(19,034)	(22,805)	(35,184)	(28,868)	(28,207)
Profit after tax *	**35,276**	**62,233**	**71,631**	**63,946**	**64,110**
Revenue by region:					
North America	165,685	208,861	234,035	233,706	230,563
Europe	115,999	151,907	161,723	159,438	170,355
Asia Pacific	58,287	71,787	81,404	90,115	92,981
Other	17,922	26,162	26,160	22,815	22,789
Total	**357,893**	**458,717**	**503,322**	**506,074**	**516,688**
Revenue by product group:					
Respiratory & acute care	163,550	226,866	242,419	253,303	270,830
Obstructive sleep apnea	165,378	202,604	237,012	236,654	229,105
Core products subtotal	328,928	429,470	479,431	489,957	499,935
Distributed and other	28,965	29,247	23,891	16,117	16,753
Total	**357,893**	**458,717**	**503,322**	**506,074**	**516,688**
FINANCIAL POSITION					
Tangible assets	313,667	371,520	387,288	422,064	481,759
Intangible assets	18,000	42,217	87,771	95,544	90,295
Total assets	331,667	413,737	475,059	517,608	572,054
Liabilities	(136,003)	(209,436)	(181,895)	(204,317)	(223,902)
Shareholders' equity	**195,664**	**204,301**	**293,164**	**313,291**	**348,152**
Net tangible asset backing (cents per share)	34.9	31.8	40.1	41.8	48.6
Pre-tax return on average total assets percentage	16.5%	22.8%	24.0%	18.7%	16.9%
Pre-tax return on average equity percentage	25.1%	42.5%	42.9%	30.6%	27.9%
CASH FLOWS					
Net cash flow from operating activities	44,351	62,065	137,449	71,053	93,883
Net cash flow from (used in) investing activities	(13,457)	(22,368)	(48,189)	(43,237)	(67,475)
Net cash flow (used in) financing activities	(35,848)	(37,121)	(90,275)	(37,485)	(24,552)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	509,402,778	509,492,237	511,251,159	517,154,550	525,706,219
Weighted diluted average shares outstanding	524,856,394	527,363,056	529,793,292	536,265,092	546,509,548
Basic shares outstanding at end of the year	509,452,817	509,530,912	512,304,851	520,453,173	530,053,399

* Prior to one-off non-cash deferred tax charges of $11.5m (2011)

Five Year Financial Summary (NZ$)

FOR THE YEARS ENDED 31 MARCH

	2008 NZ$000	2009 NZ$000	2010 NZ$000	2011 NZ$000	2012 NZ$000
					(EXCEPT AS OTHERWISE STATED)
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	7.0	7.0	7.0	7.0	7.0
Interim	5.4	5.4	5.4	5.4	5.4
Total ordinary dividends	12.4	12.4	12.4	12.4	12.4
Basic earnings per share	6.9	12.2	14.0	10.2	12.2
Diluted earnings per share	6.7	11.8	13.5	9.8	11.7
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	81	79	82	92	98
Number of United States patent applications (includes PCTs*)	66	78	87	100	107
Number of non-United States patents	246	292	333	366	413
Number of non-United States patent applications (excludes PCTs*)	250	207	200	196	189
RESEARCH AND DEVELOPMENT					
Research and development expenditure	24,091	28,310	35,272	39,277	41,988
Percentage of operating revenue	6.7%	6.2%	7.0%	7.8%	8.1%
CAPITAL EXPENDITURE					
Operational	11,025	19,581	43,006	25,290	16,761
Land and buildings	641	782	2,743	15,491	48,150
Total	11,666	20,363	45,749	40,781	64,911
Capital expenditure : depreciation ratio	0.9	1.3	2.9	2.0	3.2
NUMBER OF EMPLOYEES					
By function:					
Research and development	240	253	295	322	325
Manufacturing and operations	1,074	1,240	1,371	1,426	1,544
Sales, marketing and distribution	454	493	562	595	616
Management and administration	91	98	113	105	107
Total	1,859	2,084	2,341	2,448	2,592
By region:					
New Zealand	1,471	1,666	1,818	1,666	1,718
North America	142	151	208	441	519
Europe	157	166	182	197	202
Rest of World	89	101	133	144	153
Total	1,859	2,084	2,341	2,448	2,592
AVERAGE DAILY SPOT EXCHANGE RATES (NZ$1 =)**					
USD	0.7594	0.6524	0.6785	0.7330	0.8072
AVERAGE EFFECTIVE EXCHANGE RATES (NZ$1 =)***					
USD	0.7260	0.7148	0.6041	0.6192	0.6641
EUR	0.5122	0.4614	0.4523	0.4808	0.4823
GBP	0.3659	0.3736	0.3919	0.4668	0.4787
AUD	0.8456	0.8115	0.7923	0.7960	0.7851
CAD	0.7398	0.7122	0.7042	0.6954	0.7206
JPY	78.7740	75.5380	63.9026	59.0184	59.3760
MXN				9.3216	9.6811

* PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions.
** Exchange rates used for the translation of NZD financial results to USD.
*** Actual exchange rates achieved in delivering or purchasing net foreign currency in relation to the Group's exposures. The average rate includes hedged, spot and close-out transactions in each year.

Five Year Financial Summary (US$)

FOR THE YEARS ENDED 31 MARCH

	2008 US$000	2009 US$000	2010 US$000	2011 US$000	2012 US$000
				(EXCEPT AS OTHERWISE STATED)	
FINANCIAL PERFORMANCE					
Sales revenue	262,415	316,751	322,121	342,809	376,741
Foreign exchange gain (loss) on hedged sales	9,047	(17,484)	19,383	28,143	40,329
Total operating revenue	**271,462**	**299,267**	**341,504**	**370,952**	**417,070**
Cost of sales	(134,870)	(138,366)	(157,371)	(167,397)	(195,061)
Gross profit	136,592	160,901	184,133	203,555	222,009
Gross margin	50.3%	53.8%	53.9%	54.9%	53.2%
Other income	–	1,957	2,897	880	1,937
Selling, general and administrative expenses	(74,226)	(77,589)	(93,322)	(104,000)	(115,142)
Research and development expenses	(18,273)	(18,469)	(23,932)	(28,790)	(33,893)
Total operating expenses	**(92,499)**	**(96,058)**	**(117,254)**	**(132,790)**	**(149,035)**
Operating profit before financing costs	44,093	66,800	69,776	71,645	74,911
Operating margin	16.2%	22.3%	20.4%	19.3%	18.0%
Net financing income (expense)	(2,899)	(11,321)	2,698	(3,613)	(394)
Profit before tax	41,194	55,479	72,474	68,032	74,517
Tax expense	(14,437)	(14,878)	(23,872)	(21,160)	(22,769)
Profit after tax *	**26,757**	**40,601**	**48,602**	**46,872**	**51,748**
Revenue by region:					
North America	125,624	136,402	158,822	171,275	186,137
Europe	88,062	98,677	109,749	116,958	137,538
Asia Pacific	44,180	47,172	55,177	66,076	75,031
Other	13,596	17,016	17,755	16,643	18,364
Total	**271,462**	**299,267**	**341,503**	**370,952**	**417,070**
Revenue by product group:					
Respiratory & acute care	124,117	148,673	164,743	185,606	218,628
Obstructive sleep apnea	125,411	131,485	160,823	173,525	184,925
Core products subtotal	249,528	280,158	325,566	359,131	403,553
Distributed and other	21,934	19,109	15,937	11,821	13,517
Total	**271,462**	**299,267**	**341,503**	**370,952**	**417,070**
FINANCIAL POSITION					
Tangible assets	246,354	207,865	275,207	321,402	394,416
Intangible assets	14,137	23,620	62,370	72,757	73,925
Total assets	260,491	231,485	337,577	394,159	468,341
Liabilities	(106,817)	(117,179)	(129,255)	(155,587)	(183,309)
Shareholders' equity	**153,674**	**114,306**	**208,322**	**238,572**	**285,032**
Net tangible asset backing (cents per share)	27.4	17.8	28.5	31.9	39.8
Pre-tax return on average total assets percentage	16.7%	22.6%	25.5%	18.6%	17.3%
Pre-tax return on average equity percentage	25.5%	41.4%	44.9%	30.4%	28.5%
CASH FLOWS					
Net cash flow from operating activities	33,640	34,725	93,259	52,082	75,782
Net cash flow from (used in) investing activities	(10,207)	(12,515)	(32,696)	(31,693)	(54,466)
Net cash flow (used in) financing activities	(27,191)	(20,769)	(61,252)	(27,477)	(19,818)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	509,402,778	509,492,237	511,251,159	517,154,550	525,706,219
Weighted diluted average shares outstanding	524,856,394	527,363,056	529,793,292	536,265,092	546,509,548
Basic shares outstanding at end of the year	509,452,817	509,530,912	512,304,851	520,453,173	530,053,399

* Prior to one-off non-cash deferred tax charges of $8.4m (2011)

Five Year Financial Summary (US$)

FOR THE YEARS ENDED 31 MARCH

	2008 US$000	2009 US$000	2010 US$000	2011 US$000	2012 US$000
					(EXCEPT AS OTHERWISE STATED)
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	5.2	4.6	4.7	5.1	5.7
Interim	4.2	3.5	3.7	4.0	4.4
Total ordinary dividends	9.4	8.1	8.4	9.1	10.1
Basic earnings per share	5.3	8.0	9.5	7.4	9.8
Diluted earnings per share	5.1	7.7	9.2	7.2	9.4
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	81	79	82	92	98
Number of United States patent applications (includes PCTs*)	66	78	87	100	107
Number of non-United States patents	246	292	333	366	413
Number of non-United States patent applications (excludes PCTs*)	250	207	200	196	189
RESEARCH AND DEVELOPMENT					
Research and development expenditure	18,273	18,469	23,932	28,790	33,893
Percentage of operating revenue	6.7%	6.2%	7.0%	7.8%	8.1%
CAPITAL EXPENDITURE					
Operational	8,362	12,775	29,180	18,538	13,529
Land and buildings	486	510	1,861	11,355	38,867
Total	8,848	13,285	31,041	29,893	52,396
Capital expenditure : depreciation ratio	0.9	1.3	2.9	2.0	3.2
NUMBER OF EMPLOYEES					
By function:					
Research and development	240	253	295	322	325
Manufacturing and operations	1,074	1,240	1,371	1,426	1,544
Sales, marketing and distribution	454	493	562	595	616
Management and administration	91	98	113	105	107
Total	1,859	2,084	2,341	2,448	2,592
By region:					
New Zealand	1,471	1,666	1,818	1,666	1,718
North America	142	151	208	441	519
Europe	157	166	182	197	202
Rest of World	89	101	133	144	153
Total	1,859	2,084	2,341	2,448	2,592
AVERAGE DAILY SPOT EXCHANGE RATES (US$1 =)**					
NZD	1.3169	1.5328	1.4738	1.3643	1.2389
AVERAGE EFFECTIVE EXCHANGE RATES (US$1 =)***					
NZD	1.3774	1.3990	1.6554	1.6150	1.5058

* PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions.
** Exchange rates used for the translation of NZD financial results to USD.
*** Actual exchange rates achieved in delivering net USD in relation to the Group's exposures. The average rate includes hedged, spot and close-out transactions in each year.

Independent Auditors' Report

to the shareholders of Fisher & Paykel Healthcare Corporation Limited

Report on the Financial Statements

We have audited the financial statements of Fisher & Paykel Healthcare Corporation Limited ("the Company") on pages 52 to 107, which comprise the balance sheets as at 31 March 2012, the income statements, statements of comprehensive income and statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 March 2012 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, Fisher & Paykel Healthcare Corporation Limited or any of its subsidiaries other than in our capacities as auditors and providers of advisory, tax and other assurance services. These services have not impaired our independence as auditors of the Company and the Group.

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pwc

Independent Auditors' Report

Fisher & Paykel Healthcare Corporation Limited

Opinion

In our opinion, the financial statements on pages 52 to 107:

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

(ii) comply with International Financial Reporting; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2012:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants Auckland

25 May 2012

Income Statements

FOR THE YEAR ENDED 31 MARCH 2012

PARENT				CONSOLIDATED	
2011 NZ$000	2012 NZ$000		NOTES	2011 NZ$000	2012 NZ$000
59,769	**128,791**	**Operating revenue**	4	**506,074**	**516,688**
		Cost of sales		(228,372)	(241,651)
59,769	128,791	Gross profit		277,702	275,037
		Other income	5	1,200	2,400
(1,195)	(1,193)	Selling, general and administrative expenses		(141,882)	(142,644)
		Research and development expenses		(39,277)	(41,988)
(1,195)	**(1,193)**	**Total operating expenses**		**(181,159)**	**(184,632)**
58,574	**127,598**	**Operating profit before financing costs**		**97,743**	**92,805**
		Financing income		577	280
		Financing expense		(6,026)	(4,334)
		Exchange gain on foreign currency borrowings		520	3,566
–	**–**	**Net financing (expense)**		**(4,929)**	**(488)**
58,574	**127,598**	**Profit before tax**	5,7	**92,814**	**92,317**
(588)	(1,311)	Tax expense excluding the effect of legislative changes in May 2010	7	(28,868)	(28,207)
57,986	**126,287**	**Profit after tax excluding legislative changes**		**63,946**	**64,110**
(7)	–	Tax expense relating to legislative changes in May 2010	7	(11,480)	–
57,979	**126,287**	**Profit after tax**		**52,466**	**64,110**
(595)	(1,311)	Total tax expense	7	(40,348)	(28,207)
		Basic earnings per share	22	10.2 cps	12.2 cps
		Diluted earnings per share	22	9.8 cps	11.7 cps
		Weighted average basic ordinary shares	22	517,154,550	525,706,219
		Weighted average diluted ordinary shares	22	536,265,092	546,509,548

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

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2012

PARENT				CONSOLIDATED	
2011 NZ$000	2012 NZ$000		NOTES	2011 NZ$000	2012 NZ$000
57,979	**126,287**	**Profit after tax**		**52,466**	**64,110**
		Other comprehensive income			
		Cash flow hedge reserve – unrealised			
		Changes in fair value	21	33,155	28,544
		Transfers to profit before tax	21	(26,439)	(15,131)
		Tax on changes in fair value and transfers to profit before tax	16,21	(2,015)	(3,756)
		Effect of change in corporate tax rate	16,21	1,501	–
		Cash flow hedge reserve – realised			
		Transfers to profit before tax	11,21	–	(17,005)
		Tax on transfers to profit before tax	12,21	–	5,102
		Revaluation of land	13	–	13,250
–	**–**	**Other comprehensive income for the year, net of tax**		**6,202**	**11,004**
57,979	**126,287**	**Total comprehensive income for the year**		**58,668**	**75,114**

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2012

	NOTES	SHARE CAPITAL NZ$000	TREASURY SHARES NZ$000	RETAINED EARNINGS NZ$000	ASSET REVALUATION RESERVE NZ$000	CASH FLOW HEDGE RESERVE – UNREALISED NZ$000	CASH FLOW HEDGE RESERVE – REALISED NZ$000	EMPLOYEE SHARE ENTITLEMENT RESERVE NZ$000	EMPLOYEE SHARE OPTION RESERVE NZ$000	TOTAL EQUITY NZ$000
Balance at 31 March 2010		**15,222**	**(2,222)**	**196,061**	**10,850**	**47,817**	**22,269**	**258**	**2,909**	**293,164**
Total comprehensive income		–	–	52,466	–	6,202	–	–	–	58,668
Dividends paid	21	–	–	(63,807)	–	–	–	–	–	(63,807)
Financial instruments monetised, net of tax	21	–	–	–	–	–	–	–	–	–
Issue of share capital under dividend reinvestment plan	20	23,088	–	–	–	–	–	–	–	23,088
Issue of share capital	20	253	–	–	–	–	–	–	–	253
Movement in employee share entitlement reserve	21	–	–	–	–	–	–	(105)	–	(105)
Movement in employee share option reserve	21	–	–	–	–	–	–	–	(348)	(348)
Movement in treasury shares	21	–	158	–	–	–	–	–	–	158
Increase in share capital under share option schemes for employee services	20	1,037	–	–	–	–	–	–	–	1,037
Employee share scheme shares issued for employee services	20	1,183	–	–	–	–	–	–	–	1,183
Balance at 31 March 2011		**40,783**	**(2,064)**	**184,720**	**10,850**	**54,019**	**22,269**	**153**	**2,561**	**313,291**
Total comprehensive income		–	–	64,110	13,250	9,657	(11,903)	–	–	75,114
Dividends paid	21	–	–	(64,804)	–	–	–	–	–	(64,804)
Financial instruments monetised, net of tax	21	–	–	–	–	(17,470)	17,470	–	–	–
Issue of share capital under dividend reinvestment plan	20	23,558	–	–	–	–	–	–	–	23,558
Issue of share capital	20	200	–	–	–	–	–	–	–	200
Movement in employee share entitlement reserve	21	–	–	–	–	–	–	139	–	139
Movement in employee share option reserve	21	–	–	–	–	–	–	–	(174)	(174)
Movement in treasury shares	21	–	18	–	–	–	–	–	–	18
Increase in share capital under share option schemes for employee services	20	763	–	–	–	–	–	–	–	763
Employee share scheme shares issued for employee services	20	47	–	–	–	–	–	–	–	47
Balance at 31 March 2012		**65,351**	**(2,046)**	**184,026**	**24,100**	**46,206**	**27,836**	**292**	**2,387**	**348,152**

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

Parent Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2012

	NOTES	SHARE CAPITAL NZ$000	TREASURY SHARES NZ$000	RETAINED EARNINGS NZ$000	EMPLOYEE SHARE ENTITLEMENT RESERVE NZ$000	EMPLOYEE SHARE OPTION RESERVE NZ$000	TOTAL EQUITY NZ$000
Balance at 31 March 2010		**15,222**	**(2,222)**	**37,730**	**258**	**2,909**	**53,897**
Total comprehensive income		–	–	57,979	–	–	57,979
Dividends paid	21	–	–	(63,807)	–	–	(63,807)
Issue of share capital under dividend reinvestment plan	20	23,088	–	–	–	–	23,088
Issue of share capital	20	253	–	–	–	–	253
Movement in employee share entitlement reserve	21	–	–	–	(105)	–	(105)
Movement in employee share option reserve	21	–	–	–	–	(348)	(348)
Movement in treasury shares	21	–	158	–	–	–	158
Increase in share capital under share option schemes for employee services	20	1,037	–	–	–	–	1,037
Employee share scheme shares issued for employee services	20	1,183	–	–	–	–	1,183
Balance at 31 March 2011		**40,783**	**(2,064)**	**31,902**	**153**	**2,561**	**73,335**
Total comprehensive income		–	–	126,287	–	–	126,287
Dividends paid	21	–	–	(64,804)	–	–	(64,804)
Issue of share capital under dividend reinvestment plan	20	23,558	–	–	–	–	23,558
Issue of share capital	20	200	–	–	–	–	200
Movement in employee share entitlement reserve	21	–	–	–	139	–	139
Movement in employee share option reserve	21	–	–	–	–	(174)	(174)
Movement in treasury shares	21	–	18	–	–	–	18
Increase in share capital under share option schemes for employee services	20	763	–	–	–	–	763
Employee share scheme shares issued for employee services	20	47	–	–	–	–	47
Balance at 31 March 2012		**65,351**	**(2,046)**	**93,385**	**292**	**2,387**	**159,369**

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

Balance Sheets

AS AT 31 MARCH 2012

PARENT				CONSOLIDATED	
2011 NZ$000	2012 NZ$000		NOTES	2011 NZ$000	2012 NZ$000
		ASSETS			
		Current assets			
		Cash and cash equivalents	8	6,110	6,253
41	43	Trade and other receivables	9	79,622	77,130
		Inventories	10	80,101	84,430
		Derivative financial instruments	11	20,225	26,712
4,332	4,076	Tax receivable	12	429	506
60,645	127,792	Intergroup advances	25		
65,018	**131,911**	**Total current assets**		**186,487**	**195,031**
		Non-current assets			
		Property, plant and equipment	13	254,265	311,631
		Intangible assets	14	5,390	6,426
8,768	28,049	Investments in subsidiaries	15		
		Other receivables	9	1,537	1,809
		Derivative financial instruments	11	61,095	47,501
100	102	Deferred tax asset	16	8,834	9,656
73,886	**160,062**	**Total assets**		**517,608**	**572,054**
		LIABILITIES			
		Current liabilities			
		Interest-bearing liabilities	17	17,110	80,230
190	326	Trade and other payables	18	57,964	60,868
		Provisions	19	3,370	2,580
		Tax payable	12	3,716	4,515
		Derivative financial instruments	11	2,018	2,430
190	**326**	**Total current liabilities**		**84,178**	**150,623**
		Non-current liabilities			
		Interest-bearing liabilities	17	81,937	34,511
		Provisions	19	1,971	1,851
361	367	Other payables	18	5,449	6,211
		Derivative financial instruments	11	3,580	6,419
		Deferred tax liability	16	27,202	24,287
551	**693**	**Total liabilities**		**204,317**	**223,902**

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

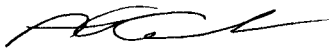
Balance Sheets (continued)

AS AT 31 MARCH 2012

PARENT				CONSOLIDATED	
2011 NZ$000	2012 NZ$000		NOTES	2011 NZ$000	2012 NZ$000
		EQUITY			
40,783	65,351	Share capital	20	40,783	65,351
(2,064)	(2,046)	Treasury shares	20, 21	(2,064)	(2,046)
31,902	93,385	Retained earnings	21	184,720	184,026
		Asset revaluation reserve	21	10,850	24,100
		Cash flow hedge reserve – unrealised	21	54,019	46,206
		Cash flow hedge reserve – realised	21	22,269	27,836
153	292	Employee share entitlement reserve	21	153	292
2,561	2,387	Employee share option reserve	21	2,561	2,387
73,335	**159,369**	**Total equity**		**313,291**	**348,152**
73,886	**160,062**	**Total liabilities and equity**		**517,608**	**572,054**

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

On behalf of the Board
25 May 2012



Tony Carter
Chairman

Michael Daniell
Managing Director and Chief Executive Officer

Statements of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2012

PARENT				CONSOLIDATED	
2011 NZ$000	2012 NZ$000		NOTES	2011 NZ$000	2012 NZ$000
		CASH FLOWS FROM OPERATING ACTIVITIES			
		Receipts from customers		501,167	503,975
		Receipts from derivative financial instruments monetised		–	24,264
56,538	122,905	Dividends received			
3,231	5,886	Interest received		478	272
(1,187)	(1,188)	Payments to suppliers and employees		(398,870)	(405,898)
		Tax paid		(25,620)	(24,427)
		Interest paid		(6,102)	(4,303)
58,582	**127,603**	**Net cash flows from operations**	26	**71,053**	**93,883**
		CASH FLOWS (USED IN) INVESTING ACTIVITIES			
		Sales of property, plant and equipment		66	33
		Purchases of property, plant and equipment		(40,781)	(64,911)
		Purchases of intangible assets		(2,522)	(2,597)
		Net cash flows (used in) investing activities		**(43,237)**	**(67,475)**
		CASH FLOWS (USED IN) FINANCING ACTIVITIES			
		Employee share purchase schemes		588	563
23,088	23,558	Issue of share capital under dividend reinvestment plan		23,088	23,558
253	200	Issue of share capital		253	200
		New borrowings		35,060	38,156
		Repayment of borrowings		(27,758)	(16,828)
(13,207)	(81,160)	Intercompany borrowings			
(63,807)	(64,804)	Dividends paid		(63,807)	(64,804)
(4,909)	(5,397)	Supplementary dividends paid to overseas shareholders		(4,909)	(5,397)
(58,582)	**(127,603)**	**Net cash flows (used in) financing activities**		**(37,485)**	**(24,552)**
–	–	Net increase (decrease) in cash		(9,669)	1,856
		Opening cash		(1,123)	(11,000)
		Effect of foreign exchange rates		(208)	739
		Closing cash		**(11,000)**	**(8,405)**
		RECONCILIATION OF CLOSING CASH			
		Cash and cash equivalents	8	6,110	6,253
		Bank overdrafts	17	(17,110)	(14,658)
		Closing cash		**(11,000)**	**(8,405)**

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

Contents of the Notes to the Financial Statements

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2012

1. GENERAL INFORMATION

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

These consolidated financial statements were approved for issue by the Board of Directors on 25 May 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the year ended 31 March 2012 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. Where subsidiaries have a balance date other than 31 March (refer Note 15) results for the year ended 31 March are included in the consolidated financial statements of the Group. Statutory audits are conducted for these subsidiaries at their respective balance dates.

Statutory base

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

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/or equity, 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. 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 matters 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(t) is sufficient to meet future obligations. The calculation of the provision requires estimates.

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(m), and discussed in Note 3(a)iv.

Revaluation of land

The Group holds land which is measured at fair value as disclosed in Note 13 and in accordance with the accounting policy stated in Note 2(o). The key assumptions related to the land revaluation are disclosed in Note 13.

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 acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is an aggregate of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the Income Statement.

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

Investments

Investments in subsidiary companies are valued at cost in the Parent's financial statements.

c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). For the purposes of NZ IFRS 8 the CODM is a group comprising the Board of Directors (which includes the Chief Executive Officer), Senior Vice-President – Products and Technology, Senior Vice-President – Sales and Marketing and Chief Financial Officer. This has been determined on the basis that it is this group which determines the allocation of the resources to segments and assesses their performance.

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 (continued)

FOR THE YEAR ENDED 31 MARCH 2012

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.

Government grants

Government grants are recognised at fair value in the Income Statement over the same periods as the costs for which the grants are intended to compensate. Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

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.

Current tax balances are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 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.

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 receivable 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 generally applies hedge accounting to 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. 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 hedges) or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. The Group also documents 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 hedges

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 hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. Any ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated via other comprehensive income 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 via other comprehensive income are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. In the case of a hedging instrument sold, any cumulative gain or loss is recorded in the Cash Flow Hedge Reserve – Realised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income 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 (continued)

FOR THE YEAR ENDED 31 MARCH 2012

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.

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

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

(b) 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 those assets with maturities greater than 12 months after the balance sheet 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 initially recognised at fair value net of transaction costs and subsequently 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 sheet 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. 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 the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings – structure	25 – 50 years
Buildings – fit-out and other	3 – 50 years
Leasehold improvements	2 – 20 years
Plant and equipment	3 – 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 the Income Statement, in which case the increment is recognised in the Income Statement.

Any revaluation decrement is recognised in the Income Statement 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.

p. 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.

q. Trade and other payables

Trade and other payables 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.

r. Borrowings

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

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

s. Financing expense

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

Financing expenses directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

t. Provisions

Provisions are recognised where the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be 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.

u. Share capital

Ordinary shares are classified as capital.

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

v. 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 are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

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

Equity-settled share-based compensation

Employee option plans

The Employee Share Option Plans allow Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share option reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the options granted is measured using the Binomial Options Pricing Model, taking into account the terms and conditions upon which the options are granted. When options are exercised the amount in the share option reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital. When any vested options lapse, upon employee termination or unexercised options reaching maturity, the amount in the share option reserve relating to those options is also 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 component of the loan (i.e. the benefit the employee receives) is recognised as an employee expense in the Income Statement with a corresponding financing income amount in the Income Statement. The fair value is measured at grant date and spread over the vesting periods. The fair value of the interest-free loan has been assessed by calculating the benefit provided to employees by discounting the payments on the loan at the estimated pre-tax financing rate of the employees.

Superannuation plans

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

Defined contribution

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

Defined benefit

A liability or asset in respect of defined benefit superannuation plans is recognised in either other payables or other receivables 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 and 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 Group and are part of the provision of the existing benefit obligation are taken into account in measuring the net liability or asset.

w. Reserves

Nature and purpose of reserves

(i) Asset revaluation reserve

Refer Note 2(o).

(ii) Cash flow hedge reserve – unrealised

The cash flow hedge reserve – unrealised is used to record gains or losses on hedging instruments in forward foreign currency cash flow hedges that are recognised directly in equity. Amounts are recycled to the Income Statement when the associated hedged transactions affect profit and loss.

(iii) Cash flow hedge reserve – realised

The cash flow hedge reserve – realised is used to record gains or losses on hedging instruments in forward foreign currency cash flow hedges that have been closed out (monetised) and are recognised directly in equity while the cash flow being hedged remains. Amounts are recycled to the Income Statement when the associated hedged transactions affect profit and loss.

(iv) 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.

(v) Employee share option reserve

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

(vi) Treasury shares

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

x. Dividends

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

y. Earnings per share

Basic earnings per share is computed by dividing net earnings by the weighted average number of ordinary shares outstanding during each period.

Diluted earnings per share is calculated by using the weighted average number of ordinary shares outstanding during each period, adjusted to include the potentially dilutive effect if share options, securities or other contracts to issue ordinary shares were exercised or converted into shares.

z. Research & development

Research expenditure is expensed as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets only when all the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use or sale;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated that the product will generate future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available;
- the expenditure attributable to the product during its development can be reliably measured and is material.

Directly attributable costs capitalised as part of the product would include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs recognised as an asset are amortised over their estimated useful lives.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

aa. Advertising and sales promotion costs

All advertising and sales promotion costs are expensed as incurred.

ab. Statements of cash flows

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

(i) Cash comprises cash and bank balances.

(ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible 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 their short-term maturities and the volume of transactions involved.

ac. 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.

ad. Changes to accounting policies

There have been no changes in accounting policies.

ae. Standards, Interpretations and Amendments to Published Standards

The following amendment to standards became effective during the period:

- **NZ IAS 24, *'Related party disclosures',*** NZ IAS 24 superseded IAS 24, 'Related party disclosures', issued in 2003. NZ IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party. The Group expects there to be no material impact from the application of this amendment.

The following accounting standards and amendments to existing standards are not yet effective and have not been early adopted by the Group:

- ***Harmonisation Amendments*** sets out amendments to NZ IFRSs as a result of proposals that were contained in Exposure Draft 121 *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand* (ED 121) published in July 2010.

  It should be read in conjunction with FRS-44 *New Zealand Additional Disclosures* which sets out the New Zealand "All Entity" disclosure requirements that are in addition to requirements in IFRSs which have been relocated to the separate disclosure standard.

  The effective date of the amendments is reporting periods beginning on or after 1 July 2011. Amendments to a specific standard may be individually adopted early. If the Group elects to early adopt any of these amendments, the Group will need to disclose that fact and will also need to early adopt any related items in FRS-44. The Group expects there to be no material impact from the application of these amendments.

- **NZ IFRS 9, *'Financial instruments',*** effective from 1 January 2015, is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classification and measurement of financial assets and liabilities and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. The Group is yet to assess IFRS 9's full impact, and has not yet decided when to adopt IFRS 9.

- **NZ IFRS 10, *'Consolidated financial statements',*** effective from 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries. The Group expects there to be no material impact from the application of this standard.

- **NZ IFRS 12, *'Disclosure of Interests in Other entities',*** effective from 1 January 2013, is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group expects there to be no material impact from the application of this standard.
- **NZ IFRS 13, *'Fair Value Measurement',*** effective from 1 January 2013, defines fair value and sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. NZ IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of NZ IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The Group expects there to be no material impact from the application of this standard.
- **Revised NZ IAS 27,** effective from 1 January 2013, is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group and Parent will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Parent's investments disclosure in the Parent financial statements.
- **Revised NZ IAS 19 *Employee Benefits,*** effective from 1 January 2013, requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in the Income Statement. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Had the Group adopted the new rules in the current reporting period there would be no material impact on the profit or loss and other comprehensive income recognised. The Group has not yet decided when to adopt the new standard.

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, Canadian dollar and Mexican peso.

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, Canadian dollars and Mexican pesos. 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 expenditures in foreign currency may be hedged with forward exchange contracts and options and may be designated as hedges.

Balance sheet foreign exchange risk arising from net assets held by the Group may be hedged either by debt in the relevant currency, foreign currency swaps or by foreign currency option contracts and forward foreign currency contracts.

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)v.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

(ii) Price risk

The Group has no material exposure to price risk.

(iii) 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 and management may also designate interest rate swaptions 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)v. Refer to Note 17 for further details of the Group's borrowings.

(iv) Fair value

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The Group has no such financial instruments.

The fair value of derivatives that are not traded in an active market (for example, over the counter derivatives) is determined using appropriate valuation techniques, such as discounted cash flows and option pricing models. The fair value of forward exchange contracts, swaps and options are determined by mark to market valuations using market quoted information at the balance date. The fair value of these derivatives is checked against counterparty valuations.

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 sheet date.

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

NZ IFRS 7 for financial instruments requires disclosure of the fair value measurements by level from the following fair value hierarchy:

- Level 1 – Quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – Inputs, other than quoted price included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – Inputs for assets and liabilities that are not based on observable market data (that is, unobservable inputs).

The only financial instruments held by the Group that are measured at fair value are over the counter derivatives. These derivatives have all been determined to be within Level 2 of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable (refer Note 2(m)).

(v) 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 (2011: +/-15%). 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 (2011: +/-1%). 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% (2011: 15%) movement in the New Zealand dollar against all currencies.

		INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		-1%		+1%		-15%		+15%	
CONSOLIDATED 2011	CARRYING AMOUNT NZ$000	PROFIT NZ$000	EQUITY NZ$000	PROFIT NZ$000	EQUITY NZ$000	PROFIT NZ$000	EQUITY NZ$000	PROFIT NZ$000	EQUITY NZ$000
Derivative Financial Instruments	75,722	(552)	(2,594)	552	3,002	(1,969)	(46,912)	743	35,871
Other Financial Assets:									
Cash and cash equivalents	6,110	(1)	–	5	–	720	–	(612)	–
Trade receivables	70,616	–	–	–	–	8,470	–	(7,199)	–
Other Financial Liabilities:									
Trade and other payables	37,816	–	–	–	–	(2,001)	–	2,354	–
Interest-bearing liabilities	99,047	669	–	(669)	–	(6,174)	–	7,264	–
Total increase/(decrease)		**116**	**(2,594)**	**(112)**	**3,002**	**(954)**	**(46,912)**	**2,550**	**35,871**
CONSOLIDATED 2012									
Derivative Financial Instruments	65,364	(696)	(3,012)	696	2,806	(3,449)	(35,904)	928	29,491
Other Financial Assets:									
Cash and cash equivalents	6,253	–	–	4	–	764	–	(649)	–
Trade receivables	68,076	–	–	–	–	8,225	–	(6,992)	–
Other Financial Liabilities:									
Trade and other payables	38,405	–	–	–	–	(2,177)	–	2,561	–
Interest-bearing liabilities	114,741	791	–	(791)	–	(5,846)	–	6,878	–
Total increase/(decrease)		**95**	**(3,012)**	**(91)**	**2,806**	**(2,483)**	**(35,904)**	**2,726**	**29,491**
PARENT 2011									
Other Financial Assets:									
Intergroup advances	60,645	(425)	–	425	–	–	–	–	–
Total increase/(decrease)		**(425)**	**–**	**425**	**–**	**–**	**–**	**–**	**–**
PARENT 2012									
Other Financial Assets:									
Intergroup advances	127,792	(920)	–	920	–	–	–	–	–
Total increase/(decrease)		**(920)**	**–**	**920**	**–**	**–**	**–**	**–**	**–**

For the effect on profit a positive number represents an increase to net profit after tax and a negative number represents a decrease to net profit after tax. For the effect on equity a positive number represents an increase in equity and a negative number represents a decrease in equity. The effect on profit does not impact on equity, other than retained earnings.

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,

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

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:

	2011 NZ$000	2012 NZ$000
North America	31,369	27,832
Europe	23,316	24,577
Asia Pacific	14,476	14,389
Other	2,400	2,344
Provision for doubtful trade receivables	(945)	(1,066)
Total	**70,616**	**68,076**

The maximum potential exposure to credit risk is:

	2011 NZ$000	2012 NZ$000
Cash and cash equivalents	6,110	6,253
Trade receivables	70,616	68,076
Derivative financial instruments	81,320	74,213
Total	**158,046**	**148,542**

The Parent's exposure to credit risk relates to inter-group balances only. Refer 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 other than in relation to its obligations under the Negative Pledge Deed. The maximum exposure, if demanded immediately, under this deed is $107,801,000 (2011: $90,913,000). Management consider the net exposure to the Parent under this deed is minimal, as the exposure is offset by the Parent's right to control and call on the subsidiaries' assets.

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 2011	< 1 YEAR NZ$000	1 – 2 YEARS NZ$000	2 – 5 YEARS NZ$000	> 5 YEARS NZ$000	TOTAL NZ$000
Bank overdrafts	17,110	–	–	–	**17,110**
Trade and other payables	37,816	–	–	–	**37,816**
Borrowings	4,814	58,147	29,465	–	**92,426**
AS AT 31 MARCH 2012					
Bank overdrafts	14,658	–	–	–	**14,658**
Trade and other payables	38,105	–	–	–	**38,105**
Borrowings	69,834	1,592	36,588	–	**108,014**

The Group enters into forward foreign 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 the reporting date and the following 10 years:

AS AT 31 MARCH 2011	< 1 YEAR NZ$000	1 – 2 YEARS NZ$000	2 – 5 YEARS NZ$000	> 5 YEARS NZ$000	TOTAL NZ$000	CARRYING AMOUNT NZ$000
Gross Settled Derivatives						
Forward foreign exchange contracts						
Inflow	199,319	93,852	224,652	6,926	524,749	
Outflow	(180,766)	(78,324)	(176,368)	(5,197)	(440,655)	
Net inflow (outflow)	**18,553**	**15,528**	**48,284**	**1,729**	**84,094**	**79,256**
*Foreign currency option contracts**						
Inflow	–	–	–	–	–	–
Outflow	–	–	–	–	–	–
Net inflow	**–**	**–**	**–**	**–**	**–**	**–**
Net Settled Derivatives						
Interest rate swaps**						
Net inflow (outflow)	**(2,493)**	**(1,837)**	**(606)**	**1,253**	**(3,683)**	**(3,535)**
AS AT 31 MARCH 2012						
Gross Settled Derivatives						
Forward foreign exchange contracts						
Inflow	169,485	114,721	108,255	–	392,460	
Outflow	(145,482)	(91,437)	(83,374)	–	(320,292)	
Net inflow	**24,003**	**23,284**	**24,881**	**–**	**72,168**	**68,543**
*Foreign currency option contracts**						
Inflow	–	–	–	–	–	–
Outflow	–	–	–	–	–	–
Net inflow	**–**	**–**	**–**	**–**	**–**	**–**
Net Settled Derivatives						
Interest rate swaps**						
Net (outflow)	**(2,381)**	**(1,978)**	**(3,168)**	**(299)**	**(7,826)**	**(6,911)**

* 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 (continued)

FOR THE YEAR ENDED 31 MARCH 2012

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 3(a)iv 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.

As a result of a review of the Group's capital structure in May 2010, the directors are intending to continue to progressively increase shareholders' funds to ensure that the Group has capacity to continue to implement its foreign currency hedging policy as it grows.

A target debt to debt plus equity ratio of 5% to 15% (excluding unrealised financial instrument gains or losses) has been established. The directors expect that, subject to earnings performance, the dividend will be maintained in real terms until such time as the target capital structure is achieved. Longer term, the directors expect that a dividend payout ratio of greater than 60% will be appropriate to maintain target gearing.

Other than noted there has been no change in Group policies or objectives in relation to capital risk management.

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 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.

4. OPERATING REVENUE

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
		Sales revenue	467,680	466,726
		Foreign exchange gain on hedged sales	38,394	49,962
56,538	122,905	Dividends		
3,231	5,886	Interest income on intergroup advances		
59,769	**128,791**	**Total operating revenue**	**506,074**	**516,688**

5. NET OPERATING PROFIT

PARENT 2011 NZ$000	PARENT 2012 NZ$000		CONSOLIDATED 2011 NZ$000	CONSOLIDATED 2012 NZ$000
58,574	**127,598**	**Profit before tax**	**92,814**	**92,317**
		After charging the following specific expenses:		
		Auditors' fees:		
		Statutory audit	622	760
		Auditors' half year review	35	49
		Accounting standards advice	15	12
		Remuneration committee advisory services	–	77
		Tax compliance fees	77	83
		Total auditors' fees	749	981
		Donations	4	10
		Depreciation:		
		Buildings – structure	1,010	1,009
		Buildings – fit-out and other	5,051	3,696
		Leasehold improvements	301	86
		Plant and equipment	13,581	15,616
		Total depreciation	19,943	20,407
		Inventory written off	1,735	378
		Rental expense	4,521	4,010
		Operating leases	3,795	3,751
		Amortisation:		
		Patents and trademarks	1,208	1,176
		Software	922	969
		Total amortisation	2,130	2,145
		Trade receivables written off	595	224
677	664	Directors' fees paid	677	664
170	–	Directors' retirement fee paid	170	–
(156)	6	Movement in accrual for directors' retirement fees	(156)	6
		After crediting the following specific income:		
		Technology development grant	1,200	2,400

Technology development grant

This government grant reimburses 20% of eligible expenditure on the Group's R&D programme, up to a maximum of $2.4 million a year (excluding GST). The Group qualifies for this grant as its average annual R&D intensity (eligible R&D expenditure divided by revenue) was at least 5% over the past three years, and average annual revenues exceeded $3 million a year. The grant has been awarded for three years, commencing 1 October 2010.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

6. EMPLOYEE BENEFITS

PARENT				CONSOLIDATED	
2011 NZ$000	2012 NZ$000		NOTES	2011 NZ$000	2012 NZ$000
		Wages and salaries		166,419	175,222
		Other employment costs		10,822	9,758
		Employer contributions to defined contribution superannuation plans inclusive of tax		5,748	5,490
		Employer contributions to defined benefit superannuation plans inclusive of tax		10	10
		Movement in liability for long service leave		503	1,079
		Employee share purchase plans – discount on issue	23	156	145
		Employee share purchase plans – interest free loan	23	59	47
		Employee stock purchase plans	23	48	36
		Employee share option plans	23	689	589
				184,454	**192,376**

7. TAX EXPENSE

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
58,574	**127,598**	**Profit before tax**	**92,814**	**92,317**
17,572	35,727	Tax expense at the New Zealand rate of 28% (2011: 30%)	27,844	25,849
		Adjustments to taxation for:		
(16,961)	(34,413)	Non-assessable income	(161)	(220)
13	5	Non-deductible expenses	491	590
		Tax at 30% on previously monetised financial instruments	–	340
		Foreign rates other than 28% (2011: 30%)	219	847
		Effect of foreign currency translations	420	567
(36)	(8)	Other	55	234
588	**1,311**	**Tax expense excluding the effect of legislative changes in May 2010**	**28,868**	**28,207**
7	–	Impact of reduction in tax rate from 30% to 28%	752	–
–	–	Impact of statutory change in depreciation on buildings	10,728	–
7	**–**	**Tax expense relating to legislative changes in May 2010**	**11,480**	**–**
595	**1,311**	**Total tax expense**	**40,348**	**28,207**
		This is represented by:		
541	1,313	Current tax	26,700	28,906
54	(2)	Deferred tax	13,648	(699)
595	**1,311**	**Tax expense**	**40,348**	**28,207**
1.0%	1.0%	Effective tax rate excluding the effect of legislative changes in May 2010	31.1%	30.6%
1.0%	1.0%	Effective tax rate	43.5%	30.6%

During 2011, as a result of the change in the NZ corporate tax rate from 30% to 28% that was enacted on 27 May 2010 and was effective from 1 April 2011, the relevant deferred tax balances were re-measured.

Buildings were formerly depreciated for tax purposes. As a result of the change in tax legislation that was enacted on 27 May 2010 and was effective from 1 April 2011, the tax depreciation rate on buildings with an estimated useful life of 50 years or more was reduced to 0%. This significantly reduced the tax base of the Group's buildings in 2011, resulting in an increase to the deferred tax liability of $10,728,000, which was recognised in the tax expense in the 2011 year.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

8. CASH AND CASH EQUIVALENTS

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
		Cash at bank – New Zealand dollar balances	180	11
		Cash at bank – foreign currency balances	5,865	6,177
		Cash on hand	65	65
			6,110	**6,253**
		Foreign currency risk		
		The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:		
		New Zealand dollars	186	18
		United States dollars	1,628	3,024
		European Union euros	1,010	1,021
		Australian dollars	6	6
		British pounds	11	10
		Indian rupees	463	161
		Chinese yuan	319	671
		Japanese yen	802	25
		Danish krone	202	318
		Canadian dollars	557	249
		Turkish lira	503	121
		Other currencies	423	629
			6,110	**6,253**

Fair value

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

9. TRADE AND OTHER RECEIVABLES

PARENT 2011 NZ$000	PARENT 2012 NZ$000		CONSOLIDATED 2011 NZ$000	CONSOLIDATED 2012 NZ$000
		Current		
		Trade receivables	71,561	69,142
		Less provision for doubtful trade receivables	(945)	(1,066)
			70,616	68,076
41	43	Other receivables	9,006	9,054
41	**43**		**79,622**	**77,130**
		Non-Current		
		Other receivables	1,537	1,809
			1,537	**1,809**
		Foreign currency risk		
		The carrying amounts of the Group's trade receivables are denominated in the following currencies:		
		New Zealand dollars	887	913
		United States dollars	32,628	28,720
		European Union euros	19,265	19,313
		Australian dollars	4,050	4,447
		British pounds	2,058	3,056
		Canadian dollars	3,806	3,380
		Japanese yen	7,226	7,011
		Taiwanese dollars	331	269
		Other currencies	1,310	2,033
			71,561	**69,142**

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
Past due but not considered impaired					
31 March 2011	7,158	889	367	281	8,695
31 March 2012	7,707	1,031	905	423	10,066
Past due and considered impaired					
31 March 2011	29	301	295	320	945
31 March 2012	24	3	116	923	1,066

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
		Movements in the provision for doubtful trade receivables are as follows:		
		Balance at beginning of the year	956	945
		Additional provision recognised	616	410
		Foreign exchange translation	(32)	(65)
		Trade receivables written off during the year as uncollectable	(595)	(224)
		Balance at end of the year	**945**	**1,066**

The creation and release of the provision for impaired trade receivables has 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 trade receivables relate mainly to customers which are in difficult economic situations.

PARENT			CONSOLIDATED	
2011	2012		2011	2012
		Customer and receivable concentration		
		Five largest customers' proportion of the Group's:		
		Operating revenue	21.1%	20.7%
		Trade receivables	16.8%	13.1%

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

Fair value

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

10. INVENTORIES

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
		Materials	23,394	20,412
		Finished products	60,829	69,129
		Provision for obsolescence	(4,122)	(5,111)
			80,101	**84,430**

Inventory provisions are provided at year end for stock obsolescence.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED			
	2011		2012	
	NZ$000 ASSETS	NZ$000 LIABILITIES	NZ$000 ASSETS	NZ$000 LIABILITIES
Current				
Foreign currency forward exchange contracts – cash flow hedges	18,648	525	23,769	479
Foreign currency forward exchange contracts – not hedge accounted	165	2	376	7
Foreign currency option contracts – cash flow hedges	934	–	2,041	–
Foreign currency option contracts – time value	478	–	526	32
Interest rate swaps – cash flow hedges	–	1,491	–	1,912
	20,225	**2,018**	**26,712**	**2,430**
Non-Current				
Foreign currency forward exchange contracts – cash flow hedges	59,947	444	46,304	1,419
Foreign currency forward exchange contracts – not hedge accounted	55	–	–	–
Foreign currency option contracts – cash flow hedges	–	–	872	–
Foreign currency option contracts – time value	–	–	325	–
Interest rate swaps – cash flow hedges	1,093	3,136	–	5,000
	61,095	**3,580**	**47,501**	**6,419**

Refer to Note 3(a)iv for information on the calculation of fair values.

The Parent has no derivative financial instruments.

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

AS AT 31 MARCH 2011	< 1 YEAR	1 – 2 YEARS	2 – 5 YEARS	> 5 YEARS
Foreign exchange derivative instruments inflows	181,817	91,441	224,652	6,926
Foreign exchange derivative instruments outflows	(163,428)	(75,971)	(176,368)	(5,197)
Interest rate derivative instruments net inflows (outflows)	(2,493)	(1,837)	(606)	1,253
AS AT 31 MARCH 2012				
Foreign exchange derivative instruments inflows	151,947	114,721	108,255	–
Foreign exchange derivative instruments outflows	(128,322)	(91,437)	(83,374)	–
Interest rate derivative instruments net (outflows)	(2,381)	(1,978)	(3,168)	(299)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	2011 NZ$000	2012 NZ$000
Purchase commitments forward exchange contracts	15,580	22,708
Sale commitments forward exchange contracts	489,480	354,291
Foreign currency borrowing forward exchange contracts	15,644	15,634
NZD call option contracts purchased	1,633	984
Collar option contracts – NZD call option purchased (i)	26,645	69,358
Collar option contracts – NZD put option sold (i)	28,943	75,305

(i) Foreign currency contractual amounts are equal.

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

FOREIGN CURRENCY	000s	000s
United States dollars	US$105,500	US$118,250
European Union euros	€97,600	€71,955
Australian dollars	A$16,600	A$10,800
British pounds	£2,700	£2,885
Canadian dollars	C$22,675	C$16,450
Japanese yen	¥2,640,000	¥2,470,000
Swedish kronor	KR2,500	KR0
Danish krone	KR750	KR0
Chinese yuan	¥0	¥6,000

As at 31 March 2011 forward exchange contracts with foreign currency contractual amounts totalling US$66 million had been monetised (closed out) with the NZ dollar benefit of $31,813,000 ($22,269,000 after tax) held within Cash Flow Hedge Reserve – Realised, on the Balance Sheet. The cash was applied to reduce interest-bearing liabilities during the 2010 financial year. The benefit remains within Cash Flow Hedge Reserve – Realised, until the original forecast transactions occur, during the 2012–2014 financial years, relating to the forward exchange contracts monetised. During the 2012 financial year a benefit of $17,005,000 ($11,904,000 after tax) was released to the Income Statement and included as part of the foreign exchange gain on hedged sales within revenue.

During the 2012 financial year forward exchange contracts with foreign currency contractual amounts totalling US$34 million had were monetised (closed out) with the NZ dollar benefit of $24,264,000 ($17,470,000 after tax) held within Cash Flow Hedge Reserve – Realised, on the Balance Sheet. The benefit remains within Cash Flow Hedge Reserve – Realised, until the original forecast transactions occur, during the 2013–2014 financial years, relating to the forward exchange contracts monetised.

In total a further benefit of $39,072,000 ($28,132,000 after tax) will be released to the Income Statement as follows:

FINANCIAL YEAR	2011 NZ$000	2012 NZ$000
2012	17,005	–
2013	14,808	17,781
2014	–	21,291
	31,813	39,072

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

FOREIGN CURRENCY	2011 000	2012 000
Mexican pesos	MEX$150,000	MEX$225,829

Contractual amounts of interest rate derivative contracts outstanding were as follows:

	NZ$000	NZ$000
Interest rate swaps	111,663	111,810

Interest rate swaps will expire from financial years 2013 through to 2021.

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.

12. CURRENT TAX

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
		Balance at beginning of the year		
		Tax payable	(9,432)	(3,716)
4,724	4,332	Tax receivable	2,302	429
4,724	**4,332**		**(7,130)**	**(3,287)**
(541)	(1,313)	Current portion of tax expense	(26,700)	(28,906)
		Future tax expense on monetised financial instruments	–	(6,794)
		Tax expense recognised on previously monetised financial instruments	–	5,102
		Tax paid	25,643	24,466
149	1,057	Supplementary dividend tax credit	4,909	5,397
–	–	Other movements	(9)	13
(392)	(256)		3,843	(722)
		Balance at end of the year		
		Tax payable	(3,716)	(4,515)
4,332	4,076	Tax receivable	429	506
4,332	**4,076**		**(3,287)**	**(4,009)**

A pre-tax gain of $31,813,000 was realised from US dollar forward exchange contracts monetised during the 2010 financial year. This gave rise to a tax liability of $9,544,000. The tax expense will be recorded in the Income Statement during the 2012–2014 financial years, based on the original maturity date of the forward exchange contracts. Of this tax expense $5,102,000 has been recorded in the 2012 year.

A further pre-tax gain of $24,264,000 was realised from US dollar forward exchange contracts monetised during the 2012 financial year. This gave rise to a tax liability of $6,794,000. The tax expense will be recorded in the Income Statement during the 2013–2014 financial years, based on the original maturity date of the forward exchange contracts.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

13. PROPERTY, PLANT AND EQUIPMENT

	LAND		BUILDINGS		LEASEHOLD	PLANT &	CAPITAL PROJECTS		TOTAL
	COST	REVALUATION	STRUCTURE	FIT OUT/OTHER	IMPROVEMENTS	EQUIPMENT	BUILDINGS	OTHER	
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cost and revaluation									
Balance at 1 April 2010	59,200	10,850	49,475	60,514	1,364	119,031	2,080	19,951	322,465
Additions	–	–	–	724	40	2,365	16,195	22,104	41,428
Transfers	–	–	–	1,015	233	21,243	(1,015)	(21,476)	–
Disposals	–	–	–	–	(29)	(1,082)	–	–	(1,111)
Balance at 31 March 2011	**59,200**	**10,850**	**49,475**	**62,253**	**1,608**	**141,557**	**17,260**	**20,579**	**362,782**
Additions	4,200	13,250	–	43	(37)	440	44,235	15,982	78,113
Transfers	–	–	–	590	–	18,294	(590)	(18,294)	–
Disposals	–	–	–	–	(16)	(2,131)	(88)	–	(2,235)
Balance at 31 March 2012	**63,400**	**24,100**	**49,475**	**62,886**	**1,555**	**158,160**	**60,817**	**18,267**	**483,660**
Depreciation and impairment losses									
Balance at 1 April 2010	–	–	5,843	26,108	664	56,572	–	–	89,187
Depreciation charge for the year	–	–	1,010	5,051	301	13,581	–	–	19,943
Disposals	–	–	–	–	(37)	(576)	–	–	(613)
Balance at 31 March 2011	**–**	**–**	**6,853**	**31,159**	**928**	**69,577**	**–**	**–**	**108,517**
Depreciation charge for the year	–	–	1,009	3,696	86	15,616	–	–	20,407
Disposals	–	–	–	–	(16)	(1,879)	–	–	(1,895)
Balance at 31 March 2012	**–**	**–**	**7,862**	**34,855**	**998**	**83,314**	**–**	**–**	**127,029**
Carrying amounts									
At 31 March 2010	59,200	10,850	43,632	34,406	700	62,459	2,080	19,951	233,278
At 31 March 2011	59,200	10,850	42,622	31,094	680	71,980	17,260	20,579	254,265
At 31 March 2012	**63,400**	**24,100**	**41,613**	**28,031**	**557**	**74,846**	**60,817**	**18,267**	**311,631**

Land and Buildings

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, conducted by Darroch Limited as at 31 March 2012 was $157.750 million (2011: $157.500 million).

Land revaluation

In accordance with the Group's policy, land, comprising 42.0238 hectares at East Tamaki, Auckland was first revalued with an effective date of 31 March 2009. The independent valuers used were DTZ New Zealand Ltd. The valuation was made as at 31 March 2009 on the basis of market transactions on arms length terms, with reference to the land's best use and highest value and resulted in an upward revaluation of $10.850 million in the 2009 financial year.

The Group's policy requires that land value is adjusted to a current valuation every three years. Therefore Darroch Limited have valued the land with an effective date of 31 March 2012 on the basis of recent market transactions on arms length terms, with reference to the land's best use and highest value. The change in value from 2009, being an increment of $13.250 million, has been included in Other

Comprehensive Income for the year and added to the Asset Revaluation Reserve in Equity. The aggregate land revaluation amount and Asset Revaluation Reserve total $24.100 million.

Parent

The Parent holds no property, plant and equipment.

14. INTANGIBLE ASSETS

	SOFTWARE NZ$000	PATENTS & TRADEMARKS & APPLICATIONS NZ$000	GOODWILL NZ$000	TOTAL NZ$000
Cost				
Balance at 31 March 2010	7,109	9,094	3,853	20,056
Additions	894	1,735	–	2,629
Disposals	(50)	–	–	(50)
Balance at 31 March 2011	**7,953**	**10,829**	**3,853**	**22,635**
Additions	1,874	1,307	–	3,181
Disposals	(3)	–	–	(3)
Balance at 31 March 2012	**9,824**	**12,136**	**3,853**	**25,813**
Amortisation and impairment losses				
Balance at 31 March 2010	5,606	6,736	2,823	15,165
Amortisation for the year	922	1,208	–	2,130
Disposals	(50)	–	–	(50)
Balance at 31 March 2011	**6,478**	**7,944**	**2,823**	**17,245**
Amortisation for the year	969	1,176	–	2,145
Disposals	(3)	–	–	(3)
Balance at 31 March 2012	**7,444**	**9,120**	**2,823**	**19,387**
Carrying amounts				
At 31 March 2010	1,503	2,358	1,030	4,891
At 31 March 2011	1,475	2,885	1,030	5,390
At 31 March 2012	**2,380**	**3,016**	**1,030**	**6,426**

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 2013, and a pre-tax discount rate of 11.9% (2011: 12.4%). Cash flows beyond March 2013 have been extrapolated using a constant growth rate of 10% (2011: 10%) to March 2017, which is conservative when compared to the compound annual growth rate of 16.0% (2011: 14.3%) over the past 5 years, and a terminal growth rate of 2% (2011: 2%) beyond March 2017. 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 (continued)

FOR THE YEAR ENDED 31 MARCH 2012

15. INVESTMENTS IN SUBSIDIARIES

PARENT		
2011 NZ$000	2012 NZ$000	
8,768	**28,049**	**Investments in subsidiaries**

The Parent's investment in subsidiaries comprises shares held at cost. During the 2012 year $18,458,000 of additional capital was added to the balance sheet of Fisher & Paykel Healthcare Treasury Limited to ensure this company was appropriately funded.

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 2011	2012	PRINCIPAL ACTIVITIES
*Fisher & Paykel Healthcare Limited	NZ	100%	100%	Manufacture & Distribution of Healthcare Products
*Fisher & Paykel Healthcare Properties Limited	NZ	100%	100%	Property Owning Company
*Fisher & Paykel Healthcare Treasury Limited	NZ	100%	100%	Treasury Management
Fisher & Paykel Healthcare Asia Limited	NZ	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Asia Investments Limited	NZ	100%	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare Americas Investments Limited	NZ	100%	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited	NZ	100%	100%	Employee Share Purchase Trustee Company
*Fisher & Paykel Healthcare Pty Limited	Australia	100%	100%	Distribution of Healthcare Products
Fisher & Paykel do Brasil Ltda	Brazil	100%	100%	Marketing Support
Fisher & Paykel Healthcare Limited	Canada	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare (Guangzhou) Limited	China	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 GmbH	Germany	100%	100%	Non-Trading Holding Company
Fisher & Paykel Verwaltungsgesellschaft GmbH	Germany	100%	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare Limited	Hong Kong	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare India Private Limited	India	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare K.K.	Japan	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare S.A. de C.V.	Mexico	100%	100%	Manufacture of Healthcare Products
Fisher & Paykel Healthcare AB	Sweden	100%	100%	Distribution of Healthcare Products
Fisher Paykel Saglik Urunleri Ticaret Limited Sirketi	Turkey	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 Holdings Inc.	USA	100%	100%	Non-Trading Holding 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 as required by local statutes.

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

16. DEFERRED TAX ASSET / LIABILITY

PARENT 2011 NZ$000	PARENT 2012 NZ$000		CONSOLIDATED 2011 NZ$000	CONSOLIDATED 2012 NZ$000
		The balance comprises temporary differences attributable to:		
107	102	Provisions and accruals	14,737	15,157
		Depreciation	(13,060)	(13,646)
		Amortisation	1,505	1,519
(7)	–	Other	(543)	308
		Cash flow hedges	(21,007)	(17,969)
100	**102**		**(18,368)**	**(14,631)**
100	102	Deferred tax asset	8,834	9,656
		Deferred tax liability	(27,202)	(24,287)
100	**102**		**(18,368)**	**(14,631)**
		Movements		
		Balance at beginning of the year		
154	100	Deferred tax asset	11,011	8,834
		Deferred tax liability	(15,217)	(27,202)
		Credited (charged) to the Income Statements		
(47)	(5)	Provisions and accruals	(2,775)	420
		Depreciation	(11,188)	(586)
		Amortisation	184	14
(7)	7	Other	131	851
(54)	2		(13,648)	699
		Credited (charged) to Other Comprehensive Income		
		Deferred tax on cash flow hedge reserve movements	(2,015)	(3,756)
		Effect of change in corporate tax rate	1,501	–
			(514)	(3,756)
		Transfers to current tax on monetisation of financial instruments	–	6,794
		Balance at end of the year		
100	102	Deferred tax asset	8,834	9,656
		Deferred tax liability	(27,202)	(24,287)
100	**102**		**(18,368)**	**(14,631)**
		Timing of usage		
		The amount of the deferred tax asset expected to be used:		
		Within one year	8,638	9,724
100	102	Greater than one year	196	(68)
100	**102**		**8,834**	**9,656**
		The amount of the deferred tax liability expected to be used:		
		Within one year	9,291	6,097
		Greater than one year	(36,493)	(30,384)
			(27,202)	**(24,287)**

During 2011 the deferred tax liability in relation to buildings increased by $10,728,000 due to the legislative changes in May 2010.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

17. INTEREST-BEARING LIABILITIES

PARENT 2011 NZ$000	PARENT 2012 NZ$000		CONSOLIDATED 2011 NZ$000	CONSOLIDATED 2012 NZ$000
		Current		
		Bank overdrafts	17,110	14,658
		Borrowings	–	65,572
			17,110	**80,230**
		Non-Current		
		Borrowings	81,937	34,511
			81,937	**34,511**
		Foreign currency risk		
		The carrying amounts of the Group's bank overdrafts are denominated in the following currencies:		
		United States dollars	1,817	1,562
		European Union euros	5,555	4,299
		Australian dollars	1,974	1,271
		British pounds	515	1,140
		Swedish kronor	722	654
		Japanese yen	6,271	5,349
		Other currencies	256	383
			17,110	**14,658**
		The carrying amounts of the Group's borrowings are denominated in the following currencies:		
		New Zealand dollars	39,244	58,581
		United States dollars	19,698	18,322
		European Union euros	14,864	14,670
		Australian dollars	5,831	5,107
		Canadian dollars	2,300	2,080
		Japanese yen	–	1,323
			81,937	**100,083**
		Borrowings due for repayment		
		Current	**–**	**65,572**
		One to two years	54,248	–
		Two to three years	15,000	13,061
		Three to four years	12,689	21,450
		Four to five years	–	–
		Non-Current	**81,937**	**34,511**

These borrowings have been aged in accordance with the expiry dates of the facilities. At year end the weighted average interest rate is 5.5% (2011: 5.9%).

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 $150 million; and

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

Refer to Note 3(e).

	CONSOLIDATED	
	2011 NZ$000	2012 NZ$000
Unused lines of credit		
Bank overdraft facilities	4,420	5,616
Borrowing facilities	87,751	74,869
	92,171	**8,485**

Fair value

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

18. TRADE AND OTHER PAYABLES

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
		Current		
		Trade payables	21,117	22,506
		Employee entitlements	20,148	22,463
190	326	Other payables and accruals	16,699	15,899
190	**326**		**57,964**	**60,868**
		Non-Current		
		Employee entitlements	3,524	4,316
361	367	Other payables and accruals	1,925	1,895
361	**367**		**5,449**	**6,211**
551	**693**	**Total trade and other payables**	**63,413**	**67,079**
		Foreign currency risk		
		The carrying amounts of the Group's trade and other payables are denominated in the following currencies:		
551	693	New Zealand dollars	35,962	37,983
		United States dollars	12,055	13,241
		European Union euros	7,694	7,077
		Australian dollars	2,031	2,112
		British pounds	1,840	2,150
		Japanese yen	1,583	1,746
		Other currencies	2,248	2,770
551	**693**		**63,413**	**67,079**

Fair value

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

19. PROVISIONS

PARENT 2011 NZ$000	PARENT 2012 NZ$000		CONSOLIDATED 2011 NZ$000	CONSOLIDATED 2012 NZ$000
		Current		
		Warranty provision:		
		Balance at beginning of the year	4,183	3,370
		Current year provision	3,303	3,895
		Warranty expenses incurred	(4,116)	(4,685)
		Balance at end of the year	**3,370**	**2,580**
		Non-Current		
		Warranty provision:		
		Balance at beginning of the year	1,694	1,971
		Current year provision	277	(120)
		Warranty expenses incurred		
		Balance at end of the year	**1,971**	**1,851**

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.

As the provision for warranty is based on historical warranty rates, the actual future warranty claims experienced by the Group may be different to that of the past. Factors that could impact the provision for warranty include the success of the Group's quality system, as well as future parts and labour costs. Where the Group is aware of specific product warranty issues these are included in the provision.

The total provision of $4,431,000 is expected to be fully utilised during the 2013 and 2014 financial years. There will be no reimbursements.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

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.

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
15,222	40,783	Share capital at beginning of the year	15,222	40,783
23,088	23,558	Issue of share capital under dividend reinvestment plan (i)	23,088	23,558
253	200	Issue of share capital	253	200
1,037	763	Increase in share capital under share option schemes for employee services	1,037	763
1,183	47	Employee share scheme shares issued for employee services	1,183	47
40,783	65,351	Share capital at end of the year	40,783	65,351
(2,064)	(2,046)	Less accounted for as treasury shares	(2,064)	(2,046)
38,719	**63,305**		**38,719**	**63,305**
		Number of authorised shares		
512,304,851	520,453,173	Number of shares on issue at beginning of the year	512,304,851	520,453,173
		Shares issued:		
7,665,279	9,510,407	Dividend reinvestment plan (i)	7,665,279	9,510,407
483,043	89,819	Employee share purchase schemes	483,043	89,819
–	–	Exercise of share options	–	–
–	–	Exercise of share options under cancellation facility	–	–
520,453,173	530,053,399	Total number of shares on issue	520,453,173	530,053,399
(842,816)	(836,134)	Less accounted for as treasury shares	(842,816)	(836,134)
519,610,357	**529,217,265**		**519,610,357**	**529,217,265**

(i) 9,510,407 (2011: 7,665,279) shares were issued under the Company's dividend reinvestment plan at an average price of $2.48 (2011: $3.01) per share.

21. RESERVES

PARENT 2011 NZ$000	PARENT 2012 NZ$000		CONSOLIDATED 2011 NZ$000	CONSOLIDATED 2012 NZ$000
		Retained earnings		
37,730	31,902	Balance at beginning of the year	196,061	184,720
57,979	126,287	Profit after taxation	52,466	64,110
		Dividends: (i)		
(35,864)	(36,433)	Final 2011 (2010)	(35,864)	(36,433)
(27,943)	(28,371)	Interim 2012 (2011)	(27,943)	(28,371)
31,902	**93,385**	**Balance at end of the year**	**184,720**	**184,026**
		Asset revaluation reserve		
		Balance at beginning of the year	10,850	10,850
		Revaluation of land	–	13,250
		Balance at end of the year	**10,850**	**24,100**
		Cash flow hedge reserve – unrealised		
		Balance at beginning of the year	47,817	54,019
		Revaluation of derivative financial instruments	33,155	28,544
		Transfers to profit before tax	(26,439)	(15,131)
		Tax on changes in fair value and transfers to profit before tax	(514)	(3,756)
		Transfers to cash flow hedge reserve – realised on monetisation	–	(24,264)
		Tax on transfers to cash flow hedge reserve – realised	–	6,794
		Balance at end of the year	**54,019**	**46,206**
		Cash flow hedge reserve – realised		
		Balance at beginning of the year	22,269	22,269
		Monetised instruments	–	24,264
		Tax on monetised instruments	–	(6,794)
		Transfers to profit before tax	–	(17,005)
		Tax on transfers to profit before tax	–	5,102
		Balance at end of the year	**22,269**	**27,836**
		Employee share entitlement reserve		
258	153	Balance at beginning of the year	258	153
156	145	Employee expense for the year	156	145
(261)	(6)	Transfer to share capital on vesting of shares to employees	(261)	(6)
153	**292**	**Balance at end of the year**	**153**	**292**
		Employee share option reserve		
2,909	2,561	Balance at beginning of the year	2,909	2,561
689	589	Employee expense for the year	689	589
(1,037)	(763)	Transfer to share capital on exercise or lapse of vested options	(1,037)	(763)
2,561	**2,387**	**Balance at end of the year**	**2,561**	**2,387**
		Treasury shares		
(2,222)	(2,064)	Balance at beginning of the year	(2,222)	(2,064)
892	–	Treasury shares issued to employee share purchase plans	892	–
(734)	18	Shares transferred to employees	(734)	18
(2,064)	**(2,046)**	**Balance at end of the year**	**(2,064)**	**(2,046)**

(i) Supplementary dividends of $5,397,000 were paid (2011: $4,909,000). All dividends are recognised as distributions to shareholders.
(ii) There was no ineffectiveness in relation to cash flow hedges.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

22. EARNINGS PER SHARE

	CONSOLIDATED	
	2011 NZ$000	2012 NZ$000
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.		
Profit after tax	52,466	64,110
Weighted average number of ordinary shares (000s)	517,155	525,706
Basic earnings per share (cents per share)	10.2 cps	12.2 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.		
Profit after tax	52,466	64,110
Weighted average number of ordinary shares (000s)	517,155	525,706
Adjustment for share options (000s)	19,111	20,804
Weighted average number of ordinary shares for diluted earnings per share (000s)	536,266	546,510
Diluted earnings per share (cents per share)	9.8 cps	11.7 cps

23. SHARE-BASED PAYMENTS

Employee share option plans

Options are granted to selected employees pursuant to the share option plans and vest in three equal annual installments commencing no earlier than the second anniversary of the grant date as long as the employee remains in the service of the Group, 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 2012 options had been granted to 337 employees (2011: 330). Options granted to employees have no voting rights until they have been exercised and ordinary shares have been issued.

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

	YEAR OF ISSUE						
31 MARCH 2011	2006(i)	2007(ii)	2008(iii)	2009(iv)	2010(v)	2011(vi)	TOTAL
Balance at beginning of the year	3,577,200	3,572,100	3,681,000	3,872,400	3,966,900	–	**18,669,600**
Granted during the year	–	–	–	–	–	4,766,100	**4,766,100**
Exercised during the year (viii)	–	–	–	–	–	–	**–**
Lapsed during the year (ix)	(3,577,200)	(59,400)	(143,000)	(152,600)	(106,400)	(87,000)	**(4,125,600)**
Balance at end of the year	**–**	**3,512,700**	**3,538,000**	**3,719,800**	**3,860,500**	**4,679,100**	**19,310,100**

	YEAR OF ISSUE						
31 MARCH 2012	2007(ii)	2008(iii)	2009(iv)	2010(v)	2011(vi)	2012(vii)	TOTAL
Balance at beginning of the year	3,512,700	3,538,000	3,719,800	3,860,500	4,679,100	–	**19,310,100**
Granted during the year	–	–	–	–	–	4,999,950	**4,999,950**
Exercised during the year (viii)	–	–	–	–	–	–	**–**
Lapsed during the year (ix)	(3,512,700)	(95,300)	(111,000)	(124,200)	(131,600)	(106,000)	**(4,080,800)**
Balance at end of the year	**–**	**3,442,700**	**3,608,800**	**3,736,300**	**4,547,500**	**4,893,950**	**20,229,250**

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

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

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

iv) Options expiring September 2013 at exercise prices based on future costs of capital and dividends using a base price of $3.11 per option.

v) Options expiring September 2014 at exercise prices based on future costs of capital and dividends using a base price of $3.29 per option.

vi) Options expiring September 2015 at exercise prices based on future costs of capital and dividends using a base price of $2.91 per option.

vii) Options expiring September 2016 at exercise prices based on future costs of capital and dividends using a base price of $2.15 per option.

viii) 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.

ix) The number of options that lapsed during the year includes options held by employees at resignation and options that lapsed upon expiry.

Out of the 20,229,250 outstanding options (2011: 19,310,100 options), 6,913,618 options (2011: 6,932,947 options) were exercisable.

There were no options exercised during the 2011 or 2012 financial years.

There were no options cancelled during the 2011 or 2012 financial years.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

23. SHARE-BASED PAYMENTS (CONTINUED)

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

FINANCIAL YEAR	EXPIRY	EXERCISE PRICE	OPTIONS 2011	OPTIONS 2012
2012	December 2011	Variable (i)	3,512,700	–
2013	December 2012	Variable (ii)	3,538,000	3,442,700
2014	September 2013	Variable (iii)	3,719,800	3,608,800
2015	September 2014	Variable (iv)	3,860,500	3,736,300
2016	September 2015	Variable (v)	4,679,100	4,547,500
2017	September 2016	Variable (vi)	–	4,893,950
			19,310,100	**20,229,250**

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

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

iii) Options expiring September 2013 at exercise prices based on future costs of capital and dividends using a base price of $3.11 per option.

iv) Options expiring September 2014 at exercise prices based on future costs of capital and dividends using a base price of $3.29 per option.

v) Options expiring September 2015 at exercise prices based on future costs of capital and dividends using a base price of $2.91 per option.

vi) Options expiring September 2016 at exercise prices based on future costs of capital and dividends using a base price of $2.15 per option.

The fair value of options granted during the period determined using the Binomial Options Pricing Model was $0.089 (2011: $0.133) per option or $445,000 (2011: $634,000) in aggregate.

The significant inputs into the model were:

	2011	2012
Share price at grant date	$2.91	$2.15
Base price at grant date	$2.91	$2.15
Expected/historical share price volatility	13.2%	12.7%
Dividends expected over option life (cents)	67.0	65.2
Option life (years)	5	5
Risk free interest rate	4.28%	3.30%
Cost of equity	9.70%	8.75%

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

	2011	2012
Total amount expensed in year for employee share option plans	$689,000	$589,000

Employee share purchase plans

Shares are issued at a discount of 20% of market price, on terms permitted by the plans in accordance with sections DC13 and 14 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 plans are paid to the employees. Voting rights on the shares are exercisable by the Trustees under the plans.

836,134 shares (2011: 842,816) are held by the Trustees of the plans, being 0.2% (2011: 0.2%) of the Company's issued and paid up capital. As at 31 March 2012, all shares were allocated to employees, except for 81,684 (2011: 22,140). 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 employment 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 plans. Trustees of the Employee Share Purchase plans are appointed by the Company.

At 31 March 2012 the total receivable owing from employees was $655,000 (2011: $1,371,000).

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

	2011		2012	
	PRICE*	NUMBER	PRICE*	NUMBER
As at beginning of the year	$2.56	850,553	$2.45	820,676
Granted during the year	$2.30	443,656	–	–
Vested during the year	$2.51	(412,483)	$2.66	(6,682)
Lapsed due to resignation	$2.56	(61,050)	$2.44	(59,544)
As at end of the year	**$2.45**	**820,676**	**$2.45**	**754,450**

*Weighted average

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

		ISSUE PRICE		SHARES	
FINANCIAL YEAR	VESTING	2011	2012	2011	2012
2010	June 2009	$3.63*	$3.63	644	–
2011	December 2010 and February 2011	$2.53	$2.53	5,170	–
2013	August 2012	$2.61	$2.61	376,266	349,682
2014	December 2013 and March 2014	$2.30	$2.30	438,596	404,768
				820,676	**754,450**

*Weighted average

The fair value of shares granted during each period is determined as being the discount on issue and is $0 as no new shares were granted during the year (2011: $258,000).

	2011	2012
Total amount expensed in year for employee share purchase plans		
– Discount on issue	$156,000	$145,000
– Interest free loan	$59,000	$47,000

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

23. SHARE-BASED PAYMENTS (CONTINUED)

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 2012 totalled 89,819 (2011: 95,461).

	2011	2012
Total amount expensed in year for employee stock purchase plans	$48,000	$36,000

24. RETIREMENT BENEFIT OBLIGATIONS

	CONSOLIDATED	
	2011 NZ$000	2012 NZ$000
Balance Sheet obligations for:		
Pension benefits asset	685	597
Pension benefits liability	–	157
Income Statement (credit) charge:		
Pension benefits	(134)	245

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, 2 (2011: 2) 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	285	465
Fair value of defined benefit plan assets	744	760
Present value of unfunded obligations	(459)	(295)
Adjustments or contributions tax	(226)	(145)
Net (asset) in the Balance Sheet	**(685)**	**(440)**
The major categories of the Plan's assets are as follows:		
Cash	41.9%	40.7%
Debt instruments	42.2%	43.8%
Equity instruments	14.6%	14.1%
Property	1.3%	1.4%
Other assets	0.0%	0.0%

	CONSOLIDATED	
	2011 NZ$000	2012 NZ$000
The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of the year	256	285
Current service cost (Company)	14	14
Interest costs	10	8
Contributions by Plan participants	7	7
Actuarial losses (gains)	(2)	151
Benefits paid	–	–
Curtailments	–	–
Balance at end of the year	**285**	**465**
The movement in the fair value of Plan assets over the year is as follows:		
Balance at beginning of the year	625	744
Expected return on Plan assets	38	22
Actuarial gains (losses)	67	(20)
Contributions by Group companies	7	7
Contributions by Plan participants	7	7
Benefits paid	–	–
Transfer to defined contribution plan	–	–
Balance at end of the year	**744**	**760**
The amounts recognised in the Income Statements are as follows:		
Current service cost	7	7
Interest costs	10	8
Expected return on Plan assets	(38)	(22)
Net actuarial losses (gains) recognised in year	(69)	171
Increase (decrease) in allowance for tax funded by employer	(44)	81
Losses (gains) on curtailments and settlements	–	–
Total included in employee benefits expense (income)	**(134)**	**245**

Of the total credit for 2011 $27,000, $34,000 and $73,000 were included in cost of sales, selling, general and administrative expenses and research and development expenses respectively.

Of the total expense for 2012 $49,000, $62,000 and $134,000 were included in cost of sales, selling, general and administrative expenses and research and development expenses respectively.

The actual return on Plan assets was $34,000 (2011: $30,000).

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

	2011	2012
Discount rate	4.05%	4.05%
Expected return on Plan assets	6.00%	4.05%
Future salary increase	4.50%	4.50%

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The expected rate of return on assets has been set equal to the discount rate.

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 2012 was $157,000 (2011: $25,000).

	2008 NZ$000	2009 NZ$000	2010 NZ$000	2011 NZ$000	2012 NZ$000
Historical Summary:					
Present value of the defined benefit obligation	448	810	256	285	465
Fair value of defined benefit plan assets	494	532	625	744	760
Present value of unfunded obligations	46	(278)	369	459	295
Employer Superannuation Contribution Tax	23	(137)	182	226	145
Surplus (deficit)	**69**	**(415)**	**551**	**685**	**440**
Experience adjustments arising on plan liabilities	(207)	323	(466)	(2)	151
Experience adjustments arising on plan assets	(41)	(10)	194	67	20

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 $127,792,000 (2011: $60,645,000).

These unsecured advances represent funding even though they are for no fixed term, are repayable on demand and bear interest at 8.57% (2011: 8.88%).

Material transactions between the Parent and its subsidiaries were:

- Interest charged in respect of the loans to subsidiaries of $5,886,000 (2011: $3,231,000).
- Dividends received by the Parent from its subsidiaries $122,905,000 (2011: $56,538,000).
- Payments from subsidiaries to Parent for options and shares issued to employees $770,000 (2011: $893,000).
- Proceeds from employee share purchase plans in respect of vested shares paid to the Parent from its subsidiaries $218,000 (2011: $1,288,000).

These amounts are not outstanding at balance date.

(a) Key Management and Director Compensation

Key management and director compensation for the years ended 31 March 2011 and 2012 is set out below. The key management personnel include the directors of the Company and those employees who report to the Managing Director. Key management personnel did not receive and are not entitled to receive any post employment or long term benefits, other than contributions to defined contribution superannuation plans.

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
		Short-term benefits		
		Salaries and other short-term benefits	4,638	4,606
677	664	Directors' fees paid	677	664
170	–	Director's retirement fee paid	170	–
(156)	6	Movement in accrual for Directors' retirement fees	(156)	6
691	670	Total short-term benefits	5,329	5,276
		Post-employment benefits		
		Employer contributions to defined contribution superannuation plans	180	181
		Share-based benefits:		
		Employee share purchase plans	2	2
		Employee share option plans	154	127
–	–	Total share-based benefits	156	129
691	**670**	**Total compensation**	**5,665**	**5,586**

The amounts of key management and Director compensation outstanding as at balance date are $1,228,000 (2011: $973,000) for the Group and $363,000 (2011: $357,000) 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

26. CASH FLOW RECONCILIATIONS

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
57,979	**126,287**	**Profit after tax**	**52,466**	**64,110**
		Add (deduct) non-cash items:		
		Depreciation and writedown of property, plant and equipment to recoverable amount	19,943	20,407
		Cash flow hedge gain from monetised instruments, net of tax	–	(11,904)
		Amortisation of intangibles	2,130	2,145
		Accrued financing income / expense	13	1
		Movement in provisions	(536)	(910)
(54)	2	Movement in deferred tax asset / liability	13,648	(699)
		Movement in foreign currency option contracts time value	(478)	369
		Movement in working capital:		
3	(2)	Trade and other receivables	(8,105)	2,220
		Inventory	(8,338)	(4,329)
(241)	142	Trade and other payables	668	3,667
4,744	5,141	Provision for taxation net of supplementary dividend paid	1,066	6,119
(3,849)	(3,967)	Intercompany advances in relation to operating cashflows		
		Foreign currency translation	(1,424)	(4,783)
		Add non-Income Statement items:		
		Monetised cash flow hedges, net of tax	–	17,470
58,582	**127,603**	**Net cash flows from operations**	**71,053**	**93,883**

27. IMPUTATION CREDIT ACCOUNTS

PARENT 2011 NZ$000	PARENT 2012 NZ$000		CONSOLIDATED 2011 NZ$000	CONSOLIDATED 2012 NZ$000
18	181	Balance at beginning of the year	327	890
22,600	19,650	Imputation credits attached to dividends received		
		Imputation credits arising from taxation paid	23,000	18,950
(22,437)	(19,804)	Imputation credits attached to dividends paid to shareholders	(22,437)	(19,804)
–	–	Other movements	–	–
181	**27**	**Balance at end of the year**	**890**	**36**
		Imputation credits directly and indirectly available to shareholders as at 31 March are:		
		Parent	181	27
		Subsidiaries	709	9
		Balance at end of the year	**890**	**36**

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 Note 17). The guarantee has not been recognised as there is no reasonable likelihood of liability arising.

29. COMMITMENTS

	CONSOLIDATED 2011 NZ$000	CONSOLIDATED 2012 NZ$000
Capital expenditure commitments contracted for but not recognised as at the reporting date:		
Within one year	56,587	32,437
Between one and two years	19,524	740
Between two and five years	–	–
	76,111	**33,177**

Capital expenditure commitments are significantly larger in the 2011 year as a result of the commitment to the third building on our East Tamaki site, as announced in December 2010.

Gross commitments under non-cancellable operating leases:		
Within one year	5,351	4,638
Between one and two years	3,382	3,833
Between two and five years	2,960	4,091
Over five years	4,233	3,121
	15,926	**15,683**

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 (continued)

FOR THE YEAR ENDED 31 MARCH 2012

30. FINANCIAL INSTRUMENTS BY CATEGORY

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

PARENT				CONSOLIDATED			
LOANS AND RECEIVABLES NZ$000	OTHER FINANCIAL ASSETS NZ$000	TOTAL NZ$000		LOANS AND RECEIVABLES NZ$000	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS NZ$000	DERIVATIVES USED FOR HEDGING NZ$000	TOTAL NZ$000
			31 March 2011				
			Assets as per Balance Sheets				
			Cash and cash equivalents	6,110	–	–	6,110
			Trade receivables	70,616	–	–	70,616
			Derivative financial instruments	–	698	80,622	81,320
60,645	–	60,645	Intergroup advances				
60,645	**–**	**60,645**	**Total**	**76,726**	**698**	**80,622**	**158,046**

NZ$000	NZ$000	NZ$000		LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS NZ$000	DERIVATIVES USED FOR HEDGING NZ$000	OTHER FINANCIAL LIABILITIES MEASURED AT AMORTISED COST NZ$000	TOTAL NZ$000
			31 March 2011				
			Liabilities as per Balance Sheets				
			Interest-bearing liabilities	–	–	99,047	99,047
			Trade and other payables	–	–	37,816	37,816
			Derivative financial instruments	2	5,596	–	5,598
			Total	**2**	**5,596**	**136,863**	**142,461**

LOANS AND RECEIVABLES NZ$000	OTHER FINANCIAL ASSETS NZ$000	TOTAL NZ$000		LOANS AND RECEIVABLES NZ$000	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS NZ$000	DERIVATIVES USED FOR HEDGING NZ$000	TOTAL NZ$000
			31 March 2012				
			Assets as per Balance Sheets				
			Cash and cash equivalents	6,253	–	–	6,253
			Trade receivables	68,076	–	–	68,076
			Derivative financial instruments	–	1,227	72,986	74,213
127,792	–	127,792	Intergroup advances				
127,792	**–**	**127,792**	**Total**	**74,329**	**1,227**	**72,986**	**148,542**

NZ$000	NZ$000	NZ$000		LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS NZ$000	DERIVATIVES USED FOR HEDGING NZ$000	OTHER FINANCIAL LIABILITIES MEASURED AT AMORTISED COST NZ$000	TOTAL NZ$000
			31 March 2012				
			Liabilities as per Balance Sheets				
			Interest-bearing liabilities	–	–	114,741	114,741
			Trade and other payables	–	–	38,405	38,405
			Derivative financial instruments	39	8,810	–	8,849
			Total	**39**	**8,810**	**153,146**	**161,995**

31. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

PARENT			CONSOLIDATED	
2011 NZ$000	2012 NZ$000		2011 NZ$000	2012 NZ$000
		Fair value gains		
		Foreign exchange forward contracts	220	376
			220	**376**
		Fair value losses		
		Foreign exchange forward contracts	(2)	(7)
			(2)	**(7)**

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

32. SEGMENT INFORMATION

The operating segments of the Group have been determined based on the components of the Group that the CODM monitors in making decisions about operating matters. These components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the Group.

The Group has four operating segments reportable under NZ IFRS 8, as described below, which are the Group's strategic business units or groupings of business units. All other operating segments have been included in 'New Zealand segments'.

The strategic business units all offer the same products, being medical device products and systems for use in respiratory and acute care and the treatment of obstructive sleep apnea. Products are sold in over 120 countries worldwide through the Group's distribution subsidiaries, third party distributors and original equipment manufacturers (OEMs), with these sales being managed geographically from New Zealand and other locations worldwide. It is the management of these worldwide sales relationships that forms the basis for the Group's reportable segments. The following summary describes the operations in each of the Group's reportable segments:

1) **North America.** Includes all activities controlled by entities or employees based in the United States of America and Canada, principally sales, distribution and administration activities.
2) **Europe.** Includes all activities controlled by entities or employees based in the United Kingdom, France, Germany, Sweden and Turkey, principally sales, distribution and administration activities. These sales and distribution hubs also distribute product into neighbouring European countries.
3) **Asia-Pacific.** Includes all activities controlled by entities or employees based in Australia, Japan, India, China, Taiwan and Hong Kong, principally sales, distribution and administration activities.
4) **New Zealand.** Includes all activities controlled by entities or employees based in New Zealand, principally research and development, manufacturing, marketing, sales and distribution and administration. The research and development activity relates to New Zealand. The manufacturing activity principally relates to New Zealand, however the Mexico manufacturing activity is also included in this segment as the Mexico facility is managed by New Zealand-based employees. The sales and distribution activity principally relates to New Zealand, Latin America, Africa, the Middle East and other countries in Asia not included in 3) above. Also included are sales made to countries within Europe and Asia-Pacific where the management of the sale is from New Zealand.

All minor or other activities have been included in the New Zealand segment as they are controlled by New Zealand entities or employees.

There are varying levels of integration between these geographical segments. This integration includes transfers of finished product, principally from New Zealand to other segments, and shared costs. The accounting policies of the reportable segments are the same as described in Note 2.

Information regarding the operations of each reportable segment is included below. Performance is measured based on segment operating profit or EBIT. Segment profit is used to measure performance as the CODM believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm's length basis.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

32. SEGMENT INFORMATION (CONTINUED)

Operating Segments 31 MARCH 2011	NEW ZEALAND NZ$000	NORTH AMERICA NZ$000	EUROPE NZ$000	ASIA- PACIFIC NZ$000	ELIMINATIONS NZ$000	TOTAL NZ$000
Sales revenue – external	56,017	211,332	136,298	64,033	–	467,680
Sales revenue – internal	281,495	–	–	–	(281,495)	–
Foreign exchange gain on hedged sales	38,394	–	–	–	–	38,394
Total operating revenue	**375,906**	**211,332**	**136,298**	**64,033**	**(281,495)**	**506,074**
Other income	1,200	–	–	–	–	1,200
Depreciation and amortisation	20,784	344	391	554	–	22,073
Reportable segment operating profit before financing costs	**80,774**	**4,619**	**4,819**	**2,666**	**4,865**	**97,743**
Financing income	1,909	37	1	2	(1,372)	577
Financing expense	(5,264)	(1,057)	(763)	(314)	1,372	(6,026)
Exchange gain on foreign currency borrowings	520	–	–	–	–	520
Reportable segment assets	**468,752**	**61,851**	**55,197**	**29,537**	**(97,729)**	**517,608**
Reportable segment capital expenditure	**42,071**	**490**	**399**	**343**	**–**	**43,303**

Operating Segments 31 MARCH 2012	NEW ZEALAND NZ$000	NORTH AMERICA NZ$000	EUROPE NZ$000	ASIA- PACIFIC NZ$000	ELIMINATIONS NZ$000	TOTAL NZ$000
Sales revenue – external	52,405	203,029	142,354	68,938	–	466,726
Sales revenue – internal	280,488	–	–	–	(280,488)	–
Foreign exchange gain on hedged sales	49,962	–	–	–	–	49,962
Total operating revenue	**382,855**	**203,029**	**142,354**	**68,938**	**(280,488)**	**516,688**
Other income	2,400	–	–	–	–	2,400
Depreciation and amortisation	21,258	360	414	520	–	22,552
Reportable segment operating profit before financing costs	**85,855**	**5,875**	**6,416**	**3,048**	**(8,389)**	**92,805**
Financing income	2,020	–	3	6	(1,749)	280
Financing expense	(3,614)	(1,199)	(806)	(464)	1,749	(4,334)
Exchange gain on foreign currency borrowings	3,668	–	(102)	–	–	3,566
Reportable segment assets	**543,820**	**59,400**	**53,719**	**28,222**	**(113,107)**	**572,054**
Reportable segment capital expenditure	**66,424**	**436**	**381**	**267**	**–**	**67,508**

Product Segments

The Group's products and systems are for use in respiratory care, acute care and the treatment of obstructive sleep apnea and are sold in over 120 countries worldwide. Revenues are managed on a regional basis, but a split by product group is set out below. Assets are not split by product group.

Product Group Information

	YEAR ENDED 31 MARCH 2011 NZ$000	YEAR ENDED 31 MARCH 2012 NZ$000
Respiratory & acute care	253,303	270,830
Obstructive sleep apnea	236,654	229,105
Core products subtotal	489,957	499,935
Distributed and other	16,117	16,753
Total revenue	**506,074**	**516,688**

Major Customer

Revenues from one customer of the North America segment (being a distributor) represent approximately $59.1 million (2011: $57.8 million) of the Group's total revenues.

33. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 25 May 2012 the directors approved the payment of a fully imputed 2012 final dividend of $37,103,738 (7.0 cents per share) to be paid on 6 July 2012.

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 68% 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	85
110,001 - 120,000	54
120,001 - 130,000	53
130,001 - 140,000	39
140,001 - 150,000	32
150,001 - 160,000	24
160,001 - 170,000	16
170,001 - 180,000	15
180,001 - 190,000	13
190,001 - 200,000	8
200,001 - 210,000	3
210,001 - 220,000	7
220,001 - 230,000	4
230,001 - 240,000	2
240,001 - 250,000	3
250,001 - 260,000	2
260,001 - 270,000	2
270,001 - 280,000	3
280,001 - 290,000	1
310,001 - 320,000	3
330,001 - 340,000	1
350,001 - 360,000	1
370,001 - 380,000	1
480,001 - 490,000	1
510,001 - 520,000	1
560,001 - 570,000	1
570,001 - 580,000	1
590,001 - 600,000	1
750,001 - 760,000	1
760,001 - 770,000	1
Total	**379**

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

SIZE OF SHAREHOLDING	NUMBER OF HOLDERS	%	NUMBER OF ORDINARY SHARES	%
1 to 1,000	3,620	19.55	1,936,550	0.37
1,001 to 5,000	9,377	50.65	24,138,256	4.55
5,001 to 10,000	3,059	16.52	22,136,281	4.18
10,001 to 50,000	2,198	11.87	41,867,122	7.90
50,001 to 100,000	142	0.77	9,827,342	1.85
100,001 and over	118	0.64	430,147,848	81.15
Total	18,514	100.00	530,053,399	100.00

The details set out above were as at 25 May 2012.

As disclosed in Note 23 of the Financial Statements, there were 20,229,250 options on issue to employees as at 31 March 2012. 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 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 84 shareholders holding less than a marketable parcel, as defined by ASX Listing Rules, of the Company's ordinary shares, based on the market price as at 25 May 2012.

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 Australian Corporations Act 2001 (Commonwealth) 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 2005 and Overseas Investment Regulations 2005 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.

CURRENT NZX WAIVERS

On 19 August 2011 NZX granted the Company a waiver from NZX Listing Rules 7.1.10 and 7.1.16 on the basis that the rules do not apply to the offer of options and shares to eligible employees under the Company's Share Option Plan. NZX Listing Rule 7.1.10 requires that an Offering Document includes a statement that applications for securities may be lodged with any Primary Market Participant or Organising Participant and NZX Listing Rule 7.1.16 requires inclusion of a statement in the Offering Document specifying the directors' intentions and expectations as to the Company's future dividend policy. This waiver was granted on the condition that the Investment Statement contains a statement as to where employees are able to find the Company's current dividend policy.

Statutory Information (continued)

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 25 May 2012, were as follows:

SUBSTANTIAL SECURITY HOLDERS	DATE OF NOTICE	ORDINARY SHARES	% AS AT 25 MAY 2012
The Capital Group Companies Inc	16 May 2012	39,136,096	7.38
Cooper Investors	16 September 2010	33,258,131	6.27
AMP Capital Investors (NZ) Limited	1 April 2011	32,316,237	6.10
Nicholas Bagnall	10 May 2012	26,504,763	5.00
Accident Compensation Corporation	10 May 2012	26,503,178	5.00
Nicholas Bagnall, Blair Tallott, Paul Robertshawe, Ian Graham, Blair Cooper	10 May 2012	26,503,178	5.00

Pursuant to the provisions of the Securities Markets Act 1988, more than one relevant interest can exist in the same voting securities. The total number of ordinary shares (being the only class of listed voting securities) of the Company as at 25 May 2012 was 530,053,399.

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders as at 25 May 2012 were:

SHAREHOLDER	ORDINARY SHARES	%
New Zealand Central Securities Depository Limited[1]	284,697,202	53.71
National Nominees Limited	33,694,585	6.36
J P Morgan Nominees Australia Limited	19,418,103	3.66
HSBC Custody Nominees (Australia) Limited	12,151,469	2.29
Custodial Services Limited (3 a/c)	6,637,786	1.25
Irene Fisher, Michael Fisher, Pravir Tesiram and The New Zealand Guardian Trust Company Limited	5,447,050	1.03
FNZ Custodians Limited	4,899,863	0.92
Masfen Securities Limited	4,308,805	0.81
Citicorp Nominees Pty Limited	3,881,295	0.73
Investment Custodial Services Limited	2,606,448	0.49
Custodial Services Limited (2 a/c)	2,312,027	0.44
Cogent Nominees Pty Limited (DRP a/c)	2,284,992	0.43
New Zealand Depository Nominee Limited (1 a/c)	2,275,584	0.43
Custodial Services Limited (18 a/c)	2,233,805	0.42
Investment Custodial Services Limited (R a/c)	2,109,570	0.40
Cogent Nominees Pty Limited	2,055,242	0.39
Custodial Services Limited (4 a/c)	1,959,186	0.37
Custodial Services Limited (1 a/c)	1,952,290	0.37
Woolf Fisher Trust Inc	1,542,415	0.29
FNZ Custodians Limited (DRP NZ a/c)	1,466,750	0.28

[1] New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members.

As at 25 May 2012, the ten largest shareholdings in the Company held through NZCSD were as follows:

SHAREHOLDER	ORDINARY SHARES	%
JP Morgan Chase Bank (CHAM24 a/c)	69,014,539	13.02
HSBC Nominees (New Zealand) Limited	31,607,253	5.96
Accident Compensation Corporation	27,053,178	5.10
HSBC Nominees (New Zealand) Limited	22,984,316	4.34
Citibank Nominees (NZ) Limited	22,952,970	4.33
National Nominees New Zealand Limited	16,590,422	3.13
TEA Custodians Limited (O/A TEAC40 a/c)	16,291,171	3.07
New Zealand Superannuation Fund Nominees Limited	13,974,069	2.64
Cogent Nominees Limited (COGN40 a/c)	10,702,854	2.02
AMP Investment Strategic Equity Growth Trust Fund	9,897,853	1.87

ON-MARKET BUY-BACK

There is no current on-market buy-back of the Company's ordinary shares.

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following ordinary shares in the Company as at 31 March 2012:

NAME	OWNERSHIP	ORDINARY SHARES
Tony Carter	Beneficial	62,046
Michael Daniell*	Beneficial	733,517
	Non beneficial	815,739
Nigel Evans	Beneficial	25,097
	Non beneficial	1,542,415
Roger France	Beneficial	39,480
Lindsay Gillanders	Beneficial	514,415
Arthur Morris	Beneficial	Nil
Gary Paykel	Beneficial	1,095,125
	Non beneficial	2,677,934

* Michael Daniell also had a beneficial interest in 880,000 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 2011 and 31 March 2012, and details of those dealings were entered in the Company's interests register. The particulars of such disclosures are:

Tony Carter

- is a director of Loughborough Investments Limited which:
  - (a) was issued with 890 ordinary shares, valued at $2.6341 per share, on 8 July 2011 under the Company's dividend reinvestment plan;
  - (b) was issued with 802 ordinary shares, valued at $2.3113 per share, on 16 December 2011 under the Company's dividend reinvestment plan; and
  - (c) acquired 20,000 ordinary shares, at an average price of $2.14 per share, on 2 February 2012.

Statutory Information (continued)

Tony Carter (continued)

- is a trustee and beneficiary of the Antony Carter Family Trust No 2, which:
  - (a) was issued with 102 ordinary shares, valued at $2.6341 per share, on 8 July 2011 under the Company's dividend reinvestment plan; and
  - (b) was issued with 93 ordinary shares, valued at $2.3022 per share, on 16 December 2011 under the Company's dividend reinvestment plan.

Michael Daniell

- was granted 200,000 options on 16 September 2011 for nil consideration, convertible into 200,000 shares in accordance with the terms of the 2003 Share Option Plan.
- had 180,000 options lapse on 13 December 2011.

Nigel Evans

- was issued with:
  - (a) 475 ordinary shares, valued at $2.6323 per share, on 8 July 2011 under the Company's dividend reinvestment plan; and
  - (b) 427 ordinary shares, valued at $2.3148 per share, on 16 December 2011 under the Company's dividend reinvestment plan.
- is a trustee of the Woolf Fisher Trust Inc which disposed of 500,000 ordinary shares on 29 September 2011 at $2.45 per share.
- does not have a beneficial interest in any of the shares held, or disposed of, by the Woolf Fisher Trust Inc.

Roger France

- is a trustee and beneficiary of the France Family Trust. FNZ Custodians Limited, as custodian for the France Family Trust, acquired 24,000 ordinary shares at an average price of $2.14 per share on 2 February 2012.

Gary Paykel

- is a trustee and beneficiary of the ANDSAR Family Trust which disposed of:
  - (a) 28,344 ordinary shares, at an average price of $2.3106 per share, on 23 August 2011;
  - (b) 121,656 ordinary shares, at an average price of $2.3062 per share, on 24 August 2011;
  - (c) 25,135 ordinary shares, at an average price of $2.3027 per share, on 25 August 2011;
  - (d) 44,865 ordinary shares, at an average price of $2.2062 per share,, on 29 August 2011;
  - (e) 51,400 ordinary shares, at an average price of $2.20 per share, on 30 August 2011; and
  - (f) 228,600 ordinary shares, at an average price of $2.2014 per share, on 31 August 2011.

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 2012.

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 2012, 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 2012 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 do Brasil Ltda (Brazil)
Brazilian law does not require directors. Decision making authority lies with the directors of its shareholders.

Fisher & Paykel Healthcare Limited (Canada)
Michael Daniell, Paul Shearer, Justin Callahan

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

Fisher & Paykel Healthcare SAS (France)
Michael Daniell, Paul Shearer, Patrick McSweeny, Ian Hopkinson

Fisher & Paykel Holdings GmbH (Germany)
Ian Hopkinson

Fisher & Paykel Healthcare GmbH & Co KG (Germany)
Ian Hopkinson, Peter Spoljaric

Fisher & Paykel Verwaltungsgesellschaft GmbH (Germany)
Ian Hopkinson, Peter Spoljaric

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

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

Fisher & Paykel Healthcare AB (Sweden)
Michael Daniell, Paul Shearer, Patrick McSweeny, Ian Hopkinson

Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey)
Michael Daniell, Paul Shearer, Ahmet Başaran

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

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

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

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 2012 are as follows:

Tony Carter

Co-Chairman of:
The New Zealand Initiative Limited

A director of:
Vector Limited
Fletcher Building Limited
Air New Zealand Limited
Loughborough Investments Limited
ANZ National Bank Limited
The New Zealand Initiative Limited

A shareholder of:
Loughborough Investments Limited

A trustee of:
Foodstuffs Auckland Perpetuation Trust
Foodstuffs Auckland Protection Trust
Maurice Carter Charitable Trust
Antony Carter Family Trust No 2
Tony and Frances Carter Family Trust

Michael Daniell

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

Nigel Evans

A director of:
Quark Technology Limited

A trustee of:
Woolf Fisher Trust

Roger France

Chancellor of:
University of Auckland

A director of:
Air New Zealand Limited
Blue Star Group Holdings Limited
Blue Star Group Limited
Tappenden Management Limited

Chairman of:
Tappenden Holdings Limited

Lindsay Gillanders

Chairman of:
Auckland Packaging Company Limited

A director of:
LRS Management Limited
Rangatira Limited

Arthur Morris

Chairman of:
DNA Diagnostics Limited

CEO of:
Diagnostic Medlab Limited

Gary Paykel

Chairman of:
Milly Molly Group Holdings Limited

A director of:
ACG Capital (NZ) Limited
Endeavour Yachting Limited
Fisher & Paykel Appliances Holdings 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
Stonex Systems Limited
Team New Zealand Limited
The Friends of Milly Molly (NZ) Limited

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

The following details included in the Company's interests register as at 31 March 2011 have been removed as at 31 March 2012:

- Lindsay Gillanders is no longer a director of Dunlop Living Limited.

Statutory Information (continued)

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 (NZ)
- FIsher & Paykel Healthcare Limited (Canada)

FISHER & PAYKEL HEALTHCARE LIMITED* (NZ) OWNS:

- Fisher & Paykel Healthcare Properties Limited (NZ)*

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)

FISHER & PAYKEL HOLDINGS GMBH (GERMANY) OWNS:

- Fisher & Paykel Healthcare GmbH & Co KG (Germany)
- Fisher & Paykel Verwaltungsgesellschaft GmbH (Germany)

FISHER & PAYKEL HEALTHCARE LIMITED (UK) OWNS:

- Fisher & Paykel Healthcare SAS (France)
- Fisher & Paykel Holdings GmbH (Germany)
- Fisher & Paykel Healthcare AB (Sweden)
- Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey)

FISHER & PAYKEL HOLDINGS INC. (USA) OWNS:

- Fisher & Paykel Healthcare Inc. (USA)

* Companies Operating Under a Negative Pledge Deed

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 2012 are as follows:

Tony Carter	Chairman (from 1 April 2012), 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
Arthur Morris	Non-Executive, Independent
Gary Paykel	Chairman (until 31 March 2012), Non-Executive, Independent

During the 12 months to 31 March 2012, Gary Paykel retired as Chairman of the Board effective 31 March 2012 and Tony Carter was appointed as Chairman of the Board effective 1 April 2012.

EXECUTIVES' DETAILS

Michael Daniell	Managing Director and Chief Executive Officer

Senior Management

Lewis Gradon	Senior Vice-President – Products & Technology
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:	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 REGISTRAR

In New Zealand:

Link Market Services Limited

Physical address:	Level 16, 19 Victoria Street, Auckland, New Zealand
Postal address:	PO Box 91976, Auckland 1142, New Zealand
Facsimile:	+64 9 375 5990
Investor enquiries:	+64 9 375 5998
Internet address:	www.linkmarketservices.co.nz
Email:	enquiries@linkmarketservices.co.nz

In Australia:

Link Market Services Limited

Physical address:	Level 12, 680 George Street, Sydney, NSW 2000, Australia
Postal address:	Locked Bag A14, Sydney South, NSW 1235, Australia
Facsimile:	+61 2 9287 0303
Investor enquiries:	+61 2 8280 7111
Internet address:	www.linkmarketservices.com.au
Email:	registrars@linkmarketservices.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.

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