

Board of Directors



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 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.



MICHAEL DANIELL

Michael Daniell, 51, became Managing Director and Chief Executive Officer upon completion of the reorganisation in November 2001. Mr Daniell served as the General Manager of Fisher & Paykel Industries Limited's healthcare business from May 1990 until November 2001. From 1979 until May 1990, Mr Daniell held various positions in the healthcare business, including product design engineer and technical manager. Mr Daniell has more than 25 years of international healthcare business experience. Mr Daniell received his Bachelor of Engineering degree in electrical engineering with honours from the University of Auckland, New Zealand.



NIGEL EVANS

Nigel Evans, 67, became a director upon completion of the reorganisation in November 2001. Dr Evans has served as principal of Quark Technology since June 1987. Dr Evans held a variety of management positions with New Zealand Steel Limited from August 1966 to May 1987. Dr Evans received his Bachelor of Science degree from the University of New Zealand, a Master of Science degree from the University of Auckland, New Zealand, and a doctoral degree in physics from the University of Cambridge. Dr Evans has also attended the Senior Managers Program, Graduate School of Business Administration, Harvard University.



The Board: From the left, Gary Paykel, Michael Smith, Michael Daniell, Nigel Evans, Lindsay Gillanders, Sir Colin Maiden and Arthur Morris.

LINDSAY GILLANDERS

Lindsay Gillanders, 58, has served as a director of Fisher & Paykel Industries Limited since May 1992 and continues to serve as a director of the Company. Mr Gillanders has also served as a director of Fisher & Paykel Appliances Holdings Limited since November 2001, Rangitira Limited since October 2002, Auckland Packaging Company Limited since October 2002 and as Chairman of Auckland Packaging Company Limited since September 2003 and Vita New Zealand Limited since November 2004. Until completion of the reorganisation in November 2001, Mr Gillanders was responsible for Fisher & Paykel Industries' legal, regulatory, compliance and intellectual property rights, and worked on major commercial agreements including acquisitions and divestments by both the appliances and healthcare businesses. Mr Gillanders received his Bachelor of Law degree with honours from the University of Auckland, New Zealand.

SIR COLIN MAIDEN

Sir Colin Maiden, 75, has served as a director of Fisher & Paykel Industries Limited since May 1978, as Chairman from 1989 until the reorganisation in November 2001 and continues to serve as a director of the Company. Sir Colin served as the Vice Chancellor of the University of Auckland from January 1971 to November 1994, and has also served as Chairman of DB Breweries Limited since February 2003. Sir Colin has been a director of DB Breweries Limited and its subsidiaries since May 1994. He has also held a number of other directorships in New Zealand and Australia and managerial positions with General Motors Corporation in the U.S. Sir Colin received his undergraduate degrees in engineering from the University of New Zealand, a doctoral degree from Oxford University and an honorary LL.D. from the University of Auckland, New Zealand.

ARTHUR MORRIS

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.

Directors' Report

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 31 March 2008.

Principal Activities

Fisher & Paykel Healthcare Corporation Limited (the Company) is a world leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea.

Group Profit

An operating profit before tax of \$58.1 million (2007: \$79.3 million) was earned for the year ended 31 March 2008.

The profit after tax was \$35.3 million (2007: \$50.5 million).

Basic earnings per share were 6.9 cents (2007: 9.9 cents).

Shareholders' Equity

Shareholders' equity at 31 March 2008 totalled \$195.7 million (2007 \$236.5 million).

Share Issues

During the year, 525,396 shares were issued under approved Employee Share Purchase Schemes in accordance with the Company's Constitution.

During the year, 1,327,884 shares were issued under Employee Share Option Plans upon the exercise of previously granted share options. Of these shares, 972,883 shares were issued under the Cancellation Offer Facility as approved by shareholders on 12 August 2004.

During the year, 3,957,100 share options were issued under an approved Employee Share Option Plan.

Dividends

The Directors approved a final dividend to be paid on 27 June 2008 of 7.0 cents per share with an imputation credit of 1.5 cents per share (2007: 7.0 cents, imputation credit 3.45 cents per share), resulting in total dividends of 12.4 cents per share, with imputation credits of 4.16 cents per share, for the year (2007: 12.4 cents, imputation credits 6.11 cents per share).

Directors

In accordance with the Constitution, Gary Paykel and Michael Smith retire and, being eligible, offer themselves for re-election. In addition, Arthur Morris who was appointed by the Directors during the year, retires and being eligible, offers himself for election.

Disclosure of Interests by Directors

Directors' certificates to cover entries in the Interests Register in respect of remuneration, insurance, indemnities, dealing in the Company's shares, and other interests have been disclosed as required by the Companies Act 1993.

New Zealand Stock Exchange Waiver

2004 Annual Shareholders' Meeting, Fisher & Paykel Healthcare obtained shareholder approval to offer to optionholders a cancellation facility (the Cancellation Offer), whereby optionholders accepting the Cancellation Offer would not exercise the relevant options. Rather, those options would, at the optionholders' notice be cancelled in return for the issue of ordinary shares in the Company. The Cancellation Offer was designed to reduce the number of shares the Company is required to issue in relation to options granted under the Company's Employee Share Option Plans, thus reducing the dilution to existing shareholders from the exercise of options. The NZSX granted a waiver subject to certain conditions (including the review of the waiver in respect of any options issued after the third anniversary date of the waiver) from compliance with NZSX Listing Rule 7.3.2(a) which provides that an issue of securities which has been approved by shareholders must be made within 36 months of the approval.

The Company sought this waiver in order to be able to issue shares under the Cancellation Offer outside the timeframe set out in the NZSX Listing Rules as some of the options issued under the Company's Option Plans may be exercisable outside this timeframe.

Remuneration of Directors

Non-executive Directors received the following Directors' fees from the Company in the year ended 31 March 2008:

	\$
Adrienne Clarke	74,642
Nigel Evans	88,531
Lindsay Gillanders	70,906
Sir Colin Maiden	97,132
Gary Paykel	159,825
Michael Smith	132,775
Arthur Morris	12,083
	635,894

The maximum total monetary sum payable by the Company by way of Directors' fees is \$800,000 per annum as approved by shareholders at the 2007 Annual Meeting of Shareholders.

As approved at the 2004 Annual Meeting of Shareholders, the Board has resolved that it will not pay any future retirement benefits to non-executive Directors other than, at the Board's discretion, a retirement allowance of one year's Director's fees to each non-executive Director (except for Sir Colin Maiden) in office at the time of the 2004 Annual Meeting of Shareholders, such amount being equal to the average of the annual fees paid to that Director in any three years prior to that Director's retirement or cessation of office, and payable on retirement or cessation of office. In addition, at the time of separation of the Company in 2001, shareholders approved a retirement payment of \$170,000 to be paid to Sir Colin Maiden on his retirement.

Previously Sir Colin Maiden was to retire at or before the 2004 Annual Meeting of Shareholders. Sir Colin Maiden has, however, at the request of the Board, agreed to continue as a Director and his retirement allowance will now be paid upon his eventual retirement from the Board.

Upon her retirement from the Board on 20 February 2008, Adrienne Clarke received a retirement allowance of \$65,973 (in addition to the directors fees paid to her for the year ending 31 March 2008 as set out above). The amount of the retirement allowance was calculated in accordance with the policy described above.

Directors' Report (continued)

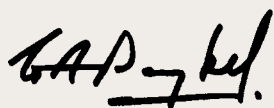
The following non-executive Directors' retirement allowances have been provided for by the Company as at 31 March 2008:

	\$
Nigel Evans	80,375
Lindsay Gillanders	63,500
Sir Colin Maiden	170,000
Gary Paykel	142,975
Michael Smith	120,392
	577,242

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 2008 of \$701,246.

In addition to this fixed remuneration, Michael Daniell also received performance based at risk components, both paid out and accrued, of \$96,304. Michael Daniell was also issued 160,000 options on 17 December 2007 with a fair value of \$36,800. These options were valued using a variant of the Binomial Options Pricing Model (the assumptions for this calculation are included in Note 23 of the Financial Statements).

Michael Daniell, in his capacity as an Executive Director, does not receive remuneration as a Director of the Company or any subsidiary company. No employee of the Company or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a Director. Remuneration (inclusive of the value of other benefits) received by such employees is included in the relevant bandings of employee remuneration exceeding \$100,000 received in the year ended 31 March 2008 set out in the Statutory Information section of this annual report.



Gary Paykel
Chairman
21 May 2008



Michael Daniel
Managing Director and Chief Executive Officer
21 May 2008

Corporate Governance

The Board and management of the Company are committed to ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Board has agreed to regularly review and assess the Company's governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The Company is listed on both the New Zealand and Australian stock exchanges. Corporate governance principles and guidelines have been introduced in both countries. These include the Australian Stock Exchange (ASX) Corporate Governance Council Corporate Governance Principles and Recommendations, the New Zealand Stock Exchange Listing Rules relating to corporate governance, the New Zealand Exchange (NZX) Corporate Governance Best Practice Code, and the New Zealand Securities Commission's Corporate Governance Principles and Guidelines (collectively, the Principles).

The Governance Manual for the Company consists of various charters and policies which reflect the Principles.

The Board considers that the Company's corporate governance practices and procedures substantially comply with the Principles. The full content of the Company's Corporate Governance policies, practices and procedures can be found on the Company's website (www.fphcare.co.nz).

CODE OF CONDUCT (ETHICS)

The Company expects its employees and Directors to maintain high ethical standards. A Code of Conduct for the Company and a separate Directors' Code of Conduct sets out these standards.

Both codes of conduct address, amongst other things:

- conflicts of interest;
- receipt of gifts;
- corporate opportunities;
- confidentiality;
- expected behaviours;
- delegated authority;
- reporting issues regarding breaches of the Code of Conduct, legal obligations and other policies of the Company; and
- obligations for a Director to act in good faith and in what the Director believes to be the best interests of the Company.

The full content of the Company's Codes of Conduct can be found on the Company's website (www.fphcare.co.nz).

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The business and affairs of the Company are managed under the direction of the Board of Directors. At a general level, the Board is elected by shareholders to:

- establish the Company's objectives;
- develop major strategies for achieving the Company's objectives;
- manage risks;
- determine the overall policy framework within which the business of the Company is conducted; and
- monitor management's performance with respect to these matters.

The Board Charter regulates internal Board procedure and describes the Board's specific role and responsibilities.

The Board delegates management of the day-to-day affairs and management responsibilities of the Company to the executive team under the leadership of the Managing Director to achieve the strategic direction and goals determined by the Board.

Corporate Governance (continued)

THE BOARD

BOARD COMPOSITION

At present, there are seven Directors on the Board. Six out of the seven Directors are non-executive Directors. Mr Daniell is the only executive Director on the Board.

The biography of each Board member, including each Director's skills, experience and expertise, is set out in the "Board of Directors" section of this annual report.

INDEPENDENCE OF DIRECTORS

The factors that the Company will take into account when assessing the independence of its Directors are set out in its Charter, a copy of which is available on the Company's website (www.fphcare.co.nz). No quantitative materiality thresholds have been adopted by the Company because it was considered more appropriate to determine independence on a case by case basis.

After consideration of these factors, the Company is of the view that:

1. No Director is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
2. Michael Daniell is a Director who, within the last three years, has been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment. The Board has unanimously confirmed that, given that over three years have elapsed since Gary Paykel was an executive of the former Fisher & Paykel Industries Limited, he is to be considered an independent Director of the Company.
3. No Director has been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provider, within the last three years.
4. No Director is a material supplier or customer of the Company or other group member, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
5. No Director has a material contractual relationship with the Company or another group member other than as a Director of the Company.
6. No Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. In this context, the Board specifically confirms that it has unanimously endorsed Gary Paykel and Sir Colin Maiden's positions as valued independent Directors of the Company.
7. All Directors are free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Based on the above assessments, the Company considers that as at 31 March 2008 six of the current seven Directors are independent Directors, namely Nigel Evans, Sir Colin Maiden, Gary Paykel, Michael Smith, Lindsay Gillanders and Arthur Morris.

COMMITTEES

Specific responsibilities are delegated to the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee. These Board committees support the Board by working with management on relevant issues at a suitably detailed level and then reporting back to the Board. Each of these committees has a charter setting out the committee's objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's website (www.fphcare.co.nz).

AUDIT & RISK COMMITTEE

The Audit & Risk Committee's role is to assist the Board in its oversight of all matters relating to the financial accounting and reporting of the Company. The Audit & Risk Committee also monitors the processes which are undertaken by management and auditors (both external and internal), including monitoring external auditors in accordance with the External Auditors Policy, a summary of which appears on the Company's website (www.fphcare.co.nz). In addition, the Audit & Risk Committee is responsible for the establishment of policies and procedures relating to risk oversight, identification, management, compliance and control.

Under the Board Charter, the majority of the Audit & Risk Committee members must be independent. The current members of the Audit & Risk Committee are Michael Smith (Chairman), Sir Colin Maiden and Nigel Evans. All members of the Audit & Risk Committee are independent.

REMUNERATION COMMITTEE

The Remuneration Committee's role is to assist the Board in establishing relevant remuneration policies and practices. The current members of the Remuneration Committee are Gary Paykel (Chairman), Sir Colin Maiden and Michael Smith. All members of the Remuneration Committee are independent.

Using the Board's criteria for assessment of independence (outlined above), the Chairman of the Remuneration Committee, Gary Paykel, is an independent director.

NOMINATION COMMITTEE

The procedure for the appointment and removal of Directors is ultimately governed by the Company's Constitution. A Director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy.

The Board has delegated to the Nomination Committee the responsibility for recommending candidates to be nominated as a Director and candidates for the committees. When recommending candidates to act as Director, the Nomination Committee takes into account such factors as it deems appropriate, including the experience and qualifications of the candidate.

The current members of the Nomination Committee are Gary Paykel (Chairman), Sir Colin Maiden and Michael Smith. All members of the Nomination Committee are independent.

BOARD PROCESSES

The Board held 10 meetings during the year ended 31 March 2008. The table below shows attendance at the Board and committee meetings. With the exception of January and June, Board meetings are held monthly, with other meetings to deal with matters of urgency occurring from time to time when necessary.

	BOARD		AUDIT & RISK COMMITTEE		REMUNERATION COMMITTEE	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
Adrienne Clarke	9	8				
Michael Daniell	10	10				
Nigel Evans	10	9	4	4		
Lindsay Gillanders	10	9				
Sir Colin Maiden	10	9	4	4	2	2
Gary Paykel	10	9			2	2
Michael Smith	10	10	4	4	2	2
Arthur Morris	2	2				

Corporate Governance (continued)

The Nomination Committee did not meet during the year ended 31 March 2008.

There is no formal procedure agreed by the Board to allow Directors to take independent professional advice at the expense of the Company. However, if circumstances arose where a Director needed to obtain independent advice, that Director would, as a matter of practice, be at liberty to seek such advice at the expense of the Company.

DIRECTORS' REMUNERATION

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

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

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

Directors do not take a portion of their remuneration under an equity security plan but all Directors except Arthur Morris hold shares in the Company, details of which are set out in the "Directors' Shareholding" section of this annual report. It is the Company's policy to encourage Directors to acquire shares on-market.

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

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

The Board has resolved that it will not pay any future retirement benefits to non-executive Directors other than, at the Board's discretion, a retirement allowance of one year's Directors' fees to each non-executive Director in office at the time of the 2004 Shareholders' Meeting (except for Sir Colin Maiden, whose retirement payment is described below), such amount being equal to the average of the annual fees paid to that Director in any three years prior to that Director's retirement or cessation of office, and payable on retirement or cessation of office. At the time of the separation of the Company in 2001, a retirement payment of \$170,000 was agreed to be paid to Sir Colin Maiden on his retirement from the Board following the Annual Shareholders' Meeting in 2004. Sir Colin Maiden has agreed to remain as a Director at the request of the Board and the Board has agreed to defer the payment of the retirement allowance until his retirement. This retirement payment will meet the NZSX Listing Rules criteria.

Upon her retirement from the Board on 20 February 2008, Adrienne Clarke received a retirement allowance of \$65,973. The amount of this allowance was calculated in accordance with the policy described above.

SENIOR MANAGEMENT REMUNERATION

The Remuneration Committee is responsible for reviewing the remuneration of the Company's senior management in consultation with the Managing Director of the Company.

The remuneration packages of senior management consist of a mixture of a base remuneration package, the Companywide profit sharing bonus, a variable remuneration component based on relevant Company performance, participation in the Company's employee share purchase plan and share options.

The remuneration policy for senior management is designed to attract, motivate and retain high quality employees who will enable the Company to achieve its short and long term objectives. The policy includes providing performance incentives which allow executives to share in the long term success of the Company and share option plans intended to encourage the retention of senior management and increase the commonality between the interests of management and shareholders.

The ASX recommends that listed companies provide details of the nature and amount of remuneration of each of the five highest-paid officers of that Company (Principle 9 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations). The Company considers that it is inappropriate to follow this recommendation as it employs a number of executives in its overseas sales offices and this disclosure will not provide any meaningful guidance. Remuneration levels in the various overseas countries are not directly comparable given that different remuneration practices are involved. In addition, which employees are the five highest paid employees each year will, to a large extent, depend on the relative performance of the New Zealand dollar and the relevant foreign currency exchange rates, as opposed to individual or corporate performance.

A general and wider disclosure of senior management remuneration is included in the “Employee Remuneration” section set out in the Statutory Information section of this annual report, where the Company has disclosed in various escalating remuneration bands the number of employees and former employees whose remuneration, including benefits, exceeds \$100,000.

PERFORMANCE EVALUATION

The Board has a policy in place relating to the performance evaluation of the Board, the Board’s committees, individual Directors and executives. During the year ended 31 March 2008, the Board conducted a performance evaluation of the Board and its members in accordance with its policies. A summary of the Company’s Performance Evaluation Policy is available on the Company’s website (www.fphcare.co.nz).

The Board Charter requires the Board to undertake an annual performance evaluation of itself that:

- compares the performance of the Board with the requirements of its Charter;
- reviews the performance of the Board’s committees;
- sets forth the goals and objectives of the business for the upcoming year; and
- effects any improvements to the Board Charter deemed necessary or appropriate.

RISK MANAGEMENT

The Company has a number of risk management policies, as well as related internal compliance systems that are designed to:

- optimise the return to, and protect the interests of, stakeholders;
- safeguard the Company’s assets and maintain its reputation;
- improve the Company’s operating performance; and
- fulfil the Company’s strategic objectives.

The Board ultimately has responsibility for internal compliance and control.

At least twice a year, the Audit & Risk Committee receives an internal audit report. In addition, an annual internal audit plan is presented to and approved by the Audit & Risk Committee.

POLICIES

The Company has in place a number of policies including those covering external auditors, remuneration, market disclosure, communication with shareholders, share trading, human resources and health and safety.