Annual Report 2013

Fisher & Paykel
HEALTHCARE

CONTENTS

All references in this Annual Report to constant currency amounts or percentages are stated in italics. A constant currency analysis can be found on pages 33 and 34 of this Annual Report.

KEY DATES

5 JULY 2013

Full Year Dividend Payment

27 AUG 2013

Annual Shareholders' Meeting

30 SEPT 2013

Financial Half Year End

22 NOV 2013*

Half Year Results Announcement

19 DEC 2013†

Interim Dividend Payment

31 MAR 2014

Financial Year End

† Dividends are subject to Board determination
** Proposed Date*

This report is dated 23 May 2013 and is signed on behalf of the Board of Fisher & Paykel Healthcare Corporation Limited by Tony Carter, Chairman and Michael Daniell, Managing Director and Chief Executive Officer.

TONY CARTER
Chairman

MICHAEL DANIELL
Managing Director and Chief Executive Officer

Welcome.

Fisher & Paykel Healthcare is a global leader in medical devices and systems for use in respiratory care and acute care, and in the treatment of obstructive sleep apnea.

Demand for our products continues to grow, as clinicians seek more effective and efficient healthcare solutions that improve patient care and outcomes.

Our international team and operations have expanded and we now have more than 2,750 people in 33 countries around the world. Our innovative products are available in more than 120 countries.

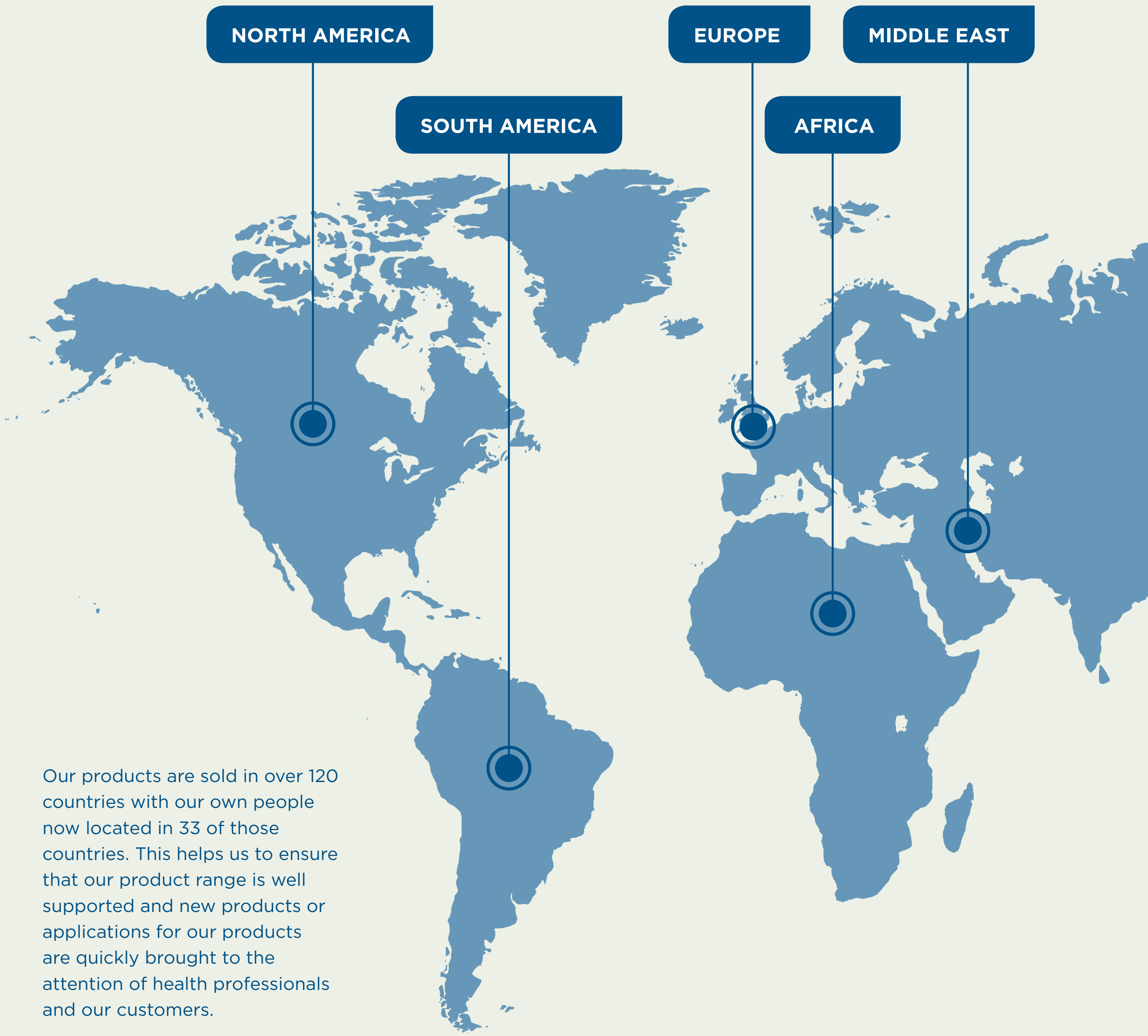
Every year, more than 7 million patients globally benefit from our products and this number continues to grow.

We are pleased to present to you our Annual Report for the year ended 31 March 2013.

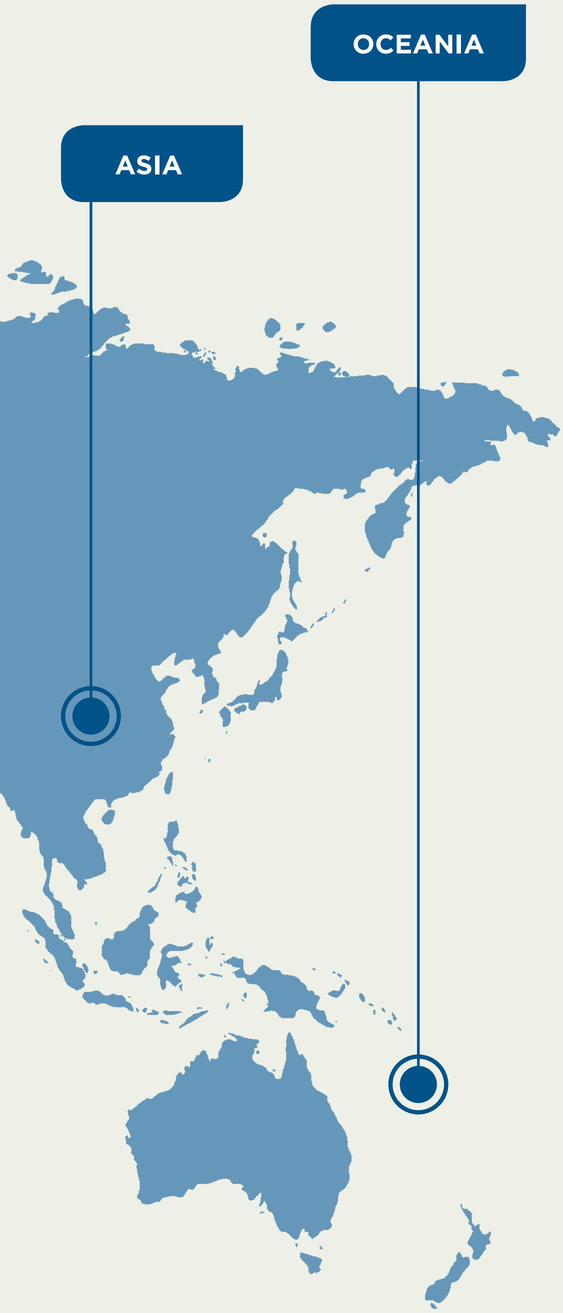
The online version of this report can be viewed at www.fphcare.com/2013annual report.

OUR BUSINESS

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



Our products are sold in over 120 countries with our own people now located in 33 of those countries. This 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.



US$5 billion+

Potential market size

Over 120

Countries where our products are sold

7 million+

Patients treated using our medical devices each year

~2,800

Total range of products, accessories and parts

33

Countries where our people are located

100+

Distributors worldwide

~17,800

Direct customers around the world

2,758

Employees globally

24,000m^2

Manufacturing floor area

RESPIRATORY & ACUTE CARE

Respiratory care is often required for patients during the management of trauma and acute care, and for infants in neonatal care.

RESPIRATORY & ACUTE CARE (RAC)

Operating Revenue

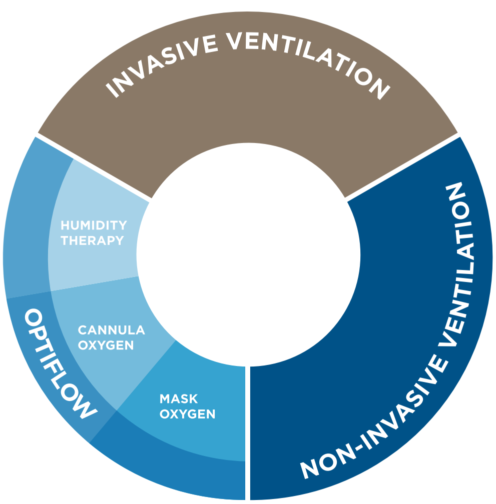
NZ$301.5m
US$245.5m

Annual Growth in Operating Revenue (constant currency)

+15%

Our heated humidifier and respiratory care systems play an important role in improving patient care in the treatment of a variety of medical conditions which interfere with normal respiration.

ADULT CARE CONTINUUM



Humidity is critical to human respiratory health and well-being. Our respiratory devices incorporate patented and other proprietary technologies, and are designed to overcome many of the challenges of effectively creating, controlling and delivering gases to a patient's airway at close to physiologically normal levels of temperature and humidity.

Our products assist with invasive mechanical ventilation, non-invasive ventilation (NIV), oxygen therapy, humidity therapy, resuscitation and surgical procedures for patients ranging from premature babies to adults.

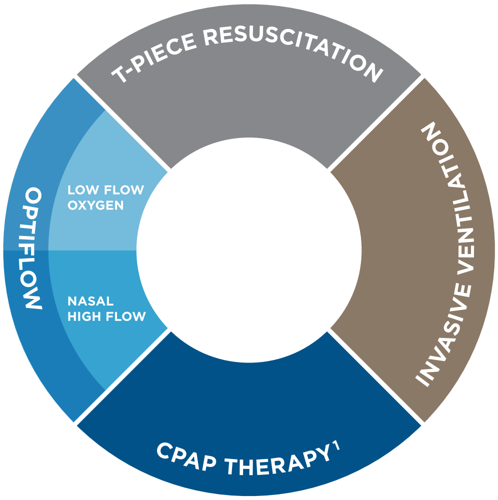
- Range of Respiratory Humidifier Systems
- Single-Use Respiratory Humidifier Chambers
- Single-Use Breathing Circuits
- Single-Use Range of Optiflow Oxygen Therapy Interfaces
- Infant Resuscitators and Infant Warmers

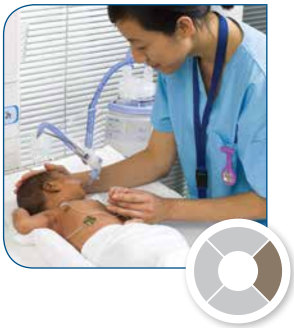
OUR LATEST PRODUCTS

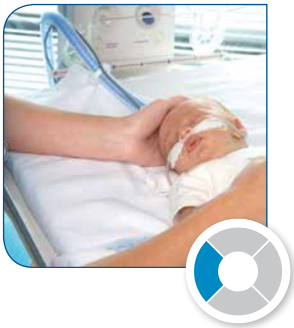
EVAQUA 2 BREATHING CIRCUIT

OPTIFLOW JUNIOR NASAL CANNULA

INFANT CARE CONTINUUM







1. Continuous Positive Airway Pressure Therapy

SAVING A LIFE IN NEONATAL CARE

Three year old Sophie is a miracle of modern science and medical care. Born 14 weeks premature at 25 weeks gestation, Sophie weighed only 815g and was so small that she was able to wear her father's wedding ring as an arm bracelet.

When Sophie was born by caesarean section, she didn't breathe on her own. She was put straight onto a CosyCot (F&P's Infant Warmer) to keep her warm and the Neopuff (F&P's neonatal resuscitation device) was used to start her breathing.

She was then admitted to her new home for the next 122 days - the Neonatal Intensive Care Unit (NICU) at Middlemore Hospital – where she was placed onto F&P's Bubble CPAP for breathing support. She stayed on this for the next 85 days, but luckily never required full mechanical ventilation.

A brain injury from the infection that caused Sophie's premature birth led the doctors to tell her parents that it was highly unlikely that she would survive, and if she did, there would be a 90% chance of severe cognitive deficits and cerebral palsy.

At week six, Sophie became less and less responsive and required resuscitating with the F&P Neopuff several times. Fearing the worst, the staff called her parents in to stay for the night. The next morning, Sophie's two older brothers, Joshua and Lachlan, were given special dispensation to visit her in the NICU.

Fortunately she rallied and over the next few weeks, started to get stronger and progress. At 36 weeks corrected gestation, doctors successfully weaned her from Bubble CPAP to oxygen therapy.

Four months to the day after she was born, Sophie went home. She remained on supplementary oxygen for a further nine weeks, requiring an oxygen cylinder wherever she went.

Sophie has never been readmitted to hospital. While she has cerebral palsy causing delayed motor skills in her legs, she moves around quite happily using her walking frame. Her communication skills are about the same as other kids her age, and Sophie is now a happy three year old.

OUR PRODUCTS USED IN SOPHIE'S TREATMENT

NEOPUFF INFANT T-PIECE RESUSCITATOR

COSYCOT INFANT WARMER

BUBBLE CPAP SYSTEM

Sophie, her parents and members of her medical team at Middlemore Hospital.

OBSTRUCTIVE SLEEP APNEA

Tens of millions of people worldwide who have untreated obstructive sleep apnea, stop breathing for short periods many times each night while they sleep.

OBSTRUCTIVE SLEEP APNEA (OSA)

Operating Revenue

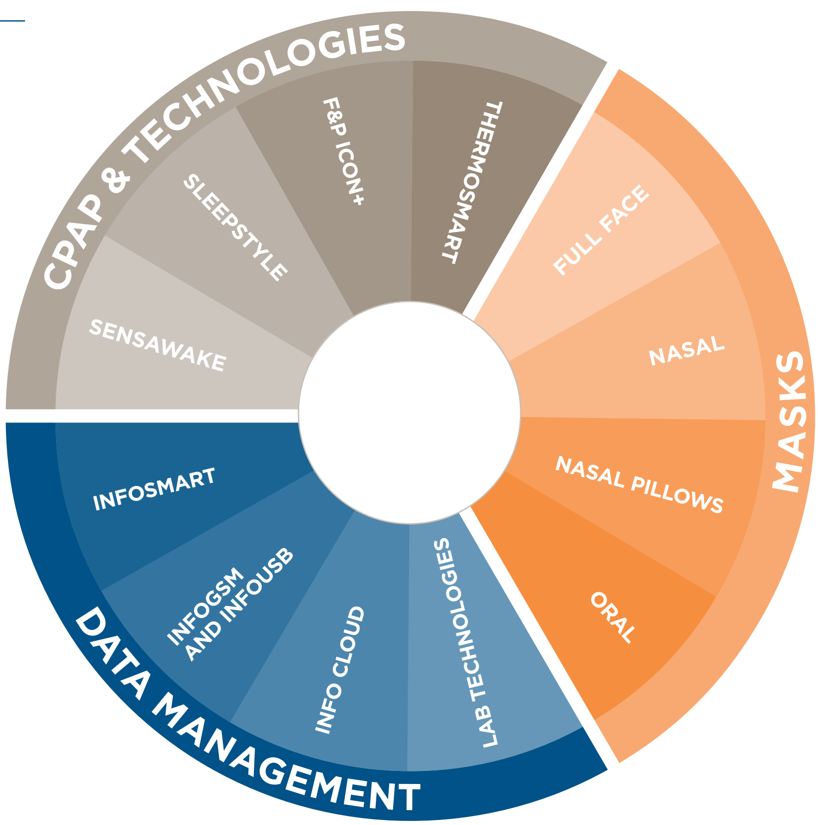
NZ$235.8m
US$191.9m

Annual Growth in Operating Revenue (constant currency)

+6%

Continuous positive airway pressure (CPAP) therapy is the most common treatment for OSA. CPAP therapy prevents the intermittent collapse of the patient's airway while they sleep, and is delivered using a flow generator, humidifier, tubing and mask.

SIMPLIFYING SLEEPLIFE



Our nasal and full face masks incorporate our patented technologies which help make them comfortable and easier to fit.

Our Info Technologies provide a full range of data transfer and compliance reporting options to assist with monitoring and encouraging patient compliance with their CPAP therapy.

InfoSmart Web is an elegant online portal for comprehensive but simple patient data management.

- ICON+ range of flow generators
- Eson, Pilairo and Simplus premium mask offering
- InfoSmart Web data management portal with InfoUSB and InfoGSM data transfer options
- LabPort and LabSmart Laboratory Titration System

OUR LATEST PRODUCTS

F&P ICON+ CPAP

F&P SIMPLUS FULL FACE MASK

GREG OLSEN: PRODUCT DEVELOPMENT MANAGER, SIMPLUS

Fisher & Paykel Healthcare is one of New Zealand's largest employers of engineers with 359 engineers and scientists working in R&D.

Greg Olsen is one of those, starting his career as a graduate with Fisher & Paykel Healthcare twelve years ago. He is now the leader of the project team responsible for the design, development and launch of the new F&P Simplus full face mask for use in OSA therapy.

The Simplus project ran for over three years, resulting in a product that has revolutionised the comfort and simplicity of full face masks, and demonstrates Fisher & Paykel Healthcare's absolute commitment to simplifying SleepLife.

The process included intensive research, many prototypes and thousands of design hours. Patients, equipment providers and clinicians around the world were consulted, and the project team spent many nights self-testing their own prototypes and products.

Key to the new design was a vision of an OSA mask that fully integrated into a patient's lifestyle, similar to a toothbrush or contact lens. This led to an overall concept of simplicity – to fit, to seal, to wear, to clean and to store.

An array of different materials and manufacturing processes were tested, to create a mask that provides optimal usability and performance. Innovative features, such as the RollFit Seal were designed to minimise pressure on the bridge of the nose and improve the fit of the mask. The new low profile frame design makes cleaning simple and improves the comfort of the mask.

The new Simplus range was launched in early 2013 and has been one of Fisher & Paykel Healthcare's many success stories. Of trial patients who used Simplus, 89 percent stated they would like to use the product going forward, and this desirability has been demonstrated by strong customer demand since the product first launched. The F&P Simplus mask is now available in New Zealand, Australia and Canada, and is being rolled out in Europe, with the USA to follow once FDA clearance is received.

SIMPLICITY + INNOVATION = RESULTS

ROLLFIT SEAL:

Auto-adjusting to optimise an effective, comfortable seal

ERGOFORM HEADGEAR:

Stretch and non-stretch panels provide structure and support for optimal usability and performance

EASY FRAME:

Easy to wear, see and sleep

Our goal was to create a better SleepLife for people suffering from OSA. We married simplicity with innovation and revolutionary design to develop a mask that simply fits and performs.

Greg Olsen

OUR STRATEGY

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

STRATEGIC PILLAR	GOAL	FY13 PROGRESS
Continuous Product Improvement	Continually develop new products and improve existing products to provide better care and patient outcomes	R&D spend at 8.2% of sales Release of innovative mask range – Eson, Pilairo and Simplus Release of revolutionary Optiflow Junior nasal cannula, Evaqua 2 breathing circuits, AIRVO 2 flow generator/humidifier
Serve More Patient Groups	Increase the number of patients who may benefit from our products outside the traditional invasive ventilation market	Rapid increase in revenue from devices used to treat patients receiving NIV, oxygen therapy, humidity therapy and surgery
More Products for Each Patient	Extend the range of products we provide for use in the care and treatment of each patient	Increased market share of consumables used in invasive ventilation, NIV and oxygen therapy
Increase Our International Presence	Expand the global market for our products; place our own people supporting our own products in markets around the world; and build our global network of distributors	Established direct sales and distribution operation in South Korea *18%* constant currency revenue growth in India and China Now selling into 121 countries

2013 BUSINESS HIGHLIGHTS

APRIL 2012

Tony Carter appointed as Chairman, succeeding retiring Chairman, Gary Paykel, who continues to serve as a director of the company

MAY 2012

AARC Clinical Practice Guidelines on humidification published in the United States – active humidification for non-invasive ventilation is suggested to improve adherence and comfort

JUNE 2012

Launch of AIRVO 2, which delivers Optiflow humidity therapy with precise monitoring of oxygen concentration and is available in two versions, for use in hospital and home settings

JULY 2012

Introduction of F&P Pilairo nasal pillows mask into the United States

AUGUST 2012

Release of Optiflow Junior product range in the United States. Optiflow Junior is a vastly improved system for providing oxygen therapy to newborn babies and children

AUGUST 2012

Launch of Eson nasal mask – an exceptionally small mask with minimal adjustment required

OCTOBER 2012

Awarded a 2012 AARC Zenith Award recognising product quality, service levels, support of the respiratory care profession and truth in advertising

NOVEMBER 2012

Optiflow Junior nasal cannula and F&P Pilairo nasal pillows mask win design awards at the international iF Design Awards

DECEMBER 2012

Donal O'Dwyer appointed as a non-executive director of the company

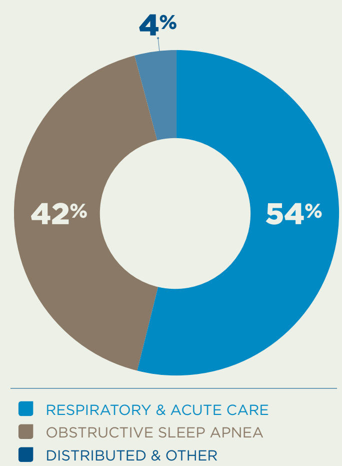
FEBRUARY 2013

Launch of F&P Simplus full face mask range for use in the treatment of OSA

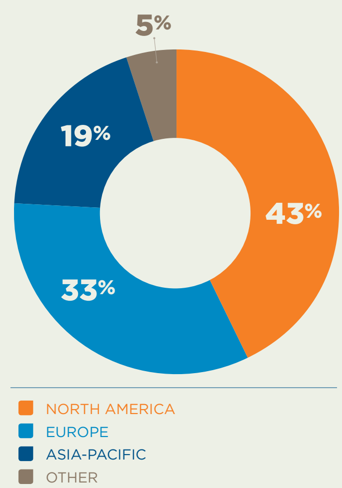
MARCH 2013

Opening of the Paykel Building – a new NZ$95 million, 32,000 square metre facility at our Auckland site, primarily to accommodate growth in R&D

REVENUE BY PRODUCT GROUP

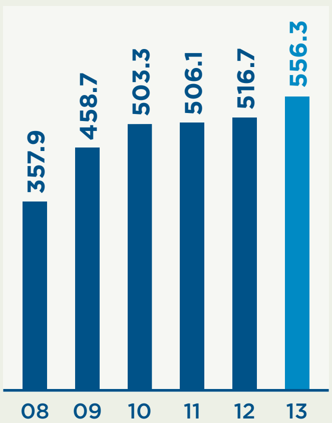


REVENUE BY REGION

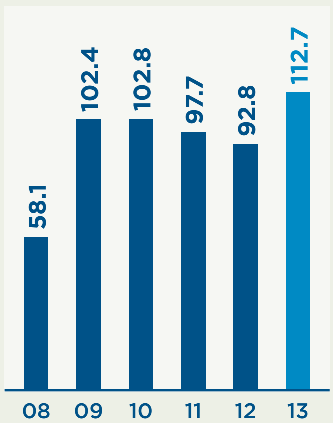


RESULTS IN BRIEF

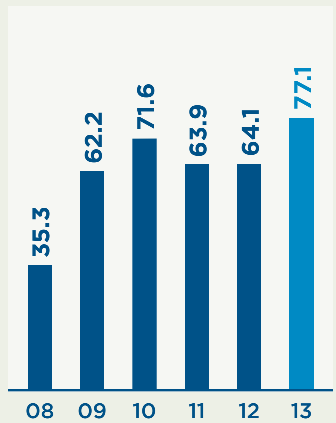
OPERATING REVENUE
NZ$ MILLIONS



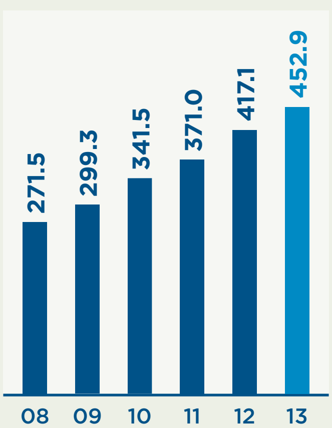
OPERATING PROFIT
NZ$ MILLIONS



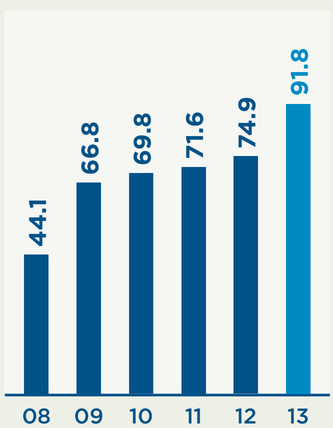
PROFIT AFTER TAX*
NZ$ MILLIONS



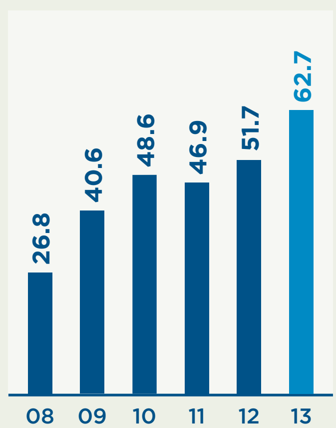
OPERATING REVENUE
US$ MILLIONS



OPERATING PROFIT
US$ MILLIONS



PROFIT AFTER TAX*
US$ MILLIONS



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

2013 FINANCIAL HIGHLIGHTS

NZ$77.1m

RECORD NET PROFIT AFTER TAX

20% ↑

GROWTH IN NET PROFIT AFTER TAX

NZ$556.3m

RECORD OPERATING REVENUE

12.4cps

TOTAL DIVIDEND FOR THE YEAR FULLY IMPUTED

38% ↑

CONSTANT CURRENCY GROWTH IN SECOND HALF REVENUE FROM NEW APPLICATIONS BEYOND INVASIVE VENTILATION

18% ↑

CONSTANT CURRENCY GROWTH IN SECOND HALF RESPIRATORY AND ACUTE CARE REVENUE

10% ↑

CONSTANT CURRENCY GROWTH IN SECOND HALF OBSTRUCTIVE SLEEP APNEA REVENUE

8.2%

PERCENTAGE OF OPERATING REVENUE INVESTED IN R&D

CHAIRMAN'S REPORT

TONY CARTER

CHAIRMAN

Fisher & Paykel Healthcare delivered a strong result for the 2013 financial year, achieving record operating revenue and net profit after tax, and exceeding the guidance updates we provided during the year.

Operating revenue for the year ended 31 March 2013 was a record NZ$556.3 million, 8% above the prior year (*11%* growth in constant currency). Net profit after tax of $77.1 million was also a record and was an increase of 20% over the previous year.

The second half of the financial year generated particularly strong results, as we benefitted from the successful launch of a number of new products and made good progress with new clinical applications for which our products and technologies can be used.

> While healthcare remains reasonably protected from economic cycles, there is a worldwide trend to carefully manage the growth in healthcare expenditure. We support this objective through the development of innovative devices that can help reduce the overall health costs per patient, by improving efficiency and effectiveness of care.

Our products are currently sold in more than 120 countries around the world and as a New Zealand-based company, our performance has been and continues to be influenced by the relatively high level of the NZ dollar.

We have responded with a range of strategies, including increasing our manufacturing capacity in Mexico, introducing premium higher margin products and increasing the efficiency of our operations. We also continue to have substantial foreign exchange hedging in place.

The directors have previously outlined our policy to progressively increase shareholders' funds, to ensure that we have the capacity to continue to implement our foreign currency hedging policy as the company grows.

In line with this, the Board has maintained the dividend payment for the 2013 financial year at NZ 12.4 cents per ordinary share (cps), which equates to 87% of net profit after tax. The final dividend of NZ 7.0 cps, carrying full imputation credit is payable in July 2013. For New Zealand resident shareholders, that results in a gross dividend of 9.7 cps. Eligible non-resident shareholders will receive a supplementary dividend of 1.235 NZ cps.

The Dividend Reinvestment Plan (DRP) is again being offered for this dividend payment, under which eligible shareholders may elect to reinvest all or part of their cash dividends in additional shares. For the 2013 interim dividend payment, 42% of eligible shareholders participated in the DRP.

We expect 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 payout ratio of greater than 60% of net profit after tax will be appropriate to maintain target gearing.

In December 2012, we were pleased to welcome Donal O'Dwyer to the Board as an additional non-executive director. His appointment is part of the Board's ongoing refreshment process, following indications from Gary Paykel and Nigel Evans that they plan to retire at this year's Annual Shareholders' Meeting. Both Nigel and Gary have been directors since the listing of the company, and Gary was the inaugural Chairman up until last year. It was fitting that our newly opened building is named in his honour. We would like to sincerely thank Gary and Nigel for their contribution. We have commenced a search for a second new director to join the Board.

We recognise and respect diversity at Fisher & Paykel Healthcare. At Board level, we believe diversity allows us to benefit from a range of different perspectives, which leads to more healthy debate and decision making. While all Board appointments are based on merit, diversity including gender diversity, is also taken into account.

Fundamental to our success are the talented, committed and hard-working people who make up the Fisher & Paykel Healthcare team around the world. On behalf of the Board, I would like to thank them for their efforts over the past year and their contributions to our success.

LOOKING FORWARD

Fisher & Paykel Healthcare is in a strong position, with a proven growth strategy, a sound balance sheet, an excellent team and a reputation for delivering innovative, quality medical devices that help our customers to achieve better patient care and outcomes.

There are a growing number of patients requiring the medical devices we provide and increasing demand from clinicians and healthcare providers.

> We are well positioned to serve the needs of our customers and to assist them to effectively and efficiently care for their patients.

We believe that we are poised to again grow both our earnings and our market share in the 2014 financial year.

TONY CARTER
Chairman

Our strategic GOALS

- BECOME A NZ $1 BILLION OPERATING REVENUE COMPANY
- DOUBLE OUR CONSTANT CURRENCY REVENUE EVERY 5 TO 6 YEARS

CHIEF EXECUTIVE OFFICER'S REVIEW

MICHAEL DANIELL

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Escalating worldwide demand for our products is driving faster growth and rapidly improving results for Fisher & Paykel Healthcare.

Our strong performance during the 2013 year, particularly in the second half following a number of successful new product launches, exceeded our initial expectations and we were pleased to achieve record operating revenue and net profit after tax.

We delivered strong year on year growth in both of our major product groups - RAC and OSA. Our products are being used in an increasingly wide range of clinical applications outside our traditional markets, driving additional sales and improved margins.

> Demand for our products is escalating with an increasing number of clinicians and care providers choosing our technologies to help improve effectiveness and efficiency of care, and to achieve better results for their patients.

More than half our sales are into hospital settings and demand is across a broad range of patient groups, spanning intensive care, high dependency care, neonatal care, respiratory care and surgery. In home and long-term care settings, our devices are being chosen for the treatment of obstructive sleep apnea, chronic obstructive pulmonary disease (COPD) and other chronic respiratory conditions.

Our continued investment into research and development saw the introduction of a significant number of new products into markets around the world over the past year. Our strong growth in the second half reflects the positive acceptance of these new and innovative products by our customers. New products, as well as driving sales growth, are contributing to increased gross margin.

Our global reach continued to expand, and our products are now sold in 121 countries around the world, either through our direct sales teams, or through partnerships with locally based specialist distributors. We have previously made significant investments into expanding our operations and sales teams. We are now benefitting from these investments and we expect sales, general and administrative (SG&A) expense growth to again be below revenue growth in constant currency terms in the 2014 financial year.

To help offset the high NZ dollar, we have looked at other ways to deliver increased margins within our business. In the last year, we increased manufacturing at our facility in Mexico and a growing quantity and range of our products are now manufactured there. We plan to be producing about half of our high volume consumables output in Mexico within three years. Over the past year, we produced 23% of our consumables output there, and expect this to grow to approximately 30% in the next year.

We are committed to Lean processes and have completed a number of Lean manufacturing projects, with more underway. We are also implementing supply chain efficiencies which will contribute to increase efficiency and margin.

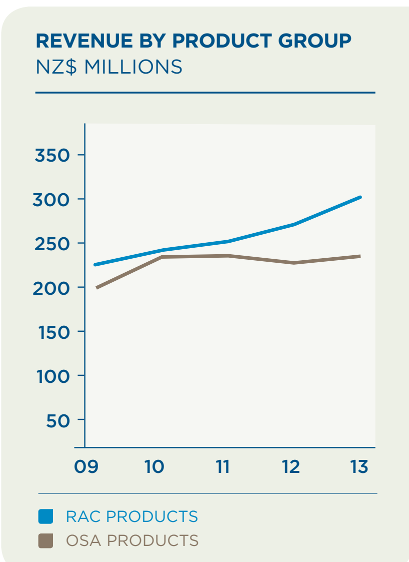
Most recently, in March 2013, we opened the new 32,000 square metre Paykel Building on our East Tamaki site in Auckland. This state of the art building will accommodate growth in R&D, clinical marketing, new product manufacturing, our corporate office and a logistics hub. The new building provides sufficient capacity to accommodate our New Zealand operations growth for a number of years.

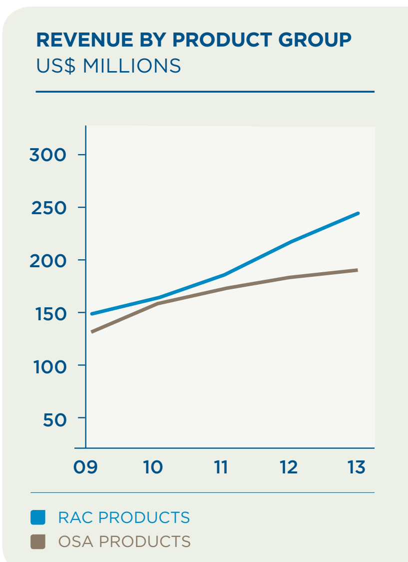
OUTLOOK

Our opportunities for growth are clear and we are looking forward to another positive year of earnings growth.

We estimate that more than seven million patients around the world currently benefit from our products each year and that there is significant opportunity for growth.

The number of patients who can benefit from our products is growing significantly, as a result of an aging demographic and increasing investment in healthcare in developing countries. We are well positioned to meet their needs with our innovative, high quality medical devices. We expect our underlying revenue growth to continue to be robust this year, driven by a broad range of new products and applications. Constant currency operating margin is expected to increase as a result of growth in higher margin differentiated products, cost reductions and other efficiencies.





MICHAEL DANIELL
Managing Director and
Chief Executive Officer

Our Focus For 2014

- **MAINTAIN AND GROW OUR MARKET LEADERSHIP IN RESPIRATORY HUMIDIFICATION**
- **INCREASE OUR MARKET SHARE IN OSA PRODUCTS**
- **CONTINUE TO INNOVATE AND DEVELOP NEW PRODUCTS**

STRATEGIC OUTCOMES

CONTINUOUS PRODUCT IMPROVEMENT

Leading the way with innovation

Innovation underpins everything we do, and is a critical component of our continued success.

Our business was founded on the objective of improving patient care and outcomes, by delivering medical devices that can help to ensure a better result for the patient.

To achieve this objective means continually innovating and bringing to market better products and technologies. At times, it also means challenging traditional care practices, and identifying new and better ways to provide patient care and improved outcomes.

2013 has been one of our biggest years for new product launches, with a number of new products introduced to markets around the world. Many of these set the standard for patient care, comfort and outcomes. We also saw increasing adoption of our technologies in a number of new clinical applications.

New products can take up to five years to develop from concept to market. R&D is an essential investment area for us with a spend of $45.7 million (8.2% of operating revenue) for the 2013 year. We have 359 staff in Auckland working in R&D, and we expect our investment in this area to increase at a similar rate to constant currency revenue growth.

Meeting stringent regulatory standards is vital to ensure that we can market our products around the world. Our quality management system is certified to a range of international standards, and we are routinely audited for compliance with applicable country specific regulations.

We continually invest in and update our quality management systems, and have a dedicated team of people ensuring that our products and services meet and exceed the highest possible quality standards and surpass our customers’ expectations.

SERVE MORE PATIENT GROUPS

Identify new groups of patients who may benefit from our products, in the wider healthcare setting

An important part of our strategy is to identify new areas of patient care where our products and technologies can be utilised.

New respiratory care applications – in non-invasive ventilation, oxygen therapy, humidity therapy and surgery – are becoming an increasingly important part of RAC revenue. The opportunities to grow our presence in these and other non-traditional markets are significant.

Optiflow Junior is an example of an application beyond invasive ventilation.

First released to market in March 2012, following four years of engineering and development, the product is a nasal cannula designed specifically for infants. The finished, high performance product responds to the requirements from parents, nurses and doctors - high flow delivered through soft anatomical prongs, ease of use with a patented Wigglepad system which enables easy re-application, adjustment and maintenance, and longer breathing tube and a clothing clip that enables improved mother child bonding and feeding. The result is a cannula that works exceptionally well for clinicians, parents and babies.

MORE PRODUCTS FOR EACH PATIENT

Identify new opportunities to extend the range of products we provide for use in the care and treatment of each patient

RAC

Growth in demand for our RAC products was very encouraging, and operating revenue was up *15%* year on year in constant currency.

The number of patients requiring respiratory care is growing. This is in part due to the ageing population, with older people more likely to need respiratory support and acute care. We estimate that Chronic Obstructive Pulmonary Disease (COPD), which usually results from long term smoking, affects more than 100 million people. In addition, demand for neonatal products is increasing with more premature babies being born and requiring medical intervention.

Over the year, we continued the rollout of new adult and infant Evaqua 2 breathing circuits, and introduced Optiflow Junior. We also introduced our second generation AIRVO 2 and myAIRVO 2 flow generator systems to the USA following FDA clearance.

We continue to identify opportunities to extend the range of products we provide in the patient care continuum. We believe there is significant opportunity to increase the number of patients benefitting from our devices and for our revenue from this product group to grow.

OSA

New products drove annual constant currency revenue growth of *6%* and second half growth of *10%* for our OSA product group, reflecting enthusiastic customer acceptance of our very easy to fit, comfortable and effective Pilairo nasal pillows mask and Eson nasal mask.

For patients to achieve the best outcomes from OSA CPAP therapy, they must continue with treatment. However, many patients do not use their device on an ongoing basis. Our flow generators and masks are designed to be easy to use and very comfortable, so as to increase compliance with the therapy.

Most people receive their OSA treatment devices from specialist homecare providers who are looking for products which will allow them to setup and support OSA patients as efficiently as possible.

Our new ICON+ flow generator range, which was released in 2013, is now being rolled out to all major markets and is extremely simple to set up. It also links in with our efficient cloud based technology for compliance data monitoring and reporting.

We have also begun the introduction of our new full face mask, Simplus, and feedback has been extremely positive. We are now introducing this into Europe, with the USA to follow once FDA clearance is received.

The vast majority of patients with obstructive sleep apnea have yet to be diagnosed; we believe there are at least 50 million people with obstructive sleep apnea, with only about 20% diagnosed so far, providing a significant opportunity for growth.

INCREASE OUR INTERNATIONAL PRESENCE

Expand the global market for our products; place our own people selling our own products in markets around the world; and build our global network of distributors

Our products are now sold in 121 countries around the world, with direct sales operations in 27 countries, and distribution partnerships in a further 94 countries.

Due to the specialised nature of our products, we believe it is important to have highly trained and professional sales people marketing our products to clinicians and healthcare providers. During the year we expanded our operations and sales teams in North America, Europe and the Asia-Pacific regions.

In September 2012, we established our own direct sales and distribution operation in South Korea. We are seeing increasing growth from highly populated countries such as India and China, which have rapidly improving healthcare systems.

CORPORATE RESPONSIBILITY

MINIMISING OUR IMPACT ON THE ENVIRONMENT

AT FISHER & PAYKEL HEALTHCARE, WE RECOGNISE THE IMPORTANCE OF MINIMISING 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 has ISO14001 certification, the international environmental management standard.
- We have started our three year journey towards Certified Emissions Measurement And Reduction Scheme (CEMARS) certification.
- We now recycle approximately 90% of our waste, up from 50% the previous year.
- Rainwater run-off from our 40 hectare Auckland site is collected in landscaped settlement ponds which helps minimise undesirable sediment entering the nearby Tamaki River.
- Our Mexico manufacturing facility's proximity to our major markets means a decrease in carbon emissions.
- The new Paykel building has been built in line with best practice guidelines for environmentally friendly design and sustainability.

LOOKING AFTER 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.

We are committed to providing all of our employees with a healthy and safe working environment.

In all dealings we will be fair and consistent.

- We grew our global workforce by 6% during the year.
- We continued to invest in targeted recruitment initiatives to attract technical talent across the technology, science and engineering sectors.
- We developed and introduced our Engage and Develop Programme, where managers and employees work in partnership to meet the development goals and ambitions of each individual.
- We promote learning and invested into training and development opportunities for our people around the world.
- We offer a discounted Share Purchase Plan for employees in eligible countries.
- We provide employees in eligible countries with a profit sharing bonus.
- We adopt a collaborative approach with our employees and other interested third parties to ensure that we continue to build a strong culture of health and safety.

SUPPORTING OUR COMMUNITIES

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.

We support initiatives that encourage learning and the development of knowledge in science, technology, engineering and healthcare.

- We worked closely with clinicians and supported a wide range of clinical research programs.
- For the sixth year, we provided support for the NZ VEX Robotics Competition, which seeks to increase student interest and involvement in science, technology, engineering and mathematics.

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.

OUR BOARD

1

TONY CARTER

BOARD RESPONSIBILITIES

Independent Chairman since April 2012, Chair Remuneration & Human Resources Committee, Chair Nomination Committee, Member Audit & Risk Committee and Member Quality, Safety & Regulatory Committee

TERM OF OFFICE

Appointed December 2010, last re-elected 19 August 2011

Tony served as Managing Director of Foodstuffs New Zealand Limited from 2001 to 2010.

He is Chair (elect) of Air New Zealand, Chairman of Blues Management Limited, a director of Fletcher Building Limited and ANZ Bank New Zealand Limited, is co-Chairman of the New Zealand Initiative and is a trustee of the Maurice Carter Charitable Trust.

Master of Engineering, Master of Philosophy

2

MICHAEL DANIELL

BOARD RESPONSIBILITIES

Managing Director

TERM OF OFFICE

Appointed November 2001; last re-elected 22 August 2013

Michael Daniell became Managing Director and Chief Executive Officer in November 2001. He served as the General Manager of Fisher & Paykel's healthcare business from May 1990 until November 2001.

From 1979 until May 1990, Michael held various positions in the business, including product design engineer and technical manager. He has more than 30 years of international healthcare business experience.

Bachelor of Engineering (Hons)

3

NIGEL EVANS

BOARD RESPONSIBILITIES

Independent Director, Member Audit & Risk Committee

TERM OF OFFICE

Appointed November 2001, last re-elected 27 August 2010

Nigel Evans has a background in physics, manufacturing and commercial R&D. He held a variety of management positions with New Zealand Steel Limited from August 1966 to May 1987, has served as principal of Quark Technology since June 1987 and is an Officer of the New Zealand Order of Merit.

Master of Science, Doctorate in Physics

4

ROGER FRANCE

BOARD RESPONSIBILITIES

Independent Director, Chair Audit & Risk Committee, Member Remuneration & Human Resources Committee and Member Nomination Committee

TERM OF OFFICE

Appointed February 2009, last re-elected 22 August 2012

Roger was a partner at PricewaterhouseCoopers for over 15 years. He was previously the Chief Financial Officer of Allied Farmers Co-operative Limited and Freightways Holdings Limited, and Managing Partner of Coopers & Lybrand in Auckland.

As well as being a director of Fisher & Paykel Healthcare, Roger is Chairman of Tappenden Holdings Limited, a director of Air New Zealand Limited and Orion Corporation Limited and a member of the University of Auckland Council.

Bachelor of Commerce (Hons), Fellow of NZ Institute of Chartered Accountants

5

LINDSAY GILLANDERS

BOARD RESPONSIBILITIES

Independent Director, Member Remuneration & Human Resources Committee and Member Nomination Committee

TERM OF OFFICE

Appointed May 1992, last re-elected 19 August 2011

Until November 2001, Lindsay was responsible for Fisher & Paykel's legal, regulatory, compliance and intellectual property rights, and he worked on major commercial agreements including acquisitions and divestments by both the appliances and healthcare businesses.

Lindsay also serves as a director of Rangatira Limited, and as Chairman of Auckland Packaging Company.

Bachelor of Law (Hons)

6

ARTHUR MORRIS

BOARD RESPONSIBILITIES

Independent Director, Chair Quality, Safety & Regulatory Committee

TERM OF OFFICE

Appointed February 2008, last re-elected 22 August 2012

Dr Arthur Morris is a fellow of the Royal Australasian College of Pathologists, the Australasian Society for Microbiology and the Infectious Diseases Society of America. He trained in Dunedin, Invercargill and Auckland before spending three years at Duke University Medical Centre, North Carolina, USA.

Arthur is Chairman of DNA Diagnostics Limited and the Chief Executive Officer of Diagnostic Medlab Limited.

Bachelor of Science - Microbiology (Hons), Bachelor of Medicine, Doctorate in Medicine

7

DONAL O'DWYER

BOARD RESPONSIBILITIES

Independent Director, Member Quality, Safety & Regulatory Committee

TERM OF OFFICE

Appointed December 2012

Donal O'Dwyer is an Australian resident, and has 30 years' experience working in the healthcare sector. He has previously worked for Cordis Cardiology, the cardiology division of Johnson & Johnson's Cordis Corporation, initially as its president (Europe) and from 2000 to 2003 as its worldwide president. Prior to joining Cordis, Donal worked for 12 years with Baxter Healthcare, rising to president of the Cardiovascular Group.

Donal is also Chairman of Atcor Medical Pty Limited and a non-executive director of Cochlear Limited and Mesoblast Limited.

Bachelor of Engineering, Master of Business Administration

8

GARY PAYKEL

BOARD RESPONSIBILITIES

Independent Director

TERM OF OFFICE

Appointed August 1979, last re-elected 19 August 2011

Gary Paykel has been a director of Fisher & Paykel Healthcare Corporation Limited since August 1979 and served as Chairman from November 2001 until March 2012. He 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.

Gary 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.

OUR EXECUTIVE MANAGEMENT TEAM

1 MICHAEL DANIELL

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

2 LEWIS GRADON

SENIOR VICE PRESIDENT PRODUCTS & TECHNOLOGY

3 PAUL SHEARER

SENIOR VICE PRESIDENT SALES & MARKETING

4 TONY BARCLAY

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

5 DEBORAH BAILEY

VICE PRESIDENT HUMAN RESOURCES

6 WINSTON FONG

VICE PRESIDENT INFORMATION & COMMUNICATION TECHNOLOGY

7 PAUL ANDREASSI

VICE PRESIDENT QUALITY & REGULATORY

FINANCIAL REVIEW

Net profit after tax was NZ$77.1 million for the year ended 31 March 2013, an increase of 20% compared to the prior year's NZ$64.1 million. In constant currency, operating profit increased *52%*. The increase in the full year net profit after tax reflects revenue growth, gross margin expansion, disciplined control of expenses and other operational efficiencies.

Operating revenue was a record NZ$556.3 million, 8% above the prior year, or *11%* in constant currency. The company's respiratory and acute care product group (RAC) operating revenue increased by *15%* and obstructive sleep apnea (OSA) product group revenue increased by *6%* over the prior year, in constant currency.

For the second half, net profit after tax grew by 22% to NZ$43.8 million and operating revenue grew 9% to NZ$289.3 million. In constant currency, second half operating revenue increased by *14%* and operating profit increased by *56%*, primarily as a result of revenue growth, improved gross margins and operating efficiencies.

Respiratory and acute care product group (RAC) operating revenue grew *18%* and Obstructive Sleep Apnea product group (OSA) operating revenue grew *10%* in constant currency, compared to the prior year second half.

Strong growth in the RAC product group was driven by increasing acceptance of products which are used in applications outside of intensive care ventilation, including non-invasive ventilation, oxygen therapy and humidity therapy. Consumables revenue from those new applications increased *38%* in the second half, in constant currency.

OSA mask constant currency revenue grew *16%* in the second half, reflecting the introduction of the Pilairo nasal pillows and Eson nasal masks. Total flow generator revenue growth improved to *3%* in constant currency for the second half. Excluding the legacy SleepStyle flow generator range, constant currency flow generator revenue growth was *12%*.

The Company's financial statements for the year ended 31 March 2013 and the comparative financial information for the year ended 31 March 2012 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), Interpretations and other applicable FRS.

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. Eligible non-resident shareholders will receive a supplementary dividend of NZD 1.2353 cents per share. The final dividend will be paid on 5 July 2013, with a record date of 21 June 2013 and an ex-dividend date of 17 June 2013 for the ASX and 19 June 2013 for the NZSX.

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.

The directors have maintained the dividend payment for the year at 12.4 cps which equates to 87% of net profit after tax.

FINANCIAL REVIEW CONTINUED

FINANCIAL PERFORMANCE

THE FOLLOWING TABLE SETS OUT THE CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEARS ENDED 31 MARCH 2012 AND 2013 IN NEW ZEALAND DOLLARS:

	YEAR ENDED 31 MARCH	
	2012 NZ$000's	2013 NZ$000's
Operating revenue	**516,688**	**556,250**
Cost of sales	241,651	248,406
Gross profit	275,037	307,844
Gross margin	**53.2%**	**55.3%**
Other income	2,400	2,400
Selling, general and administrative expenses	142,644	151,791
Research and development expenses	41,988	45,720
Total operating expenses	184,632	197,511
Operating profit before financing costs	**92,805**	**112,733**
Operating margin	**18.0%**	**20.3%**
Net financing expense	(488)	3,347
Profit before tax	**92,317**	**109,386**
Tax expense	28,207	32,333
Profit after tax	**64,110**	**77,053**

FOREIGN EXCHANGE EFFECTS

The company is exposed to movements in foreign exchange rates, with approximately 50% of operating revenue generated in US dollars, 23% in Euros, 6% in Australian dollars, 5% in Japanese yen, 4% in British pounds, 4% in Canadian dollars, 2% in New Zealand dollars and 6% in other currencies.

As the number of direct sales operations increases, an increasing proportion of the company's revenue is generated in local currencies, reducing operating revenue exposure to the US dollar. In the current year the proportion of revenue which was generated in US dollars has reduced from 52% to 50%. The company's cost base is also becoming more diverse, as manufacturing output from Mexico has increased to 23% of consumables output.

By historical standards the New Zealand dollar remained elevated against most of the currencies in which the company receives revenue, in particular against the Euro and Japanese yen when compared to last year. Foreign exchange hedging gains contributed NZ$48.5 million (2012: NZ$49.5 million) to operating profit.

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 the main foreign currency exposures for the years ended 31 March 2012 and 2013 are set out in the table below:

	AVERAGE DAILY SPOT RATE		AVERAGE EFFECTIVE EXCHANGE RATE	
	YEAR ENDED 31 MARCH		YEAR ENDED 31 MARCH	
	2012	2013	2012	2013
USD	0.8072	0.8142	0.6641	0.6801
EUR	0.5864	0.6324	0.4823	0.5077

The effect of balance sheet translations of offshore assets and liabilities for the year ended 31 March 2013 resulted in a reduction in operating revenue of NZ$2.7 million (2012: NZ$4.3 million) and a reduction in operating profit of NZ$2.8 million (2012: NZ$5.1 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 below provides estimated NZ dollar income statements for the relevant periods, which have all been restated at the budget foreign exchange rates for the 2013 financial year but after excluding the impact of movements in foreign exchange rates, hedging results and balance sheet translations.

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 assess 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.

CONSTANT CURRENCY INCOME STATEMENTS (UNAUDITED)	Year ended 31 March 2011 NZ$000	Year ended 31 March 2012 NZ$000	Variation 2011 to 2012 %	Year ended 31 March 2013 NZ$000	Variation 2012 to 2013 %
Operating revenue	***431,787***	***466,992***	***+8***	***518,999***	***+11***
Cost of sales	*222,962*	*237,850*	*+7*	*248,569*	*+5*
Gross profit	*208,825*	*229,142*	*+10*	*270,430*	*+18*
Other income	*1,200*	*2,400*	*+100*	*2,400*	–
Selling, general and administrative expenses	*135,360*	*141,870*	*+5*	*154,684*	*+9*
Research & development expenses	*39,277*	*41,988*	*+7*	*45,720*	*+9*
Total operating expenses	*174,637*	*183,858*	*+5*	*200,404*	*+9*
Operating profit	***35,388***	***47,684***	***+35***	***72,426***	***+52***
Financing expenses (net)	*5,266*	*4,019*	*-24*	*4,757*	*+18*
Profit before tax	***30,122***	***43,665***	***+45***	***67,669***	***+55***

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the for the year ended 31 March 2013, are USD 0.80, EUR 0.62, AUD 0.77, GBP 0.52, CAD 0.82, JPY 63 and MXN 10.60.

FINANCIAL REVIEW CONTINUED

In constant currency, operating revenue increased by *11%* and operating profit increased by *52%* for the year, due to positive contributions from Mexico manufacturing, operating leverage generated from disciplined expense control, other logistics benefits and from direct sales operations established over the past few years.

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

	YEAR ENDED 31 MARCH		
RECONCILIATION OF CONSTANT CURRENCY TO ACTUAL INCOME STATEMENTS (UNAUDITED)	2011 NZ$000's	2012 NZ$000's	2013 NZ$000's
Profit before tax (constant currency)	***30,122***	***43,665***	***67,669***
Spot exchange rate effect	25,281	712	(5,353)
Foreign exchange hedging result	38,397	49,542	48,534
Balance sheet revaluation	(986)	(1,602)	(1,464)
Profit before tax (as reported)	**92,814**	**92,317**	**109,386**

The reconciliation set out above illustrates that, when comparing the NZ dollar profit before tax shown in the actual income statement for the year to 31 March 2013 with the prior year:

- the movement in average daily spot exchange rates had an adverse impact of $6.1m; and
- the benefit from the company's foreign exchange hedging activities, while very substantial, was lower by $1.0m.

Overall, the net adverse effect of movements in exchange rates and the hedging programme was $6.9m, including the impact of balance sheet revaluations.

OPERATING REVENUE

Operating revenue increased by 8% to NZ$556.3 million for the year ended 31 March 2013 from NZ$516.7 million for the year ended 31 March 2012, principally due to increased sales volume from our core products.

The following table sets out operating revenue by product group for the years ended 31 March 2012 and 2013:

	YEAR ENDED 31 MARCH	
	2012 NZ$000's	2013 NZ$000's
RAC products	271,036	301,503
OSA products	228,899	235,778
Core products sub-total	499,935	537,281
Distributed and other products	16,753	18,969
Total	**$516,688**	**$556,250**

Underlying growth in demand for respiratory humidification systems was strong throughout the year. This resulted in total operating revenue of NZ$301.5 million for the respiratory and acute care product group, being growth of 11% in NZ dollars, and *15%* in constant currency, compared with the corresponding period last year.

Expansion of the application of products and technologies to the care of patients beyond the company's 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 surgery. Constant currency revenue for these new applications grew *29%* for the year ended 31 March 2013 and in total represented *37%* of respiratory and acute care consumables revenue.

Very strong revenue growth in consumables and accessories was supported by strong 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.

OSA product group operating revenue increased 3% to NZ$235.8 million, and *6%* in constant currency for the year. Constant currency mask revenue grew *10%* for the year, and increased *16%* in the second half as the new Pilairo and Eson masks gained market share. Total flow generator revenue growth improved to *3%* in constant currency for the second half. Excluding the legacy SleepStyle flow generator range, second half constant currency flow generator revenue growth was *12%*.

Sales of respiratory and acute care products represented 52% and 54% of operating revenue for the years ended 31 March 2012 and 2013 respectively. Sales of OSA products represented 44% and 42% of operating revenue for the years ended 31 March 2012 and 2013 respectively. Sales of consumable and accessory products for core products accounted for approximately 74% and 76% of operating revenue for the years ended 31 March 2012 and 2013 respectively.

The following table sets out operating revenue for each of our regional markets for the year ended 31 March 2012 and 2013:

	YEAR ENDED 31 MARCH	
	2012 NZ$000's	2013 NZ$000's
North America	230,563	241,123
Europe	170,355	181,422
Asia Pacific	92,981	106,637
Other	22,789	27,068
Total	**$516,688**	**$556,250**

The breakdown of revenue presented above is based on the geographical location of the customer and is inclusive of foreign exchange gains.

EXPENSES

Research and development activities are primarily conducted in New Zealand. Research and development expenses totalled NZ$45.7 million for the year ended 31 March 2013 compared to NZ$42.0 million in the prior 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 2014 financial year. Research and development expenses represented 8.2% of operating revenue for the year ended 31 March 2013.

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 6% to NZ$151.8 million for the year ended 31 March 2013 compared to NZ$142.6 million in the prior year. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities, which included the opening of a direct sales and distribution office in South Korea. In constant currency selling, general and administrative expenses have increased by *9%* for the year ended 31 March 2013.

GROSS PROFIT

Gross profit increased to NZ$307.8 million, or 55.3% of operating revenue, for the year ended 31 March 2013 from NZ$275.0 million, or 53.2% of operating revenue, in the year ended 31 March 2012. Constant currency gross margin percentage increased due to a number of factors, including positive RAC and OSA product mixes, logistics and manufacturing improvements, including the contribution from our Mexico manufacturing facility.

OPERATING PROFIT

Operating profit increased by 21% to NZ$112.7 million for the year ended 31 March 2013 from NZ$92.8 million for the year ended 31 March 2012.

In constant currency, operating profit increased by *52%*.

FINANCIAL REVIEW CONTINUED

BALANCE SHEET

Gearing[1] at 31 March 2013 was 27.9%, higher than the 26.4% gearing at 31 March 2012, however lower than the 31.5% at 30 September 2012. The increase in gearing relates to the increase in capital expenditure in relation to the construction of the third building on the company's Auckland site. Capital expenditure in relation to the new building is now complete and gearing is expected to track towards our target range over coming years.

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

The company had total available committed debt funding of $192 million as at 31 March 2013, of which approximately $64 million was undrawn, and cash on hand of $8 million. Bank debt facilities provide all available funding given the modest level of requirements. Over the next 12 months no debt facilities will mature. As at 31 March 2013, the weighted average maturity of borrowing facilities is 2.8 years.

DEBT MATURITY

The average maturity of the debt of $117 million was 2.1 years and the currency split was 68% New Zealand dollars; 15% US dollars; 12% Euros; 3% Australian dollars and 2% Canadian dollars.

INTEREST RATES

Approximately 72% of all borrowings were at fixed interest rates with an average duration of 4.7 years and an average rate of 5.6%. Inclusive of floating rate borrowings the average interest rate on the debt is currently 4.7%. All interest rates are inclusive of margins but not fees.

Interest coverage for the period was 19 times and the group remains in a sound financial position.

The interest coverage for the period included interest capitalised to the new building project of $2.7 million for the period compared to $2.2 million for last year.

CASHFLOW

Cashflow from operations was $86.4 million compared with $93.9 million for the year ended 31 March 2012. The reduction was mainly related to the monetisation of USD forward exchange contracts in the first half of the 2012 financial year. Underlying cashflow from operations was positive and broadly in line with the operating profit improvement.

Capital expenditure for the period was $62.0 million compared with $67.5 million in the prior year. Of this total, $33.6 million was for the Paykel 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 2013 of NZ7.0 cents per ordinary share (2012: NZ7.0 cents), and will be fully imputed at a rate of 28%.

The final dividend will be paid on 5 July 2013, with a record date of 21 June 2013 and an ex-dividend date of 17 June 2013 for the ASX and 19 June 2013 for the NZSX.

DIVIDEND REINVESTMENT PLAN

The dividend reinvestment plan is being offered for this dividend payment.

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

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

FINANCIAL HIGHLIGHTS

	YEAR ENDED 31 MARCH	
UNAUDITED	2012 NZ$000's	2013 NZ$000's
Pre-tax return on average shareholders' equity (annualised)	27.9%	30.4%
Earnings per share (cents)	12.2	14.3
Dividends (interim plus final proposed) per share (cents)	12.4	12.4
Gearing	26.4%	27.9%
Interest cover (times)	34.7	18.6

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			
	2014	2015	2016	2017
USD % cover of expected exposure	71%	20%	0%	0%
USD average rate of cover	0.77	0.77	–	–
USD Close-out value to Income Statement (NZD000's)[2]	$21,291	$0	$0	$0
EUR % cover of expected exposure	80%	46%	6%	4%
EUR average rate of cover	0.47	0.43	0.39	0.36

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

The Paykel Building, a new NZ$95 million, 32,000 square metre facility at our Auckland site, was opened in March 2013.

Financial Information.

Five Year Financial Summary (NZ$)

FOR THE YEARS ENDED 31 MARCH

	2009 NZ$000	2010 NZ$000	2011 NZ$000	2012 NZ$000	2013 NZ$000
				(EXCEPT AS OTHERWISE STATED)	
FINANCIAL PERFORMANCE					
Sales revenue	485,516	474,755	467,680	466,726	507,250
Foreign exchange gain (loss) on hedged sales	(26,799)	28,567	38,394	49,962	49,000
Total operating revenue	**458,717**	**503,322**	**506,074**	**516,688**	**556,250**
Cost of sales	(212,087)	(231,939)	(228,372)	(241,651)	(248,406)
Gross profit	246,630	271,383	277,702	275,037	307,844
Gross margin	53.8%	53.9%	54.9%	53.2%	55.3%
Other income	3,000	4,269	1,200	2,400	2,400
Selling, general and administrative expenses	(118,929)	(137,541)	(141,882)	(142,644)	(151,791)
Research and development expenses	(28,310)	(35,272)	(39,277)	(41,988)	(45,720)
Total operating expenses	**(147,239)**	**(172,813)**	**(181,159)**	**(184,632)**	**(197,511)**
Operating profit before financing costs	102,391	102,839	97,743	92,805	112,733
Operating margin	22.3%	20.4%	19.3%	18.0%	20.3%
Net financing (expense)	(17,353)	3,976	(4,929)	(488)	(3,347)
Profit before tax	85,038	106,815	92,814	92,317	109,386
Tax expense	(22,805)	(35,184)	(28,868)	(28,207)	(32,333)
Profit after tax *	**62,233**	**71,631**	**63,946**	**64,110**	**77,053**
Revenue by region:					
North America	208,861	234,035	233,706	230,563	241,123
Europe	151,907	161,723	159,438	170,355	181,422
Asia Pacific	71,787	81,404	90,115	92,981	106,637
Other	26,162	26,160	22,815	22,789	27,068
Total	**458,717**	**503,322**	**506,074**	**516,688**	**556,250**
Revenue by product group:					
Respiratory & acute care	227,745	243,357	254,181	271,036	301,503
Obstructive sleep apnea	201,725	236,074	235,776	228,899	235,778
Core products subtotal	429,470	479,431	489,957	499,935	537,281
Distributed and other	29,247	23,891	16,117	16,753	18,969
Total	**458,717**	**503,322**	**506,074**	**516,688**	**556,250**
FINANCIAL POSITION					
Tangible assets	371,520	387,288	422,064	481,759	528,253
Intangible assets	42,217	87,771	95,544	90,295	90,344
Total assets	413,737	475,059	517,608	572,054	618,597
Liabilities	(209,436)	(181,895)	(204,317)	(223,902)	(246,366)
Shareholders' equity	**204,301**	**293,164**	**313,291**	**348,152**	**372,231**
Net tangible asset backing (cents per share)	31.8	40.1	41.8	48.6	51.9
Pre-tax return on average total assets percentage	22.8%	24.0%	18.7%	16.9%	18.4%
Pre-tax return on average equity percentage	42.5%	42.9%	30.6%	27.9%	30.4%
CASH FLOWS					
Net cash flow from operating activities	62,065	137,449	71,053	93,883	86,437
Net cash flow (used in) investing activities	(22,368)	(48,189)	(43,237)	(67,475)	(61,976)
Net cash flow (used in) financing activities	(37,121)	(90,275)	(37,485)	(24,552)	(26,453)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	509,492,237	511,251,159	517,154,550	525,706,219	537,560,800
Weighted diluted average shares outstanding	527,363,056	529,793,292	536,265,092	546,509,548	559,097,010
Basic shares outstanding at end of the year	509,530,912	512,304,851	520,453,173	530,053,399	542,612,236

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

Five Year Financial Summary (NZ$)

FOR THE YEARS ENDED 31 MARCH

	2009 NZ$000	2010 NZ$000	2011 NZ$000	2012 NZ$000	2013 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	12.2	14.0	10.2	12.2	14.3
Diluted earnings per share	11.8	13.5	9.8	11.7	13.8
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	79	82	92	98	107
Number of United States patent applications (includes PCTs*)	78	87	100	107	159
Number of non-United States patents	292	333	366	413	442
Number of non-United States patent applications (excludes PCTs*)	207	200	196	189	260
RESEARCH AND DEVELOPMENT					
Research and development expenditure	28,310	35,272	39,277	41,988	45,720
Percentage of operating revenue	6.2%	7.0%	7.8%	8.1%	8.2%
CAPITAL EXPENDITURE					
Operational	19,581	43,006	25,290	16,761	24,725
Land and buildings	782	2,743	15,491	48,150	33,821
Total	20,363	45,749	40,781	64,911	58,546
Capital expenditure : depreciation ratio	1.3	2.9	2.0	3.2	2.5
NUMBER OF EMPLOYEES					
By function:					
Research and development	253	295	322	325	359
Manufacturing and operations	1,240	1,371	1,426	1,544	1,641
Sales, marketing and distribution	493	562	595	616	645
Management and administration	98	113	105	107	113
Total	2,084	2,341	2,448	2,592	2,758
By region:					
New Zealand	1,666	1,818	1,666	1,718	1,753
North America	151	208	441	519	627
Europe	166	182	197	202	205
Rest of World	101	133	144	153	173
Total	2,084	2,341	2,448	2,592	2,758
AVERAGE DAILY SPOT EXCHANGE RATES (NZ$1 =)**					
USD	0.6524	0.6785	0.7330	0.8072	0.8142
AVERAGE EFFECTIVE EXCHANGE RATES (NZ$1 =)***					
USD	0.7148	0.6041	0.6192	0.6641	0.6801
EUR	0.4614	0.4523	0.4808	0.4823	0.5077
GBP	0.3736	0.3919	0.4668	0.4787	0.4975
AUD	0.8115	0.7923	0.7960	0.7851	0.7855
CAD	0.7122	0.7042	0.6954	0.7206	0.7325
JPY	75.5380	63.9026	59.0184	59.3760	58.3516
MXN			9.3216	9.6811	10.1535

* 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

	2009 US$000	2010 US$000	2011 US$000	2012 US$000	2013 US$000
				(EXCEPT AS OTHERWISE STATED)	
FINANCIAL PERFORMANCE					
Sales revenue	316,751	322,121	342,809	376,741	413,003
Foreign exchange gain (loss) on hedged sales	(17,484)	19,383	28,143	40,329	39,896
Total operating revenue	**299,267**	**341,504**	**370,952**	**417,070**	**452,899**
Cost of sales	(138,366)	(157,371)	(167,397)	(195,061)	(202,252)
Gross profit	160,901	184,133	203,555	222,009	250,647
Gross margin	53.8%	53.9%	54.9%	53.2%	55.3%
Other income	1,957	2,897	880	1,937	1,954
Selling, general and administrative expenses	(77,589)	(93,322)	(104,000)	(115,142)	(123,588)
Research and development expenses	(18,469)	(23,932)	(28,790)	(33,893)	(37,225)
Total operating expenses	**(96,058)**	**(117,254)**	**(132,790)**	**(149,035)**	**(160,813)**
Operating profit before financing costs	66,800	69,776	71,645	74,911	91,788
Operating margin	22.3%	20.4%	19.3%	18.0%	20.3%
Net financing (expense)	(11,321)	2,698	(3,613)	(394)	(2,725)
Profit before tax	55,479	72,474	68,032	74,517	89,063
Tax expense	(14,878)	(23,872)	(21,160)	(22,769)	(26,326)
Profit after tax *	**40,601**	**48,602**	**46,872**	**51,748**	**62,737**
Revenue by region:					
North America	136,402	158,822	171,275	186,137	196,323
Europe	98,677	109,749	116,958	137,538	147,718
Asia Pacific	47,172	55,177	66,076	75,031	86,824
Other	17,016	17,755	16,643	18,364	22,034
Total	**299,267**	**341,503**	**370,952**	**417,070**	**452,899**
Revenue by product group:					
Respiratory & acute care	149,278	165,373	186,245	218,805	245,544
Obstructive sleep apnea	130,880	160,193	172,886	184,748	191,935
Core products subtotal	280,158	325,566	359,131	403,553	437,479
Distributed and other	19,109	15,937	11,821	13,517	15,420
Total	**299,267**	**341,503**	**370,952**	**417,070**	**452,899**
FINANCIAL POSITION					
Tangible assets	207,865	275,207	321,402	394,416	432,481
Intangible assets	23,620	62,370	72,757	73,925	73,965
Total assets	231,485	337,577	394,159	468,341	506,446
Liabilities	(117,179)	(129,255)	(155,587)	(183,309)	(201,700)
Shareholders' equity	**114,306**	**208,322**	**238,572**	**285,032**	**304,746**
Net tangible asset backing (cents per share)	17.8	28.5	31.9	39.8	42.5
Pre-tax return on average total assets percentage	22.6%	25.5%	18.6%	17.3%	18.3%
Pre-tax return on average equity percentage	41.4%	44.9%	30.4%	28.5%	30.2%
CASH FLOWS					
Net cash flow from operating activities	34,725	93,259	52,082	75,782	70,377
Net cash flow (used in) investing activities	(12,515)	(32,696)	(31,693)	(54,466)	(50,461)
Net cash flow (used in) financing activities	(20,769)	(61,252)	(27,477)	(19,818)	(21,538)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	509,492,237	511,251,159	517,154,550	525,706,219	537,560,800
Weighted diluted average shares outstanding	527,363,056	529,793,292	536,265,092	546,509,548	559,097,010
Basic shares outstanding at end of the year	509,530,912	512,304,851	520,453,173	530,053,399	542,612,236

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

Five Year Financial Summary (US$)

FOR THE YEARS ENDED 31 MARCH

	2009 US$000	2010 US$000	2011 US$000	2012 US$000	2013 US$000
				(EXCEPT AS OTHERWISE STATED)	
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	4.6	4.7	5.1	5.7	5.7
Interim	3.5	3.7	4.0	4.4	4.4
Total ordinary dividends	8.1	8.4	9.1	10.1	10.1
Basic earnings per share	8.0	9.5	7.4	9.8	11.6
Diluted earnings per share	7.7	9.2	7.2	9.4	11.2
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	79	82	92	98	107
Number of United States patent applications (includes PCTs*)	78	87	100	107	159
Number of non-United States patents	292	333	366	413	442
Number of non-United States patent applications (excludes PCTs*)	207	200	196	189	260
RESEARCH AND DEVELOPMENT					
Research and development expenditure	18,469	23,932	28,790	33,893	37,225
Percentage of operating revenue	6.2%	7.0%	7.8%	8.1%	8.2%
CAPITAL EXPENDITURE					
Operational	12,775	29,180	18,538	13,529	20,131
Land and buildings	510	1,861	11,355	38,867	27,537
Total	13,285	31,041	29,893	52,396	47,668
Capital expenditure : depreciation ratio	1.3	2.9	2.0	3.2	2.5
NUMBER OF EMPLOYEES					
By function:					
Research and development	253	295	322	325	359
Manufacturing and operations	1,240	1,371	1,426	1,544	1,641
Sales, marketing and distribution	493	562	595	616	645
Management and administration	98	113	105	107	113
Total	2,084	2,341	2,448	2,592	2,758
By region:					
New Zealand	1,666	1,818	1,666	1,718	1,753
North America	151	208	441	519	627
Europe	166	182	197	202	205
Rest of World	101	133	144	153	173
Total	2,084	2,341	2,448	2,592	2,758
AVERAGE DAILY SPOT EXCHANGE RATES (US$1 =)**					
NZD	1.5328	1.4738	1.3643	1.2389	1.2282
AVERAGE EFFECTIVE EXCHANGE RATES (US$1 =)***					
NZD	1.3990	1.6554	1.6150	1.5058	1.4704

* 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 46 to 101, which comprise the balance sheets as at 31 March 2013, 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 2013 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 46 to 101:

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

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2013, 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 2013:

(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
23 May 2013

Income Statements

FOR THE YEAR ENDED 31 MARCH 2013

PARENT				CONSOLIDATED	
2012 NZ$000	2013 NZ$000		NOTES	2012 NZ$000	2013 NZ$000
128,791	**64,969**	**Operating revenue**	4	**516,688**	**556,250**
		Cost of sales		(241,651)	(248,406)
128,791	64,969	Gross profit		275,037	307,844
		Other income	5	2,400	2,400
(1,193)	(1,388)	Selling, general and administrative expenses		(142,644)	(151,791)
		Research and development expenses		(41,988)	(45,720)
(1,193)	**(1,388)**	**Total operating expenses**		**(184,632)**	**(197,511)**
127,598	**63,581**	**Operating profit before financing costs**		**92,805**	**112,733**
		Financing income		280	189
		Financing expense		(4,334)	(4,903)
		Exchange gain on foreign currency borrowings		3,566	1,367
–	**–**	**Net financing (expense)**		**(488)**	**(3,347)**
127,598	**63,581**	**Profit before tax**	5,7	**92,317**	**109,386**
(1,311)	(2,055)	Tax expense	7	(28,207)	(32,333)
126,287	**61,526**	**Profit after tax**		**64,110**	**77,053**
		Basic earnings per share	22	12.2 cps	14.3 cps
		Diluted earnings per share	22	11.7 cps	13.8 cps
		Weighted average basic ordinary shares	22	525,706,219	537,560,800
		Weighted average diluted ordinary shares	22	546,509,548	559,097,010

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

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2013

PARENT 2012 NZ$000	PARENT 2013 NZ$000		NOTES	CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
126,287	**61,526**	**Profit after tax**		**64,110**	**77,053**
		Other comprehensive income			
		Cash flow hedge reserve – unrealised			
		Changes in fair value	21	28,544	20,478
		Transfers to profit before tax	21	(15,131)	(23,418)
		Tax on changes in fair value and transfers to profit before tax	16,21	(3,756)	823
		Cash flow hedge reserve – realised			
		Transfers to profit before tax	11,21	(17,005)	(17,781)
		Tax on transfers to profit before tax	12,21	5,102	5,249
		Revaluation of land	13,21	13,250	–
–	**–**	**Other comprehensive income for the year, net of tax**		**11,004**	**(14,649)**
126,287	**61,526**	**Total comprehensive income for the year**		**75,114**	**62,404**

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 2013

	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 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**
Total comprehensive income		–	–	77,053	–	(2,117)	(12,532)	–	–	62,404
Dividends paid	21	–	–	(66,161)	–	–	–	–	–	(66,161)
Financial instruments monetised, net of tax	21	–	–	–	–	–	–	–	–	–
Issue of share capital under dividend reinvestment plan	20	25,996	–	–	–	–	–	–	–	25,996
Issue of share capital	20	516	–	–	–	–	–	–	–	516
Movement in employee share entitlement reserve	21	–	–	–	–	–	–	(89)	–	(89)
Movement in employee share option reserve	21	–	–	–	–	–	–	–	(50)	(50)
Movement in treasury shares	21	–	511	–	–	–	–	–	–	511
Increase in share capital under share option schemes for employee services	20	813	–	–	–	–	–	–	–	813
Employee share scheme shares issued for employee services	20	139	–	–	–	–	–	–	–	139
Balance at 31 March 2013		**92,815**	**(1,535)**	**194,918**	**24,100**	**44,089**	**15,304**	**203**	**2,337**	**372,231**

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 2013

	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 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**
Total comprehensive income and expenses for the year		–	–	61,526	–	–	61,526
Dividends paid	21	–	–	(66,161)	–	–	(66,161)
Issue of share capital under dividend reinvestment plan	20	25,996	–	–	–	–	25,996
Issue of share capital	20	516	–	–	–	–	516
Movement in employee share entitlement reserve	21	–	–	–	(89)	–	(89)
Movement in employee share option reserve	21	–	–	–	–	(50)	(50)
Movement in treasury shares	21	–	511	–	–	–	511
Increase in share capital under share option schemes for employee services	20	813	–	–	–	–	813
Employee share scheme shares issued for employee services	20	139	–	–	–	–	139
Balance at 31 March 2013		**92,815**	**(1,535)**	**88,750**	**203**	**2,337**	**182,570**

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

Balance Sheets

AS AT 31 MARCH 2013

PARENT 2012 NZ$000	PARENT 2013 NZ$000		NOTES	CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		ASSETS			
		Current assets			
		Cash and cash equivalents	8	6,253	7,709
43	43	Trade and other receivables	9	77,130	81,560
		Inventories	10	84,430	89,111
		Derivative financial instruments	11	26,712	35,348
4,076	2,849	Tax receivable	12	506	1,429
127,792	151,454	Intergroup advances	25		
131,911	**154,346**	**Total current assets**		**195,031**	**215,157**
		Non-current assets			
		Property, plant and equipment	13	311,631	346,716
		Intangible assets	14	6,426	8,626
28,049	28,855	Investments in subsidiaries	15		
		Other receivables	9	1,809	1,728
		Derivative financial instruments	11	47,501	34,723
102	102	Deferred tax asset	16	9,656	11,647
160,062	**183,303**	**Total assets**		**572,054**	**618,597**
		LIABILITIES			
		Current liabilities			
		Interest-bearing liabilities	17	80,230	17,136
326	364	Trade and other payables	18	60,868	64,490
		Provisions	19	2,580	2,960
		Tax payable	12	4,515	4,575
		Derivative financial instruments	11	2,430	1,907
326	**364**	**Total current liabilities**		**150,623**	**91,068**
		Non-current liabilities			
		Interest-bearing liabilities	17	34,511	117,389
		Provisions	19	1,851	2,401
367	369	Other payables	18	6,211	6,123
		Derivative financial instruments	11	6,419	6,258
		Deferred tax liability	16	24,287	23,127
693	**733**	**Total liabilities**		**223,902**	**246,366**

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

Balance Sheets (continued)

AS AT 31 MARCH 2013

PARENT				CONSOLIDATED	
2012 NZ$000	2013 NZ$000		NOTES	2012 NZ$000	2013 NZ$000
		EQUITY			
65,351	92,815	Share capital	20	65,351	92,815
(2,046)	(1,535)	Treasury shares	20, 21	(2,046)	(1,535)
93,385	88,750	Retained earnings	21	184,026	194,918
		Asset revaluation reserve	21	24,100	24,100
		Cash flow hedge reserve – unrealised	21	46,206	44,089
		Cash flow hedge reserve – realised	21	27,836	15,304
292	203	Employee share entitlement reserve	21	292	203
2,387	2,337	Employee share option reserve	21	2,387	2,337
159,369	**182,570**	**Total equity**		**348,152**	**372,231**
160,062	**183,303**	**Total liabilities and equity**		**572,054**	**618,597**

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

On behalf of the Board
23 May 2013

Tony Carter
Chairman

Michael Daniell
Managing Director and Chief Executive Officer

Statements of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2013

PARENT 2012 NZ$000	PARENT 2013 NZ$000		NOTES	CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		CASH FLOWS FROM OPERATING ACTIVITIES			
		Receipts from customers		503,975	537,230
		Receipts from derivative financial instruments monetised		24,264	–
122,905	56,249	Dividends received			
5,886	8,720	Interest received		272	186
(1,188)	(1,317)	Payments to suppliers and employees		(405,898)	(420,596)
		Tax paid		(24,427)	(25,517)
		Interest paid		(4,303)	(4,866)
127,603	63,652	**Net cash flows from operations**	26	**93,883**	**86,437**
		CASH FLOWS (USED IN) INVESTING ACTIVITIES			
		Sales of property, plant and equipment		33	59
		Purchases of property, plant and equipment		(64,911)	(58,546)
		Purchases of intangible assets		(2,597)	(3,489)
		Net cash flows (used in) investing activities		**(67,475)**	**(61,976)**
		CASH FLOWS (USED IN) FINANCING ACTIVITIES			
		Employee share purchase schemes		563	555
23,558	25,996	Issue of share capital under dividend reinvestment plan		23,558	25,996
200	71	Issue of share capital		200	71
		New borrowings		38,156	86,559
		Repayment of borrowings		(16,828)	(68,567)
(81,160)	(18,652)	Intercompany borrowings			
(64,804)	(66,161)	Dividends paid		(64,804)	(66,161)
(5,397)	(4,906)	Supplementary dividends paid to overseas shareholders		(5,397)	(4,906)
(127,603)	**(63,652)**	**Net cash flows (used in) financing activities**		**(24,552)**	**(26,453)**
		Net increase (decrease) in cash		1,856	(1,992)
		Opening cash		(11,000)	(8,405)
		Effect of foreign exchange rates		739	970
		Closing cash		**(8,405)**	**(9,427)**
		RECONCILIATION OF CLOSING CASH			
		Cash and cash equivalents	8	6,253	7,709
		Bank overdrafts	17	(14,658)	(17,136)
		Closing cash		**(8,405)**	**(9,427)**

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 2013

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 Group and Parent financial statements (collectively "Financial Statements") were approved for issue by the Board of Directors on 23 May 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements for the year ended 31 March 2013 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), Interpretations and other applicable FRS. The financial statements also comply with International Financial Reporting Standards (IFRS) and IFRIC interpretations as issued by IASB.

a. Basis of preparation of financial statements

The significant 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 other comprehensive income, and the revaluation of land.

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 Group'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 other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

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 profit or taxable profit or loss.

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

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

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

h. Leases

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

i. Impairment of non-financial assets

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

j. Cash and cash equivalents

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

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. Fair values are obtained from quoted market prices. 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.

Derivatives that are designated as hedges will be classified as non-current if they have maturities greater than 12 months after the balance sheet date.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

Derivatives that do not qualify for hedge accounting

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

n. Financial assets

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

(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 economic 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 or a trademark registration is not continued or renewed, 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 amortised 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.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

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.

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

The Board believes that the issue of a combination of options and share rights broadly in equal value proportions provides appropriate incentive for participating employees to grow the total shareholder return of the Company. The combination of the Option Plan and the Share Rights Plan assists the Company attract, motivate and retain key employees in an environment where such employees are in high demand both within New Zealand and internationally. Options and share rights are issued to employees under the Option Plan and Share Rights plan as a long-term component of remuneration in accordance with the Company's remuneration policy.

Details of the Option and Share Rights issues are described in Note 23.

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 before the 2013 financial year were measured using the Binomial Options Pricing Model, taking into account the terms and conditions upon which the options are granted. The fair value of the options granted in the 2013 financial year is independently assessed using Monte Carlo Simulation, taking into account the terms and conditions upon which the options are granted. The change from the Binomial Option Pricing Model to Monte Carlo Simulation was necessitated by the change in the terms of the option plan. 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 performance share rights plan

The Employee Performance Share Rights Plan allows Group employees to acquire shares in the Company. The fair value of Performance Share Rights (PSR) 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 PSRs granted is independently assessed using Monte Carlo Simulation, taking into account the terms and conditions upon which the PSRs are granted. When PSRs are exercised the amount in the share entitlement reserve relating to those PSRs is transferred to share capital. When any vested PSRs lapse, upon employee termination or unexercised PSRs reaching maturity, the amount in the share entitlement reserve relating to those PSRs 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 the employee benefit received 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 employee benefit 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 benefit provided to employees has been assessed by discounting the payments on the interest-free 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 the Income Statement.

(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 the Income Statement.

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

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; and
- 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.

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

There are no NZ IFRS, NZ IFRIC interpretations or other applicable FRS that are effective for the first time for the financial year beginning on or after 1 April 2012 that would be expected to have a material impact on the Group's financial statements.

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

- **NZ IAS 1**, ***(amendment),*** effective from 1 July 2012, requires profit or loss and other comprehensive income (OCI) to be presented, either in a single continuous statement or in two separate but consecutive statements. There is little noticeable change from the current requirements. However, the format of the OCI section is required to be changed to separate items that might be recycled from items that will not be recycled. The changes will not affect the measurement of net profit or earnings per share: however, they will change the way items of OCI are presented.
- **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, 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

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 expenditure 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).

(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 estimation

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 are determined using quoted forward exchange rates at the balance sheet date.

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 level1, 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 +/-10% for foreign exchange risk has been selected (2012: +/-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 +/-10% 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 (2012: +/-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 10% (2012: 15%) movement in the New Zealand dollar against all currencies.

		INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		-1%		+1%		-15%		+15%	
CONSOLIDATED 2012	CARRYING AMOUNT NZ$000	INCOME STATEMENT NZ$000	OCI NZ$000	INCOME STATEMENT NZ$000	OCI NZ$000	INCOME STATEMENT NZ$000	OCI NZ$000	INCOME STATEMENT NZ$000	OCI NZ$000
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**

		INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		-1%		+1%		-10%		+10%	
CONSOLIDATED 2013	CARRYING AMOUNT NZ$000	INCOME STATEMENT NZ$000	OCI NZ$000	INCOME STATEMENT NZ$000	OCI NZ$000	INCOME STATEMENT NZ$000	OCI NZ$000	INCOME STATEMENT NZ$000	OCI NZ$000
Derivative Financial Instruments	61,906	(802)	(2,866)	802	2,702	(3,019)	(19,159)	1,924	17,208
Other Financial Assets:									
Cash and cash equivalents	7,709	(1)	–	3	–	602	–	(542)	–
Trade receivables	72,884	–	–	–	–	5,626	–	(5,064)	–
Other Financial Liabilities:									
Trade and other payables	38,767	–	–	–	–	(1,577)	–	1,752	–
Interest-bearing liabilities	134,525	918	–	(918)	–	(3,868)	–	4,298	–
Total increase/(decrease)		**115**	**(2,866)**	**(113)**	**2,702**	**(2,236)**	**(19,159)**	**2,368**	**17,208**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

PARENT 2012	CARRYING AMOUNT NZ$000	INTEREST RATE RISK -1% INCOME STATEMENT NZ$000	INTEREST RATE RISK -1% OCI NZ$000	INTEREST RATE RISK +1% INCOME STATEMENT NZ$000	INTEREST RATE RISK +1% OCI NZ$000	FOREIGN EXCHANGE RISK -15% INCOME STATEMENT NZ$000	FOREIGN EXCHANGE RISK -15% OCI NZ$000	FOREIGN EXCHANGE RISK +15% INCOME STATEMENT NZ$000	FOREIGN EXCHANGE RISK +15% OCI NZ$000
Other Financial Assets:									
Intergroup advances	127,792	(920)	–	920	–	–	–	–	–
Total increase/(decrease)		**(920)**	**–**	**920**	**–**	**–**	**–**	**–**	**–**

PARENT 2013	CARRYING AMOUNT NZ$000	INTEREST RATE RISK -1% INCOME STATEMENT NZ$000	INTEREST RATE RISK -1% OCI NZ$000	INTEREST RATE RISK +1% INCOME STATEMENT NZ$000	INTEREST RATE RISK +1% OCI NZ$000	FOREIGN EXCHANGE RISK -10% INCOME STATEMENT NZ$000	FOREIGN EXCHANGE RISK -10% OCI NZ$000	FOREIGN EXCHANGE RISK +10% INCOME STATEMENT NZ$000	FOREIGN EXCHANGE RISK +10% OCI NZ$000
Other Financial Assets:									
Intergroup advances	151,454	(1,090)	–	1,090	–	–	–	–	–
Total increase/(decrease)		**(1,090)**	**–**	**1,090**	**–**	**–**	**–**	**–**	**–**

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.

b. Credit risk

Credit risk is managed on a Group basis. Other than only operating in the medical devices industry, the Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. If customers are independently rated, these ratings are used. If there is no independent rating, management assesses the credit quality of the customer taking into account the customer's financial position, past experience and other factors. The Group holds no collateral over its trade receivables.

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

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

	2012 NZ$000	2013 NZ$000
North America	27,832	29,847
Europe	24,577	25,591
Asia Pacific	14,389	14,711
Other	2,344	4,229
Provision for doubtful trade receivables	(1,066)	(1,494)
Total	**68,076**	**72,884**

The maximum potential exposure to credit risk is:

	2012 NZ$000	2013 NZ$000
Cash and cash equivalents	6,253	7,709
Trade receivables	68,076	72,884
Derivative financial instruments	74,213	70,071
Total	**148,542**	**150,664**

The Parent's exposure to credit risk relates to inter-group balances only. See Note 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 $127,472,000 (2012: $107,801,000). 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 2012	< 1 YEAR NZ$000	1 – 2 YEARS NZ$000	2 – 5 YEARS NZ$000	> 5 YEARS NZ$000	TOTAL NZ$000
Bank overdrafts	14,658	–	–	–	**14,658**
Trade and other payables	38,405	–	–	–	**38,405**
Borrowings	69,834	1,592	36,588	–	**108,014**
AS AT 31 MARCH 2013					
Bank overdrafts	17,136	–	–	–	**17,136**
Trade and other payables	38,767	–	–	–	**38,767**
Borrowings	5,861	67,112	56,190	–	**129,163**

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

The tables below analyse the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and impact the Income Statement at various dates between balance date and the following 10 years:

AS AT 31 MARCH 2012	< 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	169,485	114,721	108,255	–	392,460	
Outflow	(145,482)	(91,437)	(83,374)	–	(320,292)	
Net inflow (outflow)	**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 inflow (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 2013

c. Liquidity risk (continued)

AS AT 31 MARCH 2013	< 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	205,700	93,463	50,729	–	349,892	
Outflow	(172,933)	(70,360)	(38,365)	–	(281,658)	
Net inflow (outflow)	**32,767**	**23,103**	**12,364**	**–**	**68,234**	**65,776**
*Foreign currency option contracts**						
Inflow	–	–	–	–	–	–
Outflow	–	–	–	–	–	–
Net inflow	**–**	**–**	**–**	**–**	**–**	**–**
Net Settled Derivatives						
Interest rate swaps**						
Net (outflow)	**(2,161)**	**(1,700)**	**(3,713)**	**(675)**	**(8,249)**	**(7,142)**

* 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.

d. Capital risk management

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

There has been no change in Group policies or objectives in relation to capital risk management since the prior year.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated monthly and reported to the banks semi-annually. The principal covenants relating to capital management are the interest cover ratio, the net tangible assets minimum requirement and total tangible assets ratio (refer 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	
2012 NZ$000	2013 NZ$000		2012 NZ$000	2013 NZ$000
		Sales revenue	466,726	507,250
		Foreign exchange gain on hedged sales	49,962	49,000
122,905	56,249	Dividends		
5,886	8,720	Interest income on intergroup advances		
128,791	**64,969**	**Total operating revenue**	**516,688**	**556,250**

5. NET OPERATING PROFIT

PARENT 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
127,598	**63,581**	**Profit before tax**	**92,317**	**109,386**
		After charging the following specific expenses:		
		Auditors' fees:		
		Statutory audit	760	772
		Auditors' half year review	49	49
		Accounting standards advice	12	7
		Remuneration committee advisory services	77	55
		Risk management advisory services	–	29
		Treasury risk management advice	–	19
		Tax compliance fees	83	53
		Total auditors' fees	981	984
		Donations	10	7
		Depreciation:		
		Buildings – structure	1,009	1,227
		Buildings – fit-out and other	3,696	3,378
		Leasehold improvements	86	77
		Plant and equipment	15,616	19,031
		Total depreciation	20,407	23,713
		Inventory written off	378	1,709
		Rental expense	4,010	3,945
		Operating leases	3,751	3,622
		Amortisation:		
		Patents and trademarks	1,176	1,244
		Software	969	1,299
		Other	–	150
		Total amortisation	2,145	2,693
		Trade receivables written off	224	448
664	683	Directors' fees paid	664	683
–	–	Directors' retirement fees paid	–	–
6	3	Movement in accrual for directors' retirement fees	6	3
		After crediting the following specific income:		
		Technology development grant	2,400	2,400

Technology development grant

This government grant reimburses 20 per cent 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 five per cent 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.

Depreciation

The useful economic lives of certain building fit-out assets have been re-estimated in the current year. The impact of this change is to reduce the depreciation charge in the year in relation to these assets by $1.3m. The revised lives were also adopted for the fit-out in the newly commissioned Paykel building.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

6. EMPLOYEE BENEFITS

PARENT 2012 NZ$000	PARENT 2013 NZ$000		NOTES	CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		Wages and salaries		175,222	185,047
		Other employment costs		9,758	10,929
		Employer contributions defined contribution superannuation plans inclusive of tax		5,490	5,725
		Employer contributions defined benefit superannuation plans inclusive of tax		10	10
		Movement in liability for long service leave		1,079	537
		Employee share purchase plans – discount on issue	23	145	137
		Employee share purchase plans – interest free loan	23	47	39
		Employee stock purchase plans	23	36	6
		Employee share option plans	23	589	594
		Employee performance share right plans	23	–	169
				192,376	**203,193**

7. TAX EXPENSE

PARENT			CONSOLIDATED	
2012 NZ$000	2013 NZ$000		2012 NZ$000	2013 NZ$000
127,598	**63,581**	**Profit before tax**	**92,317**	**109,386**
35,727	17,803	Tax expense at the New Zealand rate of 28%	25,849	30,628
		Adjustments to taxation for:		
(34,413)	(15,750)	Non-assessable income	(220)	(133)
5	4	Non-deductible expenses	590	697
		Tax at 30% on previously monetised financial instruments	340	271
		Foreign rates other than 28%	847	447
		Effect of foreign currency translations	567	308
(8)	(2)	Other	234	115
1,311	**2,055**	**Total tax expense**	**28,207**	**32,333**
		This is represented by:		
1,313	2,055	Current tax	28,906	34,661
(2)	–	Deferred tax	(699)	(2,328)
1,311	**2,055**	**Tax expense**	**28,207**	**32,333**
1.0%	3.2%	Effective tax rate	30.6%	29.6%

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

8. CASH AND CASH EQUIVALENTS

PARENT			CONSOLIDATED	
2012 NZ$000	2013 NZ$000		2012 NZ$000	2013 NZ$000
		Cash at bank – New Zealand dollar balances	11	–
		Cash at bank – foreign currency balances	6,177	7,636
		Cash on hand	65	73
			6,253	**7,709**

9. TRADE AND OTHER RECEIVABLES

PARENT 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		Current		
		Trade receivables	69,142	74,378
		Less provision for doubtful trade receivables	(1,066)	(1,494)
			68,076	72,884
43	43	Other receivables	9,054	8,676
43	**43**		**77,130**	**81,560**
		Non-Current		
		Other receivables	1,809	1,728
			1,809	**1,728**
		Foreign currency risk		
		The carrying amounts of the Group's trade receivables are denominated in the following currencies:		
		New Zealand dollars	913	956
		United States dollars	28,720	32,612
		European Union euros	19,313	19,743
		Australian dollars	4,447	4,662
		British pounds	3,056	3,042
		Canadian dollars	3,380	3,789
		Japanese yen	7,011	6,779
		Korean won	–	667
		Other currencies	2,302	2,128
			69,142	**74,378**

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 2012	7,707	1,031	905	423	10,066
31 March 2013	11,174	1,532	613	591	13,910
Past due and considered impaired					
31 March 2012	24	3	116	923	1,066
31 March 2013	43	598	257	596	1,494

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

	CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
Movements in the provision for doubtful trade receivables are as follows:		
Balance at beginning of the year	945	1,066
Additional provision recognised	410	913
Foreign exchange translation	(65)	(37)
Trade receivables written off during the year as uncollectable	(224)	(448)
Balance at end of the year	**1,066**	**1,494**

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 further recovery. The individually impaired trade receivables relate mainly to customers which are in difficult economic situations.

	CONSOLIDATED 2012	CONSOLIDATED 2013
Customer and receivable concentration		
Five largest customers' proportion of the Group's:		
Operating revenue	20.7%	21.1%
Trade receivables	13.1%	14.0%

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

Fair value

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

10. INVENTORIES

PARENT 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		Materials	20,412	19,139
		Finished products	69,129	75,112
		Provision for obsolescence	(5,111)	(5,140)
			84,430	**89,111**

Inventory provisions are provided at year end for stock obsolescence.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED			
	2012		2013	
	NZ$000 ASSETS	NZ$000 LIABILITIES	NZ$000 ASSETS	NZ$000 LIABILITIES
Current				
Foreign currency forward exchange contracts – cash flow hedges	23,769	479	32,382	226
Foreign currency forward exchange contracts – not hedge accounted	376	7	154	–
Foreign currency option contracts – cash flow hedges	2,041	–	2,457	–
Foreign currency option contracts – time value	526	32	323	–
Interest rate swaps – cash flow hedges	–	1,912	32	1,681
	26,712	**2,430**	**35,348**	**1,907**
Non-Current				
Foreign currency forward exchange contracts – cash flow hedges	46,304	1,419	34,157	691
Foreign currency forward exchange contracts – not hedge accounted	–	–	–	–
Foreign currency option contracts – cash flow hedges	872	–	333	–
Foreign currency option contracts – time value	325	–	160	–
Interest rate swaps – cash flow hedges	–	5,000	73	5,567
	47,501	**6,419**	**34,723**	**6,258**

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 2012	< 1 YEAR	1 – 2 YEARS	2 – 5 YEARS	> 5 YEARS
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 inflows (outflows)	(2,381)	(1,978)	(3,168)	(299)
AS AT 31 MARCH 2013				
Foreign exchange derivative instruments inflows	175,038	93,463	48,622	–
Foreign exchange derivative instruments outflows	(142,428)	(70,360)	(36,295)	–
Interest rate derivative instruments net (outflows)	(2,161)	(1,700)	(3,713)	(675)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	2012 NZ$000	2013 NZ$000
Purchase commitments forward exchange contracts	22,708	19,879
Sale commitments forward exchange contracts	354,291	298,015
Foreign currency borrowing forward exchange contracts	15,634	32,769
NZD call option contracts purchased	984	–
Collar option contracts – NZD call option purchased (i)	69,358	64,134
Collar option contracts – NZD put option sold (i)	75,305	68,654

(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$118,250	US$103,250
European Union euros	€71,955	€62,280
Australian dollars	A$10,800	A$12,750
British pounds	£2,885	£2,275
Canadian dollars	C$16,450	C$11,850
Japanese yen	¥2,470,000	¥2,212,500
Chinese yuan	¥6,000	¥17,000

During the 2010 and 2012 financial year forward exchange contracts with foreign currency contractual amounts totalling US$100 million were monetised (closed out) with the NZ dollar benefit of $56,077,000 ($39,739,000 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 relating to the forward exchange contracts monetised.

During the 2013 financial year a benefit of $17,781,000 (2012: $17,005,000), or $12,532,000 (2012: $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.

A total benefit of $21,291,000 ($15,304,000 after tax) will be released to the Income Statement as follows:

FINANCIAL YEAR	2012 NZ$000	2013 NZ$000
2013	17,781	–
2014	21,291	21,291
2015	–	–
	39,072	**21,291**

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

FOREIGN CURRENCY	2012 000	2013 000
Mexican pesos	MEX$225,829	MEX$202,579

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

	NZ$000	NZ$000
Interest rate swaps	111,810	112,782

Interest rate swaps will expire from financial years 2014 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 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		Balance at beginning 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)**
(1,313)	(2,055)	Current portion of tax expense	(28,906)	(34,661)
		Future tax expense on monetised financial instruments	(6,794)	–
		Tax expense recognised on previously monetised financial instruments	5,102	5,249
		Tax paid	24,466	25,601
1,057	828	Supplementary dividend tax credit	5,397	4,906
–	–	Other movements	13	(232)
(256)	(1,227)		(722)	863
		Balance at end of the year		
		Tax payable	(4,515)	(4,575)
4,076	2,849	Tax receivable	506	1,429
4,076	**2,849**		**(4,009)**	**(3,146)**

A pre-tax gain of $56,077,000 was realised from US dollar forward exchange contracts monetised during the 2010 and 2012 financial years. This gave rise to a total tax liability of $16,338,000, of which $6,794,000 related to the 2012 financial year. The tax expense will be recorded in the Income Statement during the 2012–2014 financial years, based on the original maturity dates of the forward exchange contracts. Of this tax expense $5,249,000 (2012: $5,102,000) has been recorded in the current year.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

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 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**	**438,660**
Additions	750	–	–	200	62	1,377	34,600	21,876	58,865
Transfers	–	–	32,819	62,337	10	20,881	(95,162)	(20,885)	–
Disposals	–	–	–	(131)	(18)	(3,422)	–	–	(3,571)
Balance at 31 March 2013	**64,150**	**24,100**	**82,294**	**125,292**	**1,609**	**176,996**	**255**	**19,258**	**493,954**
Depreciation and impairment losses									
Balance at 1 April 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**
Depreciation charge for the year	–	–	1,227	3,378	77	19,031	–	–	23,713
Disposals	–	–	–	(131)	(18)	(3,355)	–	–	(3,504)
Balance at 31 March 2013	**–**	**–**	**9,089**	**38,102**	**1,057**	**98,990**	**–**	**–**	**147,238**
Carrying amounts									
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
At 31 March 2013	**64,150**	**24,100**	**73,205**	**87,190**	**552**	**78,006**	**255**	**19,258**	**346,716**

Land and Buildings

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, conducted by Darroch Limited as at 31 March 2013 was $251.000 million (2012: $157.750 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 prior 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	OTHER NZ$000	GOODWILL NZ$000	TOTAL NZ$000
Cost					
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**
Additions	1,473	2,356	644	420	4,893
Disposals	(405)	(5)	–	–	(410)
Balance at 31 March 2013	**10,892**	**14,487**	**644**	**4,273**	**30,296**
Amortisation and impairment losses					
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**
Amortisation for the year	1,299	1,244	150	–	2,693
Disposals	(405)	(5)	–	–	(410)
Balance at 31 March 2013	**8,338**	**10,359**	**150**	**2,823**	**21,670**
Carrying amounts					
At 31 March 2011	1,475	2,885	–	1,030	5,390
At 31 March 2012	2,380	3,016	–	1,030	6,426
At 31 March 2013	**2,554**	**4,128**	**494**	**1,450**	**8,626**

The Parent holds no intangible assets.

Impairment tests for goodwill

Residual goodwill relating to the acquisition of distribution businesses in Germany and South Korea is assessed annually for impairment, based on value-in-use calculations. The calculations support the carrying amount of the recorded goodwill. The Board believes that any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

15. INVESTMENTS IN SUBSIDIARIES

PARENT 2012 NZ$000	PARENT 2013 NZ$000	
28,049	**28,855**	**Investments in subsidiaries**

The Parent's investment in subsidiaries comprises shares held at cost.

The assets and liabilities attributed to Fisher & Paykel Healthcare Corporation Limited are owned by the following subsidiaries:

PRINCIPAL SUBSIDIARIES	COUNTRY OF INCORPORATION	INTEREST HELD BY GROUP 2012	INTEREST HELD BY GROUP 2013	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 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		The balance comprises temporary differences attributable to:		
102	102	Provisions and accruals	15,157	17,579
		Depreciation	(13,646)	(13,999)
		Amortisation	1,519	1,678
		Other	308	408
		Cash flow hedges	(17,969)	(17,146)
102	**102**		**(14,631)**	**(11,480)**
102	102	Deferred tax asset	9,656	11,647
		Deferred tax liability	(24,287)	(23,127)
102	**102**		**(14,631)**	**(11,480)**
		Movements		
		Balance at beginning of the year		
100	102	Deferred tax asset	8,834	9,656
		Deferred tax liability	(27,202)	(24,287)
		Credited (charged) to the Income Statements		
(5)	–	Provisions and accruals	420	2,422
		Depreciation	(586)	(353)
		Amortisation	14	159
7	–	Other	851	100
2	–		699	2,328
		Credited (charged) to Other Comprehensive Income		
		Deferred tax on cash flow hedge reserve movements	(3,756)	823
			(3,756)	823
		Transfers to current tax on monetisation of financial instruments	6,794	–
		Balance at end of the year		
102	102	Deferred tax asset	9,656	11,647
		Deferred tax liability	(24,287)	(23,127)
102	**102**		**(14,631)**	**(11,480)**
		Timing of usage		
		The amount of the deferred tax asset expected to be used:		
		Within one year	9,724	11,728
102	102	After one year	(68)	(81)
102	**102**		**9,656**	**11,647**
		The amount of the deferred tax liability expected to be used:		
		Within one year	6,097	(3,699)
		After one year	(30,384)	(19,428)
			(24,287)	**(23,127)**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

17. INTEREST-BEARING LIABILITIES

PARENT 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		Current		
		Bank overdrafts	14,658	17,136
		Borrowings	65,572	–
			80,230	**17,136**
		Non-Current		
		Borrowings	34,511	117,389
			34,511	**117,389**
		Foreign currency risk		
		The carrying amounts of the Group's bank overdrafts are denominated in the following currencies:		
		United States dollars	1,562	2,871
		European Union euros	4,299	5,770
		Australian dollars	1,271	559
		British pounds	1,140	1,158
		Swedish krona	654	923
		Japanese yen	5,349	5,052
		Korean won	–	551
		Other currencies	383	252
			14,658	**17,136**
		The carrying amounts of the Group's borrowings are denominated in the following currencies:		
		New Zealand dollars	58,581	79,583
		United States dollars	18,322	17,919
		European Union euros	14,670	13,779
		Australian dollars	5,107	4,108
		Canadian dollars	2,080	2,000
		Japanese yen	1,323	–
			100,083	**117,389**
		Borrowings due for repayment		
		Current	**65,572**	**–**
		Between one and two years	–	62,889
		Between two and three years	13,061	54,500
		Between three and four years	21,450	–
		Between four and five years	–	–
		Non-Current	**34,511**	**117,389**

These borrowings have been aged in accordance with the expiry dates of the facilities. At year end the weighted average interest rate is 5.0% (2012: 5.5%)

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	
	2012 NZ$000	2013 NZ$000
Unused lines of credit		
Bank overdraft facilities	5,616	11,844
Borrowing facilities	74,869	64,142
	80,485	**75,986**

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 2013

18. TRADE AND OTHER PAYABLES

PARENT			CONSOLIDATED	
2012 NZ$000	2013 NZ$000		2012 NZ$000	2013 NZ$000
		Current		
		Trade payables	22,506	21,139
		Employee entitlements	22,463	25,723
326	364	Other payables and accruals	15,899	17,628
326	**364**		**60,868**	**64,490**
		Non-Current		
		Employee entitlements	4,316	4,523
367	369	Other payables and accruals	1,895	1,600
367	**369**		**6,211**	**6,123**
693	**733**	**Total trade and other payables**	**67,079**	**70,613**
		Foreign currency risk		
		The carrying amounts of the Group's trade and other payables are denominated in the following currencies:		
693	733	New Zealand dollars	37,983	39,560
		United States dollars	13,241	12,078
		European Union euros	7,077	9,039
		Australian dollars	2,112	2,012
		British pounds	2,150	1,838
		Japanese yen	1,746	1,573
		Mexican peso	1,022	1,531
		Other currencies	1,748	2,982
693	**733**		**67,079**	**70,613**

Fair value

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

19. PROVISIONS

PARENT 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		Current		
		Warranty provision:		
		Balance at beginning of the year	3,370	2,580
		Current year provision	3,895	5,853
		Warranty expenses incurred	(4,685)	(5,473)
		Balance at end of the year	**2,580**	**2,960**
		Non-Current		
		Warranty provision:		
		Balance at beginning of the year	1,971	1,851
		Current year provision	(120)	550
		Warranty expenses incurred		
		Balance at end of the year	**1,851**	**2,401**

Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred on warranty exposure. Current 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 $5,361,000 is expected to be fully utilised during the 2014 and 2015 financial years. There will be no reimbursements.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

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 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
40,783	65,351	Share capital at beginning of the year	40,783	65,351
23,558	25,996	Issue of share capital under dividend reinvestment plan (i)	23,558	25,996
200	516	Issue of share capital	200	516
763	813	Increase in share capital under share option schemes for employee services	763	813
47	139	Employee share scheme shares issued for employee services	47	139
65,351	92,815	Share capital at end of the year	65,351	92,815
(2,046)	(1,535)	Less accounted for as treasury shares	(2,046)	(1,535)
63,305	**91,280**		**63,305**	**91,280**
		Number of authorised shares		
520,453,173	530,053,399	Number of shares on issue at beginning of the year	520,453,173	530,053,399
		Shares issued:		
9,510,407	12,218,223	Dividend reinvestment plan (i)	9,510,407	12,218,223
89,819	340,614	Employee share purchase schemes	89,819	340,614
–	–	Exercise of share options	–	–
–	–	Exercise of share options under cancellation facility	–	–
530,053,399	542,612,236	Total number of shares on issue	530,053,399	542,612,236
(836,134)	(810,720)	Less accounted for as treasury shares	(836,134)	(810,720)
529,217,265	**541,801,516**		**529,217,265**	**541,801,516**

(i) 12,218,223 (2012: 9,510,407) shares were issued under the Company's dividend reinvestment plan at an average price of $2.13 (2012: $2.48) per share.

21. RESERVES

PARENT 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		Retained earnings		
31,902	93,385	Balance at beginning of the year	184,720	184,026
126,287	61,526	Profit after taxation	64,110	77,053
		Dividends: (i)		
(36,433)	(37,104)	Final 2012 (2011)	(36,433)	(37,104)
(28,371)	(29,057)	Interim 2013 (2012)	(28,371)	(29,057)
93,385	**88,750**	**Balance at end of the year**	**184,026**	**194,918**
		Asset revaluation reserve		
		Balance at beginning of the year	10,850	24,100
		Revaluation of land	13,250	–
		Balance at end of the year	**24,100**	**24,100**
		Cash flow hedge reserve – unrealised (ii)		
		Balance at beginning of the year	54,019	46,206
		Revaluation of derivative financial instruments	28,544	20,478
		Transfers to profit before tax	(15,131)	(23,418)
		Tax on changes in fair value and transfers to profit before tax	(3,756)	823
		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	**46,206**	**44,089**
		Cash flow hedge reserve – realised (ii)		
		Balance at beginning of the year	22,269	27,836
		Monetised instruments	24,264	–
		Tax on monetised instruments	(6,794)	–
		Transfers to profit before tax	(17,005)	(17,781)
		Tax on transfers to profit before tax	5,102	5,249
		Balance at end of the year	**27,836**	**15,304**
		Employee share entitlement reserve		
153	292	Balance at beginning of the year	153	292
145	137	Employee expense for the year	145	137
(6)	(226)	Transfer to share capital on vesting of shares to employees	(6)	(226)
292	**203**	**Balance at end of the year**	**292**	**203**
		Employee share option reserve		
2,561	2,387	Balance at beginning of the year	2,561	2,387
589	763	Employee expense for the year	589	763
(763)	(813)	Transfer to share capital on exercise or lapse of vested options	(763)	(813)
2,387	**2,337**	**Balance at end of the year**	**2,387**	**2,337**
		Treasury shares		
(2,064)	(2,046)	Balance at beginning of the year	(2,064)	(2,046)
–	(527)	Treasury shares issued to employee share purchase plans	–	(527)
18	1,038	Shares transferred to employees	18	1,038
(2,046)	**(1,535)**	**Balance at end of the year**	**(2,046)**	**(1,535)**

(i) Supplementary dividends of $4,906,000 were paid (2012: $5,397,000). 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 2013

22. EARNINGS PER SHARE

	CONSOLIDATED	
	2012 NZ$000	2013 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	64,110	77,053
Weighted average number of ordinary shares (000s)	525,706	537,561
Basic earnings per share (cents per share)	12.2 cps	14.3 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	64,110	77,053
Weighted average number of ordinary shares (000s)	525,706	537,561
Adjustment for share options (000s)	20,804	21,536
Weighted average number of ordinary shares for diluted earnings per share (000s)	546,510	559,097
Diluted earnings per share (cents per share)	11.7 cps	13.8 cps

23. SHARE-BASED PAYMENTS

Details of the accounting for the various plans is described in Note 2 (v).

Employee share option plans

Options are granted to selected employees pursuant to share option plans. One option gives the employee the right to subscribe for one ordinary share in the Company subject to meeting the vesting conditions. No amount is payable for the grant of options.

Options granted before the 2013 financial year vest in three equal annual instalments commencing no earlier than the second anniversary of the grant date as long as the employee remains in the service of the Company. The exercise price of these options is determined as follows:

- A base price will be established on or around the grant date being the volume weighted average price for a share on the NZSX for the 5 business days prior to the grant date; and
- As at each anniversary of the grant date a new base price will be calculated by:
  - increasing the last calculated base price by a percentage amount determined by the Board, based on independent advice, to represent the Company's cost of capital; and
  - reducing the resulting figure by the amount of any dividend paid by the Company in respect of a share in the 12 month period immediately preceding that anniversary.

The exercise price for the one-third of options that become exercisable on the second anniversary of the grant date shall be the base price calculated as at the second anniversary of the grant date.

The exercise price for the one-third of options that become exercisable on the third anniversary of the grant date shall be the base price calculated as at the third anniversary of the grant date.

The exercise price for the one-third of options that become exercisable on the fourth anniversary of the grant date shall be the base price calculated as at the fourth anniversary of the grant date.

Options granted in the 2013 financial year vest at any time between the third anniversary of the grant date and the fifth anniversary of the grant date as long as the Company's share price on the NZSX has, at any time on or after the third anniversary of the grant date, exceeded the "escalated price" and as long as the employee remains in service of the Company.

The exercise price of these options will be the volume weighted average price for a share on the NZSX for the 5 business days prior to the grant date for the options.

The escalated price is determined as follows:

As at each anniversary of the grant date up to and including the third anniversary of the grant date for an option, a "base price" will be calculated by:

- increasing the last calculated base price (which as at the first anniversary of the grant date will be the exercise price of the option) by a percentage amount determined by the Board, based on independent advice, to represent the Company's cost of capital; and
- reducing the resulting figure by the amount of any dividend paid by the Company in respect of a share in the 12 month period immediately preceding that anniversary.

The escalated price will be the base price determined as at the third anniversary of the grant date in accordance with the above.

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 serious illness, accident, permanent disablement, redundancy or other circumstances as determined by the Company's Board, the employees will have three months to exercise all outstanding options. On leaving employment upon death the employees' executor 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 2013 options had been granted to 352 employees (2012: 337). Options granted to employees have no voting rights until they have been exercised and ordinary shares have been issued.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

23. SHARE-BASED PAYMENTS (CONTINUED)

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

	YEAR OF ISSUE						
31 MARCH 2012	2007(i)	2008(ii)	2009(iii)	2010(iv)	2011(v)	2012(vi)	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 (vii)	–	–	–	–	–	–	**–**
Lapsed during the year (viii)	(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**

	YEAR OF ISSUE						
31 MARCH 2013	2008(ii)	2009(iii)	2010(iv)	2011(v)	2012(vi)	2013(vii)	TOTAL
Balance at beginning of the year	3,442,700	3,608,800	3,736,300	4,547,500	4,893,950	–	**20,229,250**
Granted during the year	–	–	–	–	–	3,816,650	**3,816,650**
Exercised during the year (viii)	–	–	–	–	–	–	**–**
Lapsed during the year (ix)	(3,442,700)	(115,400)	(135,700)	(192,050)	(193,000)	(121,000)	**(4,199,850)**
Balance at end of the year	**–**	**3,493,400**	**3,600,600**	**4,355,450**	**4,700,950**	**3,695,650**	**19,846,050**

(i) Options expired December 2011 at exercise prices of $4.90, $5.25 and $5.64 per option.

(ii) Options expired December 2012 at exercise prices of $3.71, $3.95 and $4.19 per option.

(iii) Options expiring September 2013 at exercise prices of $3.48, $3.68 and $3.88 per option.

(iv) Options expiring September 2014 at exercise prices of $3.68 and $3.88. Final exercise price based on future costs of capital and dividends using a base price of $3.29 per option.

(v) Options expiring September 2015 at exercise price of $3.21. Further 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.

(vii) Options expiring August 2017 at an exercise price of $2.06.

(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 19,846,050 outstanding options (2012: 20,229,250 options), 7,154,534 options (2012: 6,913,618 options) were exercisable.

There were no options exercised during the 2012 or 2013 financial years.

There were no options cancelled during the 2012 or 2013 financial years.

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

FINANCIAL YEAR	EXPIRY	EXERCISE PRICE	NUMBER OF SHARE OPTIONS 2012	2013
2013	December 2012	Variable (i)	3,442,700	–
2014	September 2013	Variable (ii)	3,608,800	3,493,400
2015	September 2014	Variable (iii)	3,736,300	3,600,600
2016	September 2015	Variable (iv)	4,547,500	4,355,450
2017	September 2016	Variable (v)	4,893,950	4,700,950
2018	August 2017	$2.06 (vi)	–	3,695,650
			20,229,250	**19,846,050**

(i) Options expired December 2012 at exercise prices of $3.71, $3.95 and $4.19 per option.

(ii) Options expiring September 2013 at exercise prices of $3.48, $3.68 and $3.88 per option.

(iii) Options expiring September 2014 at exercise prices of $3.68 and $3.88. Final exercise price based on future costs of capital and dividends using a base price of $3.29 per option.

(iv) Options expiring September 2015 at exercise price of $3.21. Further exercise prices based on future costs of capital and dividends using a base price of $2.91 per option.

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

(vi) Options expiring August 2017 at an exercise price of $2.06.

The fair value of options granted during the period determined using Monte Carlo simulation (2012: the Binomial Options Pricing Model) was $0.30 (2012: $0.089) per option or $1,145,000 (2012: $445,000) in aggregate.

The significant inputs into the model were:

	2012	2013
Share price at grant date	$2.15	$2.06
Base price at grant date	$2.15	$2.06
Expected/historical share price volatility	12.7%	25.0%
Dividends expected over option life (cents)	65.2	62.0
Option life (years)	5	5
Risk free interest rate	3.30%	2.98%
Cost of equity	8.75%	8.70%

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

	2012	2013
Total amount expensed in year for employee share option plans	$589,000	$594,000

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

23. SHARE-BASED PAYMENTS (CONTINUED)

Employee performance share rights plan

PSRs are granted to selected employees pursuant to the performance share rights plan. One share right gives the employee the potential to exercise a share right for an ordinary share in the Company at no cost. Share rights become exercisable if the Company's gross total shareholder return (TSR) performance exceeds the performance of the Dow Jones US Select Medical Equipment Total Return Index (DJSMQDT) in New Zealand dollars over the same period. If the Company's TSR performance exceeds that of the DJSMQDT at either of the third, fourth or fifth anniversary of the grant date of the PSRs, some or all of the PSRs become exercisable as long as the employee remains in the service of the Company. Where an employee has exercised a portion of their PSRs before the fifth anniversary of the grant date, the remaining PSRs lapse at the time that portion has been exercised.

All unexercised PSRs expire on the fifth anniversary of the grant date.

PSRs also become exercisable, subject to the Company TSR performance exceeding that of the DJSMQDT 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 may be able to exercise the PSRs. On a termination of employment for any other reason all outstanding PSRs will lapse.

As at 31 March 2013 PSRs had been granted to 258 employees (2012: nil). PSRs granted to employees have no voting rights until they have been exercised and ordinary shares issued.

Movements in the number of PSRs outstanding are as follows:

	2012 NUMBER	2013 NUMBER
As at beginning of the year	–	–
Granted during the year	–	623,840
Vested during the year	–	–
Lapsed due to resignation	–	(23,600)
As at end of the year	**–**	**600,240**

There is no nominal value for the PSRs. PSRs outstanding at the end of the year have the following vesting dates:

FINANCIAL YEAR	EXPIRY	NUMBER OF PSRS 2012	2013
2018	August 2017	**–**	**600,240**

The fair value of PSRs granted during the period using Monte Carlo simulation was $1.44 per PSR or $898,000 in aggregate.

The significant inputs into the model were:

	2013
Share price at grant date	$2.11
NZD/USD exchange rate of grant date	0.8017
5 yr NZD risk free rate	3.00%
5 yr USD risk free rate	0.66%
Expected/historical share price volatility	25.0%
Expected/historical NZD/USD volatility	14.0%
Expected/historical DJSMDQT index volatility	18.0%

There is no prior year information as the 2013 year was the first year that PSRs were granted.

	2012	2013
Total amount expensed in year for employee performance share rights plan	–	$169,000

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.

810,720 shares (2012: 836,134) are held by the Trustees of the plan, being 0.1% (2012: 0.2%) of the Company's issued and paid up capital. As at 31 March 2013, all shares were allocated to employees, except for 40,615 (2012: 81,684). Once vested an employee participant may elect to transfer the shares into their 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 2013 the total receivable owing from employees was $689,000 (2012: $655,000).

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

	2012		2013	
	PRICE*	NUMBER	PRICE*	NUMBER
As at beginning of the year	$2.45	820,676	$2.45	754,450
Granted during the year	–	–	$1.51	422,291
Vested during the year	$2.66	(6,682)	$2.59	(348,100)
Lapsed due to resignation	$2.44	(59,544)	$2.23	(58,536)
As at end of the year	**$2.45**	**754,450**	**$1.98**	**770,105**

*Weighted average

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

		ISSUE PRICE*		SHARES	
FINANCIAL YEAR	VESTING	2012	2013	2012	2013
2013	August 2012	$2.61	$2.61	349,682	896
2014	December 2013 and March 2014	$2.30	$2.30	404,768	358,395
2015	Not applicable				
2016	August 2015		$2.15		410,814
				754,450	**770,105**

*Weighted average

The fair value of shares granted during each period is determined as being the discount on issue and the present value of the interest free loan to the employee and is $302,000 (2012: $0).

	2012	2013
Total amount expensed in year for employee share purchase plans		
– Discount on issue	$145,000	$137,000
– Interest free loan	$47,000	$39,000

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

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 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 2013 totalled 17,928 (2012: 89,819).

	2012	2013
Total amount expensed in year for employee stock purchase plans	$36,000	$6,000

24. RETIREMENT BENEFIT OBLIGATIONS

PARENT			CONSOLIDATED	
2012 NZ$000	2013 NZ$000		2012 NZ$000	2013 NZ$000
		Balance Sheet obligations for:		
		Pension benefits asset	597	718
		Pension benefits liability	157	57
		Income Statement (credit) charge:		
		Pension benefits	245	(221)

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 (2012: 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.

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 the terms below.

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 $151,454,000 (2012: $127,792,000).

These unsecured advances represent funding even though they are for no fixed term, are repayable on demand and bear interest at 7.93% (2012: 8.57%).

Material transactions between the Parent and its subsidiaries were:

- Interest charged in respect of the loans to subsidiaries of $8,720,000 (2012: $5,886,000).
- Dividends received from subsidiaries $56,249,000 (2012: $122,905,000).
- Payments from subsidiaries to Parent for options, performance share rights and shares issued to employees $906,000 (2012: $770,000).
- Proceeds from employee share purchase plans in respect of vested shares paid to the Parent from its subsidiaries $930,000 (2012: $218,000).

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 2012 and 2013 is set out below. The key management personnel includes the Chief Executive Officer and those employees who report directly to the CEO.

PARENT			CONSOLIDATED	
2012 NZ$000	2013 NZ$000		2012 NZ$000	2013 NZ$000
		Short-term benefits		
		Salaries and other short-term benefits	4,606	5,106
664	683	Directors' fees paid	664	683
–	–	Director's retirement fee paid	–	–
6	3	Movement in accrual for Directors' retirement fees	6	3
670	686	Total short-term benefits	5,276	5,792
		Post-employment benefits		
		Employer contributions to defined contribution superannuation plans	181	171
		Share-based benefits		
		Employee share purchase plans	2	2
		Employee share option plans	127	138
		Employee performance share right plans	–	38
–	–	Total share-based benefits	129	178
670	**686**	**Total compensation**	**5,586**	**6,141**

The amounts of key management and Director compensation outstanding as at balance date are $2,023,000 (2012: $1,591,000) for the Group and $366,000 (2012: $363,000) 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 2013

26. CASH FLOW RECONCILIATIONS

PARENT			CONSOLIDATED	
2012 NZ$000	2013 NZ$000		2012 NZ$000	2013 NZ$000
126,287	**61,526**	**Profit after tax**	**64,110**	**77,053**
		Add (deduct) non-cash items:		
		Depreciation and writedown of property, plant and equipment to recoverable amount	20,407	23,713
		Cash flow hedge gain from monetised instruments, net of tax	(11,904)	(12,532)
		Amortisation of intangibles	2,145	2,693
		Accrued financing income / expense	1	161
		Movement in provisions	(910)	930
2	–	Movement in deferred tax asset / liability	(699)	(2,328)
		Movement in foreign currency option contracts time value	369	(914)
		Movement in working capital:		
(2)	–	Trade and other receivables	2,220	(4,349)
		Inventory	(4,329)	(4,681)
142	40	Trade and other payables	3,667	2,872
5,141	3,679	Provision for taxation net of supplementary dividend paid	6,119	4,043
(3,967)	(1,593)	Intercompany advances in relation to operating cashflows		
		Foreign currency translation	(4,783)	(224)
		Add non-Income Statement items:		
		Monetised cash flow hedges, net of tax	17,470	–
127,603	**63,652**	**Net cash flows from operations**	**93,883**	**86,437**

27. IMPUTATION CREDITS

PARENT 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
27	104	New Zealand imputation credits available for use in subsequent reporting periods	3,036	2,196
27	104		3,036	2,196
4,666	4,992	Australian franking credits available for use in subsequent reporting periods	4,803	5,090
4,666	4,992		4,803	5,090

The above amounts represent the balance of the imputation and franking accounts as at the end of the reporting period.

The consolidated amounts include imputation and franking credits that would be available to the parent entity if subsidiaries paid dividends.

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

PARENT 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		Capital expenditure commitments contracted for but not recognised as at the reporting date:		
		Within one year	32,437	2,519
		Between one and two years	740	–
		Between two and five years	–	–
			33,177	**2,519**
		Gross commitments under non-cancellable operating leases:		
		Within one year	4,638	4,625
		Between one and two years	3,833	4,033
		Between two and five years	4,091	3,804
		Over five years	3,121	2,234
			15,683	**14,696**

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 2013

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 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**
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 2013				
			Assets as per Balance Sheets				
			Cash and cash equivalents	7,709	–	–	7,709
			Trade receivables	72,884	–	–	72,884
			Derivative financial instruments	–	637	69,434	70,071
151,454	–	151,454	Intergroup advances				
151,454	**–**	**151,454**	**Total**	**80,593**	**637**	**69,434**	**150,664**
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 2013				
			Liabilities as per Balance Sheets				
			Interest-bearing liabilities	–	–	134,525	134,525
			Trade and other payables	–	–	38,767	38,767
			Derivative financial instruments	–	8,165	–	8,165
			Total	**–**	**8,165**	**173,292**	**181,457**

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

PARENT 2012 NZ$000	PARENT 2013 NZ$000		CONSOLIDATED 2012 NZ$000	CONSOLIDATED 2013 NZ$000
		Fair value gains		
		Foreign exchange forward contracts	376	154
			376	**154**
		Fair value losses		
		Foreign exchange forward contracts	(7)	–
			(7)	**–**

Changes in fair values of foreign exchange contracts which have not been hedge accounted are recorded within the foreign exchange gain on hedged sales, being a component of operating revenue in the Income Statement.

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) **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 4) below. Also included are sales made to countries within Europe and Asia-Pacific where the management of the sale is from New Zealand.
2) **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.
3) **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.
4) **Asia-Pacific.** Includes all activities controlled by entities or employees based in Australia, Japan, India, China, South Korea, Taiwan and Hong Kong, principally sales, distribution and administration activities.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2013

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.

32. SEGMENT INFORMATION (CONTINUED)

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 (loss) 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**

Operating Segments 31 MARCH 2013	NEW ZEALAND NZ$000	NORTH AMERICA NZ$000	EUROPE NZ$000	ASIA- PACIFIC NZ$000	ELIMINATIONS NZ$000	TOTAL NZ$000
Sales revenue – external	56,765	217,180	150,386	82,919	–	507,250
Sales revenue – internal	327,088	–	–	–	(327,088)	–
Foreign exchange gain on hedged sales	49,000	–	–	–	–	49,000
Total operating revenue	**432,853**	**217,180**	**150,386**	**82,919**	**(327,088)**	**556,250**
Other income	2,400	–	–	–	–	2,400
Depreciation and amortisation	25,019	359	387	641	–	26,406
Reportable segment operating profit before financing costs	**106,842**	**4,720**	**9,291**	**4,257**	**(12,377)**	**112,733**
Financing income	2,378	5	2	5	(2,201)	189
Financing expense	(4,378)	(1,685)	(637)	(404)	2,201	(4,903)
Exchange gain (loss) on foreign currency borrowings	1,387	–	(20)	–	–	1,367
Reportable segment assets	**586,733**	**66,805**	**62,569**	**32,515**	**(130,025)**	**618,597**
Reportable segment capital expenditure	**59,969**	**269**	**246**	**1,551**	**–**	**62,035**

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 2012 NZ$000	YEAR ENDED 31 MARCH 2013 NZ$000
Respiratory & acute care	271,036	301,503
Obstructive sleep apnea	228,899	235,778
Core products subtotal	499,935	537,281
Distributed and other	16,753	18,969
Total revenue	**516,688**	**556,250**

Major Customer

Revenues from one customer of the North America segment (being a distributor) represent approximately $66.9million (2012: $59.1million) of the Group's total revenues.

33. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 23 May 2013 the directors approved the payment of a fully imputed 2013 final dividend of $37,983,391 (7.0 cents per share) to be paid on 5 July 2013.

Corporate Governance Statement

The Board and management of Fisher & Paykel Healthcare 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. In this Corporate Governance Statement, we report on how the company has followed the recommendations set out in the Principles.

The full content of the company's corporate governance policies, practices and procedures can be found on the corporate governance section of the company's website - www.fphcare.com/corporategovernance (the "Company's Website").

CODE OF CONDUCT (ETHICS)

The company expects its employees and directors to maintain high ethical standards. A Code of Business Ethics for the company and a separate Directors' Code of Conduct set out these standards.

Both codes address, amongst other things:

- conflicts of interest;
- receipt of gifts;
- corporate opportunities;
- confidentiality;
- expected behaviours;
- reporting issues regarding breaches of the codes, 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 Business Ethics requires employees to act in the best interests of the company at all times and to not accept from, or offer to, anyone, bribes or improper inducements.

The Company also has a policy that it does not make corporate level political donations.

The full content of the company's Code of Business Ethics and Code of Conduct for Directors can be found on the Company's Website.

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 Chief Executive Officer to deliver the strategic direction and goals determined by the Board.

THE BOARD

Board Composition

At present, there are eight directors on the Board. Seven out of the eight 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 "Our Board" 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. 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.
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 2013, seven of the eight current directors are independent directors, namely Tony Carter, Nigel Evans, Roger France, Lindsay Gillanders, Arthur Morris, Donal O'Dwyer and Gary Paykel.

Committees

Specific responsibilities are delegated to the Audit & Risk Committee, the Remuneration and Human Resources Committee, the Nomination Committee and the Quality, Safety and Regulatory 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.

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 "Our Board" section of this Annual Report. All members of the Audit & Risk Committee are independent non-executive directors.

Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee's role is to oversee and regulate remuneration and organisation matters of the company including, remuneration and benefits policies; performance objectives and remuneration of the company's senior executives; succession planning and associated management development for the chief executive and senior executives. The current members of the Remuneration and Human Resources Committee are Tony Carter (Chairman), Lindsay Gillanders and Roger France. All members of the Remuneration and Human Resources 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.

Corporate Governance Statement (continued)

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, 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.

Quality, Safety and Regulatory Committee

The Quality, Safety and Regulatory Committee's role is to assist the Board in fulfilling its oversight responsibilities relating to the company's quality management system and health and safety risk management system.

The current members of the Quality, Safety and Regulatory Committee are Arthur Morris (Chairman), Tony Carter and Donal O'Dwyer. All members of the Quality, Safety and Regulatory Committee are independent directors.

	BOARD		AUDIT & RISK COMMITTEE		REMUNERATION & HUMAN RESOURCES COMMITTEE		NOMINATION COMMITTEE		QUALITY, SAFETY & REGULATORY COMMITTEE	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
Tony Carter	10	10	4	4	3	3	2	2	1	1
Michael Daniell	10	10								
Nigel Evans	10	10	4	4						
Roger France	10	10	4	4	3	3	2	1		
Lindsay Gillanders	10	10			3	3	2	2		
Arthur Morris	10	10							1	1
Donal O'Dwyer	3	3							1	1
Gary Paykel	10	8								

Board Processes

The Board held 10 meetings during the year ended 31 March 2013. The table above shows attendance at the Board and committee meetings. Normally, with the exception of January and July, Board meetings are held monthly, with other meetings to deal with matters of urgency occurring from time to time when necessary.

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 22 August 2012, all of the then-serving directors attended the meeting.

DIRECTORS' REMUNERATION

The Remuneration and Human Resources Committee is responsible for establishing and monitoring remuneration policies and guidelines for directors which enable the company to attract, retain and reward directors who will 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.

Non-executive directors received the following directors' fees from the company in the year ended 31 March 2013:

	NZ$
Tony Carter	179,850
Nigel Evans	99,550
Roger France	109,230
Lindsay Gillanders	89,430
Arthur Morris	87,250
Donal O'Dwyer	38,168
Gary Paykel	79,750
	$683,228

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.

Directors do not take a portion of their remuneration under an equity security plan but all directors hold shares in the company, details of which are set out in the "Directors' Shareholdings" section of this Annual Report. It is the company's policy to encourage directors to acquire shares on-market.

No non-executive director is entitled to receive a retirement payment unless eligibility for such payment has been agreed by shareholders and publicly disclosed during his or her term of Board service or such retirement payment is within the limits prescribed by the NZSX Listing Rules.

On the retirement of a director, the NZSX Listing Rules allow for a discretionary payment by way of lump sum or pension to that director, provided that the total amount of the payment does not exceed that director's total remuneration in their capacity as a director in any three years chosen by the company, and the director was in office on or before 1 May 2004 and has continued to hold office since that date. Any payments made will be within the limits prescribed by the NZSX Listing Rules, subject to the discretion of the Board, and will take into account a range of factors, including the director's length of service. The retiring director does not participate in discussions concerning any retirement payment to be made to them.

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 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.

The following non-executive directors' retirement allowances have been provided for by the company as at 31 March 2013:

	NZ$
Nigel Evans	99,550
Lindsay Gillanders	86,472
Gary Paykel	179,850
	$365,872

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 2013 of $912,706.

In addition to this fixed remuneration, Michael Daniell also received performance-based at-risk components, both paid out and accrued, of $603,708. On 30 August 2012, Michael Daniell was also issued 200,000 options with a fair value of $60,000 and 30,000 performance share rights with a fair value of $43,200. The options and performance share rights were valued using Monte Carlo simulation (the assumptions for these calculations 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.

Corporate Governance Statement (continued)

SENIOR MANAGEMENT REMUNERATION

The Remuneration and Human Resources 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, share options plan and performance share rights plan.

The remuneration policy for senior management is designed to attract, reward 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 and performance share rights 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 Shareholder Information section of this Annual Report, where the company has disclosed remuneration (inclusive of the value of other benefits) received by employees or former employees of the company or its subsidiaries in the relevant bandings of employee remuneration exceeding $100,000 received in the year ended 31 March 2013.

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 2013, 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.

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 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.

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.

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.

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.

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 its selection processes for recruitment and employee development opportunities are free from bias and are based on merit.

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 Remuneration and Human Resources Committee the responsibility for oversight of the company's Diversity Policy. On an annual basis, the Remuneration and Human Resources Committee will review and report to the Board on 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 Board has conducted its annual assessment of its diversity objectives and the company's progress towards achieving these objectives. The company reports that during the year under review, it has developed a Code of Ethics awareness programme. This awareness programme includes a section covering diversity and Equal Employment Opportunities.

The company will commence the implementation of this Code of Ethics awareness programme and will continue to monitor its policies and practices to ensure that they are free from bias.

The Board has set an objective that the company's employee recruitment and selection team shall include a female member, wherever practical.

As at 31 March 2013, 46% of employees of the company were female employees. Female representation at officer/senior management level was 14%. There were no female Board members.

The company's Diversity Policy is available on the Company's Website.

Shareholder Information

PRINCIPAL ACTIVITIES

Fisher & Paykel Healthcare Corporation Limited 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. There were no significant changes to the state of affairs of the company or to the nature of the company's principal activities during the financial year.

STOCK EXCHANGE LISTINGS

The company's shares were listed on the NZSX on 14 November 2001.
The company's shares were listed on the ASX on 21 November 2001.

There is no current on-market buy-back of the Company's ordinary shares.
The Company does not have any restricted securities or securities subject to voluntary escrow on issue.

SHARE ISSUES

During the year ended 31 March 2013:

- 12,218,223 shares were issued under the company's dividend reinvestment plan;
- 340,614 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;
- 3,816,650 share options were issued under an employee share option plan; and
- 623,840 performance share rights were issued under a performance share rights plan.

DIRECTORS

In accordance with the company's constitution, on 22 August 2012, Roger France and Arthur Morris retired by rotation and, being eligible, offered themselves for re-election and were re-elected.

Michael Daniell was reappointed as Managing Director by the directors on 24 May 2012 and, being eligible, offered himself for election on 22 August 2012 and was re-elected.

Donal O'Dwyer was appointed as an additional non-executive director by the directors effective on 1 December 2012.

Gary Paykel and Nigel Evans have indicated that they plan to retire as directors following the company's 2013 annual shareholders' meeting.

DISCLOSURE OF INTERESTS BY DIRECTORS

Directors' certificates to cover entries in the company's 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.

DISCIPLINARY ACTION TAKEN BY THE NZX OR THE ASX

Neither the NZX nor the ASX has taken any disciplinary action against the company during the financial year ending 31 March 2013.

ENTRIES RECORDED IN THE INTERESTS REGISTER

Except for disclosures made elsewhere in this Annual Report, there have been no entries in the company's interests register made during the year.

No entries were made in the interests register of any subsidiary of the company during the year.

CREDIT RATING

The company does not currently have an external credit rating status.

ANNUAL SHAREHOLDERS' MEETING

The company's 2013 annual shareholders' meeting will be held on the company's premises in the Paykel Building, 15 Maurice Paykel Place, East Tamaki, Auckland, New Zealand on 27 August 2013 commencing at 2.00pm.

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, 57% 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	77
110,001 - 120,000	71
120,001 - 130,000	65
130,001 - 140,000	44
140,001 - 150,000	29
150,001 - 160,000	27
160,001 - 170,000	20
170,001 - 180,000	14
180,001 - 190,000	16
190,001 - 200,000	10
200,001 - 210,000	11
210,001 - 220,000	5
220,001 - 230,000	5
230,001 - 240,000	1
240,001 - 250,000	2
250,001 - 260,000	4
260,001 - 270,000	2
280,001 - 290,000	2
290,001 - 300,000	2
330,001 - 340,000	2
340,001 - 350,000	1
360,001 - 370,000	2
430,001 - 440,000	1
510,001 - 520,000	1
540,001 - 550,000	1
610,001 - 620,000	2
690,001 - 700,000	1
850,001 - 860,000	2
Total	**420**

Shareholder Information (continued)

CORPORATIONS ACT 2001 (COMMONWEALTH) DISCLOSURES

The Board is not aware of any matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the company, the results of these operations or the state of affairs or the company in subsequent financial years.

The company's operations are not subject to a significant Australian environmental regulation under any law of the Commonwealth of Australia or of any State or Territory of Australia. However, the Board believes that the company has adequate systems in place to manage its environmental obligations.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

SIZE OF SHAREHOLDING	NUMBER OF HOLDERS	%	NUMBER OF ORDINARY SHARES	%
1 to 1,000	3,552	19.26	1,985,238	0.37
1,001 to 5,000	9,184	49.80	23,975,075	4.42
5,001 to 10,000	3,113	16.88	22,862,234	4.21
10,001 to 50,000	2,326	12.61	44,791,246	8.25
50,001 to 100,000	137	0.75	9,450,124	1.74
100,001 and over	129	0.70	439,555,957	81.01
Total	18,441	100.00	542,619,874	100.00

The details set out above were as at 23 May 2013.

As disclosed in Note 23 of the Financial Statements, there were 19,846,050 options on issue to employees as at 31 March 2013. 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 or performance share rights.

There were 52 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 23 May 2013.

LIMITATIONS ON THE ACQUISITION OF SHARES

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 7 August 2012, NZX granted the Company a waiver from NZSX Listing Rules 7.1.10, 7.1.16 and 8.1.7 in respect of the company's performance share rights plan on the basis that Rules 7.1.10 and 7.1.16 do not apply to the offer of performance share rights to selected executive employees, and Rule 8.1.7 is not well suited to act as a means of adjustment to share rights issued.

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.

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.

NZX Listing Rule 8.1.7 determines how an option's exercise price or number of underlying securities may be adjusted to take account of rights issues.

The waiver from NZX Listing Rules 7.1.10 and 7.1.16 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. The waiver from NZX Listing Rule 8.1.7 was granted on the condition that if it is necessary to make an adjustment to the terms of the company's performance share rights plan to take into account a rights issue by the company, then the company will seek NZX's approval of such amendment.

During the year ended 31 March 2013, the company also relied on the following two waivers granted by the NZX to issue options under its share option plans and shares under its share purchase plans:

(1) waiver from Listing Rule 7.1.10 and 7.1.16 in respect of the issue of options under the company's share options plans (granted 19 August 2011); and

(2) waiver from Listing Rule 8.1.4 in respect of the issue of shares under the company's share purchase plan (granted 29 October 2007).

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 23 May 2013, were as follows:

SUBSTANTIAL SECURITY HOLDERS	DATE OF NOTICE	ORDINARY SHARES	% AS AT 23 MAY 2013
The Capital Group Companies Inc	9 May 2013	46,666,600	8.60%
AMP Capital Investors (NZ) Limited	4 April 2011	32,316,237	5.96%
Nicholas Bagnall	11 March 2013	27,840,307	5.13%
Accident Compensation Corporation	11 March 2013	27,838,722	5.13%
Nicholas Bagnall, Blair Tallott, Paul Robertshawe, Blair Cooper	11 March 2013	27,838,722	5.13%

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 23 May 2013 was 542,619,874.

Shareholder Information (continued)

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders in the company as at 23 May 2013 were:

SHAREHOLDER	ORDINARY SHARES	%
New Zealand Central Securities Depository Limited (NZCSD)	312,552,127	57.60
National Nominees Limited	26,375,724	4.86
FNZ Custodians Limited	9,686,174	1.79
Custodial Services Limited	8,784,026	1.62
J P Morgan Nominees Australia Limited	7,848,405	1.45
HSBC Custody Nominees (Australia) Limited	7,409,366	1.37
Masfen Securities Limited	4,308,805	0.79
Citicorp Nominees Pty Limited	3,854,951	0.71
Investment Custodial Services Limited	3,675,193	0.68
Custodial Services Limited	3,053,613	0.56
Custodial Services Limited	2,589,069	0.48
Custodial Services Limited	2,474,752	0.46
Custodial Services Limited	2,409,632	0.44
New Zealand Depository Nominee Limited	2,317,524	0.43
Investment Custodial Services Limited	2,292,128	0.42
Superlife Trustee Nominee Limited	1,772,999	0.33
FNZ Custodians Limited	1,672,185	0.31
Woolf Fisher Trust Inc	1,542,415	0.28
BNP Paribas Nominees Pty Ltd	1,239,887	0.23
John Julian Williams, Shirley Anne Williams & William Lindsay Gillanders	1,135,160	0.21

As at 23 May 2013, the ten largest shareholdings in the company held through NZCSD were as follows:

SHAREHOLDER	ORDINARY SHARES	%
JP Morgan Chase Bank	72,065,516	13.28
HSBC Nominees (New Zealand) Limited	45,476,141	8.40
Cogent Nominees Limited	31,122,823	5.74
Accident Compensation Corporation	28,796,036	5.31
Citibank Nominees (NZ) Limited	26,636,664	4.91
National Nominees Limited	26,375,724	4.86
Tea Custodians Limited	25,707,075	4.74
HSBC Nominees (New Zealand) Limited	17,172,114	3.16
New Zealand Superannuation Fund Nominees Limited	17,038,833	3.14
National Nominees New Zealand Limited	14,774,925	2.72

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following ordinary shares in the company as at 31 March 2013:

NAME	OWNERSHIP	ORDINARY SHARES
Tony Carter	Beneficial	65,455
	Non beneficial	791,221
Michael Daniell*	Beneficial	763,517
	Non beneficial	809,831
Nigel Evans	Beneficial	26,202
	Non beneficial	1,542,415
Roger France	Beneficial	39,480
Lindsay Gillanders	Beneficial	514,415
Arthur Morris	Beneficial	8,500
Donal O'Dwyer	Beneficial	51,350
Gary Paykel	Beneficial	1,095,125
	Non beneficial	1,862,195

* Michael Daniell also had a beneficial interest in 920,000 options issued under the 2003 Share Option Plan and a beneficial interest in 30,000 performance share rights issued under the Performance Share Rights Plan.

Shareholder Information (continued)

SHARE DEALINGS BY DIRECTORS

In accordance with Section 148(2) of the Companies Act 1993, the Board has received disclosures from the Directors named below of acquisitions or dispositions of relevant interests in the company between 1 April 2012 and 31 March 2013, 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 was issued with:
  (a) 1,983 ordinary shares, valued at $1.8950 per share, on 6 July 2012 under the company's dividend reinvestment plan; and
  (b) 1,187 ordinary shares, valued at $2.5256 per share, on 14 December 2012 under the company's dividend reinvestment plan.
- is a trustee and beneficiary of the Antony Carter Family Trust No 2, which:
  (a) was issued with 150 ordinary shares, valued at $1.8950 per share, on 6 July 2012 under the Company's dividend reinvestment plan; and
  (b) was issued with 89 ordinary shares, valued at $2.5256 per share, on 14 December 2012 under the company's dividend reinvestment plan.
- as director of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (the trustee company of the company's Employee Share Purchase Scheme), acquired and disposed of shares pursuant to the company's Employee Share Purchase Scheme.

Michael Daniell

- was granted 200,000 options on 30 August 2012 for nil consideration, convertible into 200,000 shares in accordance with the terms of the 2003 Share Option Plan.
- was issued with 30,000 performance share rights on 30 August 2012 for nil consideration in accordance with the Performance Share Rights Plan.
- had 160,000 options lapse on 17 December 2012.
- as director of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (the trustee company of the company's Employee Share Purchase Scheme), acquired and disposed of shares pursuant to the company's Employee Share Purchase Scheme.

Nigel Evans

- was issued with:
  (a) 691 ordinary shares, valued at $1.8950 per share, on 6 July 2012 under the company's dividend reinvestment plan; and
  (b) 414 ordinary shares, valued at $2.5256 per share, on 14 December 2012 under the company's dividend reinvestment plan.

Arthur Morris

- is a trustee and beneficiary of the Niloc Trust which acquired 8,500 ordinary shares, valued at $2.55 per share, on 5 December 2012.

Donal O'Dwyer

- is a trustee and beneficiary of the Dundrum Super Fund, which acquired:
  (a) 20,000 ordinary shares, valued at A$1.9467 per share, on 9 January 2013;
  (b) 21,500 ordinary shares, valued at A$1.9673 per share, on 10 January 2013; and
  (c) 9,850 ordinary shares, valued at A$1.9586 per share, on 11 January 2013.

Gary Paykel

- disposed of a non-beneficial interest in 802,887 shares on 22 August 2012 when Tony Carter was appointed as a director of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited in place of Gary Paykel.

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 2013.

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 2013, 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 2013 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)

Tony Carter, 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

Shareholder Information (continued)

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, David Boyle, Paul Shearer, Thekkanathu Paily Bastin

Fisher & Paykel Healthcare K.K. (Japan)
Michael Daniell, Paul Shearer, Hideo Goto

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, Lewis Gradon, Ömer Ahmet Başaran

Fisher & Paykel Healthcare Limited (UK)
Michael Daniell, Paul Shearer, Nicholas Connolly, Patrick McSweeny

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

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

The following persons ceased to hold office as directors of subsidiary companies during the year ended 31 March 2013:

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)
Gary Paykel

Fisher & Paykel Healthcare K.K. (Japan)
Kokichi Kitahara

Fisher & Paykel Healthcare Limited (UK)
Jill Nelson

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 2013 are as follows:

Tony Carter

Co-Chairman of:

The New Zealand Initiative Limited

A director of:

Air New Zealand Limited
ANZ Bank New Zealand Limited
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited
Fletcher Building Limited
Loughborough Investments Limited

A shareholder of:

Loughborough Investments Limited

A trustee of:

Antony Carter Family Trust No 2
Foodstuffs Auckland Perpetuation Trust
Foodstuffs Auckland Protection Trust
Maurice Carter Charitable Trust
Tony and Frances Carter Family Trust

Michael Daniell

A director of:

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited

A member of:

Council of the University of Auckland

Nigel Evans

A director of:

Quark Technology Limited

A trustee of:

Woolf Fisher Trust

Roger France

Chairman of:

Tappenden Holdings Limited

A director of:

Air New Zealand Limited
Tappenden Management Limited
Orion Corporation Limited

A trustee of:

Dilworth Trust Board

A member of:

Council of the University of Auckland

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

Donal O'Dwyer

A director of:

Atcor Medical Pty Limited
Cochlear Limited
Mesoblast Limited

Gary Paykel

Chairman of:

Milly Molly Group Holdings Limited

A director of:

ACG Capital (NZ) Limited
Endeavour Yachting Limited
Howgate Holdings Limited
Levante Marine Services Limited
New Zealand 93 Limited
Fisher & Paykel Appliances Holdings Limited
Keano Enterprises Limited
Lady Ruby Investments Limited
Levante Holdings 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 2012 have been removed as at 31 March 2013:

- Tony Carter is no longer a director of Vector Limited.
- Gary Paykel is no longer a director of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited.

Shareholder 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 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 GMBH (GERMANY) OWNS:

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

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 2013 are as follows:

Tony Carter	Chairman, Non-Executive, Independent
Michael Daniell	Managing Director and Chief Executive Officer
Nigel Evans	Non-Executive, Independent
Roger France	Non-Executive, Independent
Lindsay Gillanders	Non-Executive, Independent
Arthur Morris	Non-Executive, Independent
Donal O'Dwyer	Non-Executive, Independent
Gary Paykel	Non-Executive, Independent

EXECUTIVES' DETAILS

Michael Daniell	Managing Director and Chief Executive Officer
Lewis Gradon	Senior Vice President – Products & Technology
Paul Shearer	Senior Vice President – Sales and Marketing
Tony Barclay	Chief Financial Officer and Company Secretary
Deborah Bailey	Vice President – Human Resources
Winston Fong	Vice President – Information & Communication Technology
Paul Andreassi	Vice President – Quality & Regulatory

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.

Glossary

Constant Currency	is a way to measure performance of a company without any distortion from changes in foreign exchange rates
COPD	Chronic Obstructive Pulmonary Disease
CPAP	Continuous Positive Airway Pressure
DRP	Dividend Reinvestment Plan
FDA	United States Food & Drug Administration
HR	Human Resources
OSA	Obstructive Sleep Apnea
R&D	Research and Development
RAC	Respiratory and Acute Care
SG&A	Sales, General and Administrative
QS&R	Quality, Safety & Regulatory

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