

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

# Notice of Annual Shareholders' Meeting 2008

**Fisher & Paykel**  

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HEALTHCARE

# Notice of Annual Shareholders' Meeting

Notice is hereby given that the Annual Shareholders' Meeting will be held at the **Guineas Lounge, Ellerslie Convention Centre**, Auckland, New Zealand on Friday, 22 August 2008 commencing at 3:00pm.

## ORDINARY BUSINESS

### 1. Financial Statements

To receive and consider the financial statements and the auditor's report for the year ended 31 March 2008 as contained in the Company's annual report.

### 2. Election of Directors

- (a) In accordance with the Company's constitution, Gary Paykel retires by rotation and, being eligible, offers himself for re-election. (See Explanatory Note 1)
- (b) In accordance with the Company's constitution, Michael Smith retires by rotation and, being eligible, offers himself for re-election. (See Explanatory Note 1)
- (c) In accordance with the Company's constitution, Arthur Morris retires and, being eligible, offers himself for election. (See Explanatory Note 2)

### 3. Authorise the Directors to fix fees and expenses of auditor

To authorise the Directors to fix the fees and expenses of PricewaterhouseCoopers as the Company's auditor.

## **SPECIAL BUSINESS**

### **4. Fisher & Paykel Healthcare 2003 Share Option Plan – Issue of Options to the Managing Director and Chief Executive Officer**

To consider and, if thought fit, to pass the following ordinary resolution:

“That shareholders approve the issue of up to 160,000 options under the Fisher & Paykel Healthcare 2003 Share Option Plan to Michael Daniell, Managing Director and Chief Executive Officer of the Company.” (See Explanatory Note 3)

## **PROCEDURAL NOTES**

- (i) The persons who will be entitled to vote on the resolutions at this Annual Shareholders’ Meeting are those persons who will be the shareholders of the Company at 3:00pm on Wednesday, 20 August 2008.
- (ii) You can participate by proxy or by casting your vote in person at the Annual Shareholders’ Meeting.
- (iii) All shareholders entitled to attend and vote at the Annual Shareholders’ Meeting are entitled to appoint a proxy to attend and vote for them in their place. The proxy need not be a shareholder of the Company. If they wish, shareholders may appoint the Chairman of the Meeting to act as their proxy. A proxy form is enclosed and, if used, must be lodged at the office of the share registry, Computershare Investor Services Limited, either by mail to Private Bag 92119, Auckland 1142 or by delivery to Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Auckland, New Zealand not less than 48 hours before the time of the holding of the meeting (i.e. before 3:00pm on Wednesday, 20 August 2008).
- (iv) The Company will disregard any votes cast on the resolution set out in Agenda Item 4 by Michael Daniell or any of his Associated Persons (as that term is defined in the NZSX Listing Rules).

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- (v) The Company need not disregard a vote cast on Agenda Item 4 if it is cast by a person as proxy for a person who is entitled to vote, provided that the relevant proxy form(s) contain express instructions as to how to vote and are not left to the discretion of the person casting the vote.
- (vi) The matters set out in Agenda Items 2, 3 and 4 must be passed by an ordinary resolution of shareholders, i.e. by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution.
- (vii) This Notice of Meeting has been approved by New Zealand Exchange Limited (NZX) in accordance with the NZSX Listing Rule 6.1.1. The Australian Stock Exchange Limited (ASX) has issued a "no-objection" letter in relation to this Notice of Meeting in accordance with ASX Listing Rules 15.1.4 and 15.1.7.

## EXPLANATORY NOTES

Explanatory notes in respect of the resolutions are set out on the following pages.

By Order of the Board of Directors



**Gary Paykel**  
Chairman  
26 June 2008

## **EXPLANATORY NOTES**

### **EXPLANATORY NOTE 1 – RE-ELECTION OF DIRECTORS**

Under Listing Rule 3.3.8 of the NZSX Listing Rules, and in accordance with the Company's constitution, one third of the Company's Directors must retire by rotation at the Annual Shareholders' Meeting. If the Directors are eligible, they may offer themselves for re-election by shareholders at the meeting. In this case, Gary Paykel and Michael Smith retire and, being eligible, offer themselves for re-election by shareholders at this Annual Shareholders' Meeting.

Gary Paykel and Michael Smith are non-executive Directors and are considered by the Board to be Independent Directors, as that capacity is described in the NZSX Listing Rules. A brief biography outlining Mr Smith's and Mr Paykel's qualifications, history and experience as Directors are set out below. At the Annual Shareholders' Meeting a resolution to re-elect each of Gary Paykel and Michael Smith will be put to shareholders.

#### **Gary Paykel**

Gary Paykel, 66, became Chairman upon completion of the reorganisation in November 2001. Mr Paykel had previously served as a director of Fisher & Paykel Industries Limited since August 1979. Mr Paykel served as Chief Executive Officer from December 1989 and Managing Director of Fisher & Paykel Industries Limited from April 1987 until the completion of the reorganisation of the Company. Mr Paykel joined Fisher & Paykel Industries in 1960 and, prior to his appointment to the position of sales director in 1985, held a variety of positions in the manufacturing, engineering, purchasing and sales departments. Mr Paykel has also served as a director of Team New Zealand since March 2004 and is a Companion of the New Zealand Order of Merit.

#### **Michael Smith**

Michael Smith, 63, became a Director and Deputy Chairman upon completion of the reorganisation in November 2001. Mr Smith has been Chairman of The Lion Foundation since 1989 and served as a director of Lion Nathan Limited from August 1986 to May 2001. In addition, Mr Smith has been a director

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

## **EXPLANATORY NOTE 2 – ELECTION OF DIRECTOR**

Arthur Morris was appointed by the Board during the year to fill a casual vacancy. Under Listing Rule 3.3.3 of the NZSX Listing Rules, and in accordance with the Company's constitution, any director appointed by the Board may hold office until the next Annual Shareholders' Meeting of the Company. If the Director is eligible, they may offer themselves for election by shareholders at that meeting. Accordingly, Dr Morris retires and being eligible, offers himself for election by shareholders at this Annual Shareholders' Meeting.

Arthur Morris is a non-executive Director and is considered by the Board to be an Independent Director, as that capacity is described in the NZSX Listing Rules. A brief biography outlining Dr Morris' qualifications, history and experience as a Director is set out below. At the Annual Shareholders' Meeting a resolution to elect Dr Morris will be put to shareholders.

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

### **EXPLANATORY NOTE 3 – FISHER & PAYKEL HEALTHCARE 2003 SHARE OPTION PLAN – ISSUE OF OPTIONS TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

#### *Introduction*

Shareholder approval is required and is being sought for the grant of up to 160,000 options under the Fisher & Paykel Healthcare 2003 Share Option Plan (the Plan) to Michael Daniell, the Managing Director and Chief Executive Officer of the Company. The Plan was established by the Company in 2003 in accordance with the Plan rules dated 7 March 2003 and amended on 12 August 2004 and 22 November 2006. The Company intends to also issue, pursuant to NZSX Listing Rule 7.3.6(a) and ASX Listing Rule 10.14, up to 3,840,000 options to selected executives, managers and other employees of the Company and its subsidiaries within 5 months of the Annual Shareholders' Meeting. The proposed grant of up to 160,000 options to Mr Daniell represents approximately 4% of the total options intended to be granted at that time to selected executives, managers and other employees of the Company and its subsidiaries. The Company estimates that following this issue, the total number of securities issued to executives, managers and other employees of the Company and its subsidiaries both under the issue and during the five year period preceding the date of the issue will be approximately 4.4% of the total securities on issue.

The Board believes that the Plan fulfils an important role in creating an identity of interest between the Company's senior employees and its shareholders, through incentivising such employees to grow the share price of the Company. The Plan also assists the Company to attract, motivate and retain key employees in an environment where such employees are in high demand both within New Zealand and internationally.

As with previous option plans, the Board will regularly review the operation of the Plan and consider whether it is in the Company's interest to make further grants of options. It is proposed, subject to obtaining shareholder approval to do so, that a grant of up to 160,000 options be made to Michael Daniell under the Plan using criteria applying generally to all

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employees and on identical terms and conditions as those options to be issued to other selected employees.

## ***Shareholder approval required***

NZSX Listing Rule 7.3.6, ASX Listing Rule 10.14 and the Company's constitution require that shareholder approval be obtained where options and other equity securities are to be issued to a Director under an employee share incentive scheme.

Shareholder approval is therefore being sought to issue options under the Plan to the Managing Director and Chief Executive Officer of the Company, Michael Daniell. If approved, the options will be issued to Mr Daniell within 5 months of the Annual Shareholders' Meeting. The Company intends to issue options to selected executives, managers and other employees of the Company and its subsidiaries on or about the same date.

No Director or associate has received options granted under the Plan (or any predecessor plan) except Mr Daniell. As at 31 March 2008, Mr Daniell held 815,000 options under the Plan and its predecessor plan. 160,000 options were granted to Mr Daniell under the Plan on 17 December 2007, following the approval of the issue of those options at the 2007 Annual Shareholders' Meeting. Mr Daniell is the only Director eligible to participate in the Plan.

## ***Key Terms of the Plan***

The key terms of the Plan are:

- No amount is payable for the grant of options.
- One option gives the participant the right to subscribe for one ordinary share in the Company subject to meeting the following vesting conditions:
  - (a) One third of the options granted under the Plan to an employee on a particular grant date become exercisable on each of the second, third and fourth anniversaries of the grant date and all unexercised options expire on the fifth anniversary of the grant date.
  - (b) Options also become exercisable if a person (or group of persons acting in concert) acquires more than half of the ordinary shares of the Company.



- (c) On leaving employment due to serious illness, accident, permanent disablement, redundancy or other circumstances as determined by the Board, the participant will have one month to exercise all outstanding options. In the event of the participant's death, the participant's executor will have three months to exercise all outstanding options. Unless otherwise determined by the Board, on termination of employment for any other reason all outstanding options held by the participant will expire.
- Subject to any applicable Listing Rules, the Board is given a discretion to adjust options to achieve equivalent treatment as between the participants in the Plan and the shareholders in the event of a reconstruction in the share capital of the Company.
- The Company may amend the terms of the Plan, subject to the consent of any adversely affected participant.
- Options are not transferable and do not participate in dividends or other distributions of the Company.
- The Board may determine the exercise price of an option on or around the date the options are granted.
- The Board has agreed that the exercise price for the options granted under the Plan following the Annual Shareholders' Meeting will be calculated as follows:

On or around the grant date a "base price" will be determined by the Board. This will be the volume weighted average price for a share on the NZSX for the 5 business days prior to the grant date. The base price will be adjusted to take into account any consolidation or subdivision of shares, bonus issue, capital reconstruction or any other adjustments to the shares or share structure of the Company.

As at each anniversary of the grant date a new base price will be calculated by:

- (a) increasing the last calculated base price by a percentage amount determined by the Board to represent the Company's cost of capital, after taking

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into account independent advice (subject always to independent advice at the relevant time, it is currently anticipated that the Company's cost of capital will be between 9% and 11% per annum); and

- (b) reducing the resulting figure by the amount of any net cash dividends paid by the Company in respect of a share in the 12 month period immediately preceding that anniversary.

However, to ensure that the base price does not decrease, if there were circumstances where the base price was less than the last calculated base price, the new base price shall be the last calculated base price.

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

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

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

In circumstances where, in accordance with the Plan, exercise occurs prior to the date the options normally become exercisable, the exercise price for such options shall be the last base price calculated prior to the date of exercise.

- Options will not be listed on either the NZSX or the ASX markets. So long as the Company remains listed on the NZSX and/or the ASX markets it is intended that the shares issued under the Plan will be listed on the NZSX and/or the ASX markets (as applicable).
- Ordinary shares issued on the exercise of options will rank equally with all other ordinary shares in the Company except for dividends declared or payable in respect of any period prior to the issue of the relevant shares.

- The Cancellation Offer facility approved by shareholders at the 2004 Annual Shareholders' Meeting (which allows optionholders to cancel vested options in consideration for shares of a value equal to the gain that the optionholders would receive if they exercised their options) applies to the options granted under the Plan.
- A Prospectus relating to the Plan is available for review at the New Zealand Companies Office ([www.companies.govt.nz](http://www.companies.govt.nz)).

**Fisher & Paykel**  

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