Care.
Human
Touch
Putting people first.

We understand that even the smallest of details can change someone's life for the better. The human touch of a researcher, a scientist, an engineer, an assembler - from concept to design, research, manufacture and supply - at each touch we are seeking to deliver our best for patients, caregivers and communities.

It is caring for their best interests and wellbeing, alongside that of our employees, shareholders and partners that inspires us to deliver outcomes that will have a positive impact on people's lives.
Constant currency information contained within this report 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 financial year. A reconciliation between reported results and constant currency results is available on page 24 of this report. The company’s constant currency income statement framework can be found on the company’s website at www.fphcare.com/ccis.

This report is dated 27 May 2016 and is signed on behalf of Fisher & Paykel Healthcare Corporation Limited by Tony Carter, Chairman and Lewis Gradon, Managing Director and Chief Executive Officer.

TONY CARTER, CHAIRMAN

LEWIS GRADON, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
Full Year Results

Our consistent long-term strategy has continued to deliver growth this year.
May 2015
Release of new range of products for use with the AIRVO™ 2 system including the Optiflow™+ nasal cannula range

June 2015
FPH wins three awards, including the Supreme Award, at the Air New Zealand Exporter of the Year awards

July 2015
FPH assume more direct responsibility for sales and support of our hospital respiratory products in the US

August 2015
FPH wins two awards at the AMCHAM – DHL Express Success and Innovation awards, including the Supreme Award

October 2015
Eson™ 2 nasal mask and HumiGard™ SH870 surgical humidification system introduction announced

Scott St John appointed to the Board as a non-executive director

New enterprise resource planning (ERP) system goes live at our New Zealand site

November 2015
Tony Carter wins New Zealand Shareholder Association’s Beacon Award recognising leadership, corporate governance and respecting the rights of shareholders

FPH wins the AARC Zenith Award, the People’s Choice award of the respiratory care profession

December 2015
Nicky Bell appointed as Board attendee as part of the Future Directors’ Initiative

New ERP system goes live at our Mexico site
Our Business

PATIENTS TREATED DURING THE YEAR USING OUR MEDICAL DEVICES
10M+

ENGINEERS AND SCIENTISTS WORKING IN R&D
500+

SPEND ON R&D
NZ$73.3M

POTENTIAL GLOBAL MARKET OPPORTUNITY
US$6B+

CURRENT RANGE OF PRODUCTS, ACCESSORIES AND PARTS
2,700+

GROWTH IN EMPLOYEE NUMBERS

REVENUE BY PRODUCT GROUP – 12 MONTHS TO 31 MARCH 2016

MANUFACTURING OUTPUT BY REGION

OUR PRODUCTS ARE SOLD IN MORE THAN 120 COUNTRIES

REVENUE FROM HARDWARE AND CONSUMABLES/ACCESSORIES

Fisher & Paykel Healthcare Corporation Limited
Annual Report 2016
Our people are located in 36 countries

- United States: 922 employees
- Europe: 2,142 employees
- New Zealand: 265 employees
- Rest of the world: 258 employees
I am delighted to report a record financial result with revenue growth of 21% and growth in net profit after tax of 27% to $143.4 million.
Our premium range of medical devices is designed to improve patient care and outcomes. In the last year, we estimate that our products were used in the treatment of over 10 million patients around the world. As population growth and changing demographics place increasing demands on global healthcare systems, we continue to invest in R&D to support product innovation and development.

Leadership change
As previously announced, our long-serving Managing Director and CEO, Mike Daniell, retired at the end of the 2016 financial year.

Mike has been an outstanding CEO. Over the past 37 years he filled a number of different roles within the company and led the healthcare business from 1990. During his tenure the company has grown from a small medical division of an iconic New Zealand appliance manufacturer to the global leader in respiratory humidification, with sales of more than $800 million, a market capitalisation of more than $5 billion, and over 3,500 employees in 36 countries. On behalf of all shareholders, I would like to thank Mike for his outstanding contribution over many years.

Given Mike’s global medical device experience and extensive knowledge of the markets in which the company operates, the Board believes that it is beneficial to retain Mike’s skills within the business. We have therefore invited him to take up a non-executive role on the company’s Board of Directors.

As also previously announced, Lewis Gradon, formerly the company’s Senior Vice President – Products and Technology, became Managing Director and Chief Executive Officer on 1 April 2016. Lewis brings to the role many years’ experience in the medical device industry and a deep understanding of Fisher & Paykel Healthcare. He has been with the company for 33 years and has led the R&D, manufacturing, clinical research and supply chain teams since 2001. Our business has always had a strong innovation and technology focus, and Lewis will continue to take that focus into the future.

Lewis has also played a significant role in the development and successful execution of our international growth strategy. He has been a valued member of the company’s executive management team for the past 20 years, and the Board is confident that under his leadership the company will continue to achieve strong growth.

Board composition
In October 2015 we welcomed Scott St John to the Board as an independent director. Scott is the Managing Director of First New Zealand Capital, one of New Zealand’s leading investment banks. Scott replaces Roger France who retired in December 2015. Roger made an excellent contribution to the company, and I would like to thank him for that.

We continue to participate in the New Zealand Future Directors programme, established in 2013 by the New Zealand Institute of Directors. This year we welcomed Nicky Bell, who will attend our Board meetings for a 12 month term.

Strategic progress
The 2016 financial year saw the successful completion of two major projects which are fundamental to our long term growth prospects. The first was our transition in July 2015 to a direct sales model for hospital products in the United States. This means we now have our own people selling our products, rather than being one of a distributor’s broader portfolio of products. As a result, our global team continued to expand, reaching over 3,500 employees, an increase of 14% on the previous year.

The second was the implementation in New Zealand and Mexico of a new enterprise resource planning (ERP) system, essentially the software that we use to manage our business. Most of our global sales offices are yet to make the changeover, but we are pleased with our progress so far. Due to the hard work and dedication of our team, the implementation at our two largest sites went very well.

We have made good progress with new products released during the past financial year. The launches of the Eson™ 2 mask and HumiGard™ 870 humidifier have been well received and several other innovative products are expected in the near future. We are continuing to invest significantly in R&D, which is driving the expansion of our product range into a broadening range of healthcare applications, for example, chronic obstructive pulmonary disease, surgery and nasal high flow therapy. Robust clinical research is supporting the adoption of our products across this range of medical applications.

Outlook
We aim to double our constant currency operating revenue every five to six years, and to achieve more than NZ$1 billion of annual operating revenue within the next two years. We are confident that with this year’s result, we remain well on track to meet that target.

Fisher & Paykel Healthcare is a world class business headquartered in New Zealand. It has a global outlook and a strong management team. Our consistent growth strategy has driven excellent results for many years and we expect to see this continue in the next financial year.

TONY CARTER, CHAIRMAN

Annual Report 2016 09

Dividend
The Board has approved an increased final dividend for the year of 10cps. This takes the total dividend for the financial year to 16.7cps, an increase of 21% on the previous year.
Our consistent long-term strategy has continued to deliver growth this financial year.
This year we again achieved record results, with operating revenue up 21% and net profit after tax up an impressive 27%.

Strong year on year growth occurred in both of our major product groups – Hospital / Respiratory & Acute Care (RAC) and Homecare / Obstructive Sleep Apnea (OSA). Much of this growth can be attributed to the increasing adoption of our products by healthcare providers as they strive to improve effectiveness and efficiency of care for their patients.

We remain committed to developing and improving existing products, developing new applications for our devices, introducing new products, and expanding our global reach.

Growing demand

As healthcare costs and populations continue to grow, so does demand for our products.

Research has shown that 60% of an individual’s total lifetime healthcare cost is incurred over the age of 65 years.1 The US population aged 65+ is forecast to grow by approximately 80% over the next 20 years.2 Healthcare spending per capita is increasing by approximately 5-7% pa in developing countries.3

The prevalence of OSA in the general US adult population is believed to be approximately 3-7% for men and 2-5% for women4, with an estimated 80% of OSA sufferers remaining undiagnosed in the US.5 Chronic obstructive pulmonary disease (COPD) is believed to affect approximately 3-11% of adults worldwide, with fewer than 6% of patients diagnosed.6

Healthcare costs increase in relation to increasing complexity of care. Our medical devices are designed for simplicity and performance, reduce a patient’s need for treatment in high intensity areas of the hospital and where possible, facilitate patient independence and treatment in the home. These attributes not only lead to more effective therapy outcomes, but also reduce costs for healthcare providers; features that are significantly contributing to the increasing adoption of our products around the world.

Hospital/RAC

RAC revenue grew 22% to NZ$436.3 million, driven primarily by strong growth in new applications.

In particular, our Optiflow™ nasal high flow therapy has driven significant growth in this product group. A growing number of clinical studies have demonstrated its effectiveness in reducing the need for more invasive therapies and reducing the length of hospital stay for patients.

A selection of this research is highlighted elsewhere in this report.

Our surgical humidification product group also continues to grow strongly following the release of our new SH870 HumiGard™ system. We have seen a growing body of clinical evidence supporting the use of humidification during surgery, from both a therapy and economic perspective.

Homecare/OSA

OSA product group revenue grew 21% to $365.8 million.

Our homecare devices are premium products that assist with therapy acceptance and compliance. We aim to provide homecare solutions that are simple and effective to use. Much of our growth in this segment has been due to strong demand for our Simplus™ and Eson™ 2 masks.

We continue to develop cloud-based solutions that assist with data transfer, patient engagement and compliance management for healthcare providers. The purpose of our informatics products is to improve patient outcomes and reduce the cost of management for patients treated using our products in a homecare environment.
**Gross margin and foreign currency**

Our gross margin increased by 284 basis points in the 2016 financial year. A stronger increase in the first half was supported by sales of higher margin products and efficient factory performance on building inventory for our new enterprise resource planning (ERP) system. We also continued to benefit from manufacturing efficiencies in Mexico.

After having built inventory in the first half of the year, we reduced levels of production in the second half. This was anticipated as we resumed normal manufacturing levels after the successful introduction of the ERP system.

We expect to see continuing gross margin expansion in coming years as we benefit from a positive product mix and increased manufacturing in Mexico. The strength of the USD against the NZD has positively impacted this year’s result and our average effective exchange rates are more favourable than the 2015 financial year. The decrease in the value of the NZD against a number of currencies has enabled us to increase our long-term hedging beyond two years. This is intended to support absolute earnings growth into the future and contribute to reducing future earnings volatility.

**International growth**

The transition to a direct sales model for our respiratory products in the US has been successfully completed and we expect to see benefits of that in the next financial year.

We have established a larger distribution facility in California, USA. The new location provides a sustainable platform for the growth of our global supply chain operations with good access to infrastructure and services. Manufacturing capability in Mexico also continues to grow, with 27% of our total output being produced there, up from 23% in the previous year.

**Research and development**

We continue to invest in research and development. In the 2016 financial year, we spent $73.3 million, which is 9% of our operating revenue. This ongoing investment has driven the introduction of a number of innovative new products into markets around the world in the past year, and continues to drive our product pipeline. We have a significant number of new products that we are expecting to introduce over this current year, encompassing humidifier controllers, masks, respiratory consumables, flow generators and compliance monitoring solutions. A desire to do what is best for the patient and to understand a patient’s journey is an important factor in our development process.
Clinical studies
Improving patient outcomes and efficiency of care remain our main criteria for product development. This is supported by our clinical study programmes.
Increasing numbers of clinical trials involving Optiflow™ have led to the efficacy of the therapy being supported by a series of positive randomised controlled trial outcomes. Recent studies in a variety of patient groups have indicated that Optiflow™ can reduce escalation of care for patients.7
Studies such as these play a significant role in changing clinical practice and driving adoption of our products.

Our people
We employ a diverse workforce of 3,587 people, based in 36 countries and serving customers in over 120 countries. We strive to build and nurture strong partnerships with local communities and organisations relevant to our company and people.
This year we produced our first corporate responsibility and sustainability report, which is available on our website at www.fphcare.co.nz/sustainability.
When I look around our business and see all the talent and opportunity, I feel proud to be the company’s new CEO. Our exceptional results and exciting prospects are a testament to our extremely skilled and passionate team.

Future insights and outlook
Over the last financial year, we estimate that our devices were used in the treatment of more than 10 million patients. Based on our historical growth rates and demographic trends, we believe this could increase to approximately 30 million patients over the next 10-15 years.
Our outlook is encouraging and we anticipate another year of positive earnings growth. At current exchange rates we expect full year operating revenue to be approximately NZ$900 million and net profit after tax to be approximately NZ$165 million to NZ$170 million.
We are well positioned to meet the growing demand for our products from an increasing investment in healthcare across the globe.

Continuous product improvement, serving more patient groups, broadening the range of assistance we can provide for each patient and expanding our international presence is a strategy that is well proven and has guided us to record operating revenue every year over more than a decade. Over the next year, our strategy will remain consistent: focused on delivering innovative technologies that improve care and outcomes in hospital and homecare settings. Mike’s leadership has positioned us well and I look forward to continuing to deliver on our long-term growth strategy.
Fisher & Paykel Healthcare offers comprehensive medical devices for hospitals across invasive and non-invasive ventilation, nasal high flow therapy and surgery.

Humidity is crucial to respiratory health and well-being. Our products incorporate patented and proprietary technologies designed to emulate the balance of temperature and humidity that occurs naturally in healthy lungs. This approach restores natural balance and seeks to ensure optimal outcomes for patients and their caregivers.

Sales of Hospital / RAC products accounted for 53% of operating revenue in FY16.

**FY16 HIGHLIGHTS**

- Increasing numbers of clinical trials providing evidence of patient benefits from using our products
- Strong customer demand for our Optiflow™ and AIRVO™ systems
- Optiflow™ nasal high flow therapy being used in a broader range of patient groups within the hospital
- A number of new product launches expected in the coming year

* Respiratory and Acute Care
Obstructive sleep apnea (OSA) occurs when one’s airway temporarily closes during sleep, forcing sufferers to wake either partially or completely to breathe again. This can occur up to several hundred times a night, and if left untreated, can lead to serious health problems.

Our continuous positive airway pressure (CPAP) devices and innovative masks are used to treat OSA. CPAP therapy keeps the airway open, a recognised simple and effective treatment for OSA. We are also increasingly seeing our devices being used in the treatment of chronic respiratory conditions such as chronic obstructive pulmonary disease (COPD).

Sales of Homecare / OSA products accounted for 45% of operating revenue in FY16.

**FY16 HIGHLIGHTS**

- Strong customer demand for our Eson™ 2 and Simplus™ masks
- Exciting product pipeline, with several product launches anticipated
- Completed 30 trials across product development and post market studies
- Expansion of functionality and geographic coverage of our InfoSmart™ Web platform

* Obstructive sleep apnea
Mark* was diagnosed with OSA 16 years ago, but initially deferred CPAP therapy. It wasn’t until he fell asleep at the wheel of his car that he began trialling treatment.

For years, he grappled with poor fitting and sealing nasal masks. He woke during the night with noisy mask leakage and was unable to get the full benefit of CPAP therapy.

“The mask was the deal breaker for me,” says Mark. “I couldn’t find a mask that didn’t leak.

I tried several. I’d end up overtightening them and they’d literally give me sores at the base of the nose. They felt so small – my nose just didn’t seem to fit them.”

Mark’s experience changed after he started using an Eson™ mask. “It’s the best sealing mask I’ve ever used. You just put it on, and it simply stays put and does what it’s meant to do. No adjustments needed. I can move freely in my sleep. It’s there, but I don’t really know it’s there, it’s so comfortable.

The recently released F&P Eson™ 2 builds on the success of the Eson™ mask.

CASE STUDY:
The Eson™ mask

Mark* was diagnosed with OSA 16 years ago, but initially deferred CPAP therapy. It wasn’t until he fell asleep at the wheel of his car that he began trialling treatment.

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* Mark is an OSA patient based in Milwaukee, Wisconsin, USA.
Our Optiflow™ system, used for the delivery of nasal high flow therapy, is supported by a large and growing body of clinical evidence which demonstrates its ability to positively influence patient outcomes and reduce hospital costs.

In hospital settings, there is a direct link between level of care and cost. More intensive care settings require greater clinical time and resources. Our systems indirectly reduce a patient’s reliance on these higher acuity care settings.

CASE STUDY:
Optiflow™ leads to better outcomes

Dr Hernandez and his group found that the use of Optiflow™ nasal high flow therapy reduced the risk of escalation for extubated patients within 72 hours, when compared with conventional oxygen therapy. This is not only better for the patient, but can also result in cost savings for healthcare providers.

A recent trial published in the Journal of the American Medical Association reported that Optiflow™ significantly lowered the possibility of re-escalation of care for some patients. Dr Hernandez and his group found that the use of Optiflow™ nasal high flow therapy reduced the risk of escalation for extubated patients within 72 hours, when compared with conventional oxygen therapy. The need to intubate patients a second time within 72 hours was less common in the nasal high flow group (5%) than in the conventional oxygen therapy group (12%).

Another study published in 2016 in Australian Critical Care examined the use of nasal high-flow oxygen therapy in ICU settings. Fealy et al found that the use of nasal high flow therapy resulted in a 14-fold increase in the use of humidification and significantly reduced a hospital’s expenditure on oxygen delivery devices.

These studies provide additional, robust evidence that Optiflow™ can reduce the risk of escalation to higher acuity care settings. This is a result that not only leads to better outcomes for patients, but to lower costs for healthcare providers.
Mike Daniell

Mike was initially employed in 1979 by Fisher & Paykel Industries as a graduate electronics engineer, the second employee to be hired into the medical division. After several roles in product design, he was appointed General Manager of the medical division in 1990.

In 2001, when the company separated from Fisher & Paykel Appliances, he was appointed Managing Director and CEO of Fisher & Paykel Healthcare.

The revenue of Fisher & Paykel’s medical division was $233,000 in 1979. At the close of the 2016 financial year, we are reporting revenue of $815.5 million and have a market capitalisation in excess of $5 billion. Employees have grown from 15 to more than 3,500, are based in 36 countries, and serve over 120 countries around the world.

Mike led the company through the diversification of our products from the invasive ventilation market into obstructive sleep apnea, and later into non-invasive ventilation, nasal high flow therapy and surgical humidification.

Under Mike’s leadership, Fisher & Paykel Healthcare has become the world-leader in respiratory humidification and one of New Zealand’s most successful companies. Our products are used to treat over 10 million patients annually, and the company has received a number of awards for its innovation, integrity and excellence.

Mike has been an outstanding CEO. We thank him for his exceptional service and look forward to his continued contribution on our Board.
24,000 hours of design time, over 500 engineers and scientists, 47 sponsored clinical trials and $73M invested in R&D: it is this search for the best design, the best materials, and the best patient outcome that drives our design process.

For 45 years we’ve partnered with world-leading experts and hospitals to develop innovative products and therapies that have raised the levels of respiratory and sleep apnea care. This vision of improving patient care and outcomes will continue to lead us into the future.
Our Board

Tony Carter

CHIEF EXECUTIVE OFFICER

Term of Office:
Appointed December 2010, last re-elected 20 August 2014

Tony is a highly respected director and sits on the Board of a number of New Zealand companies. He was managing director of Foodstuffs New Zealand Limited for ten years, until his retirement in 2010. Tony is also Chairman of Air New Zealand Limited and Blues Management Limited, a director of Fletcher Building Limited, and ANZ Bank New Zealand Limited, and a trustee of the Maurice Carter Charitable Trust.

Master of Engineering, Master of Philosophy

Sub-committee responsibilities:
Chair Remuneration & Human Resources Committee, Chair Nomination Committee, Member Audit & Risk Committee, Member Quality, Safety & Regulatory Committee.

Lewis Gradon

NON-EXECUTIVE DIRECTOR

Term of Office:
Appointed 1 April 2016

Lewis became Managing Director & Chief Executive Officer in April 2016. Prior to that, he spent 15 years as Senior Vice President – Products & Technology, and six years as General Manager – Research and Development. During his 33 year tenure with Fisher & Paykel Healthcare he has held various engineering positions and overseen the development of our complete healthcare product range.

Bachelor of Science – Physics

Sub-committee responsibilities:
Chair Remuneration & Human Resources Committee, Chair Nomination Committee, Member Audit & Risk Committee, Member Quality, Safety & Regulatory Committee.

Michael Daniell

INDEPENDENT DIRECTOR

Term of Office:
Appointed November 2001, last re-elected 22 August 2012

Mike was Managing Director and Chief Executive Officer of Fisher & Paykel Healthcare from November 2001 to March 2016. He was General Manager of Fisher & Paykel’s medical division from 1990 to 2001 and previously held various technical management and product design roles within the company. Mike is a member of the Council of the University of Auckland, a director of Tait Limited and Chair of the Medical Technologies Centre of Research Excellence.

Bachelor of Engineering (Hons).

Sub-committee responsibilities:
Member Nomination Committee.

Donal O’Dwyer

INDEPENDENT DIRECTOR

Term of Office:
Appointed December 2012, last re-elected 22 August 2012

Donal is Chairman of Atcor Medical Pty Limited and a director of Cochlear Limited, Mesoblast Limited and nib Holdings Limited. From 1996 to 2003, he worked for Cordis Cardiology, 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 from plant manager in Ireland to president of the Cardiovascular Group, Europe, now Edwards Lifesciences.

Bachelor of Engineering, Master of Business Administration.

Sub-committee responsibilities:
Member Quality, Safety & Regulatory Committee, Member Remuneration & Human Resources Committee.

Lindsay Gillanders

INDEPENDENT DIRECTOR

Term of Office:
Appointed May 1992, last re-elected 20 August 2014

Lindsay has been a long standing director of Fisher & Paykel Healthcare and also holds board positions with a number of private businesses. He worked for the company for a number of years and has an in depth understanding of the Fisher & Paykel Healthcare business. Up to November 2001, Lindsay was responsible for Fisher & Paykel’s legal, regulatory, compliance and intellectual property rights, and worked on major commercial agreements including acquisitions and divestments by both the appliances and healthcare businesses.

Bachelor of Law degree (Hons)

Sub-committee responsibilities:
Member Audit & Risk Committee.

Geraldine McBride

INDEPENDENT DIRECTOR

Term of Office:
Appointed August 2013, elected 27 August 2013

Geraldine has been involved in the technology industry for 29 years and has a wealth of global experience. She has held senior executive roles at SAP AG and Dell Inc, and is a former President of SAP North America. She is a current director of National Australia Bank and Sky Network Television Ltd, and the founder and CEO of MyWave – a global leader in the AI/Intelligent Assistant market.

Bachelor of Science – Zoology

Sub-committee responsibilities:
Chair Remuneration & Human Resources Committee, Chair Nomination Committee, Member Audit & Risk Committee, Member Quality, Safety & Regulatory Committee.

Arthur Morris

INDEPENDENT DIRECTOR

Term of Office:
Appointed February 2008, last re-elected 22 August 2012

Arthur has extensive experience in the healthcare industry and is a fellow of the Royal Australasian College of Pathologists, the Australasian Society for Microbiology and the Infectious Diseases Society of America. Dr Morris trained in Dunedin, Invercargill and Auckland before spending three years at Duke University Medical Centre, North Carolina, USA. He served as the Chief Executive Officer of Diagnostic Medlab Limited from 2005 until 2013. He is a director of Mercy Healthcare Auckland Limited and a trustee of the Auckland School of Medicine Foundation.

Bachelor of Science – Microbiology (Hons), Doctor of Medicine.

Sub-committee responsibilities:
Chair Quality, Safety & Regulatory Committee.

Donal O’Dwyer

INDEPENDENT DIRECTOR

Term of Office:
Appointed December 2012, last re-elected 22 August 2012

Donal is Chairman of Atcor Medical Pty Limited and a director of Cochlear Limited, Mesoblast Limited and nib Holdings Limited. From 1996 to 2003, he worked for Cordis Cardiology, 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 from plant manager in Ireland to president of the Cardiovascular Group, Europe, now Edwards Lifesciences.

Bachelor of Engineering, Master of Business Administration.

Sub-committee responsibilities:
Member Quality, Safety & Regulatory Committee, Member Remuneration & Human Resources Committee.

Scott St John

INDEPENDENT DIRECTOR

Term of Office:
Appointed October 2015

Scott St John became a director in October 2015. Scott was appointed Chief Executive Officer of First NZ Capital in 2002. He joined First NZ Capital’s predecessor company CS First Boston in 1993 following seven years at Hendry Hay McIntosh. Scott is a member of Chartered Accountants Australia and New Zealand and a member of the Institute of Finance Professionals of New Zealand. He is Pro Chancellor of the University of Auckland. Bachelor of Commerce, Diploma in Business Administration.

Sub-committee responsibilities:
Chair Audit & Risk Committee, Member Remuneration & Human Resources Committee, Member Nomination Committee.
Our Executive Management Team

Lewis Gradon
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
Lewis was appointed Managing Director & Chief Executive Officer in April 2016. He previously served as Senior Vice President – Products & Technology and General Manager – Research and Development. He has held various engineering positions within Fisher & Paykel’s healthcare business, and has overseen the development of our complete healthcare product range. He received his Bachelor of Science degree in physics from the University of Auckland, New Zealand.

Paul Shearer
SENIOR VICE PRESIDENT – SALES & MARKETING
Paul was appointed Senior Vice President – Sales & Marketing in 2001. Paul previously served as the General Manager – Sales and Marketing of Fisher & Paykel’s healthcare business from 1996. From 1990 to 1998, Paul held various positions in the business and established our sales operations in the UK and US. He has held various positions with Computecorp Ltd, a computer systems integrator, and ICL Ltd., a multinational computer systems company. Paul received his Bachelor of Commerce degree in marketing from the University of Canterbury, New Zealand.

Tony Barclay
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY
Tony was appointed Chief Financial Officer and Company Secretary in 2001. He previously served as the financial controller of Fisher & Paykel’s healthcare business since 1996. Tony held various positions with Arnotts Biscuits (NZ) from 1993 to 1996, and with Price Waterhouse in New Zealand and Papua New Guinea from 1987 to 1993. Tony has been a Chartered Accountant in New Zealand since 1990. He received his Bachelor of Commerce degree in accounting and finance from the University of Otago, New Zealand.

Deborah Bailey
VICE PRESIDENT HUMAN RESOURCES, GROUP PRIVACY OFFICER, DIVERSITY AND INCLUSION MANAGER
Deborah was appointed Vice President Human Resources in 2001. Deborah previously served as Group HR Manager since 1996 and held other HR positions since joining Fisher & Paykel in 1994. She is currently a Trustee on the NZ Robotics Charitable Trust (Kiwibots). Prior to joining Fisher & Paykel, Deborah held HR positions with Pall Mall Services Group, a facilities management company in the United Kingdom. She received her Post Graduate Diploma in Human Resource Management from Southbank University London, United Kingdom.

Winston Fong
VICE PRESIDENT – INFORMATION & COMMUNICATION TECHNOLOGY
Winston was appointed Vice President – Information & Communication Technology in 2010. Winston previously served as the Group ICT Manager since 2007 and from 1999 has held various IT management, systems engineering and software development roles in the business. He has overseen the implementation, optimisation and operation of the company’s information systems. Winston received his Bachelor of Engineering degree with honours in Electronics & Software Engineering from Manukau Institute of Technology and Master of Business Administration from the University of Auckland, New Zealand.

Brian Schultz
VICE PRESIDENT – QUALITY & REGULATORY
Brian was appointed Vice President Quality & Regulatory Affairs in 2015. Brian previously served as Quality Manager for New Zealand Manufacturing since joining the company in 2011. Prior to joining Fisher & Paykel Healthcare, Brian held Quality management positions within the medical device and pharmaceutical industries in Australia, Switzerland, United Kingdom and the United States. He received his Bachelor of Science degree from Grand Valley State University, Michigan, United States.

Andrew Somervell
VICE PRESIDENT – PRODUCTS & TECHNOLOGY
Andrew was appointed Vice President – Products & Technology in April 2016. Since joining Fisher & Paykel Healthcare in 2006, he has held various product development and operations management roles, and most recently was General Manager - Product Groups. He has overseen the development of the OSA product range and managed research and development, marketing, clinical, manufacturing, and aspects of the supply chain. Before joining Fisher & Paykel Healthcare, Andrew was a Research Fellow at the University of Auckland, New Zealand, and holds a doctorate in physics from the same university.

Jonti Rhodes
GENERAL MANAGER – SUPPLY CHAIN
Jonti was appointed General Manager – Supply Chain in 2015. Jonti joined Fisher & Paykel Healthcare in 2007 as a product design engineer, and since that time has held several roles, both in New Zealand and the United States, in quality, regulatory, and most recently as Group Logistics Manager. Jonti has overseen the implementation of the New Zealand and US distribution hubs and played a key role in the development of our product surveillance system. He holds a Bachelor of Engineering (Mechanical) from Auckland University of Technology and a Master of Business Administration from the University of Auckland.
FINANCIAL COMMENTARY

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 comparative 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 2016 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. The company’s constant currency income statement framework can be found on the company’s website at www.fphcare.com/ccis.

<table>
<thead>
<tr>
<th>Constant Currency Income Statements</th>
<th>Year ended 31 March 2014 NZ$000</th>
<th>Year ended 31 March 2015 NZ$000</th>
<th>Variation 2014 to 2015 %</th>
<th>Year ended 31 March 2016 NZ$000</th>
<th>Variation 2015 to 2016 %</th>
</tr>
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<tr>
<td>Operating revenue</td>
<td>572,838</td>
<td>649,203</td>
<td>+13</td>
<td>737,027</td>
<td>+14</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>259,234</td>
<td>267,120</td>
<td>+3</td>
<td>282,800</td>
<td>+6</td>
</tr>
<tr>
<td>Gross profit</td>
<td>313,604</td>
<td>382,083</td>
<td>+22</td>
<td>454,227</td>
<td>+19</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>54.7%</td>
<td>58.9%</td>
<td>+411bps</td>
<td>61.6%</td>
<td>+278bps</td>
</tr>
<tr>
<td>Other income</td>
<td>3,700</td>
<td>5,000</td>
<td>+35</td>
<td>5,000</td>
<td>–</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>171,091</td>
<td>181,920</td>
<td>+6</td>
<td>223,455</td>
<td>+23</td>
</tr>
<tr>
<td>Research &amp; development expenses</td>
<td>54,146</td>
<td>64,987</td>
<td>+20</td>
<td>73,288</td>
<td>+13</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>225,237</td>
<td>246,907</td>
<td>+10</td>
<td>296,743</td>
<td>+20</td>
</tr>
<tr>
<td>Operating profit</td>
<td>92,067</td>
<td>140,176</td>
<td>+52</td>
<td>162,484</td>
<td>+16</td>
</tr>
<tr>
<td>Operating margin</td>
<td>16.1%</td>
<td>21.6%</td>
<td>+552bps</td>
<td>22.0%</td>
<td>+45bps</td>
</tr>
<tr>
<td>Financing expenses (net)</td>
<td>7,755</td>
<td>9,225</td>
<td>+19</td>
<td>5,982</td>
<td>–35</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>84,312</td>
<td>130,951</td>
<td>+55</td>
<td>156,502</td>
<td>+20</td>
</tr>
</tbody>
</table>

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2016, are USD 0.74, EUR 0.70, AUD 0.965, GBP 0.50, CAD 0.945, JPY 90 and MXN 11.25.

A reconciliation of the constant currency income statements on the previous page to the actual income statements for year is provided below.

Reconciliation of Constant Currency to Actual Income Statements Year ended 31 March

<table>
<thead>
<tr>
<th></th>
<th>2014 NZ$000</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax (constant currency)</td>
<td>84,312</td>
<td>130,951</td>
<td>156,502</td>
</tr>
<tr>
<td>Spot exchange rate effect</td>
<td>(398)</td>
<td>(2,335)</td>
<td>44,518</td>
</tr>
<tr>
<td>Financial exchange hedging result</td>
<td>54,584</td>
<td>27,893</td>
<td>(4,005)</td>
</tr>
<tr>
<td>Balance sheet revaluation</td>
<td>(1,834)</td>
<td>2,257</td>
<td>3,815</td>
</tr>
<tr>
<td>Profit before tax (as reported)</td>
<td>136,664</td>
<td>158,766</td>
<td>200,830</td>
</tr>
</tbody>
</table>

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 2016 with the corresponding period for the prior year:

- the movement in average daily spot exchange rates had a favourable impact of NZ$46.9 million; and
- the unfavourable impact from the company’s foreign exchange hedging activities was higher by NZ$31.9 million.

Overall, the net favourable effect of movements in exchange rates and the hedging programme was NZ$16.5 million, including the impact of balance sheet revaluations.
FOREIGN EXCHANGE EFFECTS
The company is exposed to movements in foreign exchange rates, with approximately 52% of operating revenue generated in US dollars, 21% in Euros, 5% in Australian dollars, 5% in British pounds, 5% in Japanese yen, 3% in Canadian dollars, 1% in New Zealand dollars and 8% in other currencies.

In the current period the proportion of revenue which was generated in US dollars has increased from 48% to 52%. This was mainly due to the increased value of the US dollar compared to the comparable period last year and the impact to revenue from the change in Hospital products distribution in the United States from July 2015. The company’s cost base continues to be increasingly diverse, as manufacturing output from Mexico has increased to 27% of total output.

The value of the New Zealand dollar depreciated significantly against most of the currencies in which the company receives revenue. As a result of this depreciation the company’s hedges for most currencies were above the respective spot rates, although achieved rates were significantly better than last year. As a result of the significant depreciation of the NZ dollar, a foreign exchange hedging loss of NZ$4.0 million (2015: NZ$27.9 million gain) to operating profit was recorded.

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 2015 and 2016 are set out in the table below:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Average Daily Spot Rate</th>
<th>Average Effective Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>0.8098</td>
<td>0.7896</td>
</tr>
<tr>
<td>EUR</td>
<td>0.6394</td>
<td>0.5259</td>
</tr>
</tbody>
</table>

The effect of balance sheet translations of offshore assets and liabilities for the year ended 31 March 2016 resulted in an increase in operating revenue of NZ$8.1 million (2015: NZ$3.5 million) and an increase in profit before tax of NZ$2.7 million (2015: NZ$0.2 million).

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

<table>
<thead>
<tr>
<th>Year to 31 March</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD % cover of expected exposure</td>
<td>85%</td>
<td>42%</td>
<td>24%</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>USD average rate of cover</td>
<td>0.689</td>
<td>0.659</td>
<td>0.643</td>
<td>0.626</td>
<td>0.614</td>
</tr>
<tr>
<td>EUR % cover of expected exposure</td>
<td>86%</td>
<td>53%</td>
<td>8%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>EUR average rate of cover</td>
<td>0.577</td>
<td>0.576</td>
<td>0.571</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
FINANCIAL COMMENTARY

BALANCE SHEET
Gearing1 at 31 March 2016 was 7.7%, lower than the 10.3% gearing at 31 March 2015. The decrease in gearing since 31 March 2015 is a result of increased earnings and retained profit partially offset by an increase in working capital, principally inventory, to accommodate the change in hospital distribution in the US. The gearing figure remains above the debt to debt plus equity target range of +5% to –5%.

FUNDING
The company had total available committed debt funding of NZ$252 million as at 31 March 2016, of which approximately NZ$203 million was undrawn, and cash on hand of NZ$19 million. Bank debt facilities provide all available funding given the modest level of requirements. Over the next 12 months debt facilities totalling NZ$95 million will mature. As at 31 March 2016, the weighted average maturity of borrowing facilities was 2.4 years.

Debt maturity
The average maturity of the debt of NZ$47 million was 3.7 years and the currency split was 62% US dollars; 26% Euros; 8% Australian dollars and 4% Canadian dollars (no NZD denominated debt).

Interest rates
As at 31 March 2015 NZ dollar interest rate swaps with a face value of $91 million were de designated as effective hedges due to the low likelihood that there will be an equivalent amount of NZ dollar debt on an ongoing basis. Through to 31 March 2016 $34.5 million of these de-designated interest rate swaps were either closed out or had expired leaving $56.5 million outstanding. An amount of $1.3 million (2015: $2.6 million after tax) was included in financing expense in relation to these de-designated hedges during the period. Exclusive of ineffective interest rate swaps, approximately 78% of all borrowings were at fixed interest rates with an average duration of 2.9 years and an average rate of 3.0%. Inclusive of floating rate borrowings, the average interest rate on the debt is currently 2.7%. All interest rates are inclusive of margins but not fees.

Cash flow
Cash flow from operations was NZ$144.6 million compared with NZ$146.8 million for the year ended 31 March 2015. The small decrease was mainly related to an increase in working capital in debtors and inventory, partly offset by payables. The change in US distribution along with general business growth has led to the increase in inventory and debtors. In addition, tax paid for the year was significantly higher than the prior year due to increased earnings and, to a lesser extent, the timing of payments in the prior year.

Capital expenditure for the year was NZ$65.7 million compared with NZ$53.6 million in the prior year. The capital expenditure related predominantly to new product tooling and manufacturing equipment. The increase in intangible expenditure related to further implementation costs, NZ$11.4 million, for the ERP project.

1. Net interest-bearing debt (debt less cash and cash equivalents) to net interest-bearing debt and equity (less cash flow hedge reserve – unrealised). Gearing ratios have been calculated at 31 March of each financial year.
## FIVE YEAR FINANCIAL SUMMARY – (NZ$)
For the years ended 31 March

<table>
<thead>
<tr>
<th></th>
<th>2012 NZ$000</th>
<th>2013 NZ$000</th>
<th>2014 NZ$000</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL PERFORMANCE</strong></td>
<td></td>
<td></td>
<td></td>
<td>(except as otherwise stated)</td>
<td></td>
</tr>
<tr>
<td>Sales revenue</td>
<td>466,726</td>
<td>507,250</td>
<td>568,602</td>
<td>644,013</td>
<td>818,492</td>
</tr>
<tr>
<td>Foreign exchange gain (loss) on hedged sales</td>
<td>49,962</td>
<td>49,000</td>
<td>54,845</td>
<td>28,335</td>
<td>(3,004)</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>516,688</td>
<td>556,250</td>
<td>623,447</td>
<td>672,348</td>
<td>815,488</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(241,651)</td>
<td>(248,406)</td>
<td>(258,049)</td>
<td>(261,369)</td>
<td>(293,840)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>275,037</td>
<td>307,844</td>
<td>365,398</td>
<td>410,979</td>
<td>521,648</td>
</tr>
<tr>
<td>Gross margin</td>
<td>53.2%</td>
<td>55.3%</td>
<td>58.6%</td>
<td>61.1%</td>
<td>64.0%</td>
</tr>
<tr>
<td>Other income</td>
<td>2,400</td>
<td>2,400</td>
<td>3,700</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(142,644)</td>
<td>(151,791)</td>
<td>(171,453)</td>
<td>(180,909)</td>
<td>(242,279)</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>(41,988)</td>
<td>(45,720)</td>
<td>(54,146)</td>
<td>(64,987)</td>
<td>(73,288)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(184,632)</td>
<td>(197,511)</td>
<td>(225,599)</td>
<td>(245,896)</td>
<td>(315,567)</td>
</tr>
<tr>
<td>Operating profit before financing costs</td>
<td>92,805</td>
<td>112,733</td>
<td>143,499</td>
<td>170,083</td>
<td>211,081</td>
</tr>
<tr>
<td>Operating margin</td>
<td>18.0%</td>
<td>20.3%</td>
<td>23.0%</td>
<td>25.3%</td>
<td>25.9%</td>
</tr>
<tr>
<td>Net financing (expense)</td>
<td>(488)</td>
<td>(3,347)</td>
<td>(6,835)</td>
<td>(11,317)</td>
<td>(10,251)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>92,317</td>
<td>109,386</td>
<td>136,664</td>
<td>158,766</td>
<td>200,830</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(28,207)</td>
<td>(32,333)</td>
<td>(39,611)</td>
<td>(45,593)</td>
<td>(57,405)</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>64,110</td>
<td>77,053</td>
<td>97,053</td>
<td>113,173</td>
<td>143,425</td>
</tr>
</tbody>
</table>

*Prior to one-off non-cash deferred tax charges of $11.5 m (2011)
**FIVE YEAR FINANCIAL SUMMARY – (NZ$) CONTINUED**

For the years ended 31 March

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NZ$000</td>
<td>NZ$000</td>
<td>NZ$000</td>
<td>NZ$000</td>
<td>NZ$000</td>
</tr>
<tr>
<td><strong>FINANCIAL POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>481,759</td>
<td>528,253</td>
<td>551,551</td>
<td>589,851</td>
<td>667,543</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>90,295</td>
<td>90,344</td>
<td>78,774</td>
<td>79,965</td>
<td>99,260</td>
</tr>
<tr>
<td>Total assets</td>
<td>572,054</td>
<td>618,597</td>
<td>630,325</td>
<td>669,816</td>
<td>766,803</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(223,902)</td>
<td>(246,366)</td>
<td>(224,203)</td>
<td>(198,626)</td>
<td>(225,134)</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>348,152</td>
<td>372,231</td>
<td>406,122</td>
<td>471,190</td>
<td>541,669</td>
</tr>
<tr>
<td>Net tangible asset backing (cents per share)</td>
<td>67.2</td>
<td>69.1</td>
<td>73.0</td>
<td>79.7</td>
<td>86.3</td>
</tr>
<tr>
<td>Pre-tax return on average total assets percentage</td>
<td>16.9%</td>
<td>18.4%</td>
<td>21.9%</td>
<td>24.4%</td>
<td>28.0%</td>
</tr>
<tr>
<td>Pre-tax return on average equity percentage</td>
<td>27.9%</td>
<td>30.4%</td>
<td>35.1%</td>
<td>36.2%</td>
<td>39.7%</td>
</tr>
<tr>
<td><strong>CASH FLOWS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>88,486</td>
<td>81,531</td>
<td>99,504</td>
<td>146,832</td>
<td>144,574</td>
</tr>
<tr>
<td>Net cash flow (used in) investing activities</td>
<td>(67,475)</td>
<td>(61,976)</td>
<td>(31,860)</td>
<td>(53,575)</td>
<td>(65,715)</td>
</tr>
<tr>
<td>Net cash flow (used in) financing activities</td>
<td>(19,155)</td>
<td>(21,547)</td>
<td>(62,144)</td>
<td>(90,999)</td>
<td>(74,674)</td>
</tr>
<tr>
<td><strong>SHARES OUTSTANDING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted basic average shares outstanding</td>
<td>525,706,219</td>
<td>537,560,800</td>
<td>547,094,526</td>
<td>555,542,677</td>
<td>561,036,045</td>
</tr>
<tr>
<td>Weighted diluted average shares outstanding</td>
<td>546,509,548</td>
<td>559,097,010</td>
<td>565,973,595</td>
<td>569,548,997</td>
<td>572,037,753</td>
</tr>
<tr>
<td>Basic shares outstanding at end of the year</td>
<td>530,053,399</td>
<td>542,612,236</td>
<td>551,110,270</td>
<td>557,940,257</td>
<td>563,841,265</td>
</tr>
<tr>
<td><strong>DIVidENDS AND EARNINGS PER SHARE (CENTS PER SHARE)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final (i)</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>8.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Interim</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
<td>5.8</td>
<td>6.7</td>
</tr>
<tr>
<td>Total ordinary dividends</td>
<td>12.4</td>
<td>12.4</td>
<td>12.4</td>
<td>13.8</td>
<td>16.7</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>12.2</td>
<td>14.3</td>
<td>17.7</td>
<td>20.4</td>
<td>25.6</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>11.7</td>
<td>13.8</td>
<td>17.1</td>
<td>19.9</td>
<td>25.1</td>
</tr>
</tbody>
</table>

(i) Final dividend relates to the prior financial year.
## FIVE YEAR FINANCIAL SUMMARY – (NZ$) CONTINUED
For the years ended 31 March

<table>
<thead>
<tr>
<th></th>
<th>2012 NZ$000</th>
<th>2013 NZ$000</th>
<th>2014 NZ$000</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
<th>(except as otherwise stated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PATENTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of United States patents</td>
<td>98</td>
<td>107</td>
<td>111</td>
<td>118</td>
<td>138</td>
<td></td>
</tr>
<tr>
<td>Number of United States patent applications (includes PCTs*)</td>
<td>107</td>
<td>159</td>
<td>220</td>
<td>287</td>
<td>329</td>
<td></td>
</tr>
<tr>
<td>Number of non-United States patents</td>
<td>413</td>
<td>442</td>
<td>459</td>
<td>496</td>
<td>559</td>
<td></td>
</tr>
<tr>
<td>Number of non-United States patent applications (excludes PCTs*)</td>
<td>189</td>
<td>260</td>
<td>306</td>
<td>410</td>
<td>582</td>
<td></td>
</tr>
<tr>
<td><strong>RESEARCH AND DEVELOPMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development expenditure</td>
<td>41,988</td>
<td>45,720</td>
<td>54,146</td>
<td>64,987</td>
<td>73,288</td>
<td></td>
</tr>
<tr>
<td>Percentage of operating revenue</td>
<td>8.1%</td>
<td>8.2%</td>
<td>8.7%</td>
<td>9.7%</td>
<td>9.0%</td>
<td></td>
</tr>
<tr>
<td><strong>CAPITAL EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational</td>
<td>16,761</td>
<td>24,725</td>
<td>23,961</td>
<td>38,071</td>
<td>46,280</td>
<td></td>
</tr>
<tr>
<td>Land and buildings</td>
<td>48,150</td>
<td>33,821</td>
<td>3,344</td>
<td>1,200</td>
<td>1,737</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>64,911</td>
<td>58,546</td>
<td>27,305</td>
<td>39,271</td>
<td>48,017</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure : depreciation ratio</td>
<td>3.2</td>
<td>2.5</td>
<td>1.0</td>
<td>1.4</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td><strong>NUMBER OF EMPLOYEES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By function:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>325</td>
<td>359</td>
<td>403</td>
<td>433</td>
<td>509</td>
<td></td>
</tr>
<tr>
<td>Manufacturing and operations</td>
<td>1,544</td>
<td>1,641</td>
<td>1,743</td>
<td>1,818</td>
<td>1,992</td>
<td></td>
</tr>
<tr>
<td>Sales, marketing and distribution</td>
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<td>645</td>
<td>727</td>
<td>738</td>
<td>907</td>
<td></td>
</tr>
<tr>
<td>Management and administration</td>
<td>107</td>
<td>113</td>
<td>139</td>
<td>162</td>
<td>179</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,592</td>
<td>2,758</td>
<td>3,012</td>
<td>3,151</td>
<td>3,587</td>
<td></td>
</tr>
<tr>
<td>By region:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>New Zealand</td>
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<td>1,753</td>
<td>1,904</td>
<td>1,943</td>
<td>2,142</td>
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<td>North America</td>
<td>519</td>
<td>627</td>
<td>681</td>
<td>751</td>
<td>922</td>
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<tr>
<td>Europe</td>
<td>202</td>
<td>205</td>
<td>217</td>
<td>221</td>
<td>258</td>
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</tr>
<tr>
<td>Rest of World</td>
<td>153</td>
<td>173</td>
<td>210</td>
<td>236</td>
<td>265</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,592</td>
<td>2,758</td>
<td>3,012</td>
<td>3,151</td>
<td>3,587</td>
<td></td>
</tr>
</tbody>
</table>

* PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions.
**FIVE YEAR FINANCIAL SUMMARY – (NZ$) CONTINUED**

For the years ended 31 March

<table>
<thead>
<tr>
<th></th>
<th>2012 NZ$000</th>
<th>2013 NZ$000</th>
<th>2014 NZ$000</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVERAGE DAILY SPOT EXCHANGE RATES (NZ$1 = )**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>USD</td>
<td>0.8072</td>
<td>0.8142</td>
<td>0.8208</td>
<td>0.8098</td>
<td>0.6786</td>
</tr>
<tr>
<td>AVERAGE EFFECTIVE EXCHANGE RATES (NZ$1 = )***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>USD</td>
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<td>0.6801</td>
<td>0.6740</td>
<td>0.7896</td>
<td>0.7235</td>
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<td>EUR</td>
<td>0.4823</td>
<td>0.5077</td>
<td>0.4998</td>
<td>0.5259</td>
<td>0.5794</td>
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<tr>
<td>GBP</td>
<td>0.4787</td>
<td>0.4975</td>
<td>0.5153</td>
<td>0.4953</td>
<td>0.4718</td>
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<tr>
<td>AUD</td>
<td>0.7851</td>
<td>0.7855</td>
<td>0.8205</td>
<td>0.8583</td>
<td>0.9000</td>
</tr>
<tr>
<td>CAD</td>
<td>0.7206</td>
<td>0.7325</td>
<td>0.7637</td>
<td>0.8130</td>
<td>0.8720</td>
</tr>
<tr>
<td>JPY</td>
<td>59.3760</td>
<td>58.3516</td>
<td>64.9652</td>
<td>68.2676</td>
<td>68.3762</td>
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<tr>
<td>MXN</td>
<td>9.6811</td>
<td>10.1535</td>
<td>10.1436</td>
<td>10.6783</td>
<td>10.7109</td>
</tr>
</tbody>
</table>

** 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.
## FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>4</td>
<td>672,348</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(261,369)</td>
<td>(293,840)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>410,979</td>
<td>521,648</td>
</tr>
<tr>
<td>Other income</td>
<td>5</td>
<td>5,000</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(180,909)</td>
<td>(242,279)</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>(64,987)</td>
<td>(73,288)</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(245,896)</td>
<td>(315,567)</td>
</tr>
<tr>
<td>Operating profit before financing costs</td>
<td>170,083</td>
<td>211,081</td>
</tr>
<tr>
<td>Financing income</td>
<td>144</td>
<td>102</td>
</tr>
<tr>
<td>Financing expense</td>
<td>(9,329)</td>
<td>(6,384)</td>
</tr>
<tr>
<td>Exchange gain (loss) on foreign currency borrowings</td>
<td>(2,132)</td>
<td>(3,969)</td>
</tr>
<tr>
<td>Net financing (expense)</td>
<td>(11,317)</td>
<td>(10,251)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>5,11</td>
<td>158,766</td>
</tr>
<tr>
<td>Tax expense</td>
<td>11</td>
<td>(45,593)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>113,173</td>
<td>143,425</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>17</td>
<td>20.4 cps</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>17</td>
<td>19.9 cps</td>
</tr>
<tr>
<td>Weighted average basic ordinary shares</td>
<td>555,542,677</td>
<td>561,036,045</td>
</tr>
<tr>
<td>Weighted average diluted ordinary shares</td>
<td>569,548,997</td>
<td>572,037,753</td>
</tr>
</tbody>
</table>

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

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax</td>
<td>113,173</td>
<td>143,425</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>16,211</td>
<td>6,540</td>
</tr>
<tr>
<td>Changes in fair value</td>
<td>16</td>
<td>(29,746)</td>
</tr>
<tr>
<td>Transfers to profit before tax</td>
<td>11,16</td>
<td>4,910</td>
</tr>
<tr>
<td>Tax on changes in fair value and transfers to profit before tax</td>
<td>9</td>
<td>8,359</td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td>(4,266)</td>
<td>(9,545)</td>
</tr>
<tr>
<td>Revaluation of land</td>
<td>108,907</td>
<td>133,880</td>
</tr>
</tbody>
</table>

The accompanying Notes form an integral part of the Financial Statements.
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>Share capital NZ$000</th>
<th>Treasury shares NZ$000</th>
<th>Retained earnings NZ$000</th>
<th>Asset revaluation reserve NZ$000</th>
<th>Cash flow hedge reserve NZ$000</th>
<th>Share based payments reserve NZ$000</th>
<th>Total equity NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 March 2014</td>
<td>121,932</td>
<td>(1,559)</td>
<td>224,511</td>
<td>24,100</td>
<td>34,259</td>
<td>2,879</td>
<td>406,122</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>113,173</td>
<td>8,359</td>
<td>(12,625)</td>
<td>-</td>
<td>108,907</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>(70,913)</td>
<td>-</td>
<td>-</td>
<td>(70,913)</td>
</tr>
<tr>
<td>Issue of share capital under dividend reinvestment plan</td>
<td>15</td>
<td>23,012</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23,012</td>
</tr>
<tr>
<td>Issue of share capital</td>
<td>15</td>
<td>1,580</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,580</td>
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<tr>
<td>Movement in share based payments reserve</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,576</td>
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<tr>
<td>Movement in treasury shares</td>
<td>16</td>
<td>-</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>Increase in share capital under share option schemes for employee services</td>
<td>15</td>
<td>878</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>878</td>
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<tr>
<td>Employee share scheme shares issued for employee services</td>
<td>15</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Balance at 31 March 2015</td>
<td>147,414</td>
<td>(1,543)</td>
<td>266,771</td>
<td>32,459</td>
<td>21,634</td>
<td>4,455</td>
<td>471,190</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>143,425</td>
<td>-</td>
<td>(9,545)</td>
<td>-</td>
<td>133,880</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>(82,342)</td>
<td>-</td>
<td>-</td>
<td>(82,342)</td>
</tr>
<tr>
<td>Issue of share capital under dividend reinvestment plan</td>
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<td>14,150</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,150</td>
</tr>
<tr>
<td>Issue of share capital</td>
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<td>2,086</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>2,086</td>
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<tr>
<td>Movement in share based payments reserve</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,568</td>
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<tr>
<td>Movement in treasury shares</td>
<td>16</td>
<td>-</td>
<td>(851)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(851)</td>
</tr>
<tr>
<td>Increase in share capital under share option schemes for employee services</td>
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<td>1,573</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,573</td>
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<td>Employee share scheme shares issued for employee services</td>
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<td>415</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>415</td>
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<tr>
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<td>327,854</td>
<td>32,459</td>
<td>12,089</td>
<td>6,023</td>
<td>541,669</td>
</tr>
</tbody>
</table>

The accompanying Notes form an integral part of the Financial Statements.
**CONSOLIDATED BALANCE SHEET**  
As at 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>13,621</td>
<td>18,741</td>
</tr>
<tr>
<td>Trade and other receivables</td>
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<td>107,416</td>
<td>131,361</td>
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<td>Inventories</td>
<td>8</td>
<td>96,143</td>
<td>120,948</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>6</td>
<td>24,240</td>
<td>12,792</td>
</tr>
<tr>
<td>Tax receivable</td>
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<td>1,871</td>
<td>1,878</td>
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<tr>
<td><strong>Total current assets</strong></td>
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<td>243,291</td>
<td>285,720</td>
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<tr>
<td>Non-current assets</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
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<td>13,364</td>
<td>20,986</td>
</tr>
<tr>
<td>Other receivables</td>
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<td>3,372</td>
<td>5,006</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
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<td>367,428</td>
<td>389,609</td>
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<tr>
<td>Intangible assets</td>
<td>10</td>
<td>22,430</td>
<td>35,757</td>
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<tr>
<td>Deferred tax asset</td>
<td>11</td>
<td>19,931</td>
<td>29,725</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
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<td>766,803</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
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</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>12</td>
<td>14,154</td>
<td>16,286</td>
</tr>
<tr>
<td>Trade and other payables</td>
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<td>81,075</td>
<td>101,376</td>
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<tr>
<td>Provisions</td>
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<td>2,614</td>
<td>3,875</td>
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<td>Tax payable</td>
<td>14</td>
<td>14,198</td>
<td>19,117</td>
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<tr>
<td>Derivative financial instruments</td>
<td>6</td>
<td>5,073</td>
<td>8,869</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
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<td>117,114</td>
<td>149,523</td>
</tr>
<tr>
<td>Non-current liabilities</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>12</td>
<td>51,342</td>
<td>46,853</td>
</tr>
<tr>
<td>Provisions</td>
<td>13</td>
<td>1,824</td>
<td>2,389</td>
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<tr>
<td>Other payables</td>
<td></td>
<td>6,349</td>
<td>7,860</td>
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<tr>
<td>Derivative financial instruments</td>
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</tr>
<tr>
<td>Deferred tax liability</td>
<td>11</td>
<td>15,673</td>
<td>10,173</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>198,626</td>
<td>225,134</td>
</tr>
</tbody>
</table>
## CONSOLIDATED BALANCE SHEET CONTINUED

As at 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>15</td>
<td>147,414</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>15,16</td>
<td>(1,543)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>16</td>
<td>266,771</td>
</tr>
<tr>
<td>Asset revaluation reserve</td>
<td>16</td>
<td>32,459</td>
</tr>
<tr>
<td>Cash flow hedge reserve</td>
<td>16</td>
<td>21,634</td>
</tr>
<tr>
<td>Share based payments reserve</td>
<td>16</td>
<td>4,455</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>471,190</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>669,816</td>
<td>766,803</td>
</tr>
</tbody>
</table>

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

On behalf of the Board
26 May 2016

Tony Carter
Chairman

Lewis Gradon
Managing Director and Chief Executive Officer
## CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NZ$000</td>
<td>NZ$000</td>
</tr>
<tr>
<td></td>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>659,513</td>
<td>800,451</td>
</tr>
<tr>
<td>Grants received</td>
<td>4,750</td>
<td>5,000</td>
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<tr>
<td>Interest received</td>
<td>90</td>
<td>102</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(467,300)</td>
<td>(591,968)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(44,274)</td>
<td>(63,976)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(5,947)</td>
<td>(5,035)</td>
</tr>
<tr>
<td><strong>Net cash flows from operations</strong></td>
<td>146,832</td>
<td>144,574</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS (USED IN) INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of property, plant and equipment</td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(39,271)</td>
<td>(48,017)</td>
</tr>
<tr>
<td>Purchases of intangible assets</td>
<td>(14,314)</td>
<td>(17,743)</td>
</tr>
<tr>
<td><strong>Net cash flows (used in) investing activities</strong></td>
<td>(53,575)</td>
<td>(65,715)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS (USED IN) FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee share purchase schemes</td>
<td>529</td>
<td>631</td>
</tr>
<tr>
<td>Issue of share capital</td>
<td>1,580</td>
<td>939</td>
</tr>
<tr>
<td>New borrowings</td>
<td>5,000</td>
<td>29,683</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(50,207)</td>
<td>(37,736)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(47,901)</td>
<td>(68,191)</td>
</tr>
<tr>
<td><strong>Net cash flows (used in) financing activities</strong></td>
<td>(90,999)</td>
<td>(74,674)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase in cash</td>
<td>2,258</td>
<td>4,185</td>
</tr>
<tr>
<td>Opening cash</td>
<td>(3,761)</td>
<td>(533)</td>
</tr>
<tr>
<td>Effect of foreign exchange rates</td>
<td>970</td>
<td>(1,197)</td>
</tr>
<tr>
<td><strong>Closing cash</strong></td>
<td>(533)</td>
<td>2,455</td>
</tr>
</tbody>
</table>

### RECONCILIATION OF CLOSING CASH

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>13,621</td>
<td>18,741</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>12</td>
<td>(14,154)</td>
</tr>
<tr>
<td><strong>Closing cash</strong></td>
<td>(533)</td>
<td>2,455</td>
</tr>
</tbody>
</table>

The accompanying Notes form an integral part of the Financial Statements.
### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

<table>
<thead>
<tr>
<th>CASH FLOW RECONCILIATION</th>
<th>Notes</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit after tax</strong></td>
<td></td>
<td>113,173</td>
<td>143,425</td>
</tr>
<tr>
<td>Add (deduct) non-cash items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and writedown of property, plant and equipment to recoverable amount</td>
<td></td>
<td>27,943</td>
<td>30,128</td>
</tr>
<tr>
<td>Amortisation of intangibles</td>
<td></td>
<td>3,705</td>
<td>5,075</td>
</tr>
<tr>
<td>Accrued financing income / expense</td>
<td></td>
<td>(259)</td>
<td>(31)</td>
</tr>
<tr>
<td>Movement in provisions</td>
<td></td>
<td>(1,433)</td>
<td>1,826</td>
</tr>
<tr>
<td>Movement in deferred tax asset / liability</td>
<td></td>
<td>(5,710)</td>
<td>(18,330)</td>
</tr>
<tr>
<td>Movement in foreign currency option contracts time value</td>
<td></td>
<td>1,762</td>
<td>(4,168)</td>
</tr>
<tr>
<td><strong>Movement in working capital:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td></td>
<td>(15,260)</td>
<td>(25,579)</td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td>(1,668)</td>
<td>(24,805)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
<td>14,070</td>
<td>20,068</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td></td>
<td>6,937</td>
<td>11,660</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td></td>
<td>3,572</td>
<td>5,305</td>
</tr>
<tr>
<td><strong>Net cash flows from operations</strong></td>
<td></td>
<td>146,832</td>
<td>144,574</td>
</tr>
</tbody>
</table>

The accompanying Notes form an integral part of the Financial Statements.
**CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reporting entity</td>
<td>40</td>
</tr>
<tr>
<td>2</td>
<td>Basis of preparation</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>Principles of consolidation</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>Operating revenue</td>
<td>41</td>
</tr>
<tr>
<td>5</td>
<td>Operating profit</td>
<td>42</td>
</tr>
<tr>
<td>6</td>
<td>Derivative financial instruments</td>
<td>43</td>
</tr>
<tr>
<td>7</td>
<td>Trade and other receivables</td>
<td>46</td>
</tr>
<tr>
<td>8</td>
<td>Inventories</td>
<td>47</td>
</tr>
<tr>
<td>9</td>
<td>Property, plant and equipment</td>
<td>48</td>
</tr>
<tr>
<td>10</td>
<td>Intangible assets</td>
<td>50</td>
</tr>
<tr>
<td>11</td>
<td>Income tax</td>
<td>51</td>
</tr>
<tr>
<td>12</td>
<td>Interest-bearing liabilities</td>
<td>54</td>
</tr>
<tr>
<td>13</td>
<td>Trade and other payables</td>
<td>57</td>
</tr>
<tr>
<td>14</td>
<td>Provisions</td>
<td>58</td>
</tr>
<tr>
<td>15</td>
<td>Share capital</td>
<td>59</td>
</tr>
<tr>
<td>16</td>
<td>Reserves</td>
<td>60</td>
</tr>
<tr>
<td>17</td>
<td>Earnings per share</td>
<td>62</td>
</tr>
<tr>
<td>18</td>
<td>Employee benefits</td>
<td>63</td>
</tr>
<tr>
<td>19</td>
<td>Contingent liabilities</td>
<td>66</td>
</tr>
<tr>
<td>20</td>
<td>Commitments</td>
<td>67</td>
</tr>
<tr>
<td>21</td>
<td>Segment information</td>
<td>68</td>
</tr>
<tr>
<td>22</td>
<td>Financial risk management</td>
<td>71</td>
</tr>
<tr>
<td>23</td>
<td>Significant events after balance date</td>
<td>75</td>
</tr>
<tr>
<td>24</td>
<td>Other accounting policies</td>
<td>76</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1. REPORTING ENTITY
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 financial statements were approved for issue by the Board of Directors on 26 May 2016.

2. BASIS OF PREPARATION
Statement of compliance and measurement base
The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX). The consolidated financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013. These consolidated financial statements for the year ended 31 March 2016 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), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The Group is a for-profit entity for the purposes of complying with NZ GAAP.

Historical cost convention
These consolidated 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.

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 Group operates (“the functional currency”). The Group operates as one integrated business. The financial statements are presented in New Zealand dollars, which is the Group’s functional and presentation currency.

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

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.

Estimates
Revaluation of land
The Group holds land which is measured at fair value as disclosed in Note 9 and in accordance with the accounting policy stated there.

3. 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 entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 Group.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

4. OPERATING REVENUE
Revenue includes the fair value of the consideration received or receivable 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 when the amount of revenue can be reliably measured, when it is probable that future economic benefits will accrue to the Group, and in accordance with the terms of sale when title has been transferred and the benefits of ownership and risk pass to the customer.

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>644,013</td>
<td>818,492</td>
</tr>
<tr>
<td>Foreign exchange gain on hedged sales</td>
<td>28,335</td>
<td>(3,004)</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>672,348</td>
<td>815,488</td>
</tr>
</tbody>
</table>
## 5. OPERATING PROFIT

<table>
<thead>
<tr>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>158,766</strong></td>
</tr>
<tr>
<td><strong>After charging the following specific expenses:</strong></td>
<td></td>
</tr>
<tr>
<td>Auditors’ fees:</td>
<td></td>
</tr>
<tr>
<td>Statutory audit and half year review</td>
<td>936</td>
</tr>
<tr>
<td>Other assurance services</td>
<td>33</td>
</tr>
<tr>
<td>Total audit and other assurance services</td>
<td>969</td>
</tr>
<tr>
<td>Other services:</td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td>400</td>
</tr>
<tr>
<td>Total fees paid to auditors</td>
<td>1,369</td>
</tr>
<tr>
<td>Donations</td>
<td>69</td>
</tr>
<tr>
<td>Inventory written off (net)</td>
<td>1,262</td>
</tr>
<tr>
<td>Rental and lease expense</td>
<td>8,049</td>
</tr>
<tr>
<td>Directors’ fees paid</td>
<td>765</td>
</tr>
<tr>
<td>Directors’ retirement fees paid</td>
<td>–</td>
</tr>
<tr>
<td>Movement in accrual for directors’ retirement fees</td>
<td>3</td>
</tr>
<tr>
<td><strong>Other fees paid to auditors</strong></td>
<td></td>
</tr>
<tr>
<td>These include tax compliance services and advisory services in relation to accounting standards, remuneration, the ERP upgrade project, treasury and risk management.</td>
<td></td>
</tr>
<tr>
<td><strong>After crediting the following specific income:</strong></td>
<td></td>
</tr>
<tr>
<td>R&amp;D growth grant</td>
<td>5,000</td>
</tr>
</tbody>
</table>

### 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.

### R&D growth grant

This government grant reimburses 20 per cent of eligible expenditure on the Group’s R&D programme, up to a maximum of $5.0 million a year (excluding GST). The grant has been awarded for the three years ending 30 September 2016.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

6. DERIVATIVE FINANCIAL INSTRUMENTS

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. They are subsequently carried at fair value. 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 plus transaction costs and subsequently carried at amortised cost using the effective interest method.

The Group generally applies hedge accounting to derivative financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or (2) hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction the Group documents 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.

Master netting
All derivatives are recorded in the Balance Sheet as gross. There are no amounts offset in accordance with NZ IAS 32 netting criteria. The Group has ISDA agreements in place for all derivatives but netting arrangements are only enforceable upon early termination, for example, on occurrence of a credit default.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NZ$000</td>
<td>NZ$000</td>
</tr>
<tr>
<td></td>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td>CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency forward exchange contracts – cash flow hedges</td>
<td>21,021</td>
<td>2,928</td>
</tr>
<tr>
<td>Foreign currency forward exchange contracts – not hedge accounted</td>
<td>593</td>
<td>15</td>
</tr>
<tr>
<td>Foreign currency option contracts – cash flow hedges</td>
<td>2,131</td>
<td>–</td>
</tr>
<tr>
<td>Foreign currency option contracts – time value</td>
<td>448</td>
<td>756</td>
</tr>
<tr>
<td>Interest rate swaps – cash flow hedges</td>
<td>47</td>
<td>1,374</td>
</tr>
<tr>
<td></td>
<td>24,240</td>
<td>5,073</td>
</tr>
<tr>
<td>NON-CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency forward exchange contracts – cash flow hedges</td>
<td>12,213</td>
<td>1,457</td>
</tr>
<tr>
<td>Foreign currency forward exchange contracts – not hedge accounted</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Foreign currency option contracts – cash flow hedges</td>
<td>897</td>
<td>–</td>
</tr>
<tr>
<td>Foreign currency option contracts – time value</td>
<td>237</td>
<td>805</td>
</tr>
<tr>
<td>Interest rate swaps – cash flow hedges</td>
<td>17</td>
<td>4,062</td>
</tr>
<tr>
<td></td>
<td>13,364</td>
<td>6,324</td>
</tr>
</tbody>
</table>

Refer to Note 22a.(iv) for information on the calculation of fair values.
6. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

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

<table>
<thead>
<tr>
<th></th>
<th>As at 31 March 2015</th>
<th></th>
<th></th>
<th>As at 31 March 2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 1 year</td>
<td>Between 1 and 2 years</td>
<td>Between 2 and 5 years</td>
<td>Over 5 years</td>
<td>Less than 1 year</td>
<td>Between 1 and 2 years</td>
</tr>
<tr>
<td>Foreign exchange derivative instruments inflows</td>
<td>244,006</td>
<td>117,903</td>
<td>17,067</td>
<td>–</td>
<td>249,330</td>
<td>112,542</td>
</tr>
<tr>
<td>Foreign exchange derivative instruments outflows</td>
<td>(225,716)</td>
<td>(107,305)</td>
<td>(16,301)</td>
<td>–</td>
<td>(242,540)</td>
<td>(109,845)</td>
</tr>
<tr>
<td>Interest rate derivative instruments net inflows (outflows)</td>
<td>(687)</td>
<td>(565)</td>
<td>(675)</td>
<td>(47)</td>
<td>(701)</td>
<td>(658)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase commitments forward exchange contracts</td>
<td>30,594</td>
<td>50,988</td>
</tr>
<tr>
<td>Sale commitments forward exchange contracts</td>
<td>350,147</td>
<td>431,972</td>
</tr>
<tr>
<td>Foreign currency borrowing forward exchange contracts</td>
<td>14,557</td>
<td>4,259</td>
</tr>
<tr>
<td>NZD call option contracts purchased</td>
<td>8,304</td>
<td>3,008</td>
</tr>
<tr>
<td>Collar option contracts – NZD call options purchased (i)</td>
<td>137,859</td>
<td>274,527</td>
</tr>
<tr>
<td>Collar option contracts – NZD put options sold (i)</td>
<td>153,304</td>
<td>307,381</td>
</tr>
</tbody>
</table>

(i) Foreign currency contractual amounts of put and call options are equal.
6. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

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

<table>
<thead>
<tr>
<th>Foreign Currency</th>
<th>2015 000s</th>
<th>2016 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States dollars</td>
<td>US$205,750</td>
<td>US$302,250</td>
</tr>
<tr>
<td>European Union euros</td>
<td>€ 76,150</td>
<td>€ 87,959</td>
</tr>
<tr>
<td>Australian dollars</td>
<td>A$4,700</td>
<td>A$8,150</td>
</tr>
<tr>
<td>British pounds</td>
<td>£13,475</td>
<td>£15,500</td>
</tr>
<tr>
<td>Canadian dollars</td>
<td>C$5,450</td>
<td>C$8,200</td>
</tr>
<tr>
<td>Swedish kronor</td>
<td>– kr12,500</td>
<td>–</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>¥2,197,500</td>
<td>¥2,680,000</td>
</tr>
<tr>
<td>Chinese yuan</td>
<td>¥45,000</td>
<td>¥44,250</td>
</tr>
<tr>
<td>Korean won</td>
<td>¥2,479,504</td>
<td>¥2,110,665</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Foreign Currency</th>
<th>2015 000s</th>
<th>2016 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexican pesos</td>
<td>Mex$366,000</td>
<td>Mex$628,500</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Interest rate swaps</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>121,324</td>
<td>89,821</td>
</tr>
</tbody>
</table>

As at 31 March 2015 interest rate swaps with a face value of NZ$91 million were de-designated as effective hedges with the mark to market valuation of NZ$3,542,000 ($2,550,000 after tax) expensed to financing expense in the Income Statement. This action was taken due to uncertainty whether there would be an equivalent amount of NZ dollar debt on an ongoing basis. Prior to the de-designation the mark to market valuation of these interest rate swaps were held within the Cashflow Hedge Reserve, net of tax. During the 2016 financial year interest rate swaps with a face value totalling NZ$34.3M were either closed out or have expired, leaving swaps with a face value of $56.5M outstanding as ineffective hedges. These interest rate swaps will expire from financial years 2017 through to 2021. Future changes in the mark to market valuation of these interest rate swaps will be expensed or credited to the Income Statement.

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.
7. TRADE AND OTHER RECEIVABLES

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

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>96,985</td>
<td>117,933</td>
</tr>
<tr>
<td>Less provision for doubtful trade receivables</td>
<td>(1,272)</td>
<td>(1,704)</td>
</tr>
<tr>
<td></td>
<td>95,713</td>
<td>116,229</td>
</tr>
<tr>
<td>Other receivables</td>
<td>11,703</td>
<td>15,132</td>
</tr>
<tr>
<td></td>
<td>107,416</td>
<td>131,361</td>
</tr>
</tbody>
</table>

Foreign currency risk

The carrying amounts of the Group’s trade receivables are denominated in the following currencies:

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States dollars</td>
<td>49,538</td>
<td>54,208</td>
</tr>
<tr>
<td>European Union euros</td>
<td>21,948</td>
<td>29,529</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>8,559</td>
<td>13,262</td>
</tr>
<tr>
<td>Australian dollars</td>
<td>4,270</td>
<td>4,796</td>
</tr>
<tr>
<td>Canadian dollars</td>
<td>4,015</td>
<td>4,604</td>
</tr>
<tr>
<td>British pounds</td>
<td>3,521</td>
<td>4,343</td>
</tr>
<tr>
<td>New Zealand dollars</td>
<td>1,224</td>
<td>1,400</td>
</tr>
<tr>
<td>Other currencies</td>
<td>3,910</td>
<td>5,791</td>
</tr>
<tr>
<td></td>
<td>96,985</td>
<td>117,933</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

7. TRADE AND OTHER RECEIVABLES CONTINUED
Ageing of trade receivables past due
The ageing analysis of consolidated trade receivables beyond normal terms is as follows:

<table>
<thead>
<tr>
<th>Past due but not considered impaired</th>
<th>1-30 days NZ$000</th>
<th>31-60 days NZ$000</th>
<th>61-90 days NZ$000</th>
<th>90+ days NZ$000</th>
<th>Total NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March 2015</td>
<td>8,593</td>
<td>999</td>
<td>306</td>
<td>833</td>
<td>10,731</td>
</tr>
<tr>
<td>31 March 2016</td>
<td>11,008</td>
<td>2,287</td>
<td>848</td>
<td>1,981</td>
<td>16,124</td>
</tr>
<tr>
<td>Past due and considered impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 March 2015</td>
<td>267</td>
<td>260</td>
<td>106</td>
<td>639</td>
<td>1,272</td>
</tr>
<tr>
<td>31 March 2016</td>
<td>76</td>
<td>8</td>
<td>178</td>
<td>1,442</td>
<td>1,704</td>
</tr>
</tbody>
</table>

Customer and receivable concentration
Five largest customers' proportion of the Group’s:

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>21.4%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>14.0%</td>
<td>15.9%</td>
</tr>
</tbody>
</table>

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

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

8. 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.

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>23,674</td>
<td>32,236</td>
</tr>
<tr>
<td>Finished products</td>
<td>80,076</td>
<td>98,418</td>
</tr>
<tr>
<td>Provision for obsolescence</td>
<td>(7,607)</td>
<td>(9,706)</td>
</tr>
<tr>
<td>Total</td>
<td>96,143</td>
<td>120,948</td>
</tr>
</tbody>
</table>

Inventory provisions are provided at year end for stock obsolescence.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

9. 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. Valuations are performed with sufficient regularity to ensure that the fair value does not differ materially from its carrying amount.

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:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings – structure</td>
<td>25 – 50 years</td>
</tr>
<tr>
<td>Buildings – fit-out and other</td>
<td>3 – 50 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>2 – 20 years</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>3 – 15 years</td>
</tr>
</tbody>
</table>

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.
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2016

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

<table>
<thead>
<tr>
<th>Land</th>
<th>Buildings</th>
<th>Capital projects</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Revaluation</td>
<td>Structure</td>
</tr>
<tr>
<td>Cost and revaluation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 March 2014</td>
<td>63,216</td>
<td>24,100</td>
<td>90,251</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>8,359</td>
<td>–</td>
</tr>
<tr>
<td>Transfers</td>
<td>–</td>
<td>–</td>
<td>(841)</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 March 2015</td>
<td>63,216</td>
<td>32,459</td>
<td>89,410</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Transfers</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>63,216</td>
<td>32,459</td>
<td>89,410</td>
</tr>
</tbody>
</table>

Depreciation and impairment losses

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Revaluation</th>
<th>Structure</th>
<th>Fit out and other</th>
<th>Leasehold improvements</th>
<th>Plant &amp; equipment</th>
<th>Buildings</th>
<th>Other</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 31 March 2014</td>
<td>–</td>
<td>–</td>
<td>10,960</td>
<td>42,111</td>
<td>1,208</td>
<td>115,621</td>
<td>–</td>
<td>–</td>
<td>169,900</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>–</td>
<td>–</td>
<td>1,777</td>
<td>5,057</td>
<td>254</td>
<td>20,855</td>
<td>–</td>
<td>–</td>
<td>27,943</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(128)</td>
<td>(45)</td>
<td>(6,770)</td>
<td>–</td>
<td>(6,943)</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 March 2015</td>
<td>–</td>
<td>–</td>
<td>12,737</td>
<td>47,040</td>
<td>1,417</td>
<td>129,706</td>
<td>–</td>
<td>–</td>
<td>190,900</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>–</td>
<td>–</td>
<td>1,806</td>
<td>5,350</td>
<td>232</td>
<td>22,740</td>
<td>–</td>
<td>–</td>
<td>30,128</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(168)</td>
<td>(398)</td>
<td>(4,295)</td>
<td>–</td>
<td>(4,861)</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>–</td>
<td>–</td>
<td>14,543</td>
<td>52,222</td>
<td>1,251</td>
<td>148,151</td>
<td>–</td>
<td>–</td>
<td>216,167</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Carrying amounts

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Revaluation</th>
<th>Structure</th>
<th>Fit out and other</th>
<th>Leasehold improvements</th>
<th>Plant &amp; equipment</th>
<th>Buildings</th>
<th>Other</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
<th>NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 March 2014</td>
<td>63,216</td>
<td>24,100</td>
<td>79,291</td>
<td>77,903</td>
<td>689</td>
<td>82,320</td>
<td>307</td>
<td>21,934</td>
<td>349,760</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 March 2015</td>
<td>63,216</td>
<td>32,459</td>
<td>76,673</td>
<td>77,875</td>
<td>530</td>
<td>80,254</td>
<td>444</td>
<td>35,977</td>
<td>367,428</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 March 2016</td>
<td>63,216</td>
<td>32,459</td>
<td>74,867</td>
<td>75,180</td>
<td>403</td>
<td>85,910</td>
<td>558</td>
<td>57,016</td>
<td>389,609</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Land revaluation

The Group’s land holding was valued by Darroch Limited, with an effective date of 31 March 2015 in accordance with the Property Institute of New Zealand Valuation and Property Standards and the provisions of NZ IAS16 Property, Plant and Equipment and NZ IFRS 13 Fair Value Measurement. The valuation was performed using a sales comparison approach based on a price per square metre of $275 for developed land. The valuation was adjusted for undeveloped land to $240 per square metre based on the estimated costs of improvements required to develop the land.

The change in value from the 2012 valuation, being an increment of $8.359 million, was included in Other Comprehensive Income for the 2015 year and added to the asset revaluation reserve in equity. The aggregate land revaluation amount and asset revaluation reserve total $32.459 million.

As described in Note 22 a.(iv) land is considered to be a level 3 asset within the fair value hierarchy for valuation purposes.

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, conducted by Darroch Limited as at 31 March 2015 was $267.0 million.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

10. 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
Software costs have a finite useful life. Software costs are capitalised and amortised over the useful economic life of 3 to 15 years.

<table>
<thead>
<tr>
<th>Software</th>
<th>Patents &amp; trademarks &amp; applications</th>
<th>Other</th>
<th>ERP Project in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ$000</td>
<td>NZ$000</td>
<td>NZ$000</td>
<td>NZ$000</td>
<td>NZ$000</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 March 2014</td>
<td>12,367</td>
<td>17,406</td>
<td>4,922</td>
<td>–</td>
</tr>
<tr>
<td>Additions</td>
<td>1,955</td>
<td>3,792</td>
<td>74</td>
<td>9,909</td>
</tr>
<tr>
<td>Transfers</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(157)</td>
<td>(75)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 March 2015</td>
<td>14,165</td>
<td>21,123</td>
<td>4,996</td>
<td>9,909</td>
</tr>
<tr>
<td>Additions</td>
<td>1,579</td>
<td>5,406</td>
<td>35</td>
<td>11,381</td>
</tr>
<tr>
<td>Transfers</td>
<td>19,993</td>
<td>–</td>
<td>–</td>
<td>(19,993)</td>
</tr>
<tr>
<td>Disposals</td>
<td>(128)</td>
<td>(251)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>35,609</td>
<td>26,278</td>
<td>5,031</td>
<td>1,297</td>
</tr>
<tr>
<td>Amortisation and impairment losses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 March 2014</td>
<td>9,421</td>
<td>11,636</td>
<td>3,233</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation for the year</td>
<td>1,820</td>
<td>1,572</td>
<td>313</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(157)</td>
<td>(75)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 March 2015</td>
<td>11,084</td>
<td>13,133</td>
<td>3,546</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation for the year</td>
<td>2,598</td>
<td>2,442</td>
<td>35</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(128)</td>
<td>(252)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>13,554</td>
<td>15,323</td>
<td>3,581</td>
<td>–</td>
</tr>
<tr>
<td>Carrying amounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 March 2014</td>
<td>2,946</td>
<td>5,770</td>
<td>1,689</td>
<td>–</td>
</tr>
<tr>
<td>At 31 March 2015</td>
<td>3,081</td>
<td>7,990</td>
<td>1,450</td>
<td>9,909</td>
</tr>
<tr>
<td>At 31 March 2016</td>
<td>22,055</td>
<td>10,955</td>
<td>1,450</td>
<td>1,297</td>
</tr>
</tbody>
</table>

The ERP implementation project is being capitalised in stages as each implementation is undertaken. As each implementation is completed its costs are transferred from ERP Project in Progress to Software.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

11. 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.

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TAX EXPENSE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>158,766</td>
<td>200,830</td>
</tr>
<tr>
<td>Tax expense at the New Zealand rate of 28%</td>
<td>44,454</td>
<td>56,232</td>
</tr>
<tr>
<td>Adjustments to taxation for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-assessable income</td>
<td>(283)</td>
<td>(380)</td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>898</td>
<td>1,132</td>
</tr>
<tr>
<td>Foreign rates other than 28%</td>
<td>797</td>
<td>1,400</td>
</tr>
<tr>
<td>Effect of foreign currency translations</td>
<td>(50)</td>
<td>(701)</td>
</tr>
<tr>
<td>Other</td>
<td>(223)</td>
<td>(278)</td>
</tr>
<tr>
<td><strong>Total tax expense</strong></td>
<td>45,593</td>
<td>57,405</td>
</tr>
<tr>
<td>This is represented by:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax</td>
<td>51,303</td>
<td>68,987</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(5,710)</td>
<td>(11,582)</td>
</tr>
<tr>
<td><strong>Tax expense</strong></td>
<td>45,593</td>
<td>57,405</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>28.7%</td>
<td>28.6%</td>
</tr>
</tbody>
</table>
## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

### 11. INCOME TAX CONTINUED

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TAX PAYABLE/RECEIVABLE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax payable</td>
<td>(6,740)</td>
<td>(14,198)</td>
</tr>
<tr>
<td>Tax receivable</td>
<td>1,350</td>
<td>1,871</td>
</tr>
<tr>
<td></td>
<td>(5,390)</td>
<td>(12,327)</td>
</tr>
<tr>
<td>Movements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of tax expense</td>
<td>(51,303)</td>
<td>(68,987)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>39,282</td>
<td>57,101</td>
</tr>
<tr>
<td>Supplementary dividend tax credit</td>
<td>5,089</td>
<td>6,995</td>
</tr>
<tr>
<td>Other movements</td>
<td>(5)</td>
<td>(21)</td>
</tr>
<tr>
<td></td>
<td>(6,937)</td>
<td>(4,912)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax payable</td>
<td>(14,198)</td>
<td>(19,117)</td>
</tr>
<tr>
<td>Tax receivable</td>
<td>1,871</td>
<td>1,878</td>
</tr>
<tr>
<td></td>
<td>(12,327)</td>
<td>(17,239)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IMPUTATION CREDITS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand imputation credits available for use in subsequent reporting periods</td>
<td>19,589</td>
<td>45,201</td>
</tr>
<tr>
<td>Australian franking credits available for use in subsequent reporting periods</td>
<td>6,360</td>
<td>6,789</td>
</tr>
</tbody>
</table>

The above amounts represent the balance of the imputation and franking accounts as at the end of the reporting period.
The amounts include imputation and franking credits that would be available to the parent entity if subsidiaries paid dividends.
# 11. INCOME TAX CONTINUED

## DEFERRED TAX

### Balance at beginning of the year

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax asset</td>
<td>14,671</td>
<td>19,931</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>(21,033)</td>
<td>(15,673)</td>
</tr>
</tbody>
</table>

### Movements

**Credited (charged) to the Income Statement:**

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions and accruals</td>
<td>5,515</td>
<td>11,489</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(434)</td>
<td>(1,284)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>159</td>
<td>2,336</td>
</tr>
<tr>
<td>Other</td>
<td>470</td>
<td>(959)</td>
</tr>
</tbody>
</table>

| Total                           | 5,710       | 11,582      |

**Credited (charged) to Other Comprehensive Income:**

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax on cash flow hedge reserve movements</td>
<td>4,910</td>
<td>3,712</td>
</tr>
</tbody>
</table>

| Total                           | 4,910       | 3,712       |

### Balance at end of the year

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax asset</td>
<td>19,931</td>
<td>29,725</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>(15,673)</td>
<td>(10,173)</td>
</tr>
</tbody>
</table>

| Total                           | 4,258       | 19,552      |

### The balance comprises temporary differences attributable to:

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions and accruals</td>
<td>26,246</td>
<td>37,735</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(16,331)</td>
<td>(17,615)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>1,952</td>
<td>4,288</td>
</tr>
<tr>
<td>Other</td>
<td>804</td>
<td>(155)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(8,413)</td>
<td>(4,701)</td>
</tr>
</tbody>
</table>

| Total                           | 4,258       | 19,552      |
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

11. INCOME TAX  CONTINUED

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timing of usage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The amount of the deferred tax asset expected to be used:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>19,896</td>
<td>31,011</td>
</tr>
<tr>
<td>After one year</td>
<td>35</td>
<td>(1,286)</td>
</tr>
<tr>
<td></td>
<td>19,931</td>
<td>29,725</td>
</tr>
<tr>
<td>The amount of the deferred tax liability expected to be used:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>1,397</td>
<td>3,851</td>
</tr>
<tr>
<td>After one year</td>
<td>(17,070)</td>
<td>(14,024)</td>
</tr>
<tr>
<td></td>
<td>(15,673)</td>
<td>(10,173)</td>
</tr>
</tbody>
</table>

12. INTEREST-BEARING LIABILITIES

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.

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>14,154</td>
<td>16,286</td>
</tr>
<tr>
<td>Borrowings</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>14,154</td>
<td>16,286</td>
</tr>
<tr>
<td><strong>NON-CURRENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>51,342</td>
<td>46,853</td>
</tr>
<tr>
<td></td>
<td>51,342</td>
<td>46,853</td>
</tr>
</tbody>
</table>
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2016

12. INTEREST-BEARING LIABILITIES CONTINUED

**Foreign currency risk**  
The carrying amounts of the Group’s bank overdrafts are denominated in the following currencies:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States dollars</td>
<td>1,559</td>
<td>1,629</td>
</tr>
<tr>
<td>European Union euros</td>
<td>4,638</td>
<td>4,612</td>
</tr>
<tr>
<td>Canadian dollars</td>
<td>–</td>
<td>1,175</td>
</tr>
<tr>
<td>British pounds</td>
<td>1,266</td>
<td>1,191</td>
</tr>
<tr>
<td>Swedish krona</td>
<td>487</td>
<td>476</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>5,602</td>
<td>6,993</td>
</tr>
<tr>
<td>Korean won</td>
<td>536</td>
<td>–</td>
</tr>
<tr>
<td>Other currencies</td>
<td>66</td>
<td>210</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,154</strong></td>
<td><strong>16,286</strong></td>
</tr>
</tbody>
</table>

The carrying amounts of the Group’s borrowings are denominated in the following currencies:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand dollars</td>
<td>14,614</td>
<td>–</td>
</tr>
<tr>
<td>United States dollars</td>
<td>20,081</td>
<td>28,948</td>
</tr>
<tr>
<td>European Union euros</td>
<td>11,494</td>
<td>12,356</td>
</tr>
<tr>
<td>Australian dollars</td>
<td>3,359</td>
<td>3,657</td>
</tr>
<tr>
<td>Canadian dollars</td>
<td>1,794</td>
<td>1,892</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51,342</strong></td>
<td><strong>46,853</strong></td>
</tr>
</tbody>
</table>

**Borrowings due for repayment**

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Between one and two years</td>
<td>–</td>
<td>5,549</td>
</tr>
<tr>
<td>Between two and three years</td>
<td>–</td>
<td>12,356</td>
</tr>
<tr>
<td>Between three and four years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Between four and five years</td>
<td>–</td>
<td>28,948</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td><strong>51,342</strong></td>
<td><strong>46,853</strong></td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

12. INTEREST-BEARING LIABILITIES CONTINUED
These borrowings have been aged in accordance with the expiry dates of the facilities as there are no required principal payments before the expiry of each facility. At year end the weighted average interest rate is 2.7% (2015: 4.8%)
A Negative Pledge Deed has been executed, and certain of the Group’s bankers have been provided undertakings under this Deed. The negative pledge includes the covenant that security can be given only in limited circumstances.
The companies in the Group providing the undertakings under the Negative Pledge Deed are:
   Fisher & Paykel Healthcare Corporation Limited
   Fisher & Paykel Healthcare Limited
   Fisher & Paykel Healthcare Treasury Limited
   Fisher & Paykel Healthcare Properties Limited
   Fisher & Paykel Healthcare Pty Limited
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 22 (d) for further information on these covenants.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unused lines of credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft facilities</td>
<td>13,916</td>
<td>24,093</td>
</tr>
<tr>
<td>Borrowing facilities</td>
<td>133,658</td>
<td>184,864</td>
</tr>
<tr>
<td></td>
<td>147,574</td>
<td>208,957</td>
</tr>
</tbody>
</table>

Fair value
Carrying amounts of interest-bearing liabilities are equivalent to their fair values.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

13. 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.
Refer Note 18 for further details of employee entitlements and benefits.

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>27,663</td>
<td>36,963</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>30,103</td>
<td>34,121</td>
</tr>
<tr>
<td>Other payables and accruals</td>
<td>23,309</td>
<td>30,292</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81,075</td>
<td>101,376</td>
</tr>
<tr>
<td><strong>NON-CURRENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>5,136</td>
<td>6,406</td>
</tr>
<tr>
<td>Other payables and accruals</td>
<td>1,213</td>
<td>1,454</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,349</td>
<td>7,860</td>
</tr>
<tr>
<td><strong>Total trade and other payables</strong></td>
<td><strong>87,424</strong></td>
<td><strong>109,236</strong></td>
</tr>
</tbody>
</table>

Foreign currency risk
The carrying amounts of the Group’s trade and other payables are denominated in the following currencies:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand dollars</td>
<td>48,835</td>
<td>57,585</td>
</tr>
<tr>
<td>United States dollars</td>
<td>15,076</td>
<td>19,792</td>
</tr>
<tr>
<td>European Union euros</td>
<td>9,325</td>
<td>13,579</td>
</tr>
<tr>
<td>Mexican pesos</td>
<td>4,125</td>
<td>5,047</td>
</tr>
<tr>
<td>British pounds</td>
<td>2,502</td>
<td>3,284</td>
</tr>
<tr>
<td>Australian dollars</td>
<td>1,895</td>
<td>2,397</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>1,745</td>
<td>2,376</td>
</tr>
<tr>
<td>Other currencies</td>
<td>3,921</td>
<td>5,176</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87,424</strong></td>
<td><strong>109,236</strong></td>
</tr>
</tbody>
</table>

Fair value
Carrying amounts of trade and other payables are equivalent to their fair values.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

14. 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.

Warranty
Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred on warranty exposure. Currently warranty terms are 1 to 2 years for parts or parts and labour.

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.

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warranty provision:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>3,388</td>
<td>2,614</td>
</tr>
<tr>
<td>Current year provision</td>
<td>4,071</td>
<td>7,694</td>
</tr>
<tr>
<td>Warranty expenses incurred</td>
<td>(4,845)</td>
<td>(6,433)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>2,614</td>
<td>3,875</td>
</tr>
<tr>
<td><strong>NON-CURRENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warranty provision:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>2,483</td>
<td>1,824</td>
</tr>
<tr>
<td>Current year provision</td>
<td>(659)</td>
<td>565</td>
</tr>
<tr>
<td>Warranty expenses incurred</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>1,824</td>
<td>2,389</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

15. SHARE 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.

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.

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital at beginning of the year</td>
<td>121,932</td>
<td>147,414</td>
</tr>
<tr>
<td>Issue of share capital under dividend reinvestment plan (i)</td>
<td>23,012</td>
<td>14,150</td>
</tr>
<tr>
<td>Issue of share capital</td>
<td>1,580</td>
<td>2,086</td>
</tr>
<tr>
<td>Increase in share capital under share option schemes for employee services</td>
<td>878</td>
<td>1,573</td>
</tr>
<tr>
<td>Employee share scheme shares issued for employee services</td>
<td>12</td>
<td>415</td>
</tr>
<tr>
<td>Share capital at end of the year</td>
<td>147,414</td>
<td>165,638</td>
</tr>
<tr>
<td>Less accounted for as treasury shares</td>
<td>(1,543)</td>
<td>(2,394)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>145,871</strong></td>
<td><strong>163,244</strong></td>
</tr>
</tbody>
</table>

Number of issued shares

| Number of shares on issue at beginning of the year | 551,110,270 | 557,940,257 |
| Shares issued: | | |
| Dividend reinvestment plan (i) | 4,759,628 | 1,868,718 |
| Employee share purchase schemes | 11,115 | 217,478 |
| Exercise of share options | 438,332 | 343,352 |
| Exercise of share options under cancellation facility | 1,620,912 | 2,935,870 |
| Exercise of performance share rights | – | 535,590 |
| **Total number of shares on issue** | **557,940,257** | **563,841,265** |
| Less accounted for as treasury shares | (684,728) | (538,100) |
| **Total** | **557,255,529** | **563,303,165** |

(i) 1,868,718 (2015: 4,759,628) shares were issued under the Company’s dividend reinvestment plan at an average price of $7.57 (2015: $4.83) per share.
16. RESERVES

Nature and purpose of reserves

Asset revaluation reserve
Refer Note 9.

Cash flow hedge reserve
The cash flow hedge reserve - unrealised is used to record gains or losses on hedging instruments. Amounts are recycled to the Income Statement when the associated hedged transactions affect the Income Statement.

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

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

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

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.

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>224,511</td>
<td>266,771</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>113,173</td>
<td>143,425</td>
</tr>
<tr>
<td>Dividends: ()</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final 2015 (2014)</td>
<td>(38,626)</td>
<td>(44,652)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>266,771</td>
<td>327,854</td>
</tr>
<tr>
<td>Asset revaluation reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>24,100</td>
<td>32,459</td>
</tr>
<tr>
<td>Revaluation of land</td>
<td>8,359</td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>32,459</td>
<td>32,459</td>
</tr>
</tbody>
</table>
### Notes to the Financial Statements
For the year ended 31 March 2016

#### 16. RESERVES CONTINUED

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow hedge reserve (ii)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>34,259</td>
<td>21,634</td>
</tr>
<tr>
<td>Revaluation of derivative financial instruments</td>
<td>12,211</td>
<td>6,540</td>
</tr>
<tr>
<td>Transfers to profit before tax</td>
<td>(29,746)</td>
<td>(19,797)</td>
</tr>
<tr>
<td>Tax on changes in fair value and transfers to profit before tax</td>
<td>4,910</td>
<td>3,712</td>
</tr>
<tr>
<td><strong>Balance at end of the year</strong></td>
<td>21,634</td>
<td>12,089</td>
</tr>
</tbody>
</table>

| **Employee share entitlement reserve** |             |             |
| Balance at beginning of the year | 130         | 275         |
| Employee expense for the year | 150         | 181         |
| Transfer to share capital on vesting of shares to employees | (5)         | (212)       |
| **Balance at end of the year** | 275         | 244         |

| **Employee share option reserve** |             |             |
| Balance at beginning of the year | 2,749       | 4,180       |
| Employee expense for the year | 2,309       | 3,172       |
| Transfer to share capital on exercise or lapse of vested options | (878)       | (1,573)     |
| **Balance at end of the year** | 4,180       | 5,779       |

| **Treasury shares** |             |             |
| Balance at beginning of the year | (1,559)     | (1,543)     |
| Treasury shares issued to employee share purchase plans | -           | (1,397)     |
| Shares transferred to employees | 16          | 546         |
| **Balance at end of the year** | (1,543)     | (2,394)     |

(i) Supplementary dividends of $6,995,000 were paid (2015: $5,089,000). All dividends are recognised as distributions to shareholders.

(ii) The cash flow hedge reserve movement for the prior year includes a transfer of $3,542,000 to profit before tax in relation to de-designated interest rate swaps. There was no other ineffectiveness in relation to cash flow hedges.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

17. EARNINGS PER SHARE

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

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax</td>
<td>113,173</td>
<td>143,425</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares (000s)</td>
<td>555,543</td>
<td>561,036</td>
</tr>
<tr>
<td>Basic earnings per share (cents per share)</td>
<td>20.4 cps</td>
<td>25.6 cps</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax</td>
<td>113,173</td>
<td>143,425</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares (000s)</td>
<td>555,543</td>
<td>561,036</td>
</tr>
<tr>
<td>Adjustment for share options and PSRs (000s)</td>
<td>14,006</td>
<td>11,002</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares for diluted earnings per share (000s)</td>
<td>569,549</td>
<td>572,038</td>
</tr>
<tr>
<td>Diluted earnings per share (cents per share)</td>
<td>19.9 cps</td>
<td>25.1 cps</td>
</tr>
</tbody>
</table>
18. EMPLOYEE BENEFITS

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>217,941</td>
<td>257,312</td>
</tr>
<tr>
<td>Other employment costs</td>
<td>9,202</td>
<td>12,654</td>
</tr>
<tr>
<td>Employer contributions defined contribution superannuation plans inclusive of tax</td>
<td>6,131</td>
<td>6,705</td>
</tr>
<tr>
<td>Employer contributions defined benefit superannuation plans inclusive of tax</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Movement in liability for long service leave</td>
<td>1,651</td>
<td>1,640</td>
</tr>
<tr>
<td>Employee share option plans</td>
<td>1,275</td>
<td>1,640</td>
</tr>
<tr>
<td>Employee performance share right plans</td>
<td>1,034</td>
<td>1,520</td>
</tr>
<tr>
<td>Employee share purchase plans - discount on issue</td>
<td>150</td>
<td>181</td>
</tr>
<tr>
<td>Employee share purchase plans - interest free loan</td>
<td>39</td>
<td>45</td>
</tr>
<tr>
<td>Employee stock purchase plans</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>237,442</td>
<td>281,726</td>
</tr>
</tbody>
</table>

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 Group to 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 Group’s remuneration policy. Details of the Option and Share Rights issues are described below.

(i) Employee option plans
The Employee Share Option Plans allow Group employees to acquire shares of the Company. 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.

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, which are the periods over which all of the specified vesting conditions are to be satisfied. The fair value of the options granted since the 2013 financial year has been independently assessed using Monte Carlo Simulation, taking into account the terms and conditions upon which the options are granted. When options are exercised, the amount in the share option reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital. When any vested options lapse, upon employee termination or unexercised options reaching maturity, the amount in the share option reserve relating to those options is also transferred to share capital.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

18. EMPLOYEE BENEFITS CONTINUED
Options granted since the 2013 financial year vest at any time between the third 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, exceeded the “escalated price” and as long as the employee remains in the service of the Group. This “escalated price” is determined using a base price 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
– increasing the last calculated base price each year by a percentage determined by the Board, based on independent advice, to represent the Company’s cost of capital; and
– reducing the resulting figure by any dividend paid by the Company in respect of a share in the 12 month period immediately preceding that anniversary.
Options granted prior to the 2013 financial year have slightly different vesting conditions; the fair value of these options was measured using the Binomial Options Pricing Model, taking into account the terms and conditions upon which the options were granted.

As at 31 March 2016, options had been granted to 474 employees (2015: 397). Options granted to employees have no voting rights until they have been exercised and ordinary shares have been issued.

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

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Price*</td>
<td>Number</td>
</tr>
<tr>
<td>As at beginning of the year</td>
<td>$2.95</td>
<td>15,751,186</td>
</tr>
<tr>
<td>Granted during the year</td>
<td>$4.88</td>
<td>1,534,890</td>
</tr>
<tr>
<td>Exercised during the year</td>
<td>$3.46</td>
<td>(5,958,199)</td>
</tr>
<tr>
<td>Lapsed during the year</td>
<td>$3.77</td>
<td>(350,658)</td>
</tr>
<tr>
<td>As at end of the year</td>
<td>$2.92</td>
<td>10,977,219</td>
</tr>
</tbody>
</table>

*Estimated weighted average

Out of the 7,508,036 outstanding options (2015: 10,977,219 options), 2,541,336 options (2015: 2,259,399 options) were exercisable. The weighted average remaining contractual life of the outstanding options was 30 months (2015: 30 months).

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

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

The fair value of options granted during the period determined using Monte Carlo simulation was $1.60 (2015: $1.22) per option or $2,090,000 (2015: $1,873,000) in aggregate. The significant inputs into the model were:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price at grant date</td>
<td>$4.95</td>
<td>$7.43</td>
</tr>
<tr>
<td>Exercise price at grant date</td>
<td>$4.88</td>
<td>$7.23</td>
</tr>
<tr>
<td>Expected/historical share price volatility</td>
<td>30.00%</td>
<td>27.50%</td>
</tr>
<tr>
<td>Dividends yield</td>
<td>2.52%</td>
<td>2.36%</td>
</tr>
<tr>
<td>Option life (years)</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Risk free interest rate</td>
<td>4.22%</td>
<td>2.69%</td>
</tr>
<tr>
<td>Cost of equity</td>
<td>8.80%</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

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

(ii) Employee performance share rights plan

The Employee Performance Share Rights (PSR) Plan allows Group employees to acquire shares of the Company. 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 Group. 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.

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.

As at 31 March 2016 PSRs had been granted to 464 employees (2015: 374). 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:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at beginning of the year</td>
<td>1,164,770</td>
<td>1,697,450</td>
</tr>
<tr>
<td>Granted during the year</td>
<td>585,990</td>
<td>478,350</td>
</tr>
<tr>
<td>Exercised during the year</td>
<td>-</td>
<td>(535,590)</td>
</tr>
<tr>
<td>Lapsed during the year</td>
<td>(53,310)</td>
<td>(27,650)</td>
</tr>
<tr>
<td><strong>As at end of the year</strong></td>
<td><strong>1,697,450</strong></td>
<td><strong>1,612,560</strong></td>
</tr>
</tbody>
</table>

There is no nominal value for the PSRs.

Out of the 1,612,560 outstanding PSRs (2015: 1,697,450 PSRs), none have yet become exercisable. The weighted average remaining contractual life of the outstanding PSRs was 40 months (2015: 41 months).

The fair value of PSRs granted during the period using Monte Carlo simulation was $4.58 (2015: $3.14) per PSR or $2,191,000 (2015: $1,840,00) in aggregate. The significant inputs into the model were:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price at grant date</td>
<td>$4.95</td>
<td>$7.43</td>
</tr>
<tr>
<td>NZD/USD exchange rate of grant date</td>
<td>0.8370</td>
<td>0.6590</td>
</tr>
<tr>
<td>5 yr NZD risk free rate</td>
<td>4.22%</td>
<td>2.69%</td>
</tr>
<tr>
<td>5 yr USD risk free rate</td>
<td>1.64%</td>
<td>1.52%</td>
</tr>
<tr>
<td>Expected/historical share price volatility</td>
<td>30.00%</td>
<td>27.50%</td>
</tr>
<tr>
<td>Expected/historical NZD/USD volatility</td>
<td>13.30%</td>
<td>12.50%</td>
</tr>
<tr>
<td>Expected/historical DJSMQDT index volatility</td>
<td>14.60%</td>
<td>17.50%</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

18. EMPLOYEE BENEFITS CONTINUED

(iii) Employee share and stock purchase plans
All New Zealand and Australian full time employees are eligible, after a qualifying period, to participate in the Employee Share Purchase Plans, which operate in accordance with sections DC13 and 14 of the New Zealand Income Tax Act 2007, with no interest being charged on the loans, and shares issued at a discount of 20% of market price. The qualifying period between grant and vesting date is 3 years, at which point the shares are transferred to the employees and become freely transferable.

538,100 shares (2015: 684,728) are held by the Trustees of the plans, being 0.1% (2015: 0.1%) of the Company’s issued and paid up capital.

At 31 March 2016 the total receivable owing from employees was $1,485,000 (2015: $631,000).

There is also an Employee Stock Purchase Plan available to qualifying North American employees working more than 20 hours per week, in accordance with section 423 of the US Internal Revenue Code, as amended. Shares under this Plan are issued at a discount of 15%, are allocated to employees at the time of issue and vest immediately.

Share issued under this plan in 2016 totalled 7,190 (2015: 11,115).

Key management and director compensation
(a) Key management and director compensation for the years ended 31 March 2015 and 2016 is set out below. The key management personnel includes the Chief Executive Officer and those employees who report directly to the CEO.

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and other short term benefits</td>
<td>5,247</td>
<td>5,945</td>
</tr>
<tr>
<td>Directors fees paid</td>
<td>765</td>
<td>826</td>
</tr>
<tr>
<td>Directors retirement fee paid</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Movement in accrual for directors’ retirement fees</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total short-term benefits</strong></td>
<td>6,015</td>
<td>6,777</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Post-employment benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer contributions to defined contribution superannuation plans</td>
<td>102</td>
<td>111</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share-based benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee share purchase plans</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Employee share option plans</td>
<td>371</td>
<td>483</td>
</tr>
<tr>
<td>Employee performance share right plans</td>
<td>269</td>
<td>403</td>
</tr>
<tr>
<td><strong>Total share-based benefits</strong></td>
<td>641</td>
<td>887</td>
</tr>
<tr>
<td><strong>Total compensation</strong></td>
<td>6,758</td>
<td>7,775</td>
</tr>
</tbody>
</table>

The amounts of key management and director compensation outstanding as at balance date are $1,740,000 (2015: $1,719,000).

(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.

19. 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, when required, 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.
## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

### 20. COMMITMENTS

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure commitments contracted for but not recognised as at the reporting date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>11,411</td>
<td>5,558</td>
</tr>
<tr>
<td>Between one and two years</td>
<td>194</td>
<td>204</td>
</tr>
<tr>
<td>Between two and five years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>11,605</td>
<td>5,762</td>
</tr>
<tr>
<td>Gross commitments under non-cancellable operating leases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>5,115</td>
<td>7,633</td>
</tr>
<tr>
<td>Between one and two years</td>
<td>3,991</td>
<td>6,697</td>
</tr>
<tr>
<td>Between two and five years</td>
<td>4,963</td>
<td>11,580</td>
</tr>
<tr>
<td>Over five years</td>
<td>600</td>
<td>1,555</td>
</tr>
<tr>
<td></td>
<td>14,669</td>
<td>27,465</td>
</tr>
</tbody>
</table>

**Leases**

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.

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.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

21. SEGMENT INFORMATION

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.

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 opposite, 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, Turkey and Russia, 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.

Information regarding the operations of each reportable segment is included on the following two pages. 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.
## 21. SEGMENT INFORMATION CONTINUED

### Operating Segments – March 2015

<table>
<thead>
<tr>
<th>Segment</th>
<th>New Zealand NZ$000</th>
<th>North America NZ$000</th>
<th>Europe NZ$000</th>
<th>Asia-Pacific NZ$000</th>
<th>Eliminations NZ$000</th>
<th>Total NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue – external</td>
<td>57,647</td>
<td>289,515</td>
<td>196,895</td>
<td>99,956</td>
<td>–</td>
<td>644,013</td>
</tr>
<tr>
<td>Sales revenue – internal</td>
<td>456,118</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(456,118)</td>
<td>–</td>
</tr>
<tr>
<td>Foreign exchange gain on hedged sales</td>
<td>28,335</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>28,335</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>542,100</td>
<td>289,515</td>
<td>196,895</td>
<td>99,956</td>
<td>(456,118)</td>
<td>672,348</td>
</tr>
<tr>
<td>Other income</td>
<td>5,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,000</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>29,879</td>
<td>353</td>
<td>596</td>
<td>820</td>
<td>–</td>
<td>31,648</td>
</tr>
<tr>
<td><strong>Segment operating profit before financing costs</strong></td>
<td>161,848</td>
<td>6,888</td>
<td>9,966</td>
<td>4,359</td>
<td>(12,978)</td>
<td>170,083</td>
</tr>
<tr>
<td>Financing income</td>
<td>2,256</td>
<td>10</td>
<td>2</td>
<td>8</td>
<td>(2,132)</td>
<td>144</td>
</tr>
<tr>
<td>Financing expense</td>
<td>(9,019)</td>
<td>(1,534)</td>
<td>(609)</td>
<td>(299)</td>
<td>2,132</td>
<td>(9,329)</td>
</tr>
<tr>
<td>Exchange gain (loss) on foreign currency borrowings</td>
<td>(1,903)</td>
<td>–</td>
<td>(229)</td>
<td>–</td>
<td>–</td>
<td>(2,132)</td>
</tr>
<tr>
<td><strong>Segment net profit before tax</strong></td>
<td>153,182</td>
<td>5,364</td>
<td>9,130</td>
<td>4,068</td>
<td>(12,978)</td>
<td>158,766</td>
</tr>
<tr>
<td>Segment assets</td>
<td>651,177</td>
<td>93,109</td>
<td>79,186</td>
<td>42,590</td>
<td>(196,246)</td>
<td>669,816</td>
</tr>
<tr>
<td>Segment capital expenditure</td>
<td>52,591</td>
<td>322</td>
<td>420</td>
<td>252</td>
<td>–</td>
<td>53,585</td>
</tr>
</tbody>
</table>

### Operating Segments – March 2016

<table>
<thead>
<tr>
<th>Segment</th>
<th>New Zealand NZ$000</th>
<th>North America NZ$000</th>
<th>Europe NZ$000</th>
<th>Asia-Pacific NZ$000</th>
<th>Eliminations NZ$000</th>
<th>Total NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue – external</td>
<td>61,262</td>
<td>394,327</td>
<td>237,830</td>
<td>125,073</td>
<td>–</td>
<td>818,492</td>
</tr>
<tr>
<td>Sales revenue – internal</td>
<td>584,472</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(584,472)</td>
<td>–</td>
</tr>
<tr>
<td>Foreign exchange (loss) on hedged sales</td>
<td>(3,004)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(3,004)</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>642,730</td>
<td>394,327</td>
<td>237,830</td>
<td>125,073</td>
<td>(584,472)</td>
<td>815,488</td>
</tr>
<tr>
<td>Other income</td>
<td>5,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,000</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>33,010</td>
<td>661</td>
<td>759</td>
<td>773</td>
<td>–</td>
<td>35,203</td>
</tr>
<tr>
<td><strong>Segment operating profit before financing costs</strong></td>
<td>202,403</td>
<td>11,077</td>
<td>11,300</td>
<td>5,399</td>
<td>(19,098)</td>
<td>211,081</td>
</tr>
<tr>
<td>Financing income</td>
<td>2,565</td>
<td>1</td>
<td>3</td>
<td>9</td>
<td>(2,476)</td>
<td>102</td>
</tr>
<tr>
<td>Financing expense</td>
<td>(5,547)</td>
<td>(2,359)</td>
<td>(626)</td>
<td>(328)</td>
<td>2,476</td>
<td>(6,384)</td>
</tr>
<tr>
<td>Exchange (loss) on foreign currency borrowings</td>
<td>(3,827)</td>
<td>–</td>
<td>(142)</td>
<td>–</td>
<td>–</td>
<td>(3,969)</td>
</tr>
<tr>
<td><strong>Segment net profit before tax</strong></td>
<td>195,594</td>
<td>8,719</td>
<td>10,535</td>
<td>5,080</td>
<td>(19,098)</td>
<td>200,830</td>
</tr>
<tr>
<td>Segment assets</td>
<td>737,570</td>
<td>130,239</td>
<td>101,306</td>
<td>54,226</td>
<td>(256,538)</td>
<td>766,803</td>
</tr>
<tr>
<td>Segment capital expenditure</td>
<td>63,572</td>
<td>1,291</td>
<td>413</td>
<td>484</td>
<td>–</td>
<td>65,760</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

21. SEGMENT INFORMATION CONTINUED

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.

<table>
<thead>
<tr>
<th>Product Group Information</th>
<th>Year Ended 2015 NZ$000</th>
<th>Year Ended 2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital products</td>
<td>357,259</td>
<td>436,324</td>
</tr>
<tr>
<td>Homecare products</td>
<td>302,029</td>
<td>365,758</td>
</tr>
<tr>
<td>Core products subtotal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>672,348</td>
<td>815,488</td>
</tr>
</tbody>
</table>

Major Customer
The Group’s distribution relationship with its major customer in the North America segment ended in July 2015. Revenue from that customer therefore decreased to approximately NZ$30.3 million (2015: NZ$82.9 million) of the Group’s total revenues. Revenue is now derived from a number of hospital sub-distributors in the North America segment.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

22. 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 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.

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. 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. 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.

(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 on 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.

(iv) Fair value estimation
NZ IFRS 13 for financial assets and liabilities measured at fair value requires disclosure of the fair value measurements by level from the following fair value hierarchy:

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

Derivatives have all been determined to be within level 2 of the fair value hierarchy. See note 9 for disclosures of the land that is measured at fair value.

All the Group’s financial instruments held at fair value have been measured at the fair value measurement hierarchy of level 2 (2015: level 2), as all significant inputs required to ascertain the fair value are observable. Financial liabilities measured at amortised cost are fair valued using the contractual cashflows. The carrying value of these liabilities approximates their fair value as estimated future interest rates would approximate the discount rates used in a fair value assessment.

The fair value of derivative liabilities designated in a hedging relationship is determined using the following valuation techniques:

- Foreign currency forward exchange contracts have been fair valued using quoted forward exchange rates and discounted using yield curves from quoted interest rates that match the maturity dates of the contracts
- Foreign currency option contracts have been fair valued using observable option volatilities, and quoted forward exchange and interest rates that match the maturity dates of the contracts
- Interest rate swaps are fair valued by discounting the future interest and principal cash flows using current market interest rates that match the maturity dates of the contracts

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

All financial assets other than derivatives are classified as loans and receivables. All financial liabilities other than derivatives are classified as measured at amortised cost. The carrying value of financial assets and liabilities other than derivatives approximates their fair value.

(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 (2015: +/-10%). The Group’s primary foreign currency exposure is the New Zealand dollar versus the US dollar, with other currencies as discussed above forming the balance of the exposure. The Group believes that an overall sensitivity of +/-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 (2015: +/-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% (2015: 10%) movement in the New Zealand dollar against all currencies.

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.
## Notes to the Financial Statements

**For the year ended 31 March 2016**

### 22. Financial Risk Management (Continued)

#### Interest rate risk

<table>
<thead>
<tr>
<th>Consolidated 2015</th>
<th>Carrying amount NZ$000</th>
<th>Income Statement NZ$000</th>
<th>OCI NZ$000</th>
<th>Income Statement NZ$000</th>
<th>OCI NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative Financial Instruments</td>
<td>26,207</td>
<td>(2,604)</td>
<td>(1,830)</td>
<td>2,885</td>
<td>1,298</td>
</tr>
<tr>
<td>Other Financial Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>13,621</td>
<td>(21)</td>
<td>-</td>
<td>21</td>
<td>-</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>96,985</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Financial Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>50,972</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>65,496</td>
<td>464</td>
<td>-</td>
<td>(464)</td>
<td>-</td>
</tr>
<tr>
<td>Total increase/(decrease)</td>
<td>(2,161)</td>
<td>(1,830)</td>
<td>2,442</td>
<td>1,298</td>
<td></td>
</tr>
</tbody>
</table>

#### Foreign exchange risk

<table>
<thead>
<tr>
<th>Consolidated 2015</th>
<th>Income Statement NZ$000</th>
<th>OCI NZ$000</th>
<th>Income Statement NZ$000</th>
<th>OCI NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative Financial Instruments</td>
<td>(1,459)</td>
<td>(30,673)</td>
<td>2,760</td>
<td>24,804</td>
</tr>
<tr>
<td>Other Financial Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,079</td>
<td>-</td>
<td>(971)</td>
<td>-</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>3,758</td>
<td>-</td>
<td>(3,382)</td>
<td>-</td>
</tr>
<tr>
<td>Other Financial Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(152)</td>
<td>-</td>
<td>169</td>
<td>-</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>(96)</td>
<td>-</td>
<td>106</td>
<td>-</td>
</tr>
<tr>
<td>Total increase/(decrease)</td>
<td>3,130</td>
<td>(30,673)</td>
<td>(1,318)</td>
<td>24,804</td>
</tr>
</tbody>
</table>

#### 22. Financial Risk Management (Continued)

#### Interest rate risk

<table>
<thead>
<tr>
<th>Consolidated 2016</th>
<th>Carrying amount NZ$000</th>
<th>Income Statement NZ$000</th>
<th>OCI NZ$000</th>
<th>Income Statement NZ$000</th>
<th>OCI NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative Financial Instruments</td>
<td>16,573</td>
<td>(1,720)</td>
<td>(1,259)</td>
<td>1,667</td>
<td>1,214</td>
</tr>
<tr>
<td>Other Financial Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>18,741</td>
<td>(24)</td>
<td>-</td>
<td>25</td>
<td>-</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>117,933</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Financial Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>67,255</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>63,139</td>
<td>445</td>
<td>-</td>
<td>(445)</td>
<td>-</td>
</tr>
<tr>
<td>Total increase/(decrease)</td>
<td>(1,299)</td>
<td>(1,259)</td>
<td>1,247</td>
<td>1,214</td>
<td></td>
</tr>
</tbody>
</table>

#### Foreign exchange risk

<table>
<thead>
<tr>
<th>Consolidated 2016</th>
<th>Income Statement NZ$000</th>
<th>OCI NZ$000</th>
<th>Income Statement NZ$000</th>
<th>OCI NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative Financial Instruments</td>
<td>(5,918)</td>
<td>(41,091)</td>
<td>23</td>
<td>38,013</td>
</tr>
<tr>
<td>Other Financial Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,216</td>
<td>-</td>
<td>(1,095)</td>
<td>-</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>9,229</td>
<td>-</td>
<td>(8,306)</td>
<td>-</td>
</tr>
<tr>
<td>Other Financial Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(689)</td>
<td>-</td>
<td>766</td>
<td>-</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>(4,501)</td>
<td>-</td>
<td>5,001</td>
<td>-</td>
</tr>
<tr>
<td>Total increase/(decrease)</td>
<td>(663)</td>
<td>(41,091)</td>
<td>(3,657)</td>
<td>38,013</td>
</tr>
</tbody>
</table>
22. FINANCIAL RISK MANAGEMENT CONTINUED

b. Credit risk

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

Derivative counterparties, 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.

There are no significant trade receivable balances relating to customers who have previously defaulted on amounts due to the Group.

The credit quality of bank balances can be assessed by reference to external credit ratings as follows:

<table>
<thead>
<tr>
<th>Credit rating</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>A- and above</td>
<td>11,163</td>
<td>16,300</td>
</tr>
<tr>
<td>Other</td>
<td>2,262</td>
<td>2,377</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,425</strong></td>
<td><strong>18,677</strong></td>
</tr>
</tbody>
</table>

The maximum potential exposure to credit risk is:

<table>
<thead>
<tr>
<th></th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>13,621</td>
<td>18,741</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>95,713</td>
<td>116,229</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>37,604</td>
<td>33,778</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146,938</strong></td>
<td><strong>168,748</strong></td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

22. FINANCIAL RISK MANAGEMENT CONTINUED

c. Liquidity risk

Management monitors rolling forecasts of the Group’s liquidity position on the basis of expected cash flow.

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.

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt; 1 year NZ$000</th>
<th>1 - 2 years NZ$000</th>
<th>2 - 5 years NZ$000</th>
<th>&gt; 5 years NZ$000</th>
<th>Total NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>14,154</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>14,154</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>50,972</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>50,972</td>
</tr>
<tr>
<td>Borrowings</td>
<td>2,403</td>
<td>52,289</td>
<td>–</td>
<td>–</td>
<td>54,692</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>16,286</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>16,286</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>67,255</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>67,255</td>
</tr>
<tr>
<td>Borrowings</td>
<td>1,270</td>
<td>6,741</td>
<td>43,829</td>
<td>–</td>
<td>51,840</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt; 1 year NZ$000</th>
<th>1 - 2 years NZ$000</th>
<th>2 - 5 years NZ$000</th>
<th>&gt; 5 years NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GROSS SETTLED DERIVATIVES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign exchange contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflow</td>
<td>258,563</td>
<td>117,903</td>
<td>17,067</td>
<td>–</td>
</tr>
<tr>
<td>Outflow</td>
<td>(239,690)</td>
<td>(107,305)</td>
<td>(16,301)</td>
<td>–</td>
</tr>
<tr>
<td>Net inflow</td>
<td>18,873</td>
<td>10,598</td>
<td>766</td>
<td>–</td>
</tr>
<tr>
<td>Foreign currency option contracts*</td>
<td></td>
<td></td>
<td></td>
<td>2,151</td>
</tr>
<tr>
<td>Inflow</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Outflow</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net inflow</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>NET SETTLED DERIVATIVES</td>
<td></td>
<td></td>
<td></td>
<td>2,151</td>
</tr>
<tr>
<td>Interest rate swaps**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (outflow)</td>
<td>(1,541)</td>
<td>(1,490)</td>
<td>(2,454)</td>
<td>(459)</td>
</tr>
</tbody>
</table>

* 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.
## 22. FINANCIAL RISK MANAGEMENT CONTINUED

### GROSS SETTLED DERIVATIVES

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt; 1 year NZ$000</th>
<th>1 - 2 years NZ$000</th>
<th>2 - 5 years NZ$000</th>
<th>&gt; 5 years NZ$000</th>
<th>Total NZ$000</th>
<th>Carrying amount NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflow</td>
<td>253,589</td>
<td>112,542</td>
<td>119,235</td>
<td></td>
<td>485,366</td>
<td></td>
</tr>
<tr>
<td>Outflow</td>
<td>(246,677)</td>
<td>(109,845)</td>
<td>(116,125)</td>
<td></td>
<td>(472,647)</td>
<td></td>
</tr>
<tr>
<td>Net inflow (outflow)</td>
<td>6,912</td>
<td>2,697</td>
<td>3,110</td>
<td></td>
<td>12,719</td>
<td>12,207</td>
</tr>
<tr>
<td>Foreign currency option contracts*</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inflow</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Outflow</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net inflow</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### NET SETTLED DERIVATIVES

| Interest rate swaps** | Net inflow (outflow) | (2,196) | (2,085) | (2,272) |                 | (6,553) | (6,062) |

* 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. 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.

### 23. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 26 May 2016 the directors approved the payment of a fully imputed 2016 final dividend of $56,387,762 (10.0 cents per share) to be paid on 8 July 2016. A supplementary dividend of 1.7647 cents per share was also approved for eligible non-resident shareholders.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

24. OTHER ACCOUNTING POLICIES

a. Changes to accounting policies
There have been no changes in accounting policies.

b. Standards, Interpretations and Amendments to Published Standards
There are no new accounting standards and amendments to existing standards adopted by the Group in the year ended 31 March 2016.

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

NZ IFRS 15, ‘Revenue from Contracts with Customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 ‘Revenue’ and NZ IAS 11 ‘Construction Contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 for the first period beginning after its effective date and is currently assessing its full impact.

NZ IFRS 16, ‘Leases’, which replaces the current guidance in NZ IAS 17, was published by the International Accounting Standards Board (IASB) in January 2016. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, ‘Revenue from Contracts with Customers’. The Group intends to adopt NZ IFRS 16 for the first period beginning after its effective date and has yet to assess its full impact.

c. Impairment of non-financial assets
Assets that have an indefinite useful life are 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 as an expense 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). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

d. 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.

e. 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.

f. 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.

g. 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.

h. 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. Our Group audit scope focused on the major operating locations which were selected as they each contribute more than 5% of either the Group’s revenue or profit before tax. In aggregate, the locations selected contribute 84% of the Group’s revenue and 97% of the Group’s profit before tax.
INDEPENDENT AUDITOR'S REPORT
To the shareholders of Fisher & Paykel Healthcare Corporation Limited

OUR OPINION
In our opinion, the consolidated financial statements of Fisher & Paykel Healthcare Corporation Limited (the Company) present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs) and International Financial Reporting Standards (IFRSs). The Group comprises the Company and the entities it controlled at 31 March 2016 or from time to time during the financial year.

What we have audited
We have audited the consolidated financial statements which comprise:
• the consolidated balance sheet as at 31 March 2016;
• the consolidated income statement for the year then ended;
• the consolidated statement of comprehensive income for the year then ended;
• the consolidated statement of changes in equity for the year then ended;
• the consolidated statement of cash flows for the year then ended; and
• the notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of advisory, tax and other assurance services. The provision of these other services has not impaired our independence as auditors of the Group.

OUR AUDIT APPROACH
Overview
Overall group materiality: $10 million, which represents 5% of profit before tax.
We applied this benchmark because, in our view, this is the metric against which the performance of the Group is most commonly measured.
We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above $0.5 million as well as misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters
• Change in US distribution model
• Implementation of SAP.
INDEPENDENT AUDITOR’S REPORT

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our Group audit scope focused on the major operating locations which were selected as they each contribute more than 5% of either the Group’s revenue or profit before tax. In aggregate, the locations selected contribute 84% of the Group’s revenue and 97% of the Group’s profit before tax.

Audits of each location are performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned. The remaining operations were not considered significant to the Group and were subject to other audit procedures such as analytical procedures.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How our audit addressed the key audit matter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in US distribution model</td>
<td>The Group has transitioned to a new distribution model for Respiratory and Acute Care sales to US hospitals. Where previously sales were made primarily to one distributor, the Group now sells directly to a number of hospital sub-distributors under individual contracts. Sales under the new model are a significant component of Group revenue. Revenue is recognised net of rebates when goods are transferred to the hospital sub-distributors. Rebates are the difference between the invoiced values to sub-distributors and selling prices the Group has agreed with the individual hospitals. The selling price will vary between hospitals. Sub-distributors hold significant inventory at year end to supply hospitals and therefore Group management estimate the expected sell through to individual hospitals to determine the average selling price, and rebate payable. At 31 March 2016, accrued rebates are netted off trade receivables. Given the risk of error arising from a significant change in distribution model we have focused our audit to consider the risks associated with:</td>
</tr>
<tr>
<td></td>
<td>i) a high number of contracts with varying terms; and</td>
</tr>
<tr>
<td></td>
<td>ii) the complexity of calculating estimated future product sales mix to hospitals to determine rebates due to the sub-distributors.</td>
</tr>
<tr>
<td></td>
<td>We have reviewed the new contracts with sub-distributors under the new distribution arrangement to ensure significant risks and rewards are transferred on sale of inventory to each sub-distributor and can therefore be recognised as revenue. We are also satisfied the sub-distributors are acting as principals rather than agents. Rebate terms have been agreed back to individual contracts and we have validated the estimated sales and mix used to determine the rebates due to sub-distributors against historic sales information since the new model has been in place. We are satisfied that the revenue and rebates under the new distribution model have been appropriately recognised.</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

Key audit matter

Implementation of SAP

During the year the Group implemented SAP as a new enterprise-wide resource planning system (ERP) for all of its manufacturing operations. This was the first time in over 20 years such a significant system change has occurred. The implementation for the global sales offices will occur over the next two financial years.

With any large and complex system change there is heightened risk that controls will breakdown and the migration of financial data to the new system may not be complete or accurate.

How our audit addressed the key audit matter

We evaluated the design and tested the operating effectiveness of key automated and manual controls both before and after the migration to SAP including IT general controls, with particular focus to the production, purchasing and payables cycles.

We have tested the controls over the data migration and undertaken our own tests in relation to the transfer of key data.

We are satisfied that management had adequate and effective controls over the implementation of the new ERP system. Our own testing did not highlight any material exceptions in data migration.

OTHER INFORMATION

The directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of audit opinion or assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible on behalf of the Company for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRSs and IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board’s website at: https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor’s report.

WHO WE REPORT TO

This report is made solely to the Company’s shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor’s 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, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor’s report is Jonathan Skilton.

Chartered Accountants
26 May 2016
CORPORATE GOVERNANCE AND STATUTORY INFORMATION

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 regularly reviews and assesses 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’s Corporate Governance Principles and Recommendations (3rd edition), the NZX Main Board Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code, and the Financial Markets Authority handbook Corporate Governance in New Zealand Principles and Guidelines (collectively, the Principles).

As at 26 May 2016, the Board considers that the company’s corporate governance practices and procedures substantially reflect the Principles.

As encouraged by the ASX Corporate Governance Council, the company has published certain corporate governance disclosures on its website. These disclosures are set out in the company’s Annual Corporate Governance Statement as approved by the company’s board on 26 May 2016 (the “2016 Corporate Governance Statement”), which is incorporated into this Annual Report by cross-reference and can be viewed at www.fphcare.co.nz/corporategovernance (the “Company’s Website”). The company has also adopted the requirements of the Financial Markets Authority handbook Corporate Governance in New Zealand Principles and Guidelines except to the extent certain of those requirements mandate information to be included in this Annual Report (in which case that information is included in the 2016 Corporate Governance Statement).

The full content of the company’s corporate governance policies, practices and procedures can be found on the Company’s Website.

THE BOARD

Board Composition

There are eight directors on the Board. Seven of the eight directors are non-executive directors. Lewis Gradon, the Managing Director and Chief Executive Officer, is the only executive director on the Board. The Chairman of the Board is Tony Carter.

On 31 March 2016 Michael Daniell retired as Chief Executive Officer but continues on the Board as a non-executive director. On 1 April 2016 Lewis Gradon replaced Michael Daniell as Chief Executive Officer and was appointed to Board as the Managing Director.

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 company considers that, as at 31 March 2016, six of the current directors were independent directors, namely Tony Carter, Scott St John, Lindsay Gillanders, Geraldine McBride, Arthur Morris and Donal O’Dwyer. Please refer to the 2016 Corporate Governance Statement for more information about the company’s assessment of the directors’ independence.

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. Please refer to the 2016 Corporate Governance Statement for a summary of each committee’s responsibilities and functions. Each committee has a charter detailing its objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company’s Website.

Committee membership

- Audit & Risk Committee – members of this committee are Scott St John (Chairman), Tony Carter and Lindsay Gillanders.
- Remuneration and Human Resources Committee – members of this committee are Tony Carter (Chairman), Donal O’Dwyer and Geraldine McBride (Scott St John replaced Geraldine McBride from 1 April 2016).
- Nomination Committee – members of this committee are Tony Carter (Chairman), Donal O’Dwyer and Geraldine McBride (Scott St John replaced Geraldine McBride from 1 April 2016).
- Quality, Safety and Regulatory Committee – members of this committee are Arthur Morris (Chairman), Tony Carter and Donal O’Dwyer.
Board Processes
The Board held 8 meetings during the year ended 31 March 2016. The table above shows attendance at all meetings of the Board and committees referred to above. At the company’s Annual Meeting of Shareholders held on 27 August 2015, all of the then-serving directors attended the meeting.

Directors’ Remuneration
The maximum total monetary sum payable by the company by way of directors’ fees is $950,000 per annum as approved by shareholders at the 2014 annual shareholders’ meeting. Non-executive directors received the following directors’ fees from the company in the year ended 31 March 2016:

<table>
<thead>
<tr>
<th>Name</th>
<th>Eligible to attend</th>
<th>Attended</th>
<th>Eligible to attend</th>
<th>Attended</th>
<th>Eligible to attend</th>
<th>Attended</th>
<th>Eligible to attend</th>
<th>Attended</th>
<th>Eligible to attend</th>
<th>Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony Carter</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Michael Daniell</td>
<td>8</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roger France</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>2</td>
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<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Scott St John</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lindsay Gillanders</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Geraldine McBride</td>
<td>8</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arthur Morris</td>
<td>8</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donal O’Dwyer</td>
<td>8</td>
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</tbody>
</table>

Non-executive directors do not take a portion of their remuneration under an equity security plan but directors may 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 own shares in the company and to acquire any 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 NZX Main Board Listing Rules. More information about the NZX Main Board Listing Rules, and the Board resolution approved at the 2004 Annual Meeting of Shareholders, in each case relating to directors’ retirement payments, is set out in the 2016 Corporate Governance Statement. A non-executive director’s retirement allowance of NZ$101,728 has been provided for by the company as at 31 March 2016 in relation to Lindsay Gillanders. 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 2016 of $1,288,095. In addition to this fixed remuneration, Michael Daniell also received performance-based at-risk components, both paid out and accrued, of $601,203. On 8 September 2015, Michael Daniell was issued 80,000 options with a fair value of NZ$128,000 and 30,000 performance share rights with a fair value of NZ$137,000.

The options and performance share rights were valued using Monte Carlo simulation (the assumptions for these calculations are included in Note 18 of the Financial Statements). Michael Daniell, in his capacity as an executive director, did not receive remuneration as a director of the company or any subsidiary company and Lewis Gradon, in his capacity as executive director from 1 April 2016 will 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 AND STATUTORY INFORMATION CONTINUED

SENIOR MANAGEMENT REMUNERATION
Please see the “Employee Remuneration” 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 totalling NZ$100,000 or more received in the year ended 31 March 2016. More information about the company’s senior management remuneration policy and packages is set out in the 2016 Corporate Governance Statement.

RISK MANAGEMENT
Please refer to the 2016 Corporate Governance Statement for an overview of material risks identified by the Board which could affect the company’s results and performance, and the mechanisms and internal controls intended to manage those risks.

POLICIES
The company has in place a number of policies including those covering performance evaluation of the Board, Board committees, individual directors and senior executives, external financial auditors, remuneration, market disclosure, communication with shareholders, share trading and human resources and health and safety.

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 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 in respect of the year ended 31 March 2016. The company reports that during the year under review:

• the company continued the roll out of its diversity and inclusion module in its leadership program for managers, which is now included as a standard module in the company’s leadership program for managers. The program educates the company’s managers on the importance of creating a diverse and inclusive environment;

• the company has continued to train new employees in its Code of Business Ethics awareness programme globally. This awareness programme includes a section covering appropriate practices and policies relating to diversity and Equal Employment Opportunities;

• the company has continued to monitor its policies and practices to ensure that they are free from bias;

• the team involved in any recruitment and selection process has continued to include a female member, wherever practical; and

• the company commenced the development of a training module providing awareness of the potential for unconscious bias in people management processes.

In the year ahead the company will:

• continue the development and implementation of the unconscious bias training module; and

• complete a diversity diagnostic of our NZ operations to assist in identifying diversity and inclusion objectives for the future.

The company will continue to monitor its policies and practices to ensure that they are free from bias, will train new employees in its Code of Business Ethics awareness program and the company’s employee recruitment and selection team will continue to include a female member, wherever practical.

Fisher & Paykel Healthcare considers pay equity on the basis of gender as part of its annual diversity review with the Human Resource and Remuneration Committee. This review involves consideration of internal remuneration relativities based on job size, contribution and experience in a role. At the last review, the Committee concluded that the Diversity Policy and processes including pay equity of women and men across the group was effective.

The table opposite shows the respective proportions of men and women on the board, in senior executive positions and across the whole organisation as at 31 March 2015 and 31 March 2016:
“Senior executive”, as it is used in the table above, refers to the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer.

The company’s Diversity Policy was reviewed during the year ended 31 March 2016 and is available on the Company’s Website.

Other Policies
Summary information with respect to a number of the company’s policies can be found in the 2016 Corporate Governance Statement. More detailed information about all these policies can also be found on the Company’s Website.

PRINCIPAL ACTIVITIES
The company is a world leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea. 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 year ended 31 March 2016.

STOCK EXCHANGE LISTINGS
The company’s shares were listed on the NZX Main Board 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 and during the year ended 31 March 2016 no significant changes to the state of affairs of the company or to the nature of the company’s principal activities during the year ended 31 March 2016.

SHARE ISSUES
During the year ended 31 March 2016:
- 1,868,718 shares were issued under the company’s dividend reinvestment plan;
- 217,478 shares were issued under approved employee share purchase schemes;
- 343,352 shares were issued under employee share option plans upon the exercise of previously granted share options;
- 2,935,870 shares were issued under employee share option plans using the Cancellation Offer Facility as approved by shareholders on 12 August 2004;
- 535,590 shares were issued under the employee share rights plan upon exercise of previously granted performance share rights; and
- 1,306,560 share options were issued under an employee share option plan; and
- 478,350 performance share rights were issued under a performance share rights plan.

DIRECTORS
During the twelve months to 31 March 2016:
- at the company’s annual shareholders’ meeting on 27 August 2015, Roger France and Arthur Morris retired by rotation and, being eligible, offered themselves for re-election and were re-elected.
- Roger France retired from the Board on 31 December 2015.
- Scott St John was appointed by the Board on 1 October 2015 and will stand for election at the next company’s 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 year ended 31 March 2016.

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 ended 31 March 2016.

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

DONATIONS
Please refer to Note 5 of the Financial Statements.

ANNUAL SHAREHOLDERS’ MEETING
The company’s 2016 annual shareholders’ meeting will be held at the Guineas Ballroom, Ellerslie Event Centre, Auckland on Tuesday, 23 August 2016 at 2pm.
**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 50% 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:

<table>
<thead>
<tr>
<th>Remuneration</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td></td>
</tr>
<tr>
<td>100,000 – 110,000</td>
<td>143</td>
</tr>
<tr>
<td>110,001 – 120,000</td>
<td>122</td>
</tr>
<tr>
<td>120,001 – 130,000</td>
<td>88</td>
</tr>
<tr>
<td>130,001 – 140,000</td>
<td>62</td>
</tr>
<tr>
<td>140,001 – 150,000</td>
<td>47</td>
</tr>
<tr>
<td>150,001 – 160,000</td>
<td>30</td>
</tr>
<tr>
<td>160,001 – 170,000</td>
<td>36</td>
</tr>
<tr>
<td>170,001 – 180,000</td>
<td>22</td>
</tr>
<tr>
<td>180,001 – 190,000</td>
<td>25</td>
</tr>
<tr>
<td>190,001 – 200,000</td>
<td>20</td>
</tr>
<tr>
<td>200,001 – 210,000</td>
<td>15</td>
</tr>
<tr>
<td>210,001 – 220,000</td>
<td>16</td>
</tr>
<tr>
<td>220,001 – 230,000</td>
<td>12</td>
</tr>
<tr>
<td>230,001 – 240,000</td>
<td>5</td>
</tr>
<tr>
<td>240,001 – 250,000</td>
<td>8</td>
</tr>
<tr>
<td>250,001 – 260,000</td>
<td>6</td>
</tr>
<tr>
<td>260,001 – 270,000</td>
<td>8</td>
</tr>
<tr>
<td>270,001 – 280,000</td>
<td>2</td>
</tr>
<tr>
<td>280,001 – 290,000</td>
<td>6</td>
</tr>
<tr>
<td>290,001 – 300,000</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remuneration</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td></td>
</tr>
<tr>
<td>300,001 – 310,000</td>
<td>3</td>
</tr>
<tr>
<td>310,001 – 320,000</td>
<td>3</td>
</tr>
<tr>
<td>320,001 – 330,000</td>
<td>1</td>
</tr>
<tr>
<td>330,001 – 340,000</td>
<td>1</td>
</tr>
<tr>
<td>340,001 – 350,000</td>
<td>1</td>
</tr>
<tr>
<td>350,001 – 360,000</td>
<td>1</td>
</tr>
<tr>
<td>370,001 – 380,000</td>
<td>1</td>
</tr>
<tr>
<td>390,001 – 400,000</td>
<td>1</td>
</tr>
<tr>
<td>400,001 – 410,000</td>
<td>1</td>
</tr>
<tr>
<td>440,001 – 450,000</td>
<td>1</td>
</tr>
<tr>
<td>450,001 – 460,000</td>
<td>1</td>
</tr>
<tr>
<td>490,001 – 500,000</td>
<td>3</td>
</tr>
<tr>
<td>530,001 – 540,000</td>
<td>2</td>
</tr>
<tr>
<td>550,001 – 560,000</td>
<td>1</td>
</tr>
<tr>
<td>640,001 – 650,000</td>
<td>1</td>
</tr>
<tr>
<td>770,001 – 780,000</td>
<td>1</td>
</tr>
<tr>
<td>950,001 – 960,000</td>
<td>1</td>
</tr>
<tr>
<td>1,080,001 – 1,090,000</td>
<td>1</td>
</tr>
<tr>
<td>1,200,001 – 1,210,000</td>
<td>1</td>
</tr>
</tbody>
</table>
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
The details set out above were as at 29 April 2016. As disclosed in Note 18 of the Financial Statements, there were 7,508,036 options on issue to 474 employees and 1,612,560 performance share rights on issue to 464 employees as at 31 March 2016. The company only has one class of shares on issue, ordinary shares, and these shares are listed on the NZX Main Board 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 509 shareholders holding less than a marketable parcel, as defined by ASX Listing Rules, of the company’s ordinary shares, based on the closing market price as at 29 April 2016. As at 29 April 2016 the company has not carried out any issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act.

Size of Shareholding | Number of holders | %  | Number of Ordinary Shares | %
--- | --- | --- | --- | ---
1 to 1,000 | 5,195 | 24.92 | 2,580,609 | 0.46
1,001 to 5,000 | 10,217 | 49.01 | 26,048,811 | 4.62
5,001 to 10,000 | 3,107 | 14.9 | 22,410,635 | 3.97
10,001 to 50,000 | 2,083 | 9.99 | 39,382,693 | 6.98
50,001 to 100,000 | 120 | 0.58 | 8,352,131 | 1.48
100,001 and over | 124 | 0.59 | 465,097,828 | 82.48
Total | 20,846 | 100.00 | 563,872,707 | 100.00

The details set out above were as at 29 April 2016

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.
CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

CURRENT NZX WAIVERS
No waivers were sought from or granted by either of the NZX Main Board or ASX Listing Rules within the 12 month period preceding the balance date of the company. During the same period the company relied on the following three waivers previously granted by the NZX to issue options under its share option plans, performance share rights under its performance share rights plan and shares under its share purchase plans:

(1) waiver from NZX Main Board 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);
(2) waiver from NZX Main Board Listing Rule 7.1.10, 7.1.16 and 8.1.7 in respect of the company’s performance share rights plan (granted 7 August 2012); and
(3) waiver from NZX Main Board Listing Rule 8.1.4 in respect of the issue of shares under the company’s share purchase plan (granted 29 October 2007).

SUBSTANTIAL PRODUCT HOLDERS
According to company records and notices given under the FMCA there are no substantial product holders in ordinary shares (being the only class of quoted voting products) of the company as at 31 March and April 29 2016.

The total number of ordinary shares (being the only class of quoted voting products) of the company on issue at 31 March 2016 was 563,841,265 ordinary shares and at 29 April 2016 was 563,872,707 ordinary shares.

PRINCIPAL SHAREHOLDERS
The names and holdings of the twenty largest registered shareholders in the company as at 29 April 2016 were:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Ordinary Shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>J P Morgan Chase Bank</td>
<td>40,562,787</td>
<td>7.19</td>
</tr>
<tr>
<td>J P Morgan Nominees Australia Limited</td>
<td>38,831,619</td>
<td>6.89</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>34,413,997</td>
<td>6.1</td>
</tr>
<tr>
<td>HSBC Nominees (New Zealand) Limited</td>
<td>34,381,473</td>
<td>6.1</td>
</tr>
<tr>
<td>Citibank Nominees (Nz) Ltd</td>
<td>33,237,748</td>
<td>5.89</td>
</tr>
<tr>
<td>HSBC Nominees (New Zealand) Limited (Acc# 0401068230)</td>
<td>27,467,950</td>
<td>4.87</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>24,169,092</td>
<td>4.29</td>
</tr>
<tr>
<td>National Nominees New Zealand Limited</td>
<td>23,817,813</td>
<td>4.22</td>
</tr>
<tr>
<td>Tea Custodians Limited</td>
<td>19,665,092</td>
<td>3.49</td>
</tr>
<tr>
<td>Accident Compensation Corporation</td>
<td>18,424,336</td>
<td>3.27</td>
</tr>
<tr>
<td>New Zealand Superannuation Fund Nominees Limited</td>
<td>14,528,475</td>
<td>2.58</td>
</tr>
<tr>
<td>Custodial Services Limited</td>
<td>12,969,227</td>
<td>2.3</td>
</tr>
<tr>
<td>RBC Investor Services Australia Nominees Pty Limited</td>
<td>9,828,069</td>
<td>1.74</td>
</tr>
<tr>
<td>Cogent Nominees Limited</td>
<td>9,624,888</td>
<td>1.71</td>
</tr>
<tr>
<td>FNZ Custodians Limited</td>
<td>8,826,312</td>
<td>1.57</td>
</tr>
<tr>
<td>Bnp Paribas Noms Pty Ltd</td>
<td>8,057,416</td>
<td>1.43</td>
</tr>
<tr>
<td>Premier Nominees Limited</td>
<td>7,849,186</td>
<td>1.39</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Limited</td>
<td>6,672,958</td>
<td>1.18</td>
</tr>
<tr>
<td>Bnp Paribas Nominees NZ Limited</td>
<td>5,454,006</td>
<td>0.97</td>
</tr>
<tr>
<td>Private Nominees Limited</td>
<td>5,440,936</td>
<td>0.96</td>
</tr>
</tbody>
</table>

In the above table, the shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been re-allocated to the underlying beneficial owners.
CORPORATE GOVERNANCE
AND STATUTORY INFORMATION CONTINUED

DIRECTORS’ SHAREHOLDINGS
Directors held interests in the following ordinary shares in the company as at 31 March 2016:

<table>
<thead>
<tr>
<th>Name</th>
<th>Ownership</th>
<th>Ordinary Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony Carter</td>
<td>Beneficial</td>
<td>70,499</td>
</tr>
<tr>
<td>Michael Daniell*</td>
<td>Beneficial</td>
<td>1,001,274</td>
</tr>
<tr>
<td>Roger France</td>
<td>Beneficial</td>
<td>39,480</td>
</tr>
<tr>
<td>Lindsay Gillanders</td>
<td>Beneficial</td>
<td>514,415</td>
</tr>
<tr>
<td>Arthur Morris</td>
<td>Beneficial</td>
<td>9,154</td>
</tr>
<tr>
<td>Donal O’Dwyer</td>
<td>Beneficial</td>
<td>55,614</td>
</tr>
<tr>
<td>Scott St John</td>
<td>Beneficial</td>
<td>10,074</td>
</tr>
</tbody>
</table>

* Michael Daniell also had a beneficial interest in 630,000 options issued under the 2003 Share Option Plan and a beneficial interest in 110,000 performance share rights issued under the Performance Share Rights Plan.

SHARE DEALINGS BY DIRECTORS
In accordance with the Companies Act 1993 and the FMCA, the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests (as defined in the FMCA) in the company between 1 April 2015 and 31 March 2016, 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) 690 ordinary shares, valued at $6.9484 per share, on 10 July 2015 under the company’s dividend reinvestment plan; and
  b) 479 ordinary shares, valued at $8.4661 per share, on 23 December 2015 under the company’s dividend reinvestment plan.
- is a trustee and beneficiary of the Antony Carter Family Trust No 2 which was issued with:
  a) 52 ordinary shares, valued at $6.9484 per share, on 10 July 2015 under the company’s dividend reinvestment plan; and
  b) 36 ordinary shares, valued at $8.4661 per share, on 23 December 2015 under the company’s dividend reinvestment plan.

Michael Daniell
- cancelled 80,000 options and in return was issued 58,777 ordinary shares on 29 February 2016 at an average value of $9.1158 per share.
- cancelled 120,000 options and in return was issued 87,618 ordinary shares on 7 December 2015 at an average value of $8.6015 per share.
- disposed of 60,000 ordinary shares on 4 December 2015 at an average value of $8.4212 per share.
- exercised 30,000 performance share rights on 3 September 2015 and was issued with 30,000 ordinary shares for nil consideration in accordance with the Performance Share Rights Plan.
- was granted 80,000 options on 8 September 2015 for nil consideration, convertible into 80,000 shares in accordance with the terms of the 2003 Share Option Plan.
- was issued with 30,000 performance share rights on 8 September 2015 for nil consideration in accordance with the Performance Share Rights Plan.

Arthur Morris
- is a trustee and beneficiary of the Niloc Trust which was issued with:
  a) 96 ordinary shares, valued at $6.9484 per share, on 10 July 2015 under the company’s dividend reinvestment plan.
  b) 67 ordinary shares, valued at $8.4661 per share, on 23 December 2015 under the company’s dividend reinvestment plan.

Donal O’Dwyer
- is a trustee and beneficiary of the Dundrum Super Fund which was issued with:
  a) 628 ordinary shares, valued at $6.9484 per share, on 10 July 2015 under the company’s dividend reinvestment plan.
  b) 437 ordinary shares, valued at $8.4661 per share, on 23 December 2015 under the company’s dividend reinvestment plan.

Scott St John
- was issued with 74 ordinary shares valued at $8.4661 per share on 23 December 2015 under the company’s dividend reinvestment plan.
Fisher & Paykel Healthcare Corporation Limited

Corporate Governance

Statutory Disclosure

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 2016. Other than Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited, of which Tony Carter is a director, no subsidiary has directors who are not full-time employees of the Group. The remuneration and other benefits of such employees and former employees (received as employees) totalling NZ$100,000 or more during the year ended 31 March 2016 are included in the relevant bandings for remuneration disclosed on page 84 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 2016 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

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

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

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

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

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

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

Limited Liability Company Fisher & Paykel Healthcare (Russia)
Michael Daniell, Paul Shearer, Bryan Peterson, Anatoly Filippov

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

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

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

No persons ceased to hold office as directors of subsidiary companies during the year ended 31 March 2016
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 2016 are as follows:

Tony Carter
Chairman of:
Air New Zealand Limited, Blues Management Limited
A director of:
A shareholder of:
Loughborough Investments Limited, Avonhead Mall 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
An advisor to:
Capital Solutions Limited

Michael Daniell
Chairman of:
Medical Technologies Centre of Research Excellence
A director of:
Tait Limited, Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited
Other company subsidiaries as listed in the section ‘Subsidiary Company Directors’ in this Annual Report
A member of:
Council of the University of Auckland

Roger France
Chairman of:
Tappenden Holdings Limited
Governance Board of Deep South National Science Challenge, Governance Board of Sustainable Seas National Science Challenge (Acting Chairman)
A director of:
Air New Zealand Limited Tappenden Management Limited, Orion Health Group Limited, Southern Cross Medical Care Society
A trustee of:
Dilworth Trust Board, The University of Auckland Foundation France Family Trust

Lindsay Gillanders
Chairman of:
Auckland Packaging Company Limited
A director of:
LRS Management Limited, Rangatira Limited

Geraldine McBride
A director of:
National Australia Bank Limited, Sky Network Television Limited, MyWave Holdings Limited

Donal O’Dwyer
Chairman of:
Atcor Medical Pty Limited
A director of:
Cochlear Limited, Mesoblast Limited

Scott St John
Chief Executive Officer & Managing Director of:
First NZ Capital (includes all subsidiaries with the exception of Harbour Asset Management)
A director of:
Te Awanga Terraces Limited
A trustee of:
St John Family Trust, Macleod Trust
A member of:
Council of the University of Auckland
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
All subsidiary companies in the Fisher & Paykel Healthcare group (detailed below) are
ultimately 100% owned by Fisher & Paykel Healthcare Corporation Limited.

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 Corporation 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)
Limited Liability Company Fisher & Paykel Healthcare (Russia)

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 the company at any time during, or since the end of, the year ended 31 March 2016 are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony Carter</td>
<td>Chairman, Non-Executive, Independent</td>
</tr>
<tr>
<td>Michael Daniell</td>
<td>Managing Director and Chief Executive Officer (retired as Managing Director and Chief Executive Officer on 31 March 2016, continues to hold office as a Non-Executive director from 1 April 2016)</td>
</tr>
<tr>
<td>Lewis Gradon</td>
<td>Managing Director and Chief Executive Officer (appointed 1 April 2016)</td>
</tr>
<tr>
<td>Roger France</td>
<td>Non-Executive, Independent (retired 31 December 2015)</td>
</tr>
<tr>
<td>Lindsay Gillanders</td>
<td>Non-Executive, Independent</td>
</tr>
<tr>
<td>Geraldine McBride</td>
<td>Non-Executive, Independent</td>
</tr>
<tr>
<td>Arthur Morris</td>
<td>Non-Executive, Independent</td>
</tr>
<tr>
<td>Donal O’Dwyer</td>
<td>Non-Executive, Independent</td>
</tr>
<tr>
<td>Scott St John</td>
<td>Non-Executive, Independent (appointed 1 October 2015)</td>
</tr>
</tbody>
</table>

EXECUTIVES' DETAILS

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lewis Gradon</td>
<td>Managing Director and Chief Executive Officer (Michael Daniell retired as Managing Director and Chief Executive Officer 31 March 2016)</td>
</tr>
<tr>
<td>Paul Shearer</td>
<td>Senior Vice President – Sales &amp; Marketing</td>
</tr>
<tr>
<td>Tony Barclay</td>
<td>Chief Financial Officer and Company Secretary</td>
</tr>
<tr>
<td>Deborah Bailey</td>
<td>Vice President – Human Resources</td>
</tr>
<tr>
<td>Winston Fong</td>
<td>Vice President – Information &amp; Communication Technology</td>
</tr>
<tr>
<td>Brian Shultz</td>
<td>Vice President – Quality &amp; Regulatory</td>
</tr>
<tr>
<td>Jonathan Rhodes</td>
<td>General Manager – Supply Chain (Appointed 1 April 2016)</td>
</tr>
<tr>
<td>Andrew Somervell</td>
<td>Vice President – Products and Technology (Appointed 1 April 2016)</td>
</tr>
</tbody>
</table>
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
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

REFERENCES

DIRECTORY

In New Zealand:
The details of the company’s principal administrative and registered office are:
Physical address: 15 Maurice Paykel Place, East Tamaki, Auckland 1061, 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

In Australia:
The details of the company’s registered office 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 11, Deloitte Centre, 80 Queen Street, Auckland 1010, 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 NZX Main Board and the ASX.

INCORPORATION
The Company was incorporated in New Zealand.
Fisher & Paykel Healthcare is a world leader in medical devices and systems for use in respiratory care, acute care, surgery and in the treatment of obstructive sleep apnea.