Fisher&Paykel HEALTHCARE

News Release

STOCK EXCHANGE LISTINGS: NEW ZEALAND (FPH), AUSTRALIA (FPH)

FISHER & PAYKEL HEALTHCARE REPORTS FULL YEAR RESULTS

Auckland, New Zealand, 25 May 2011 - Fisher & Paykel Healthcare Corporation Limited (NZSX:FPH, ASX:FPH) today announced that new products and new clinical applications contributed to accelerating revenue growth late in the year for its respiratory and acute care (RAC) and obstructive sleep apnea (OSA) product groups. Operating revenue was a record NZ$506.1 million for the year ended 31 March 2011, despite unfavourable exchange rate conditions

Net profit after tax was NZ$63.9 million (prior to one-off non-cash deferred tax charges of NZ$11.5 million), compared to NZ$71.6 million for the prior year. The reduction in the full year result primarily reflects unfavourable exchange rate movements, expenses related to the establishment and expansion of manufacturing in Mexico and a non-recurring NZ$3.2 million distribution termination payment received in the prior year. The non-cash deferred tax charges relate to the NZ government's removal of depreciation on buildings and the reduction in the NZ company tax rate. Reported net profit after tax was NZ$52.5 million.

Operating revenue

RAC product group operating revenue increased by 13% and OSA product group revenue increased by 8%, in US dollar terms, over the prior year. The company derived approximately 54% of its operating revenue in US dollars.

"As expected, growth accelerated late in the financial year as our new ICON flow generator range gained traction and demand for our respiratory consumables increased. In the fourth quarter RAC operating revenue grew 24% and OSA operating revenue grew 17% in US dollar terms, compared to the same period last year", commented Fisher & Paykel Healthcare's CEO, Mr Michael Daniell.

"In January, we completed the roll-out of our new ICON flow generator product range into the OSA market in North America. Customer reaction to ICON has been very positive, with fourth quarter flow generator operating revenue growing 50% in US dollars compared to the same period last year".

Dividend

The company's directors have approved a final dividend for the financial year ended 31 March 2011 of 7.0 NZ cents per ordinary share (2010: 7.0 cents), carrying full imputation credit based on a tax rate of 28%. Eligible non-resident shareholders will receive a supplementary dividend of 1.235 NZ cents per share. The final dividend will be paid on 8 July 2011, with a record date of 24 June 2011, and ex-dividend dates of 20 June 2011 for the ASX and 22 June 2011 for the NZSX.

The company offers a dividend reinvestment plan (DRP), under which eligible shareholders may elect to reinvest all or part of their cash dividends in additional shares. A 3% discount will be applied when determining the price per share of shares issued under the DRP and will be applied in respect of the 2011 final dividend and future dividends, until such time as the directors determine otherwise.

R&D, SG&A

Research and development (R&D) expenses increased by 11% over the prior year to NZ$39.3 million, representing 7.8% of operating revenue.

The company continued to expand its product and process research and development activities and current new product projects include OSA masks, flow generators, humidifier systems and respiratory and acute care consumables.

Selling, general and administrative (SG&A) expenses grew 3% to NZ$141.9 million, or 7% in constant currency terms.

During the year, the company expanded operations at its new distribution and clinical sales support centres in Japan, Taiwan, Hong Kong and Turkey. Revenue grew particularly strongly in Japan, as a result of an increasing proportion of sales made directly to healthcare providers and sub-distributors. The company also continued to expand its operations and its sales teams in North America, Europe, Asia/Pacific and South America.

Capacity Expansion

During the year, the company invested NZ$43.3 million of capital expenditure. Approximately NZ$37.7 million was invested in New Zealand. This included equipment for increased manufacturing capacity, new product tooling, replacement equipment and NZ$15.5 million for construction of the third building on its Auckland site.

On completion in late 2012, the new NZ$95 million building will provide increased R&D, laboratory, office, manufacturing and warehouse space and will provide the capacity to more than double the company's New Zealand based R&D, clinical research and marketing activities.

The ramp up of manufacturing of consumable products at the company's facility in Tijuana, Mexico progressed as expected, with NZ$5.6 million of capital invested over the year to expand capacity and the range of products manufactured in Mexico.

Foreign Exchange Hedging

To protect the company from exchange rate volatility, the company has in place a mix of foreign exchange contracts and collar options, up to five years forward, with a face value of approximately NZ$520 million. These instruments hedge the company's net exposure. For the 2012 financial year, the company had in place approximately 57% cover for the US dollar and approximately 77% cover for the Euro at average rates of approximately 0.69 US dollars and 0.46 Euros to the New Zealand dollar.

The company closed out foreign exchange contracts in the 2010 financial year, which will contribute NZ$17.0 million to operating profit but not cash flow in the 2012 financial year, as the cash was received in the 2010 financial year. These instruments were progressively replaced with new instruments that form part of the company's current foreign exchange hedging.

During the April-May 2011 period the company closed-out US$15 million of forward exchange contracts with maturity dates in the 2013 and 2014 financial years with a cash benefit of NZ$10.5 million, which will be applied to reduce bank debt.

Outlook for FY2012

"Our underlying revenue growth accelerated in the March quarter and we are anticipating a continuation of strong operating revenue growth this year, supported by new products and growth in new applications.

Both our new direct sales operation in Japan and our manufacturing facility in Mexico are expected to make positive contributions to earnings this year. We are planning for our rate of revenue growth to exceed expense growth and are expecting better than 20% constant currency net profit after tax growth, as we begin to see benefits from those new operations along with other efficiencies.

Exchange rates have continued to be very volatile, with the NZD:USD rate ranging between 0.80 and 0.70 over the past year. For the 2012 financial year, over that range of average NZD:USD spot rates, we expect our operating revenue to be in the range of NZ$530 million to NZ$580 million and net profit after tax to be in the range of NZ$62 million to NZ$76 million", concluded Mr Daniell.

Financial Statements and Commentary

Attached to this news release are condensed NZ dollar financial statements and commentary. For convenience the income statement has been translated into US dollars.

The company's financial statements for the year ended 31 March 2011 and the comparative financial information for the year ended 31 March 2010 have been prepared under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Full Year Results Conference Call

Fisher & Paykel Healthcare will host a conference call today to review the results and to discuss the outlook for the 2012 financial year. The conference call is scheduled to begin at 10:00am NZDT, 8:00am AEST (6:00pm USEDT) and will be broadcast simultaneously over the Internet.

To listen to the webcast, access the company's website at www.fphcare.com. Please allow extra time prior to the webcast to visit the site and download the streaming media software if required. An online archive of the event will be available approximately two hours after the webcast and will remain on the site for two weeks.

To attend the conference call, participants will need to dial in to one of the numbers below at least 5 minutes prior to the scheduled call time and identify yourself to the operator. When prompted, please quote the conference code of: **60143923**.

New Zealand Toll Free	0800 452 569	USA Toll Free	1866 242 1388
Australia Toll Free	1800 354 715	Hong Kong Toll Free	800 968831
United Kingdom Toll Free	0808 234 7860	International	+61 2 8823 6760

An audio replay of the conference call will be available approximately 2 hours after the call and will be accessible for two weeks by dialing one of the numbers below. When prompted please enter the conference code of: **60143923**.

New Zealand Toll Free	0800 445 136	USA Toll Free	1866 214 5335
Australia Toll Free	1800 766 700	Hong Kong Toll Free	800 901596
United Kingdom Toll Free	0800 731 7846	International	+61 2 8235 5000

About Fisher & Paykel Healthcare

Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea. The company's products are sold in over 120 countries worldwide. For more information about the company, visit our website www.fphcare.com.

Contact: Michael Daniell MD/CEO on +64 9 574 0161 or Tony Barclay CFO on +64 9 574 0119.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Income Statements

(In thousands of NZ dollars, except per share data)

	Year Ended 31 March		
	2010	**2011**	***% Change***
Operating revenue	503,322	506,074	*+1%*
Cost of sales	(231,939)	(228,372)	*-2%*
Gross profit	271,383	277,702	*+2%*
Gross margin	*53.9%*	*54.9%*	
Other income	4,269	1,200	
Selling, general and administrative expenses	(137,541)	(141,882)	*+3%*
Research and development expenses	(35,272)	(39,277)	*+11%*
Operating profit before financing costs	102,839	97,743	*-5%*
Operating margin	*20.4%*	*19.3%*	
Financing income	657	577	*-12%*
Financing expense	(6,444)	(6,026)	*-6%*
Exchange gain (loss) on foreign currency borrowings	9,763	520	*-95%*
Net financing income (expense)	3,976	(4,929)	
Profit before tax	106,815	92,814	*-13%*
Tax expense excluding the effect of legislative changes in May 2010	(35,184)	(28,868)	*-18%*
Profit after tax excluding legislative changes	71,631	63,946	*-11%*
Tax expense relating to legislative changes in May 2010	-	(11,480)	
Profit after tax	71,631	52,466	*-27%*
Total tax expense	(35,184)	(40,348)	*+15%*
Basic earnings per share	14.0 cps	10.2 cps	
Diluted earnings per share	13.5 cps	9.8 cps	
Weighted average basic shares outstanding	511,251,159	517,154,550	
Weighted average diluted shares outstanding	529,793,292	536,265,092	

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Operating Revenue
(In thousands of dollars)

Year Ended 31 March

	NZ dollars			US dollars		
	2010	**2011**	***% Change***	**2010**	**2011**	***% Change***
Respiratory and acute care products	242,419	253,303	*+4.5%*	164,743	185,606	*+12.7%*
OSA products	237,012	236,654	*-0.2%*	160,823	173,525	*+7.9%*
Core products sub-total	479,431	489,957	*+2.2%*	325,566	359,131	*+10.3%*
Distributed and other products	23,891	16,117	*-32.5%*	15,937	11,821	*-25.8%*
Total	$503,322	$506,074	*+0.5%*	$341,503	$370,952	*+8.6%*

Condensed Balance Sheets
(In thousands of NZ dollars)

	As at 31 March	
	2010	**2011**
Cash and cash equivalents	6,891	6,110
Trade and other receivables	71,437	79,622
Inventories	71,763	80,101
Other current assets	29,974	20,654
Total current assets	180,065	186,487
Property, plant and equipment	233,278	254,265
Other assets	61,716	76,856
Total assets	475,059	517,608
Current liabilities	97,812	84,178
Non-current liabilities	84,083	120,139
Shareholders’ equity	293,164	313,291
Total liabilities and shareholders’ equity	475,059	517,608

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Statements of Cash Flows
(In thousands of NZ dollars)

	Year Ended 31 March	
	2010	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	514,649	501,167
Receipts from derivative financial instruments monetised	31,813	-
Receipt from distribution agency termination agreement compensation	3,221	-
Interest received	571	478
Payments to suppliers and employees	(383,144)	(398,870)
Taxation paid	(23,332)	(25,620)
Interest paid	(6,329)	(6,102)
Net cash flow from operations	137,449	71,053
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Net purchase of property, plant and equipment	(45,682)	(40,715)
Purchase of intangible assets	(2,507)	(2,522)
Net cash flow (used in) investing activities	(48,189)	(43,237)
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Employee share purchase schemes	498	588
Net issue (repurchase) of share capital	6,985	23,341
Borrowings, net	(29,664)	7,302
Dividends paid	(68,094)	(68,716)
Net cash flow (used in) financing activities	(90,275)	(37,485)
Net increase (decrease) in cash	(1,015)	(9,669)
Opening cash	(202)	(1,123)
Effect of foreign exchange rates	94	(208)
Closing cash	(1,123)	(11,000)
RECONCILIATION OF CLOSING CASH		
Cash and cash equivalents	6,891	6,110
Bank overdrafts	(8,014)	(17,110)
Closing cash	(1,123)	(11,000)

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Income Statements

(In thousands of US dollars, except per share data)

	Year Ended 31 March		
	2010	**2011**	***% Change***
Operating revenue	341,503	370,952	*+9%*
Cost of sales	(157,370)	(167,397)	*+6%*
Gross profit	184,133	203,555	*+11%*
Gross margin	*53.9%*	*54.9%*	
Other income	2,897	880	
Selling, general and administrative expenses	(93,322)	(104,000)	*+11%*
Research and development expenses	(23,932)	(28,790)	*+20%*
Operating profit before financing costs	69,776	71,645	*+3%*
Operating margin	*20.4%*	*19.3%*	
Financing income	446	423	*-5%*
Financing expense	(4,372)	(4,417)	*+1%*
Exchange gain (loss) on foreign currency borrowings	6,624	381	*-94%*
Net financing income (expense)	2,698	(3,613)	
Profit before tax	72,474	68,032	*-6%*
Tax expense excluding the effect of legislative changes in May 2010	(23,872)	(21,160)	*-11%*
Profit after tax excluding legislative changes	48,602	46,872	*-4%*
Tax expense relating to legislative changes in May 2010	-	(8,415)	
Profit after tax	48,602	38,457	*-21%*
Total tax expense	(23,872)	(29,575)	*+24%*
Basic earnings per share	9.5 cps	7.4 cps	
Diluted earnings per share	9.2 cps	7.2 cps	
Weighted average basic shares outstanding	511,251,159	517,154,550	
Weighted average diluted shares outstanding	529,793,292	536,265,092	

Full Year Results Commentary

Net profit after tax was NZ$63.9 million (prior to one-off non-cash deferred tax charges of NZ$11.5 million) for the year ended 31 March 2011, a decrease of 11% compared to the prior year. The non-cash deferred tax charges relate to the NZ government's removal of depreciation on building structure and the reduction in the NZ company tax rate from 30% to 28%. Reported net profit after tax was NZ$52.5 million for the year ended 31 March 2011, a decrease of 27% compared to the prior year. The reduction in the full year result primarily reflects unfavourable exchange rate movements and the one-off non-cash deferred tax changes.

The company's financial statements for the year ended 31 March 2011 and the comparative financial information for the year ended 31 March 2010 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Operating revenue increased by 1%, or 9% in US dollar terms, and EBIT decreased by 5% to NZ$97.7 million over the prior year. EBIT margin decreased to 19.3% for the year. Constant currency operating revenue growth was 5%, or 6% for core products compared to the prior year.

The Directors have approved a final dividend of NZD 7.0 cents per ordinary share carrying a full imputation credit of 2.7222 cents per share (100% imputed based on a 28% tax rate). Non-resident shareholders will receive a supplementary dividend of NZD 1.2353 cents per share. The final dividend will be paid on 8 July 2011, with a record date of 24 June 2011 and an ex-dividend date of 20 June 2011 for the ASX and 22 June 2011 for the NZX.

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

Last year the Directors reviewed the Company's capital structure and intend to progressively increase shareholders' funds, to ensure that the Company has capacity to continue to implement its foreign currency hedging policy as the Company grows.

A target debt to debt plus equity ratio of 5% to 15% (excluding unrealised financial instrument gains or losses) was established in May 2010. The Company expects that, subject to earnings performance, the dividend will be maintained in real terms until such time as the target capital structure is achieved. Longer term, the directors expect that a dividend payout ratio of greater than 60% will be appropriate to maintain target gearing.

HISTORICAL FINANCIAL PERFORMANCE

Year ended 31 March 2010 compared to year ended 31 March 2011

The following table sets forth the consolidated statement of financial performance for the years ended 31 March 2010 and 2011:

	Financial year ended 31 March			
	2010	2011	2010	2011
	NZ$millions	NZ$millions	US$millions	US$millions
Operating revenue	503.322	506.074	341.503	370.952
Cost of sales	231.939	228.372	157.370	167.397
Gross profit	271.383	277.702	184.133	203.555
Gross margin	**53.9%**	**54.9%**	**53.9%**	**54.9%**
Other income	4.269	1.200	2.897	880
Selling, general and administrative expenses	137.541	141.882	93.322	104.000
Research and development expenses	35.272	39.277	23.932	28.790
Operating profit before financing costs	102.839	97.743	69.776	71.645
Operating margin	**20.4%**	**19.3%**	**20.4%**	**19.3%**
Net financing income (expense)	3.976	(4.929)	2.698	(3.613)
Profit before tax	106.815	92.814	72.474	68.032
Tax expense excluding the effect of legislative changes in May 2010	35.184	28.868	23.872	21.160
Profit after tax excluding legislative changes	71.631	63.946	48.602	46.872
Tax expense relating to legislative changes in May 2010	-	(11.480)	-	(8.415)
Profit after tax	$71.631	$52.466	$48.602	$38.457

Operating revenue

Operating revenue increased by 1% to NZ$506.074 million for the financial year ended 31 March 2011 from NZ$503.322 million for the financial year ended 31 March 2010.

The increase was principally due to increased sales volume from our core products during the financial year, although impacted by an increase in the average value of the New Zealand dollar against the US dollar, Euro and British pound compared to the prior year.

Operating revenue in constant currency terms increased 5% for the year, or 6% for our core products. Operating revenue was impacted by a significant increase in the average value of the NZ dollar against most other currencies. Foreign exchange hedging contributed NZ$38.394 million to operating revenue compared to NZ$28.567 million for the prior year.

Operating revenue was further impacted by the translation of foreign exchange trade receivables in our offshore offices. Operating revenue for the financial year ended 31 March 2011 was reduced by approximately NZ$2.168 million. The reduction in operating revenue was approximately NZ$12.127 million for the financial year ended 31 March 2010.

For further detail on the impact of foreign currency on the results of the Group refer to section 7.0 of this report.

The following table sets forth operating revenue by product group for the financial years ended 31 March 2010 and 2011:

	Financial year ended 31 March					
	2010 NZ$millions	2011 NZ$millions	Percentage variation	2010 US$millions	2011 US$millions	Percentage Variation
Respiratory and acute care products	242.419	253.303	+4.5%	164.743	185.606	+12.7%
OSA products	237.012	236.654	-0.2%	160.823	173.525	+7.9%
Core products sub-total	479.431	489.957	+2.2%	325.566	359.131	+10.3%
Distributed and other products	23.891	16.117	-32.5%	15.937	11.821	-25.8%
Total	$503.322	$506.074	+0.5%	$341.503	$370.952	+8.6%

Growth in demand for our respiratory humidification systems accelerated in the second half, and particularly the fourth quarter, as expected. This resulted in total operating revenue of NZ$253.303 million for the respiratory and acute care product group, being growth of 13% in US dollars, 5% in NZ dollars, or 9% in constant currency terms compared with last year.

Expansion of the application of products and technologies to the care of patients beyond our traditional invasive ventilation market continued, with an increasing proportion of consumables revenue coming from devices used in non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic surgery. In total, these new applications represented 30% of respiratory and acute care consumables revenue for the year ended 31 March 2011 with constant currency growth of 26% for the year.

Very strong revenue growth in consumables and accessories was partially offset by reduced demand for humidifier controllers. The preparations for the possible H1N1 influenza pandemic, resulted in exceptional placement of humidifiers in the prior year.

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

In our OSA product group, operating revenue growth was 8% to US$173.525 million and 0% to NZ$236.654 million. Revenue in constant currency terms increased 4% for the year, 7% in the second half and 11% in the fourth quarter. Growth accelerated late in the financial year as the ICON flow generator range gained traction following global release.

The Airvo humidity therapy product line for chronic respiratory patients has continued to be introduced into our international markets. Growth rates continue to be encouraging.

Distributed and other products operating revenue declined 33% to NZ$16.117 million as expected, due to the transfer of distribution of Medela products in Australia to Medela and the cessation of sales of Warmers in North America part way through the prior year.

Sales of respiratory and acute care products represented 48% and 50% of operating revenue for the financial years ended 31 March 2010 and 2011 respectively. Sales of OSA products represented 47% of operating revenue for the financial years ended 31 March 2010 and 2011. Sales of consumable and accessory products for core products accounted for approximately 75% and 76% of operating revenue for the financial years ended 31 March 2010 and 2011 respectively.

The following table sets forth our operating revenue for each of the primary regional markets for the financial years ended 31 March 2010 and 2011:

	Financial year ended 31 March			
	2010 NZ$millions	2011 NZ$millions	2010 US$millions	2011 US$millions
North America	234.035	233.706	158.822	171.275

Europe	161.723	159.438	109.749	116.958
Asia Pacific	81.404	90.115	55.177	66.076
Other	26.160	22.815	17.755	16.643
Total	$503.322	$506.074	$341.503	$370.952

In the financial year ended 31 March 2011, 54% of operating revenue was denominated in US dollars. We make a significant proportion of US dollar sales to customers outside the United States. Euros, Australian dollars, British pounds and Japanese Yen represented approximately 23%, 6%, 4% and 4% of operating revenue respectively in the past financial year.

Expenses

Expenses consist of cost of sales, research and development, and selling, general and administrative expenses.

Cost of sales consists of manufacturing costs (primarily raw materials and labour), costs of distributed products, an allocation of the overhead costs of the New Zealand and Mexico facilities and freight costs.

Research and development expenses consist primarily of staff payroll and benefits, an allocation of the overhead costs of the New Zealand facility, costs of materials and clinical study costs.

We began manufacturing at our facility in Tijuana, Mexico in March 2010 and output increased over the year as we commissioned increased capacity.

Research and development activities are primarily conducted in New Zealand. Research and development expenses totalled NZ$39.277 million for the year ended 31 March 2011 compared to NZ$35.272 million in the previous financial year. The increase was attributable to increases in research and development personnel in connection with the continuing expansion of product and process development activities for the respiratory and acute care and OSA product groups. Research and development expenses represented 7.8% of operating revenue for the financial year ended 31 March 2011.

Research and development expenses are expected to continue to grow due to a broadening of our product range and the application of our products.

Selling, general and administrative expenses consist primarily of staff payroll and benefits, travel expenses, marketing and promotional material. Selling, general and administrative expenses increased by 3% to NZ$141.882 million in the financial year ended 31 March 2011 compared to NZ$137.541 million in the previous financial year. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities. In particular increases in activity in Japan and Mexico have contributed to the increase this year. Excluding the effects of currency translations, selling, general and administrative expenses have increased by 7% in the financial year ended 31 March 2011.

Gross Profit

Gross profit increased to NZ$277.702 million, or 54.9% of operating revenue, in the financial year ended 31 March 2011 from NZ$271.383 million, or 53.9% of operating revenue, in the financial year ended 31 March 2010. Gross profit increased due to underlying business growth. Gross margin percentage also increased due to a number of factors, including positive product mix, logistics and manufacturing improvements.

Excluding the effects of currency translations, cost of sales increased by 1% in the financial year ended 31 March 2011, a lower rate than revenue growth.

Operating profit

Operating profit decreased by 5.0% to NZ$97.743 million in the financial year ended 31 March 2011 from NZ$102.839 million in the financial year ended 31 March 2010.

Operating profit increased by 2.7% to US$71.645 million in the financial year ended 31 March 2011 from US$69.776 million in the financial year ended 31 March 2010.

Liquidity and capital resources

As at 31 March 2011 we had NZ$6.110 million in cash and cash equivalents and NZ$99.047 million of interest bearing liabilities. Our drawn borrowings are held primarily in New Zealand, the United States, France and Japan in New Zealand dollars, US dollars, Euros and Japanese Yen respectively. We had in place credit facilities that permitted us to borrow up to a total of the equivalent of NZ$191.218 million, denominated primarily in NZ dollars, US dollars, Euros and Japanese Yen.

Net cash generated from operating activities totalled NZ$71.053 million for the financial year ended 31 March 2011. Operating cashflow was lower than the prior year as a result of the monetisation of US$66 million of forward exchange contracts in the prior year which resulted in a cash benefit of NZ$32 million before tax being realised and applied to reduce bank debt. There were no monetisations of foreign exchange contracts in the current year although NZ$4.300 million of tax was paid in the current year in relation to the monetised instruments in the prior year. Working capital requirements and the higher value of the NZ dollar also impacted current year cash flow.

The Company's capital expenditures totalled NZ$43.303 million for the financial year ended 31 March 2011. Expenditure of NZ$15.491 million was spent on the Company's third building. The majority of other expenditures related to the purchase of production tooling and equipment, computer equipment and software and patents. Of this capital expenditure NZ$5.594 million related to the Mexico manufacturing facility.

Net cash used in financing activities was NZ$37.485 million for the financial year ended 31 March 2011. Borrowings increased by NZ$7.302 million principally to support working capital requirements. The DRP resulted in NZ$23.088 million being re-invested in new shares during the financial year.

OUTLOOK

Outlook for FY2012

Our underlying revenue growth accelerated in the March quarter and we are anticipating a continuation of strong operating revenue growth this year, supported by new products and growth in new applications.

Both our new direct sales operation in Japan and our manufacturing facility in Mexico are expected to make positive contributions to earnings this year. We are planning for our rate of revenue growth to exceed expense growth and are expecting better than 20% constant currency net profit after tax growth, as we begin to see benefits from those new operations along with other efficiencies.

Exchange rates have continued to be very volatile, with the NZD:USD rate ranging between 0.80 and 0.70 over the past year. For the 2012 financial year, over that range of average NZD:USD spot rates, we expect our operating revenue to be in the range of NZ$530 million to NZ$580 million and net profit after tax to be in the range of NZ$62 million to NZ$76 million