

Auditors' Report



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Auditors' Report

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

We have audited the financial statements on pages 37 to 78. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 41 to 50.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2009 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and providers of tax and other assurance services.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 37 to 78:
 - (i) comply with generally accepted accounting practice in New Zealand;
 - (ii) comply with International Financial Reporting Standards; and
 - (iii) give a true and fair view of the financial position of the Company and Group as at 31 March 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 May 2009 and our unqualified opinion is expressed as at that date.

Chartered Accountants

Auckland

Income Statements

For the year ended 31 March 2009

Parent			Consolidated		
2008 NZ\$000	2009 NZ\$000		2009 NZ\$000	2008 NZ\$000	
		Notes			
39,838	46,533	Operating revenue	4	458,717	357,893
		Cost of sales		(212,087)	(177,811)
39,838	46,533	Gross profit		246,630	180,082
-	172	Other income	5	3,000	-
(1,171)	(1,136)	Selling, general and administrative expenses		(118,929)	(97,859)
		Research and development expenses		(28,310)	(24,091)
38,667	45,569	Operating profit before financing costs		102,391	58,132
		Financing income		1,263	711
(1,720)	-	Financing expense		(8,777)	(5,748)
		Exchange (loss) gain on foreign currency borrowings		(9,839)	1,215
(1,720)	-	Net financing (expense)		(17,353)	(3,822)
36,947	45,569	Profit before tax	5,7	85,038	54,310
(1,228)	(461)	Tax expense	7	(22,805)	(19,034)
35,719	45,108	Profit after tax		62,233	35,276
		Basic earnings per share	22	12.2 cps	6.9 cps
		Diluted earnings per share	22	11.8 cps	6.7 cps
		Weighted average basic ordinary shares outstanding	22	509,492,237	509,402,778
		Weighted average diluted ordinary shares outstanding	22	527,363,056	524,856,394

The accompanying accounting policies and notes form an integral part of the financial statements.

Statements of Changes in Equity

For the year ended 31 March 2009

Parent				Consolidated	
2008	2009			2009	2008
NZ\$000	NZ\$000		Notes	NZ\$000	NZ\$000
106,317	68,733	Total equity at beginning of the year		195,664	236,547
		Changes in fair value of cash flow hedges	21	(3,071)	(1,330)
		Transfers to net profit from cash flow hedge reserve	21	(743)	(2,991)
		Tax on cash flow hedge reserve movements	16,21	1,144	1,465
		Income and expenses recognised directly in equity		(2,670)	(2,856)
35,719	45,108	Profit after tax		62,233	35,276
		Revaluation of land	13,21	10,850	-
35,719	45,108	Total recognised income and expenses for the year		73,083	35,276
(63,250)	(63,175)	Dividends paid	21	(63,175)	(63,250)
2,106	202	Issue of share capital	20	202	2,106
(12,252)	-	Repurchase of share capital	20	-	(12,252)
(134)	133	Movement in employee share entitlement reserve	21	133	(134)
266	837	Movement in employee share option reserve	21	837	266
(735)	164	Movement in treasury shares	21	164	(735)
514	5	Shares issued under share option schemes for employee services	20	5	514
182	58	Employee share scheme shares issued for employee services	20	58	182
68,733	52,065	Total equity at end of the year		204,301	195,664

The accompanying accounting policies and notes form an integral part of the financial statements.

Balance Sheets

As at 31 March 2009

Parent		Notes	Consolidated		
2008 NZ\$000	2009 NZ\$000		2009 NZ\$000	2008 NZ\$000	
ASSETS					
Current assets					
		Cash and cash equivalents	8	5,465	5,263
41	40	Trade and other receivables	9	80,996	60,262
		Inventories	10	69,946	50,770
		Derivative financial instruments	11	7,566	3,311
3,602	2,710	Tax receivable	12	8,702	9,968
56,808	41,161	Intergroup advances	25		
60,451	43,911	Total current assets		172,675	129,574
Non-current assets					
		Property, plant and equipment	13	204,558	186,489
8,887	8,741	Intangible assets	14	4,469	4,287
		Investments in subsidiaries	15		
		Other receivables	9	1,853	915
		Derivative financial instruments	11	13,334	1,685
173	145	Deferred tax asset	16	16,848	8,717
69,511	52,797	Total assets		413,737	331,667
LIABILITIES					
Current liabilities					
		Interest-bearing liabilities	17	23,447	65,007
201	242	Trade and other payables	18	57,737	41,550
		Provisions	19	2,203	2,342
		Tax payable	12	593	640
		Derivative financial instruments	11	9,874	842
201	242	Total current liabilities		93,854	110,381
Non-current liabilities					
		Interest-bearing liabilities	17	97,510	21,107
		Provisions	19	1,160	640
577	490	Other payables	18	3,223	2,720
		Derivative financial instruments	11	13,689	1,155
778	732	Total liabilities		209,436	136,003
EQUITY					
6,083	6,348	Share capital	20	6,348	6,083
(2,436)	(2,272)	Treasury shares	20,21	(2,272)	(2,436)
62,642	44,575	Retained earnings	21	187,726	188,668
		Asset revaluation reserve	21	10,850	-
		Cash flow hedge reserve	21	(1,765)	905
184	317	Employee share entitlement reserve	21	317	184
2,260	3,097	Employee share option reserve	21	3,097	2,260
68,733	52,065	Total equity		204,301	195,664
69,511	52,797	Total liabilities and equity		413,737	331,667

The accompanying accounting policies and notes form an integral part of the financial statements.

On behalf of the Board
26 May 2009


G A Paykel
Chairman


M G Daniell
Managing Director and
Chief Executive Officer

Statements of Cash Flows

For the year ended 31 March 2009

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000	Notes	NZ\$000	NZ\$000
		CASH FLOWS FROM OPERATING ACTIVITIES		
		Receipts from customers	456,418	356,551
33,363	43,937	Dividends received		590
6,475	2,596	Interest received	1,163	
(1,133)	(1,185)	Payments to suppliers and employees	(363,436)	(291,423)
		Tax paid	(22,818)	(15,740)
(1,773)	-	Interest paid	(9,262)	(5,627)
36,932	45,348	Net cash flows from operating activities	26	62,065
		CASH FLOWS (USED IN) INVESTING ACTIVITIES		
		Sales of property, plant and equipment	1	34
		Purchases of property, plant and equipment	(20,363)	(11,666)
		Purchases of intangible assets	(2,006)	(1,825)
		Net cash flows (used in) investing activities		(22,368)
		CASH FLOWS (USED IN) FINANCING ACTIVITIES		
		Employee share purchase schemes	605	488
1,091	186	Issue of share capital	186	1,091
(12,252)	-	Repurchase of share capital	-	(12,252)
		New borrowings	36,970	55,345
		Repayment of borrowings	(8,580)	(12,498)
42,251	20,768	Intercompany borrowings		
(63,250)	(63,175)	Dividends paid	(63,175)	(63,250)
(4,772)	(3,127)	Supplementary dividends paid to overseas shareholders	(3,127)	(4,772)
(36,932)	(45,348)	Net cash flows (used in) financing activities		(37,121)
		Net increase (decrease) in cash	2,576	(4,954)
		Opening cash	(3,294)	2,283
		Effect of foreign exchange rates	516	(623)
		Closing cash		(202)
		RECONCILIATION OF CLOSING CASH		
		Cash and cash equivalents	8	5,465
		Bank overdrafts	17	(5,667)
		Closing cash		(202)

The accompanying accounting policies and notes form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 March 2009

1. GENERAL INFORMATION

Fisher & Paykel Healthcare Corporation Limited (“Company” or “Parent”) together with its subsidiaries (“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 2013.

These consolidated financial statements were approved for issue by the Board of Directors on 26 May 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the year ended 31 March 2009 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). The financial statements also comply with International Financial Reporting Standards (IFRS).

A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

Entities reporting

The financial statements are the consolidated financial statements of the Group, comprising the Company and its subsidiaries. The Company and its subsidiaries are designated as profit-oriented entities for financial reporting purposes. The financial statements of the Parent are for the Company as a separate legal entity.

Statutory base

The Company is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is also listed on the New Zealand Stock Exchange (NZSX) and the Australian Stock Exchange (ASX). The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and the revaluation of land at fair value through equity.

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 Company's accounting policies.

The Directors regularly review all accounting policies and areas of judgement in presenting the financial statements.

Judgements

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. In the ordinary course of business there are some transactions for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determinations are finalised. Refer further detail in Notes 7, 12 and 16.

Estimates

Warranty

The Group tests annually whether the warranty provision as disclosed in Note 19 and calculated in accordance with the accounting policy stated in Note 2 (U) is sufficient to meet future obligations. The calculation of the provision requires estimates.

Notes to the Financial Statements

For the year ended 31 March 2009

Fair value of derivative financial instruments

The Group holds significant amounts of derivatives which are hedge accounted. The estimation of fair values is determined in accordance with the accounting policy stated in Note 2 (O).

B. PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at balance date and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investments

Investments in subsidiary companies are valued at cost in the Parent.

C. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Group is organised into one primary segment, being the design and manufacture of medical devices. The secondary segment is geographical where the Group is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

D. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The Group operates as one integrated business. The financial statements are presented in New Zealand dollars, which is the Company's and its subsidiaries' functional currency. The Company's and Group's presentation currency is New Zealand dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using either the exchange rates prevailing at the dates of the transactions or at rates that approximate the actual exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Notes to the Financial Statements

For the year ended 31 March 2009

E. REVENUE RECOGNITION

Revenue includes the fair value for the sale of products, net of sales taxes and other indirect taxes, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sale of products

Sales of products are recognised in accordance with the terms of sale when title has been transferred and the benefits of ownership and risk pass to the customer.

Financing income

Financing income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

F. GOODS AND SERVICES TAX (GST)

The Income Statements have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheets are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

G. CURRENT AND DEFERRED INCOME TAX

The tax expense or tax income for the period is the tax payable or receivable on the current period's taxable income based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and changes to any unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

H. LEASES

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

I. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

J. CASH AND CASH EQUIVALENTS

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

Notes to the Financial Statements

For the year ended 31 March 2009

K. TRADE RECEIVABLES

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

Trade receivables balances are reviewed on an ongoing basis. Debts known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between an asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within selling, general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses in the Income Statement.

L. INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes financing costs.

M. DERIVATIVES

The Group hedge accounts certain 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 at balance date. 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 hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

Subsidiaries document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. These subsidiaries also document 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.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. Any ineffective portion is designated as a fair value hedge with the gain or loss recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the period when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

Derivatives that do not qualify for hedge accounting

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

Notes to the Financial Statements

For the year ended 31 March 2009

N. FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, except for maturities greater than 12 months after the Balance Sheet date. Derivatives that are designated as hedges can be classified as non-current if they are in a long-term relationship.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables in the Balance Sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Income Statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement within operating profit in the period in which they arise.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 9.

O. FAIR VALUE ESTIMATION FOR FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the mid-point between the bid price and offer price at balance date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance date.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values.

P. PROPERTY, PLANT AND EQUIPMENT

Land is measured at fair value, based on periodic but at least triennial valuations by external independent valuers less any impairment losses recognised after the date of the revaluation.

All other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in an 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 useful lives, as follows:

- Buildings – structure 25 - 50 years
- Buildings – fit-out and other 3 - 50 years
- Leasehold improvements 2 - 20 years
- Plant and equipment 3 - 15 years
- Vehicles 5 years
- Tooling 3 - 7 years

Notes to the Financial Statements

For the year ended 31 March 2009

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance 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 profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss 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.

Q. 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, the unamortised costs are written off immediately to the Income Statement.

Software costs

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Separately recognised goodwill is not amortised, instead it is tested annually for impairment or immediately if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

R. TRADE AND OTHER PAYABLES

These amounts 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.

S. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest 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 balance date. Borrowing costs are expensed as incurred.

T. FINANCING EXPENSE

Financing expense comprises interest expense on interest-bearing liabilities calculated using the effective interest method, and other associated borrowing costs.

Notes to the Financial Statements

For the year ended 31 March 2009

U. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

V. SHARE CAPITAL

Ordinary shares are classified as capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

W. EMPLOYEE BENEFITS

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, 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 other payables 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

Employee option plans

The Employee Share Option Plans allow Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share option reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the options granted is measured using the Binomial Options Pricing Model, 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.

Employee share plans

The Employee Share Ownership Plans allow Group employees to acquire shares of the Company. The fair value of shares 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 shares granted has been assessed as being equal to the discount provided on issue of the shares.

Interest-free loans are provided to employees in some jurisdictions to assist the employees to purchase the shares. The fair value of the interest-free loan is recognised as a financing 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 interest-free loan has been assessed by calculating the benefit provided to employees by discounting the payments on the loan at the estimated pre-tax financing rate of the employees.

Notes to the Financial Statements

For the year ended 31 March 2009

Superannuation plans

Companies within the Group contribute to defined benefit and defined contribution superannuation plans for the benefit of all employees. Defined benefit superannuation plans provide defined lump sum benefits based on years of service and final average salary. Defined contribution plans receive fixed contributions from the Group, and the Group's legal and constructive obligation is limited to these contributions.

Defined benefit

A liability or asset in respect of defined benefit superannuation plans is recognised in the Balance Sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund as at the reporting date, calculated by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with maturity and currency that match, as closely as possible, the estimated future cash outflows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in retained earnings as incurred.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation are taken into account in measuring the net liability or asset.

Defined contribution

Contributions to defined contribution superannuation plans are recognised as an expense in the Income Statement as they become payable.

X. RESERVES

Nature and purpose of reserves

Asset revaluation reserve

Refer accounting policy stated in Note 2 (P).

Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a forward foreign currency cash flow hedge that are recognised directly in equity. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

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 granted but not exercised. Amounts are transferred to share capital when the options are exercised by the employee.

Treasury shares

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

Y. DIVIDENDS

Provision is made for the amount of any dividend declared and approved on or before the balance date but not distributed at balance date.

Z. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings by the weighted average number of ordinary shares outstanding during each period.

Diluted earnings per share is calculated by using the weighted average number of ordinary shares outstanding during each period, adjusted to include the potentially dilutive effect if securities or other contracts to issue ordinary shares were exercised or converted into shares.

Notes to the Financial Statements

For the year ended 31 March 2009

AA. RESEARCH & DEVELOPMENT

Research and development expenditure is expensed as it is incurred. Development costs of product innovation as a process are, in the main, indistinguishable as to whether the benefits will be applied to current or future products.

AB. ADVERTISING AND SALES PROMOTION COSTS

All advertising and sales promotion costs are expensed as incurred.

AC. 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 fixed 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 short-term maturities and the volume of transactions involved.

AD. 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.

AE. CHANGES TO ACCOUNTING POLICIES

There has been a change in accounting policy adopted for the valuation of land as allowed under NZ IAS 16 Property, Plant and Equipment whereby land is now recorded at fair value rather than cost. This has resulted in an increase in the carrying value of land of \$10,850,000. The Group believes that the recording and disclosure of land at fair value rather than cost more accurately presents the Group's economic interest in the land.

There have been no other changes in accounting policies.

AF. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

The following standards, interpretations and amendments to published standards that are applicable to the Group but are not yet effective, and have not been early adopted by the Group, are:

NZ IFRS 3: Business Combinations (Revised) and NZ IAS 27: Consolidated and Separate Financial Statements (Revised)

Effective for annual periods beginning on or after 1 July 2009. The amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent re-measurement of the business combination must be put through the Income Statement. Both standards must be adopted at the same time. Impact is dependent on acquisition activity.

This standard has been amended in a number of areas, of which the significant amendments are as follows:

- Transaction costs incurred in connection with the business combination are expensed when incurred and are no longer included in the cost of the acquiree.
- An acquirer recognises contingent consideration at fair value at the acquisition date. Subsequent changes in the fair value of such contingent consideration will often affect the Income Statement.
- The acquirer recognises either the entire goodwill inherent in the acquiree, independent of whether a 100% interest is acquired (full goodwill method), or only the portion of the total goodwill which corresponds to the proportionate interest acquired (as currently the case under NZ IFRS 3).

NZ IFRS 8: Operating Segments

Effective for annual periods beginning on or after 1 January 2009. NZ IFRS 8 replaces NZ IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This will have an impact on disclosure only.

Notes to the Financial Statements

For the year ended 31 March 2009

NZ IFRS 2: Share-based payment - Vesting Conditions and Cancellations

Effective for annual periods beginning on or after 1 January 2009. The amendment includes a number of updates including the revised definitions of 'vest' and 'vesting conditions' and requirements in respect of the treatment of non-vesting conditions and cancellations. The impacts are not expected to be material to the Group.

NZ IAS 1 (Amendment): Presentation of Financial Statements

Effective for periods beginning on or after 1 January 2009. The amendment requires a number of changes to the presentation and disclosure in financial statements. This will have an impact on disclosure only.

The Group will adopt these standards, interpretations, and amendments when they become mandatory.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and options, and interest rate swaps and swaptions to manage certain risk exposures.

The Board of Directors has approved policies and guidelines for the Group that identify and evaluate risks and authorise various financial instruments to manage financial risks. These policies and guidelines are reviewed regularly.

The Parent is not directly exposed to any significant financial risk.

A. MARKET RISK

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, European Union euro, British pound, Australian dollar, Japanese yen and Canadian dollar.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Refer to Notes 9 and 18 for receivables and payables denominated in foreign currencies.

The purpose of the Group's foreign currency risk management activities is to protect the Group from exchange rate volatility with respect to New Zealand dollar net cash movements resulting from the sale of products in foreign currencies to foreign customers, and the purchase of raw materials in foreign currencies from foreign and domestic suppliers. The Group enters into foreign currency option contracts and forward foreign currency contracts within policy parameters to manage the risk associated with anticipated sales or costs denominated principally in US dollars, European Union euros, British pounds, Australian dollars, Japanese yen and Canadian dollars. 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.

Refer to Note 11 for notional principal amounts and valuations of foreign exchange contracts and options outstanding at balance date. A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at Note 3 A (iv).

(ii) Price risk

The Group has no material exposure to price risk.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating-to-fixed interest rate swaps and interest rate swaptions. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate swaptions give the right, but not the obligation, to enter into an interest rate swap at a fixed rate at a future date. Under the Group Treasury policy, the mix between economically fixed and floating debt is reviewed on a regular basis. Interest rate swaps are accounted for as cash flow hedges.

Refer to Note 11 for notional principal amounts and valuations of interest rate swaps and swaptions outstanding at balance date. A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table at Note 3 A (iv). Refer to Note 17 for further details of the Group's borrowings.

Notes to the Financial Statements

For the year ended 31 March 2009

(iv) 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 +/-15% for foreign exchange risk has been selected (2008: +/-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 +/-15% 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. 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 +/-15% (2008: +/-10%) movement in the New Zealand dollar against all currencies.

2009

	Carrying amount NZ\$000	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		-1%		+1%		-15%		+15%	
		Profit NZ\$000	Equity NZ\$000	Profit NZ\$000	Equity NZ\$000	Profit NZ\$000	Equity NZ\$000	Profit NZ\$000	Equity NZ\$000
DERIVATIVE FINANCIAL INSTRUMENTS	(2,663)	-	(3,199)	-	3,005	(3,523)	(71,839)	2,355	54,726
OTHER FINANCIAL ASSETS:									
Cash and cash equivalents	5,465	(3)	-	8	-	582	-	(582)	-
Trade receivables	75,357	-	-	-	-	8,169	-	(8,169)	-
OTHER FINANCIAL LIABILITIES:									
Trade and other payables	41,374	(161)	-	188	-	(2,930)	-	2,930	-
Interest-bearing liabilities	120,957	816	-	(816)	-	(5,987)	-	5,987	-
Total increase/(decrease)		652	(3,199)	(620)	3,005	(3,689)	(71,839)	2,521	54,726

2008

	Carrying amount NZ\$000	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		-1%		+1%		-10%		+10%	
		Profit NZ\$000	Equity NZ\$000	Profit NZ\$000	Equity NZ\$000	Profit NZ\$000	Equity NZ\$000	Profit NZ\$000	Equity NZ\$000
DERIVATIVE FINANCIAL INSTRUMENTS	2,999	(5)	(570)	77	570	(1,208)	(9,322)	192	8,809
OTHER FINANCIAL ASSETS:									
Cash and cash equivalents	5,263	(8)	-	8	-	342	-	(342)	-
Trade receivables	56,479	-	-	-	-	3,490	-	(3,490)	-
OTHER FINANCIAL LIABILITIES:									
Trade and other payables	30,184	(144)	-	168	-	(1,123)	-	1,123	-
Interest-bearing liabilities	86,114	580	-	(580)	-	(1,923)	-	1,923	-
Total increase/(decrease)		423	(570)	(327)	570	(422)	(9,322)	(594)	8,809

The exchange rate and interest rate sensitivities for 2009 are greater than 2008 as lower exchange rates and interest rates in 2009 have resulted in an increase in exchange rate and interest rate hedging. Additionally, as noted above, an exchange rate sensitivity of +/-15% has been used for 2009 versus +/-10% for 2008, which has resulted in a larger sensitivity for 2009. The Parent is not directly exposed to any significant financial risk.

Notes to the Financial Statements

For the year ended 31 March 2009

B. CREDIT RISK

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

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

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

	2009 NZ\$000	2008 NZ\$000
North America	33,716	24,671
Europe	28,380	21,662
Asia Pacific	8,866	7,274
Other	5,453	3,632
Total	76,415	57,239

The maximum potential exposure to credit risk is:

	2009 NZ\$000	2008 NZ\$000
Cash and cash equivalents	5,465	5,263
Trade receivables	76,415	57,239
Derivative financial instruments	20,900	4,996
Total	102,780	67,498

See Notes 9 and 11 for further disclosure on credit risk.

C. LIQUIDITY RISK

Management monitors rolling forecasts of the Group's liquidity position on the basis of expected cash flow. See Note 17 for details of available facilities.

The Parent's liquidity risk exposure is not significant.

The tables below analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

AS AT 31 MARCH 2009

	Less than 1 year NZ\$000	Between 1 and 2 years NZ\$000	Between 2 and 5 years NZ\$000	Over 5 years NZ\$000
Bank overdrafts	5,905	-	-	-
Trade and other payables	40,885	489	-	-
Borrowings	23,097	42,434	64,911	-

AS AT 31 MARCH 2008

	Less than 1 year NZ\$000	Between 1 and 2 years NZ\$000	Between 2 and 5 years NZ\$000	Over 5 years NZ\$000
Bank overdrafts	9,046	-	-	-
Trade and other payables	29,605	579	-	-
Borrowings	60,765	3,019	21,354	-

Notes to the Financial Statements

For the year ended 31 March 2009

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

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

AS AT 31 MARCH 2009

	Less than 1 year NZ\$000	Between 1 and 2 years NZ\$000	Between 2 and 5 years NZ\$000	Over 5 years NZ\$000
GROSS SETTLED DERIVATIVES				
Forward foreign exchange contracts				
Inflow	162,723	108,440	341,557	22,424
Outflow	(161,069)	(105,189)	(341,070)	(22,448)
Net inflow (outflow)	1,654	3,251	487	(24)
Foreign currency option contracts*				
Inflow	-	-	-	-
Outflow	-	-	-	-
Net inflow	-	-	-	-
NET SETTLED DERIVATIVES				
Interest rate swaps**				
Net (outflow)	(1,440)	(1,034)	(1,905)	(959)

* 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.

AS AT 31 MARCH 2008

	Less than 1 year NZ\$000	Between 1 and 2 years NZ\$000	Between 2 and 5 years NZ\$000	Over 5 years NZ\$000
GROSS SETTLED DERIVATIVES				
Forward foreign exchange contracts				
Inflow	32,358	15,051	41,983	-
Outflow	(32,004)	(14,252)	(41,028)	-
Net inflow	354	799	955	-
Foreign currency option contracts*				
Inflow	-	-	-	-
Outflow	-	-	-	-
Net inflow	-	-	-	-
NET SETTLED DERIVATIVES				
Interest rate swaps**				
Net (outflow)	(417)	(382)	(569)	-

* There are no contractual cash flows in relation to foreign currency option contracts.

** The amounts expected to be receivable in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date.

Notes to the Financial Statements

For the year ended 31 March 2009

D. FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature. The fair value of financial instruments for disclosure and recognition purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value estimates are compared to valuations prepared by the respective counterparties. Refer to Note 2 (O) for further information on fair value estimation.

E. CAPITAL RISK MANAGEMENT

The main objective of capital risk management is to ensure the Group operates as a going concern, meets debts as they fall due, maintains the best possible capital structure, and reduces the cost of capital. Group capital consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure, the Group has the ability to review the size of the dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets. There has been no change in Group policies or objectives in relation to capital risk management since the prior year.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated monthly and reported to the banks semi-annually. The principal covenants relating to capital management are the interest cover ratio, the net tangible assets minimum requirement and total tangible assets ratio (refer to Note 17 for a listing of the principal covenants). The consequences of a breach of these covenants would depend on the nature of the breach, but could range from an instigation of an event of review, to a demand for repayment. There have been no breaches of these covenants or events of review for the current or prior period.

Parent			Consolidated	
2008 NZ\$000	2009 NZ\$000		2009 NZ\$000	2008 NZ\$000
		4. OPERATING REVENUE		
		Sales revenue	485,516	345,966
		Foreign exchange gain (loss) on hedged sales	(26,799)	11,927
33,363	43,937	Dividends		
6,475	2,596	Interest income on intergroup advances		
39,838	46,533	Total operating revenue	458,717	357,893

Notes to the Financial Statements

For the year ended 31 March 2009

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		5. NET OPERATING PROFIT		
36,947	45,569	Profit before tax	85,038	54,310
		AFTER CHARGING THE FOLLOWING SPECIFIC EXPENSES:		
		Auditors' fees:		
		Statutory audit	597	436
		Auditor's half year review	30	30
		Accounting standards advice	29	46
		Tax compliance fees	80	44
		Total auditors' fees	736	556
		Donations	21	13
		Depreciation:		
		Buildings - structure	1,327	1,008
		Buildings - fit-out and other	4,089	4,296
		Leasehold improvements	160	50
		Plant and equipment	9,800	8,217
		Total depreciation	15,376	13,571
		Inventory obsolescence	1,421	369
		Rental expense	3,012	2,338
		Operating leases	3,790	3,409
		Amortisation:		
		Patents and trademarks	995	1,183
		Software	931	798
		Total amortisation	1,926	1,981
		Bad debts written off	562	284
		Movement in provision for doubtful debts	298	(23)
636	687	Directors' fees paid	687	636
66	133	Directors' retirement fees paid	133	66
(26)	(88)	Movement in accrual for directors' retirement fees	(88)	(26)
		AFTER CREDITING THE FOLLOWING SPECIFIC INCOME:		
		Research and development tax credit	3,000	-
-	172	Gain on transfer of subsidiary company shares		

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		6. EMPLOYEE BENEFITS		
		Wages and salaries	144,946	116,108
		Other employment costs	7,900	8,399
		Employer contributions to superannuation plans	5,046	3,832
		Movement in liability for long service leave	(22)	(419)
		Employee share purchase plans - discount on issue	154	132
		Employee share purchase plans - interest-free loan	81	70
		Employee stock purchase plans	39	35
		Employee share option plans	845	780
			158,989	128,937

Notes to the Financial Statements

For the year ended 31 March 2009

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		7. TAX EXPENSE		
36,947	45,569	Profit before tax	85,038	54,310
12,193	13,671	Tax expense at the New Zealand rate of 30% (2008: 33%)	25,511	17,922
		Adjustments to tax for:		
		Research and development tax credit	(900)	-
(11,026)	(13,233)	Non-assessable income	(132)	(236)
		Effect of foreign currency translations	(2,786)	587
11	11	Non-deductible expenses	476	328
		Foreign rates other than 30% (2008: 33%)	1,445	236
17	-	Effect of change in the corporate tax rate	-	429
33	12	Other	(809)	(232)
1,228	461	Tax expense	22,805	19,034
		This is represented by:		
1,202	433	Current tax	29,792	16,264
26	28	Deferred tax	(6,987)	2,770
1,228	461	Tax expense	22,805	19,034
3.3%	1.0%	Effective tax rate	26.8%	35.0%

The New Zealand corporate tax rate changed from 33% to 30% with effect from 1 April 2008 for the Group. The revised rate did not impact the current tax payable or receivable for 2008. However the change in tax rate was taken into account in the measurement of deferred tax at 31 March 2008, with a consequent impact on income tax expense, as detailed above.

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		8. CASH AND CASH EQUIVALENTS		
		Cash at bank - New Zealand dollar balances	147	-
		Cash at bank - foreign currency balances	5,250	5,213
		Cash in hand	68	50
			5,465	5,263
		FOREIGN CURRENCY RISK		
		The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:		
		New Zealand dollars	228	5
		United States dollars	1,056	2,393
		European Union euros	2,351	1,584
		Australian dollars	6	1
		British pounds	64	4
		Indian rupees	611	171
		Chinese yuan	453	284
		Other currencies	696	821
			5,465	5,263

FAIR VALUE

Carrying amounts of cash and cash equivalents are equal to their fair values.

Notes to the Financial Statements

For the year ended 31 March 2009

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		9. TRADE AND OTHER RECEIVABLES		
		CURRENT		
		Trade receivables	76,415	57,239
		Less allowance for doubtful trade receivables	(1,058)	(760)
			75,357	56,479
41	40	Other receivables	5,639	3,783
41	40		80,996	60,262
		NON-CURRENT		
		Other receivables	1,853	915
			1,853	915
		Foreign currency risk		
		The carrying amounts of the Group's trade receivables are denominated in the following currencies:		
		New Zealand dollars	756	613
		United States dollars	41,195	29,506
		European Union euros	23,351	16,421
		Australian dollars	4,165	4,007
		British pounds	2,792	2,926
		Canadian dollars	3,316	2,984
		Other currencies	840	782
			76,415	57,239

The Parent has no trade receivables.

Ageing of trade receivables beyond normal terms

The ageing analysis of consolidated trade receivables beyond normal terms is as follows:

	1-30 days	31-60 days	61-90 days	90+ days	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Not considered impaired					
31 March 2009	11,626	1,537	681	245	14,089
31 March 2008	11,848	4,359	1,657	1,431	19,295
Considered impaired					
31 March 2009	75	83	38	862	1,058
31 March 2008	41	-	-	719	760

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		Movements in the provision for doubtful trade receivables are as follows:		
		Balance at beginning of the year	760	783
		Additional provision recognised	204	119
		Foreign exchange translation	217	(16)
		Receivables written off during the year as uncollectable	(123)	(126)
		Balance at end of the year	1,058	760

Notes to the Financial Statements

For the year ended 31 March 2009

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

	As at 31 March 2009			
	Less than 1 year NZ\$000	Between 1 and 2 years NZ\$000	Between 2 and 5 years NZ\$000	Over 5 years NZ\$000
Foreign exchange derivative instruments inflows	143,266	108,440	341,557	22,424
Interest rate derivative instruments inflows	1,638	1,895	7,228	10,076
Foreign exchange derivative instruments outflows	(141,384)	(105,189)	(341,070)	(22,448)
Interest rate derivative instruments outflows	(4,185)	(3,738)	(10,408)	(10,689)

	As at 31 March 2008			
	Less than 1 year NZ\$000	Between 1 and 2 years NZ\$000	Between 2 and 5 years NZ\$000	Over 5 years NZ\$000
Foreign exchange derivative instruments inflows	31,738	14,856	41,983	-
Interest rate derivative instruments inflows	434	521	2,354	-
Foreign exchange derivative instruments outflows	(31,333)	(14,042)	(41,028)	-
Interest rate derivative instruments outflows	(852)	(903)	(2,925)	-

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

	2009 NZ\$000	2008 NZ\$000
Purchase commitments forward exchange contracts	508	1,902
Sale commitments forward exchange contracts	615,687	87,490
Foreign currency borrowing forward exchange contracts	19,262	-
NZD call option contracts purchased	-	40,655
Collar option contracts - NZD call option purchased (i)	77,552	63,279
Collar option contracts - NZD put option sold (i)	86,384	70,030

(i) Foreign currency notional principal amounts are equal.

Foreign currency principal amounts hedged in relation to sales commitments were as follows:

	Foreign Currency 2009 000s	2008 000s
United States dollars	US\$201,000	US\$59,500
European Union euros	€103,260	€42,860
Australian dollars	A\$3,000	A\$3,250
British pounds	£2,100	£2,275
Canadian dollars	C\$11,550	C\$9,275
Swiss francs	SFr1,325	SFr760
Swedish kronor	kr3,000	kr5,000

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

	Foreign Currency 2009 000s	2008 000s
European Union euros	€100	€300
Japanese yen	¥24,000	¥110,000

Notional principal amounts of interest rate derivative contracts outstanding were as follows:

	2009 NZ\$000	2008 NZ\$000
Interest rate swaps	99,151	19,099
Interest rate swaptions	-	10,000

Interest rate swaps will expire from financial years 2010 through to 2019.

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.

Notes to the Financial Statements

For the year ended 31 March 2009

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		12. CURRENT TAX		
		Balance at beginning of the year		
		Tax payable	(640)	(757)
3,568	3,602	Tax receivable	9,968	5,289
3,568	3,602		9,328	4,532
(1,202)	(433)	Total tax expense in current year	(29,792)	(16,264)
		Tax paid	22,818	15,740
4,772	(473)	Research and development tax credit	3,000	-
(3,536)	14	Supplementary dividend tax credit	3,127	4,772
		Other movements	(372)	548
34	(892)		(1,219)	4,796
		Balance at end of the year		
		Tax payable	(593)	(640)
3,602	2,710	Tax receivable	8,702	9,968
3,602	2,710		8,109	9,328

Notes to the Financial Statements

For the year ended 31 March 2009

	Land		Buildings			Leasehold improvements	Plant & equipment	Capital projects		Total
	Cost	Revaluation	Structure	Fit out and other	Buildings			Other		
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	
13. PROPERTY, PLANT AND EQUIPMENT										
COST AND REVALUATION										
Balance at 1 April 2007	59,200	-	49,475	52,042	857	67,030	670	9,938	239,212	
Additions	-	-	-	4	-	980	1,009	9,509	11,502	
Transfers	-	-	-	880	-	10,685	(880)	(10,685)	-	
Disposals	-	-	-	(58)	-	(1,503)	-	-	(1,561)	
Balance at 31 March 2008	59,200	-	49,475	52,868	857	77,192	799	8,762	249,153	
Balance at 1 April 2008	59,200	-	49,475	52,868	857	77,192	799	8,762	249,153	
Additions	-	10,850	-	-	158	1,947	841	19,669	33,465	
Transfers	-	-	-	654	-	10,536	(654)	(10,536)	-	
Disposals	-	-	-	(123)	(17)	(2,687)	-	-	(2,827)	
Balance at 31 March 2009	59,200	10,850	49,475	53,399	998	86,988	986	17,895	279,791	
DEPRECIATION AND IMPAIRMENT LOSSES										
Balance at 1 April 2007	-	-	2,499	13,455	471	34,195	-	-	50,620	
Depreciation charge for the year	-	-	1,008	4,296	50	8,217	-	-	13,571	
Disposals	-	-	-	(58)	-	(1,469)	-	-	(1,527)	
Balance at 31 March 2008	-	-	3,507	17,693	521	40,943	-	-	62,664	
Balance at 1 April 2008	-	-	3,507	17,693	521	40,943	-	-	62,664	
Depreciation charge for the year	-	-	1,327	4,089	160	9,800	-	-	15,376	
Disposals	-	-	-	(123)	(20)	(2,664)	-	-	(2,807)	
Balance at 31 March 2009	-	-	4,834	21,659	661	48,079	-	-	75,233	
CARRYING AMOUNTS										
At 1 April 2007	59,200	-	46,976	38,587	386	32,835	670	9,938	188,592	
At 31 March 2008	59,200	-	45,968	35,175	336	36,249	799	8,762	186,489	
At 31 March 2009	59,200	10,850	44,641	31,740	337	38,909	986	17,895	204,558	

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, by DTZ New Zealand Ltd as at 31 March 2009 was \$150.700 million (2008: \$169.850 million). The Parent holds no property, plant and equipment.

Land revaluation

Land, comprising 42.0238 hectares at East Tamaki, Auckland was revalued with an effective date of 31 March 2009 (refer to Note 2 (AE) for the change in accounting policy). The independent valuers used were DTZ New Zealand Ltd. The valuation was made on the basis of recent market transactions on arms length terms, with reference to the land's best use and highest value.

Notes to the Financial Statements

For the year ended 31 March 2009

	Software NZ\$000	Patents & trademarks NZ\$000	Patent & trademark applications NZ\$000	Goodwill NZ\$000	Total NZ\$000
14. INTANGIBLE ASSETS					
COST					
Balance at 1 April 2007	4,461	2,635	2,999	3,853	13,948
Additions	985	83	649	-	1,717
Transfers	-	621	(621)	-	-
Disposals	(37)	-	-	-	(37)
Balance at 31 March 2008	5,409	3,339	3,027	3,853	15,628
Balance at 1 April 2008	5,409	3,339	3,027	3,853	15,628
Additions	726	-	1,382	-	2,108
Transfers	-	554	(554)	-	-
Disposals	(6)	(23)	-	-	(29)
Balance at 31 March 2009	6,129	3,870	3,855	3,853	17,707
AMORTISATION AND IMPAIRMENT LOSSES					
Balance at 1 April 2007	3,247	1,854	1,549	2,823	9,473
Amortisation for the year	798	1,038	145	-	1,981
Disposals	(113)	-	-	-	(113)
Balance at 31 March 2008	3,932	2,892	1,694	2,823	11,341
Balance at 1 April 2008	3,932	2,892	1,694	2,823	11,341
Amortisation for the year	931	538	457	-	1,926
Disposals	(6)	(23)	-	-	(29)
Balance at 31 March 2009	4,857	3,407	2,151	2,823	13,238
CARRYING AMOUNTS					
At 1 April 2007	1,214	781	1,450	1,030	4,475
At 31 March 2008	1,477	447	1,333	1,030	4,287
At 31 March 2009	1,272	463	1,704	1,030	4,469

There are no individually material intangible assets. The Parent holds no intangible assets.

Impairment test for goodwill

Goodwill relates to the acquisition of Fisher & Paykel Healthcare GmbH & Co KG, which is the cash generating unit to which the total amount of goodwill is allocated. The recoverable amount is based on a value-in-use calculation. That calculation uses cash flow projections based on budgets approved by the Board to March 2009, and a pre-tax discount rate of 9.6% (2008: 11%). Cash flows beyond March 2009 have been extrapolated using a constant growth rate of 10% (2008: 5%) to March 2019, which is conservative when compared to the compound annual growth rate of 12.9% (2008: 12.8%) over the past 5 years, and a terminal growth rate of 2% (2008: 2%) beyond March 2019. The calculation supports the carrying amount of the recorded goodwill. The Board believes that any reasonably possible change in the key assumptions used in the calculation would not cause the carrying amount to exceed its recoverable amount.

Notes to the Financial Statements

For the year ended 31 March 2009

Parent
2008
NZ\$000 2009
NZ\$000

15. INVESTMENTS IN SUBSIDIARIES

8,887

8,741

Investments in subsidiaries

The Parent's investment in subsidiaries comprises shares at cost. The assets and liabilities attributed to Fisher & Paykel Healthcare Corporation Limited are owned by the following subsidiaries:

Principal Subsidiaries	Country of Incorporation	Interest held by Group		Principal activities
		2009	2008	
* Fisher & Paykel Healthcare Limited	NZ	100%	100%	Manufacture & Distribution of Healthcare Products
* Fisher & Paykel Healthcare Pty Limited	Australia	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Limited	UK	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Inc.	USA	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare SAS	France	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare GmbH & Co KG	Germany	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Holdings Inc.	USA	100%	100%	Non-Trading Holding Company
Fisher & Paykel Holdings GmbH	Germany	100%	100%	Non-Trading Holding Company
* Fisher & Paykel Healthcare Properties Limited	NZ	100%	100%	Property Owning Company
Fisher & Paykel do Brasil Ltda	Brazil	100%	100%	Marketing Support
Fisher & Paykel Healthcare K.K.	Japan	100%	100%	Marketing Support
* Fisher & Paykel Healthcare Treasury Limited	NZ	100%	100%	Treasury Management
Fisher & Paykel Healthcare (Guangzhou) Limited	China	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited	NZ	100%	100%	Employee Share Purchase Trustee Company
Fisher & Paykel Healthcare AB	Sweden	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Asia Limited	NZ	100%	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare Asia Investments Limited	NZ	100%	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare India Private Limited	India	100%	0%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Limited	Hong Kong	100%	0%	Marketing Support
Fisher & Paykel Healthcare Americas Investments Limited	NZ	100%	0%	Non-Trading Holding Company
Fisher & Paykel Healthcare S.A. de C.V.	Mexico	100%	0%	Non-Trading Company

All subsidiaries have a balance date of 31 March with the exception of Fisher & Paykel do Brasil Ltda, Fisher & Paykel Healthcare (Guangzhou) Limited and Fisher & Paykel Healthcare S.A. de C.V. which have a balance date of 31 December for statutory compliance purposes.

* Fisher & Paykel Healthcare Corporation Limited together with those above companies marked with an asterisk are the companies in the Negative Pledge Deed (refer to Note 17).

Notes to the Financial Statements

For the year ended 31 March 2009

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		16. DEFERRED TAX ASSET		
		The balance comprises temporary differences attributable to:		
173	145	Provisions and accruals	15,537	9,052
		Depreciation	(728)	(629)
		Amortisation	1,163	1,111
		Other	120	(429)
		Cash flow hedges	756	(388)
173	145		16,848	8,717
		Movements		
199	173	Balance at beginning of the year	8,717	10,451
		Credited (charged) to the Income Statements:		
(26)	(28)	Provisions and accruals	6,485	(3,792)
		Depreciation	(99)	871
		Amortisation	52	151
		Other	549	-
(26)	(28)		6,987	(2,770)
		Credited to the Statements of Changes in Equity	1,144	1,465
		Tax rate change	-	(429)
173	145	Balance at end of the year	16,848	8,717
		Timing of usage		
		The amount of the deferred tax balance expected to be used:		
173	145	Within one year	15,646	8,306
		Greater than one year	1,202	411
173	145		16,848	8,717

The New Zealand corporate tax rate changed from 33% to 30% with effect from 1 April 2008 for the Group. The revised rate did not impact the current tax payable or receivable for 2008. However the change in tax rate was taken into account in the measurement of deferred tax at 31 March 2008, with a consequent impact on income tax expense, as detailed above.

Notes to the Financial Statements

For the year ended 31 March 2009

Parent		Consolidated	
2008	2009	2009	2008
NZ\$000	NZ\$000	NZ\$000	NZ\$000
17. INTEREST-BEARING LIABILITIES			
CURRENT			
		5,667	8,557
		17,780	56,450
		23,447	65,007
NON-CURRENT			
		97,510	21,107
		97,510	21,107
Bank overdrafts in foreign currencies		Foreign currency	000s
		000s	000s
		€1,743	€2,625
		A\$792	A\$552
		£123	£176
		kr408	kr983
Borrowings in foreign currencies		Foreign currency	000s
		000s	000s
		US\$15,230	US\$15,000
		€8,000	€1,000
		A\$2,300	-
Borrowings due for repayment		NZ\$000	NZ\$000
		17,780	56,450
		38,200	2,008
		59,310	-
		-	19,099
		97,510	21,107

These borrowings have been aged in accordance with the expiry dates of the facilities. At balance date the weighted average interest rate is 4.9% (2008: 7.4%)

A Negative Pledge Deed has been executed, and certain of the Group's bankers have been provided undertakings under this Deed. The companies in the Group providing the undertakings under the Negative Pledge Deed are listed in Note 15. The negative pledge includes the covenant that security can be given only in limited circumstances.

The principal covenants of the negative pledge are that:

- the interest cover ratio for the Group shall not be less than 3 times;
- the net tangible assets of the Group shall not be less than \$100 million; and
- the total tangible assets of the Guaranteeing Group shall constitute at least 80% of the total tangible assets of the Group.

Notes to the Financial Statements

For the year ended 31 March 2009

		Consolidated	
		2009	2008
		NZ\$000	NZ\$000
17. INTEREST-BEARING LIABILITIES continued			
Unused lines of credit			
	Bank overdraft facilities	8,175	3,795
	Borrowing facilities	66,762	91,282
		74,937	95,077

Fair value

Carrying amounts of interest-bearing liabilities are equivalent to their fair values.

Parent		Consolidated	
2008	2009	2009	2008
NZ\$000	NZ\$000	NZ\$000	NZ\$000
18. TRADE AND OTHER PAYABLES			
CURRENT			
	Trade payables	23,677	14,660
	Employee entitlements	16,852	11,945
201	242	17,208	14,945
201	242	57,737	41,550
NON-CURRENT			
	Employee entitlements	2,734	2,141
577	490	489	579
577	490	3,223	2,720
Foreign currency risk			
The carrying amounts of the Group's trade and other payables are denominated in the following currencies:			
778	732	34,199	26,943
	New Zealand dollars	12,271	6,477
	United States dollars	8,016	5,327
	European Union euros	2,068	2,303
	Australian dollars	1,693	1,916
	British pounds	2,713	1,304
	Other currencies	60,960	44,270
778	732		

Fair value

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

Parent		Consolidated	
2008	2009	2009	2008
NZ\$000	NZ\$000	NZ\$000	NZ\$000
19. PROVISIONS			
CURRENT			
Warranty provision:			
	Balance at beginning of the year	2,342	1,408
	Current year provision	2,899	3,080
	Warranty expenses incurred	(3,038)	(2,146)
Balance at end of the year		2,203	2,342

Notes to the Financial Statements

For the year ended 31 March 2009

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		19. PROVISIONS continued		
		NON-CURRENT		
		Warranty provision:		
		Balance at beginning of the year	640	432
		Current year provision	520	208
		Warranty expenses incurred		
		Balance at end of the year	1,160	640

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 and labour.

The total provision of \$3,363,000 is expected to be fully utilised during the 2010 and 2011 financial years. There will be no reimbursements.

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		20. SHARE CAPITAL		
		All shares are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share. All ordinary shares have equal voting rights.		
15,533	6,083	Share capital at beginning of the year	6,083	15,533
2,106	202	Issue of share capital	202	2,106
(12,252)	-	Repurchase of share capital (i)	-	(12,252)
514	5	Shares issued under share option schemes for employee services	5	514
182	58	Employee share scheme shares issued for employee services	58	182
6,083	6,348	Share capital at end of the year	6,348	6,083
(2,436)	(2,272)	Less accounted for as treasury shares	(2,272)	(2,436)
3,647	4,076		4,076	3,647
		Number of authorised shares		
511,248,727	509,452,817	Number of shares on issue at beginning of the year	509,452,817	511,248,727
		Shares issued:		
525,396	69,795	Employee share purchase schemes	69,795	525,396
355,001	6,666	Exercise of share options	6,666	355,001
972,883	1,634	Exercise of share options under cancellation facility	1,634	972,883
(3,649,190)	-	On-market share buy-back (i)	-	(3,649,190)
509,452,817	509,530,912	Total number of shares on issue	509,530,912	509,452,817
(808,561)	(788,965)	Less accounted for as treasury shares	(788,965)	(808,561)
508,644,256	508,741,947		508,741,947	508,644,256

(i) Nil (2008: 3,649,190) shares were repurchased on-market and cancelled under the Company's on-market buy-back programme as announced on 17 March 2004.

Notes to the Financial Statements

For the year ended 31 March 2009

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
21. RESERVES				
Retained earnings				
90,173	62,642	Balance at beginning of the year	188,668	216,642
35,719	45,108	Profit after taxation	62,233	35,276
Dividends: (i)				
(35,775)	(35,662)	Final 2008 (2007)	(35,662)	(35,775)
(27,475)	(27,513)	Interim 2009 (2008)	(27,513)	(27,475)
62,642	44,575	Balance at end of the year	187,726	188,668
Asset revaluation reserve				
Balance at beginning of the year				
Revaluation of land				
			10,850	-
			10,850	-
Cash flow hedge reserve (ii)				
Balance at beginning of the year				
Revaluation of derivative financial instruments				
Transfer to profit before tax				
Deferred tax				
			905	3,761
			(3,071)	(1,330)
			(743)	(2,991)
			1,144	1,465
			(1,765)	905
Employee share entitlement reserve				
318	184	Balance at beginning of the year	184	318
132	154	Employee expense for the year	154	132
(182)	(58)	Transfer to share capital on vesting of shares to employees	(58)	(182)
(84)	37	Other movements	37	(84)
184	317	Balance at end of the year	317	184
Employee share option reserve				
1,994	2,260	Balance at beginning of the year	2,260	1,994
780	842	Employee expense for the year	842	780
(514)	(5)	Transfer to share capital on exercise or expiry of options	(5)	(514)
2,260	3,097	Balance at end of the year	3,097	2,260
Treasury shares				
(1,701)	(2,436)	Balance at beginning of the year	(2,436)	(1,701)
(1,066)	114	Treasury shares issued to employee share purchase plans	114	(1,066)
331	50	Shares transferred to employees	50	331
(2,436)	(2,272)	Balance at end of the year	(2,272)	(2,436)

(i) Supplementary dividends of \$3,127,000 were paid (2008: \$4,772,000). All dividends are recognised as distributions to shareholders.

(ii) There was no ineffectiveness in relation to cash flow hedges.

Notes to the Financial Statements

For the year ended 31 March 2009

	2009 NZ\$000	Consolidated 2008 NZ\$000
22. 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.		
Profit after tax	62,233	35,276
Weighted average number of ordinary shares outstanding (000s)	509,492	509,403
Basic earnings per share (cents per share)	12.2 cps	6.9 cps
DILUTED		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Options are convertible into the Company's shares, and are therefore considered dilutive securities for diluted earnings per share.		
Profit after tax	62,233	35,276
Weighted average number of ordinary shares outstanding (000s)	509,492	509,403
Adjustment for share options (000s)	17,871	15,453
Weighted average number of ordinary shares for diluted earnings per share (000s)	527,363	524,856
Diluted earnings per share (cents per share)	11.8 cps	6.7 cps

23. SHARE BASED PAYMENTS

EMPLOYEE SHARE OPTION PLANS

Options are granted to selected employees pursuant to the Share Option Plans and become exercisable in three equal annual instalments commencing no earlier than the second anniversary of the grant date, and all unexercised options expire on the fifth anniversary of the grant date. Options also become exercisable if a person, or a group of persons acting in concert, acquires more than half of the Company's outstanding ordinary shares. On leaving employment due to death, serious illness, accident, permanent disablement, redundancy or other circumstances as determined by the Company's Board, the employees or, if applicable, the employees' executors will have three months to exercise all outstanding options. On a termination of employment for any other reason all outstanding vested and unvested options will lapse. As at 31 March 2009 options had been granted to 275 employees (2008: 247). Options granted to employees have no voting rights until they have been exercised and ordinary shares have been issued.

Notes to the Financial Statements

For the year ended 31 March 2009

23. SHARE BASED PAYMENTS continued

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

31 MARCH 2009

	2009(i)	2008(ii)	2007(iii)	Year of Issue			Total
				2006(iv)	2005(v)	2003(vi)	
Balance at beginning of the year	-	3,908,100	3,831,300	3,770,400	4,315,008	-	15,824,808
Granted during the year	4,000,000	-	-	-	-	-	4,000,000
Exercised during the year (vii)	-	-	-	-	(31,664)	-	(31,664)
Lapsed due to resignation	(61,000)	(144,000)	(133,500)	(99,300)	(53,336)	-	(491,136)
Balance at end of the year	3,939,000	3,764,100	3,697,800	3,671,100	4,230,008	-	19,302,008

31 MARCH 2008

	2008(ii)	2007(iii)	Year of Issue			Total
			2006(iv)	2005(v)	2003(vi)	
Balance at beginning of the year	-	3,973,800	3,898,500	4,533,341	3,363,510	15,769,151
Granted during the year	3,957,100	-	-	-	-	3,957,100
Exercised during the year (vii)	-	-	-	(123,332)	(3,363,509)	(3,486,841)
Lapsed due to resignation	(49,000)	(142,500)	(128,100)	(95,001)	(1)	(414,602)
Balance at end of the year	3,908,100	3,831,300	3,770,400	4,315,008	-	15,824,808

- (i) Options expiring September 2013 have exercise prices based on future costs of capital and dividends using a base price of \$3.11 per option.
(ii) Options expiring December 2012 have exercise prices based on future costs of capital and dividends using a base price of \$3.31 per option.
(iii) Options expiring December 2011 have exercise prices based on future costs of capital and dividends using a base price of \$4.26 per option.
(iv) Options expiring September 2010 have exercise prices based on future costs of capital and dividends using a base price of \$3.58 per option.
(v) Options expiring August 2009 have exercise prices based on future costs of capital and dividends using a base price of \$2.63 per option.
(vi) Options which expired March 2008 had an exercise price of \$2.20 per option.
(vii) The number of options exercised during the year also includes any options cancelled under the cancellation facility. The cancellation facility allows optionholders to cancel their options and receive in return ordinary shares equal in value to the gain on the options.

Out of the 19,302,008 outstanding options (2008: 15,824,808 options), 7,729,878 options (2008: 3,269,178 options) were exercisable.

Options exercised in 2009 resulted in 6,666 shares (2008: 355,001 shares) being issued at \$3.04 (2008: \$2.20 each). The related weighted average price at the time of exercise was \$3.19 (2008: \$3.02) per share.

Total options cancelled in 2009 of 24,998 (2008: 3,131,840 options) resulted in 1,634 shares (2008: 972,883 shares) being issued at \$3.08 (2008: \$3.26) per share. The related weighted average price at the time of cancellation was \$3.30 (2008: \$3.31) per share.

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

Financial Year	Expiry	Exercise Price	Options	
			2009	2008
2010	August 2009	Variable (i)	4,230,008	4,315,008
2011	September 2010	Variable (ii)	3,671,100	3,770,400
2012	December 2011	Variable (iii)	3,697,800	3,831,300
2013	December 2012	Variable (iv)	3,764,100	3,908,100
2014	September 2013	Variable (v)	3,939,000	-
			19,302,008	15,824,808

- (i) Options expiring August 2009 at exercise prices based on future costs of capital and dividends using a base price of \$2.63 per option.
(ii) Options expiring September 2010 have exercise prices based on future costs of capital and dividends using a base price of \$3.58 per option.
(iii) Options expiring December 2011 have exercise prices based on future costs of capital and dividends using a base price of \$4.26 per option.
(iv) Options expiring December 2012 have exercise prices based on future costs of capital and dividends using a base price of \$3.31 per option.
(v) Options expiring September 2013 have exercise prices based on future costs of capital and dividends using a base price of \$3.11 per option.

The fair value of options granted during the period determined using the Binomial Options Pricing Model was \$0.172 (2008: \$0.23) per option or \$688,000 (2008: \$910,000) in aggregate.

Notes to the Financial Statements

For the year ended 31 March 2009

The significant inputs into the model were:

	2009	2008
Share price at grant date	\$3.11	\$3.31
Base price at grant date	\$3.11	\$3.31
Expected/historical share price volatility	12.4%	11.8%
Dividends expected over option life (cents)	58.3	52.7
Option life (years)	5	5
Risk free interest rate	6.05%	7.25%
Cost of equity	10.22%	10.70%

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

	2009	2008
Total amount expensed in year for employee share option plans	\$845,000	\$780,000

EMPLOYEE SHARE PURCHASE PLANS

Shares are issued at a discount of 20% of market price, on terms permitted by the Schemes in accordance with sections DC12 and 13 of the New Zealand Income Tax Act 2007, with no interest being charged on the loans. All New Zealand and Australian full-time employees are eligible to participate after a qualifying period. The qualifying period between grant and vesting date is 3 years. Dividends paid during the qualifying period on shares allocated to employees under the Schemes are paid to the employees. Voting rights on the shares are exercisable by the Trustees under the Schemes.

788,965 shares (2008: 808,561) are held by the Schemes, being 0.2% (2008: 0.2%) of the Company's issued and paid up capital. As at 31 March 2009, all shares were allocated to employees, except for 91,083 (2008: 31,414). Once vested an employee participant may elect to transfer the shares into his or her own name after which the shares are freely transferable.

All shares are allocated to employees at the time of issue, on the condition that should they leave the Company before the qualifying period ends, their shares will be repurchased by the Trustees at the lesser of market price and the price at which the shares were originally allocated to the employee, subject to repayment of the original loan.

Any such repurchased shares are held by the Trustees for allocation to future Schemes. Trustees of the Employee Share Purchase Schemes are appointed by the Company.

At 31 March 2009 the total receivable owing from employees is \$1,370,000 (2008: \$1,514,000).

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

	2009		2008	
	Price*	Number	Price*	Number
As at beginning of the year	\$2.87	777,147	\$3.03	576,228
Granted during the year	-	-	\$2.51	520,813
Vested during the year	\$2.58	(19,596)	\$2.46	(252,072)
Lapsed due to resignation	\$2.87	(59,669)	\$3.00	(67,822)
As at end of the year	\$2.88	697,882	\$2.87	777,147

* Weighted average

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

Financial Year	Vesting	Issue Price		Shares	
		2009	2008	2009	2008
2009	February 2008	-	\$2.58*	-	25,982
2010	June 2009	\$3.60*	\$3.62*	233,699	246,984
2011	December 2010 and February 2011	\$2.51*	\$2.51*	464,183	504,181
				697,882	777,147

*Weighted average

Notes to the Financial Statements

For the year ended 31 March 2009

23. SHARE BASED PAYMENTS continued

The fair value of shares granted during the period has been determined as being the discount on issue and the present value of the interest-free loan to the employee and is zero as no new shares were issued in the current year (2008: \$500,000).

	2009	2008
Total amount expensed in year for employee share purchase plans		
- Discount on issue	\$154,000	\$132,000
- Interest-free loan	\$81,000	\$70,000

EMPLOYEE STOCK PURCHASE PLAN

Shares are issued at a discount of 15% being the lower of the market price at the date of issue or the market price at the beginning of the annual offering period (normally 1 January) in accordance with section 423 of the US Internal Revenue Code, as amended. All North American employees working more than 20 hours per week are eligible after a qualifying period. Employees make regular payroll contributions to the plan with shares being issued to employees quarterly to the value of their accumulated contributions to the plan.

All shares are allocated to employees at the time of issue and vest immediately.

Shares issued in 2009 totalled 69,795 (2008: 70,232).

	2009	2008
Total amount expensed in year for employee stock purchase plans	\$39,000	\$35,000

Parent		Consolidated	
2008 NZ\$000	2009 NZ\$000	2009 NZ\$000	2008 NZ\$000
24. RETIREMENT BENEFIT OBLIGATIONS			
Balance Sheet obligations for:			
		-	69
		(415)	-
Income Statement (credit) charge:			
		515	(2,210)
<p>All qualifying New Zealand based employees of the Group plus employees in certain other countries are entitled to superannuation benefits from the Group's defined contribution superannuation plans on retirement, disability, death or resignation. In addition to these Plans, 3 (2008: 3) New Zealand based employees have benefits on a defined benefit basis such that should their account balances under the Plan at the time a benefit is payable be below the defined benefit level, the Company makes a special contribution. The defined benefit arrangements provide a top up lump sum benefit based on years of membership and final average salary.</p> <p>The amounts recognised in the Balance Sheet are determined as follows:</p>			
		810	448
		(532)	(494)
		278	(46)
		137	(23)
		415	(69)

Notes to the Financial Statements

For the year ended 31 March 2009

24. RETIREMENT BENEFIT OBLIGATIONS continued

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2009	2008
Discount rate	3.74%	4.47%
Expected return on Plan assets	6.00%	6.00%
Future salary increase	4.50%	4.50%

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of Plan assets to these major categories. This resulted in the selection of a 6.0% rate of return net of tax (and expenses).

During the 2008 year the defined benefit liabilities for all but 3 employees were curtailed, and the current liability was settled by the transfer to a defined contribution arrangement. At the same time the Company separately provided for a contingent liability in respect of providing for a minimum benefit level on retirement. The amount provided for at 31 March 2009 was \$691,000 (2008: \$224,000).

	2009 NZ\$000	2008 NZ\$000
Historical Summary:		
Present value of the defined benefit obligation	810	448
Fair value of defined benefit plan assets	(532)	(494)
Present value of unfunded obligations	278	(46)
Employer Superannuation Contribution Tax	137	(23)
Surplus (deficit)	415	(69)
Experience adjustments arising on plan liabilities	323	(207)
Experience adjustments arising on plan assets	(10)	(41)

25. RELATED PARTY TRANSACTIONS

During the period the Group has not entered into any material contracts involving related parties or Directors' interests. No amounts owed by related parties have been written off or forgiven during the period.

During the period the Company advanced and repaid loans to its subsidiaries by way of internal current accounts. In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the Parent have been eliminated. All transactions with related parties were in the normal course of business and provided on commercial terms.

The Parent entered into certain transactions with its subsidiaries as follows:

Material amounts outstanding between the Parent and its subsidiaries at year end were:

- Loans from the Parent to subsidiaries \$41,161,000 (2008: \$56,808,000).

Material transactions between the Parent and its subsidiaries were:

- Interest charged in respect of the loans to subsidiaries of \$2,596,000 (2008: \$6,475,000).
- Dividends received by the Parent from its subsidiaries \$43,937,000 (2008: \$33,363,000).

These amounts are not outstanding at balance date.

Notes to the Financial Statements

For the year ended 31 March 2009

(a) Key Management and Director Compensation

Key management and director compensation for the years ended 31 March 2009 and 2008 is set out below. The key management personnel include the Directors of the Company and those employees who the Company have deemed to have disclosure obligations under Section 19T of the Securities Markets Act 1988. Key management personnel did not receive and are not entitled to receive any post employment or long term benefits.

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		Wages and salaries	2,777	2,569
		Other employment costs	1,213	521
		Employer contributions to superannuation plans	146	167
		Employee share purchase plans	2	2
		Employee share option plans	195	201
636	687	Directors' fees paid	687	636
66	133	Directors' retirement fees paid	133	66
(26)	(88)	Movement in accrual for directors' retirement fees	(88)	(26)
676	732	Total compensation	5,065	4,136

The amounts of key management and director compensation outstanding as at balance date are \$905,000 (2008: \$318,000) for the Group and \$315,000 (2008: \$407,000) for the Parent.

(b) Other Transactions with Key Management and Directors or Entities related to them

There have been no other material transactions with key management and directors or entities related to them during the period.

Parent			Consolidated	
2008	2009		2009	2008
NZ\$000	NZ\$000		NZ\$000	NZ\$000
		26. CASH FLOW RECONCILIATIONS		
35,719	45,108	Profit after tax	62,233	35,276
		Add (deduct) non-cash items:		
		Depreciation and writedown of property, plant and equipment to recoverable amount	15,376	13,571
		Amortisation of intangibles	1,926	1,981
		Accrued financing income / expense	264	89
		Movement in provisions	381	1,142
(26)	(28)	Movement in deferred tax asset	(6,987)	3,199
		Movement in working capital:		
(6)	(46)	Trade and other payables	25,374	(2,596)
(11)	1	Trade and other receivables	(21,672)	(4,214)
		Inventory	(19,176)	(4,073)
4,746	3,099	Provision for taxation net of supplementary dividend paid	4,346	(24)
(3,490)	(2,786)	Intercompany advances in relation to operating cashflows		
36,932	45,348	Net cash flows from operating activities	62,065	44,351

Notes to the Financial Statements

For the year ended 31 March 2009

Parent			Consolidated	
2008 NZ\$000	2009 NZ\$000		2009 NZ\$000	2008 NZ\$000
27. IMPUTATION CREDIT ACCOUNTS				
12,834	52	Balance at beginning of the year	104	13,298
13,600	16,300	Imputation credits attached to dividends received		
		Imputation credits arising from taxation paid	16,305	13,188
(26,381)	(16,306)	Imputation credits attached to dividends paid	(16,306)	(26,381)
(1)	-	to shareholders		(1)
		Other movements	-	
52	46	Balance at end of the year	103	104
Imputation credits directly and indirectly available to shareholders as at 31 March are:				
		Parent	46	52
		Subsidiaries	57	52
		Balance at end of the year	103	104

28. CONTINGENT LIABILITIES

Periodically the Group is party to litigation including product liability and patent claims. To date such claims have been few in number and have been expensed or covered by our insurance. The Directors are unaware of the existence of any claim or other contingencies that would have a material impact on the operations of the Group.

The Parent has a contingent liability relating to guarantees of all subsidiary company indebtedness (refer to Note 17).

Parent			Consolidated	
2008 NZ\$000	2009 NZ\$000		2009 NZ\$000	2008 NZ\$000
29. COMMITMENTS				
		Capital expenditure commitments contracted for but not recognised as at the reporting date	4,653	1,544
Gross commitments under non-cancellable operating leases for the Group:				
		Within one year	5,010	4,054
		Between one and two years	4,019	2,902
		Between two and five years	2,237	2,916
		Over five years		
			11,266	9,872

Operating lease commitments relate mainly to building leases. There are no renewal options or options to purchase in respect of leases of plant and equipment.

Notes to the Financial Statements

For the year ended 31 March 2009

30. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

NZ\$000	Parent		NZ\$000	Consolidated			NZ\$000
	NZ\$000	NZ\$000		NZ\$000	NZ\$000	NZ\$000	
Loans and receivables	Other financial assets	Total	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total	Total
31 March 2009							
Assets as per Balance Sheets							
			5,465	-	-	5,465	
			75,357	-	-	75,357	
			-	91	20,809	20,900	
41,161	-	41,161					
41,161	-	41,161	80,822	91	20,809	101,722	
			Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities measured at amortised cost	Total	
31 March 2009							
Liabilities as per Balance Sheets							
			-	-	120,957	120,957	
			-	-	41,374	41,374	
			135	23,428	-	23,563	
			135	23,428	162,331	185,894	
Loans and receivables	Other financial assets	Total	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total	
31 March 2008							
Assets as per Balance Sheets							
			5,263	-	-	5,263	
			56,479	-	-	56,479	
			-	62	4,934	4,996	
56,808	-	56,808					
56,808	-	56,808	61,742	62	4,934	66,738	
			Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities measured at amortised cost	Total	
31 March 2008							
Liabilities as per Balance Sheets							
			-	-	86,114	86,114	
			-	-	30,184	30,184	
			381	1,616	-	1,997	
			381	1,616	116,298	118,295	

