Fisher & Paykel HEALTHCARE

News Release

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

FISHER & PAYKEL HEALTHCARE DELIVERS RECORD FULL YEAR RESULT, NET PROFIT UP 27%

Auckland, New Zealand, 27 May 2016 - Fisher & Paykel Healthcare Corporation Limited today reported record net profit after tax of NZ$143.4 million for the year ended 31 March 2016, an increase of 27% over the prior year. Operating revenue was also a record, at NZ$815.5 million, 21% above the prior year or 14% growth in constant currency.

The company is the global leader in respiratory and acute care (RAC) humidification systems and a leading provider of products for the treatment of obstructive sleep apnea (OSA).

Chief Executive Officer Lewis Gradon said, “We indicated in November 2015 that we expected net profit after tax for the full year to be between approximately NZ$135 million and NZ$140 million, and we are very pleased to have exceeded that. This result is due to strong uptake of our products across both the hospital and homecare settings and a continuation of gross margin expansion. In particular, our Optiflow™ nasal high flow therapy products and innovative range of OSA masks have driven significant growth.”

The company’s directors have approved an increased fully imputed final dividend of 10.0 cents per ordinary share, an increase of 25% on the previous year.

Both of the company’s major product groups, Hospital/RAC and Homecare/OSA delivered record operating revenue results. RAC product group revenue grew 22% to NZ$436.3 million, or 15% growth in constant currency, and OSA product group revenue grew 21% to NZ$365.8 million, or 12% growth in constant currency.

“Growth in revenue from our Hospital/RAC product group accelerated over the second half as we benefited from the successful transition of US hospital distribution to our own team. Growth in new applications for our products outside our traditional invasive ventilation market was particularly robust, with 37% revenue growth, or 30% in constant currency, for the year” said Mr Gradon. “This comes on the back of a growing body of clinical evidence demonstrating the effectiveness of our Optiflow nasal high flow therapy in reducing the need for more invasive therapies and the length of hospital stay for patients.

“We are also very encouraged by the robust 21% revenue growth in our OSA product group. Our Simplus™ and Eson™ range of masks, used in the treatment of OSA, have performed strongly and have been a key contributor to growth. Overall, OSA mask revenue was up 31%, or 21% in constant currency, compared to the previous year. Our myAIRVO™ humidifier with integrated flow generator also performed strongly, with increasing demand from home healthcare providers.”

Gross margin increased by 284 basis points during the financial year due to a favourable product mix and increased volume from the company’s Mexico manufacturing facility.

The proportion of the company’s revenue generated from recurring items, such as consumables and accessories, continued to increase and accounted for 83% of operating revenue.

Investment in research and development (R&D) continued to be significant. R&D expenses grew by 13% to NZ$73.3 million, representing 9% of operating revenue. “Our consistent investment in R&D is fuelling one of our most exciting periods of new product development, with humidifier controllers, masks, respiratory consumables, flow generators and compliance monitoring solutions all expected to be released during this current year,” said Mr Gradon.

The company's change to a direct distribution model for its hospital respiratory care products in the United States took effect in July 2015. An expanded distribution centre and hospital sales and support team was established in the US to support this change.

"We have expended considerable effort into ensuring that we have the resources in place to serve our hospital customers in the US and to promote the benefits of our innovative respiratory care products. We anticipate that this sales focus on our own products will support an increase in revenue growth over time, particularly in non-invasive therapies such as Optiflow™. We have already begun to see the early benefits of this approach," said Mr Gradon.

The increased final dividend of 10.0 cents per share, carrying full New Zealand imputation credit, will be paid on 8 July 2016. The dividend reinvestment plan (DRP), under which eligible shareholders can elect to reinvest all or part of their cash dividends in additional shares, will again be made available in respect of the 2016 final dividend. The DRP will be offered without a discount in respect of the 2016 final dividend payment.

Outlook for FY2017

"Continuous product improvement, serving more patient groups, broadening the range of assistance we can provide for each patient and expanding our international presence is a strategy that is well proven and has guided us to record operating revenue every year over more than a decade. We believe that this consistent strategy will continue to deliver robust revenue growth in the current year.

"At current exchange rates we expect full year operating revenue to be approximately NZ$900 million and net profit after tax to be approximately NZ$165 million to NZ$170 million," concluded Mr Gradon.

Full Year Result highlights:

- 27% growth in net profit after tax to a record NZ$143.4 million.
- 25% increase in final dividend to 10.0 cps (2015: 8.0 cps).
- 21% growth in operating revenue to a record NZ$815.5 million, 14% growth in constant currency.
- 22% growth in RAC operating revenue, 15% growth in constant currency.
- Revenue growth of 30% in constant currency for RAC consumables used in noninvasive ventilation, Optiflow nasal high flow therapy and surgical applications, accounting for 51% of RAC consumables revenue.
- 21% growth in OSA operating revenue, 12% growth in constant currency.
- Strong performance from OSA masks, 21% revenue growth in constant currency.
- Gross margin improvement of 284 basis points for the full year, 278 basis points in constant currency.
- Investment in R&D increased by 13% to NZ$73.3 million, representing 9% of operating revenue.

About Fisher & Paykel Healthcare

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

Ends

Contact: Marcus Driller, Investor Relations & Corporate Affairs Manager on +64 9 574 0110.

Accompanying Documents

Please find attached to this news release the following additional documents:

- Results in Brief
- Annual Report 2016, including financial commentary and constant currency analysis
- Annual Review 2016
- Corporate Governance Statement and ASX Appendix 4G
- Appendix 1 and Appendix 4E reports
- Appendix 7
- Section 209 notice

The 2016 Annual Report and Annual Review will be available online at www.fphcare.com/2016annualreport and the Corporate Governance statement will be available at www.fphcare.com/corporategovernance.

Constant Currency Information

Constant currency information included within this news release is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and track the company's comparative financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each year. A constant currency analysis is included on page 24 of the company's Annual Report 2016 and the company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

Full Year Results Conference Call

Fisher & Paykel Healthcare will host a conference call today to review the results and to discuss the outlook for the 2017 financial year. The conference call is scheduled to begin at 10:00am NZST, 8:00am AEST (6:00pm USEDT) and will be broadcast simultaneously over the internet.

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

To attend the conference call, participants will need to dial in to one of the numbers below at least 5 minutes prior to the scheduled call time and identify yourself to the operator. When prompted, please quote the conference code of: **1421463**.

New Zealand Toll Free	0800 446 046	USA Toll Free	1800 742 9301
Australia Toll Free	1800 725 000	Hong Kong Toll Free	800 906 648
United Kingdom Toll Free	0808 234 1369	International	+61 2 8373 3610

An audio replay of the conference call will be available approximately 2 hours after the call and will be accessible for two weeks by dialing one of the numbers below. When prompted please enter the conference code of: **1421463**.

New Zealand Toll Free	0800 453 213	USA Toll Free	1855 452 5696
Australia Toll Free	1800 153 898	Hong Kong Toll Free	800 963 117
United Kingdom Toll Free	0808 234 0072	International	+61 2 9003 4211

Results in Brief

	Year Ended 31 March 2015 NZ$000 (except as otherwise stated)	Year Ended 31 March 2016 NZ$000 (except as otherwise stated)	% Change
FINANCIAL PERFORMANCE			
Total operating revenue	**672,348**	**815,488**	**+21%**
Cost of sales	(261,369)	(293,840)	+12%
Gross profit	410,979	521,648	+27%
Gross margin	61.1%	64.0%	+284bps
Other income	5,000	5,000	-
Selling, general and administrative expenses	(180,909)	(242,279)	+34%
Research and development expenses	(64,987)	(73,288)	+13%
R&D percentage of operating revenue	9.7%	9.0%	
Total operating expenses	(245,896)	(315,567)	+28%
Operating profit before financing costs	170,083	211,081	+24%
Operating margin	25.3%	25.9%	+59bps
Net financing (expense)	(11,317)	(10,251)	-9%
Profit before tax	158,766	200,830	+26%
Tax expense	(45,593)	(57,405)	+26%
Effective tax rate	28.7%	28.6%	
Profit after tax	**113,173**	**143,425**	**+27%**
Revenue by Region:			
North America	290,692	385,860	+33%
Europe	223,403	253,718	+14%
Asia Pacific	127,240	142,624	+12%
Other	31,013	33,286	+7%
Total	672,348	815,488	+21%
Revenue by Product Group:			
Hospital / Respiratory & Acute Care	357,259	436,324	+22%
Homecare / Obstructive Sleep Apnea	302,029	365,758	+21%
Core products sub-total	659,288	802,082	+22%
Distributed and other	13,060	13,406	+3%
Total	672,348	815,488	+21%
FINANCIAL POSITION			
Tangible assets	589,851	667,543	
Intangible assets (including deferred tax asset)	79,965	99,260	
Total assets	669,816	766,803	
Tangible liabilities	171,556	197,756	
Intangible liabilities (including deferred tax liability)	27,070	27,378	
Total liabilities	198,626	225,134	
Shareholders’ equity	471,190	541,669	
Gearing	10.3%	7.7%	
Net tangible asset backing (cents per share)	79.7	86.3	
Pre-tax return on average shareholders’ equity	36.2%	39.7%	

Results in Brief (continued)

	Year Ended 31 March 2015 NZ$000 (except as otherwise stated)	Year Ended 31 March 2016 NZ$000 (except as otherwise stated)	% Change
CASH FLOWS			
Net cash flow from operating activities	146,832	144,574	
Net cash flow (used in) investing activities	(53,575)	(65,715)	
Net cash flow (used in) financing activities	(90,999)	(74,674)	
SHARES OUTSTANDING			
Weighted average basic shares outstanding	555,542,677	561,036,045	
Weighted average diluted shares outstanding	569,548,997	572,037,753	
Basic shares outstanding at period end	557,940,257	563,841,265	
DIVIDENDS AND EARNINGS PER SHARE			
Dividends per share (cents)	13.8	16.7	+21%
Basic earnings per share (cents)	20.4	25.6	+25%

Constant Currency Analysis

CONSTANT CURRENCY INCOME STATEMENTS	Year Ended 31 March 2015 NZ$000	Year Ended 31 March 2016 NZ$000	% Change
Total operating revenue	**649,203**	**737,027**	**+14%**
Cost of sales	267,120	282,800	+6%
Gross profit	382,083	454,227	+19%
Gross margin	58.9%	61.6%	+278bps
Other income	5,000	5,000	-
Selling, general and administrative expenses	181,920	223,455	+23%
Research and development expenses	64,987	73,288	+13%
Total operating expenses	246,907	296,743	+20%
Operating profit	140,176	162,484	+16%
Operating margin	21.6%	22.0%	+45bps
Financing expenses (net)	9,225	5,982	-35%
Profit before tax	**130,951**	**156,502**	**+20%**

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

A constant currency income statement is prepared each month to enable the board and management to monitor and assess the company's underlying comparative financial performance without any distortion from changes in foreign exchange rates. The table above provides estimated NZ dollar income statements for the relevant periods, which have all been restated at the budget foreign exchange rates for the 2016 financial year but after excluding the impact of movements in foreign exchange rates, hedging results and balance sheet translations.

This constant currency analysis is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the company's financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each year. The company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

Fisher & Paykel
HEALTHCARE

Human


Touch

Putting people first.

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

It is caring for their best interests and wellbeing, alongside that of our employees, shareholders and partners that inspires us to deliver outcomes that will have a positive impact on people's lives.

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

TONY CARTER, CHAIRMAN

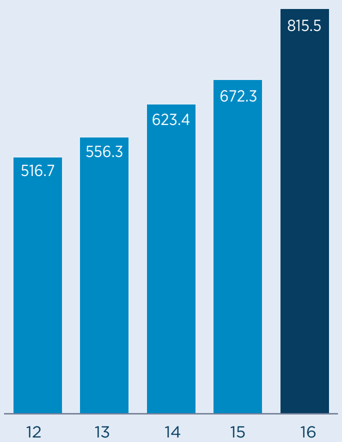
LEWIS GRADON, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Constant currency information contained within this report is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the company's financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each financial year. A reconciliation between reported results and constant currency results is available on page 24 of this report. The company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

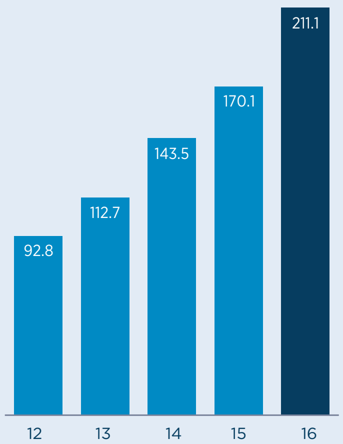
Full Year Results

Our consistent long-term strategy has continued to deliver growth this year.

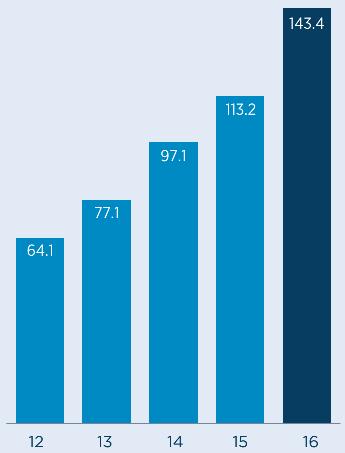
OPERATING REVENUE NZ$ MILLIONS



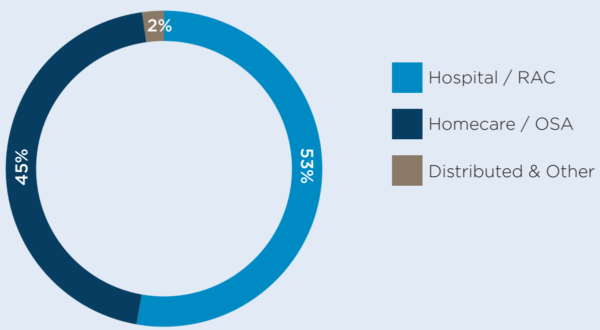
OPERATING PROFIT NZ$ MILLIONS



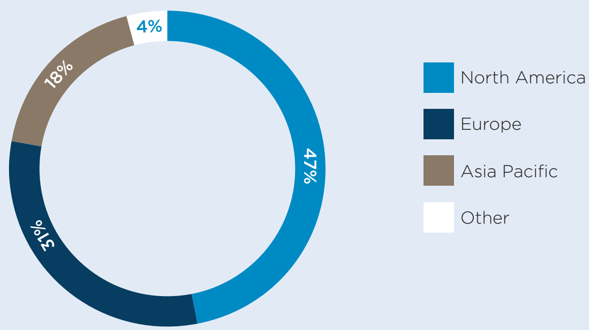
PROFIT AFTER TAX NZ$ MILLIONS



REVENUE BY PRODUCT GROUP – 12 MONTHS TO 31 MARCH 2016



REVENUE BY REGION – 12 MONTHS TO 31 MARCH 2016



PROFIT AFTER TAX
NZ$143.4m

↑27%

OPERATING PROFIT
NZ$211.1m

↑24%

OPERATING REVENUE
NZ$815.5m

↑21%

TOTAL DIVIDEND FOR THE YEAR
NZ 16.7CPS FULLY IMPUTED

↑21%

SPEND ON R&D
9% OF OPERATING REVENUE

NZ$73M

GROSS MARGIN IMPROVEMENT

284bps

HOSPITAL / RAC REVENUE GROWTH
NZ$436.3 MILLION

↑22%

HOMECARE / OSA REVENUE GROWTH
NZ$365.8 MILLION

↑21%

Business Highlights

May 2015

Release of new range of products for use with the AIRVO™ 2 system including the Optiflow™+ nasal cannula range

June 2015

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

July 2015

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

August 2015

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

October 2015

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

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

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

November 2015

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

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

FPH listed as one of the 57 Asia-Pacific IP elite

December 2015

Nicky Bell appointed as Board attendee as part of the Future Directors' Initiative

New ERP system goes live at our Mexico site

Our Business

PATIENTS TREATED DURING THE YEAR USING OUR MEDICAL DEVICES

10M+

ENGINEERS AND SCIENTISTS WORKING IN R&D

500+

SPEND ON R&D

NZ$73.3M

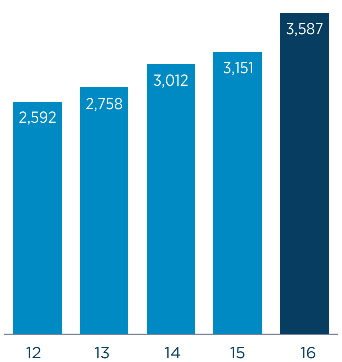
POTENTIAL GLOBAL MARKET OPPORTUNITY

US$6B+

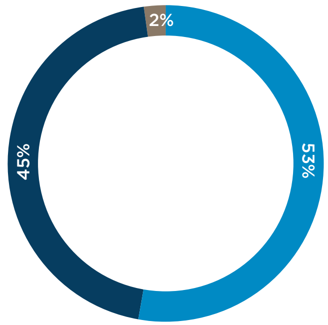
CURRENT RANGE OF PRODUCTS, ACCESSORIES AND PARTS

2,700+

GROWTH IN EMPLOYEE NUMBERS

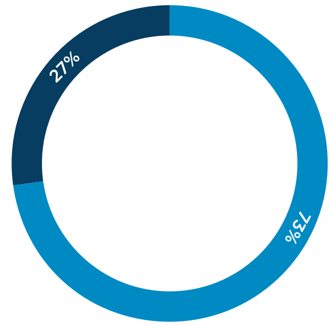


REVENUE BY PRODUCT GROUP – 12 MONTHS TO 31 MARCH 2016



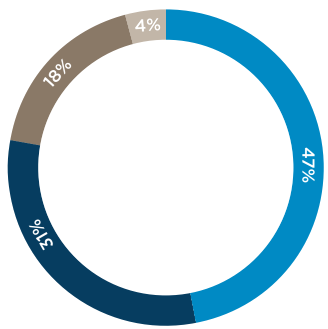
- Hospital / RAC
- Homecare / OSA
- Distributed & Other

MANUFACTURING OUTPUT BY REGION



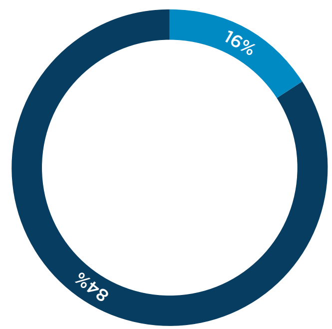
- New Zealand
- Mexico

OUR PRODUCTS ARE SOLD IN MORE THAN 120 COUNTRIES



- North America
- Europe
- Asia Pacific
- Other

REVENUE FROM HARDWARE AND CONSUMABLES/ACCESSORIES



- Hardware
- Consumables and accessories

36
Our people are located in 36 countries

922
Employees in North America

258
Employees in Europe

2,142
Employees in New Zealand

265
Employees in the rest of the world

Report from the Chairman of the Board, Tony Carter.

Guide.

I am delighted to report a record financial result with revenue growth of 21% and growth in net profit after tax of 27% to $143.4 million.

Our premium range of medical devices is designed to improve patient care and outcomes. In the last year, we estimate that our products were used in the treatment of over 10 million patients around the world. As population growth and changing demographics place increasing demands on global healthcare systems, we continue to invest in R&D to support product innovation and development.

Leadership change

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

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

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

As also previously announced, Lewis Gradon, formerly the company's Senior Vice President – Products and Technology, became Managing Director and Chief Executive Officer on 1 April 2016.

Lewis brings to the role many years' experience in the medical device industry and a deep understanding of Fisher & Paykel Healthcare. He has been with the company for 33 years and has led the R&D, manufacturing, clinical research and supply chain teams since 2001. Our business has always had a strong innovation and technology focus, and Lewis will continue to take that focus into the future.

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

Board composition

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

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

Strategic progress

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

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

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

Dividend

The Board has approved an increased final dividend for the year of 10cps. This takes the total dividend for the financial year to 16.7cps, an increase of 21% on the previous year.

Outlook

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

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

TONY CARTER, CHAIRMAN

Report from Managing Director and Chief Executive Officer, Lewis Gradon.

Inspire.

Our consistent long-term strategy has continued to deliver growth this financial year.

This year we again achieved record results, with operating revenue up 21% and net profit after tax up an impressive 27%.

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

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

Growing demand

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

Research has shown that 60% of an individual's total lifetime healthcare cost is incurred over the age of 65 years.[1] The US population aged 65+ is forecast to grow by approximately 80% over the next 20 years.[2]

Healthcare spending per capita is increasing by approximately 5-7% pa in developing countries.[3]

The prevalence of OSA in the general US adult population is believed to be approximately 3-7% for men and 2-5% for women[4], with an estimated 80% of OSA sufferers remaining undiagnosed in the US.[5] Chronic obstructive pulmonary disease (COPD) is believed to affect approximately 3-11% of adults worldwide, with fewer than 6% of patients diagnosed.[6]

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

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

Hospital/RAC

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

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

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

Homecare/OSA

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

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

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

Gross margin and foreign currency

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

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

We expect to see continuing gross margin expansion in coming years as we benefit from a positive product mix and increased manufacturing in Mexico.

The strength of the USD against the NZD has positively impacted this year's result and our average effective exchange rates are more favourable than the 2015 financial year. The decrease in the value of the NZD against a number of currencies has enabled us to increase our long-term hedging beyond two years. This is intended to support absolute earnings growth into the future and contribute to reducing future earnings volatility.

> Improving patient outcomes and efficiency of care remain our main criteria for product development.

International growth

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

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

Research and development

We continue to invest in research and development. In the 2016 financial year, we spent $73.3 million, which is 9% of our operating revenue. This ongoing investment has driven the introduction of a number of innovative new products into markets around the world in the past year, and continues to drive our product pipeline. We have a significant number of new products that we are expecting to introduce over this current year, encompassing humidifier controllers, masks, respiratory consumables, flow generators and compliance monitoring solutions. A desire to do what is best for the patient and to understand a patient's journey is an important factor in our development process.

Clinical studies

Improving patient outcomes and efficiency of care remain our main criteria for product development. This is supported by our clinical study programmes.

Increasing numbers of clinical trials involving Optiflow™ have led to the efficacy of the therapy being supported by a series of positive randomised controlled trial outcomes. Recent studies in a variety of patient groups have indicated that Optiflow™ can reduce escalation of care for patients.[7]

Studies such as these play a significant role in changing clinical practice and driving adoption of our products.

Our people

We employ a diverse workforce of 3,587 people, based in 36 countries and serving customers in over 120 countries. We strive to build and nurture strong partnerships with local communities and organisations relevant to our company and people.

This year we produced our first corporate responsibility and sustainability report, which is available on our website at www.fphcare.co.nz/sustainability.

When I look around our business and see all the talent and opportunity, I feel proud to be the company's new CEO. Our exceptional results and exciting prospects are a testament to our extremely skilled and passionate team.

Our exceptional results and exciting prospects are a testament to our extremely skilled and passionate team.

Future insights and outlook

Over the last financial year, we estimate that our devices were used in the treatment of more than 10 million patients. Based on our historical growth rates and demographic trends, we believe this could increase to approximately 30 million patients over the next 10-15 years.

Our outlook is encouraging and we anticipate another year of positive earnings growth. At current exchange rates we expect full year operating revenue to be approximately NZ$900 million and net profit after tax to be approximately NZ$165 million to NZ$170 million.

We are well positioned to meet the growing demand for our products from an increasing investment in healthcare across the globe.

Continuous product improvement, serving more patient groups, broadening the range of assistance we can provide for each patient and expanding our international presence is a strategy that is well proven and has guided us to record operating revenue every year over more than a decade. Over the next year, our strategy will remain consistent: focused on delivering innovative technologies that improve care and outcomes in hospital and homecare settings. Mike's leadership has positioned us well and I look forward to continuing to deliver on our long-term growth strategy.

LEWIS GRADON, MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

Hospital/RAC*

Fisher & Paykel Healthcare offers comprehensive medical devices for hospitals across invasive and non-invasive ventilation, nasal high flow therapy and surgery.

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

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

FY16 HIGHLIGHTS

Increasing numbers of clinical trials providing evidence of patient benefits from using our products

Strong customer demand for our Optiflow™ and AIRVO™ systems

Optiflow™ nasal high flow therapy being used in a broader range of patient groups within the hospital

A number of new product launches expected in the coming year

FY16 PERFORMANCE

OPERATING REVENUE

↑22%

CONSTANT CURRENCY REVENUE GROWTH

↑15%

CONSTANT CURRENCY CONSUMABLE REVENUE GROWTH FROM NEW APPLICATIONS

↑30%

* Respiratory and Acute Care

For personal use only

Homecare/OSA*

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

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

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

FY16 HIGHLIGHTS

Strong customer demand for our Eson™ 2 and Simplus™ masks

Exciting product pipeline, with several product launches anticipated

Completed 30 trials across product development and post market studies

Expansion of functionality and geographic coverage of our InfoSmart™ Web platform

FY16 PERFORMANCE

OPERATING REVENUE

↑21%

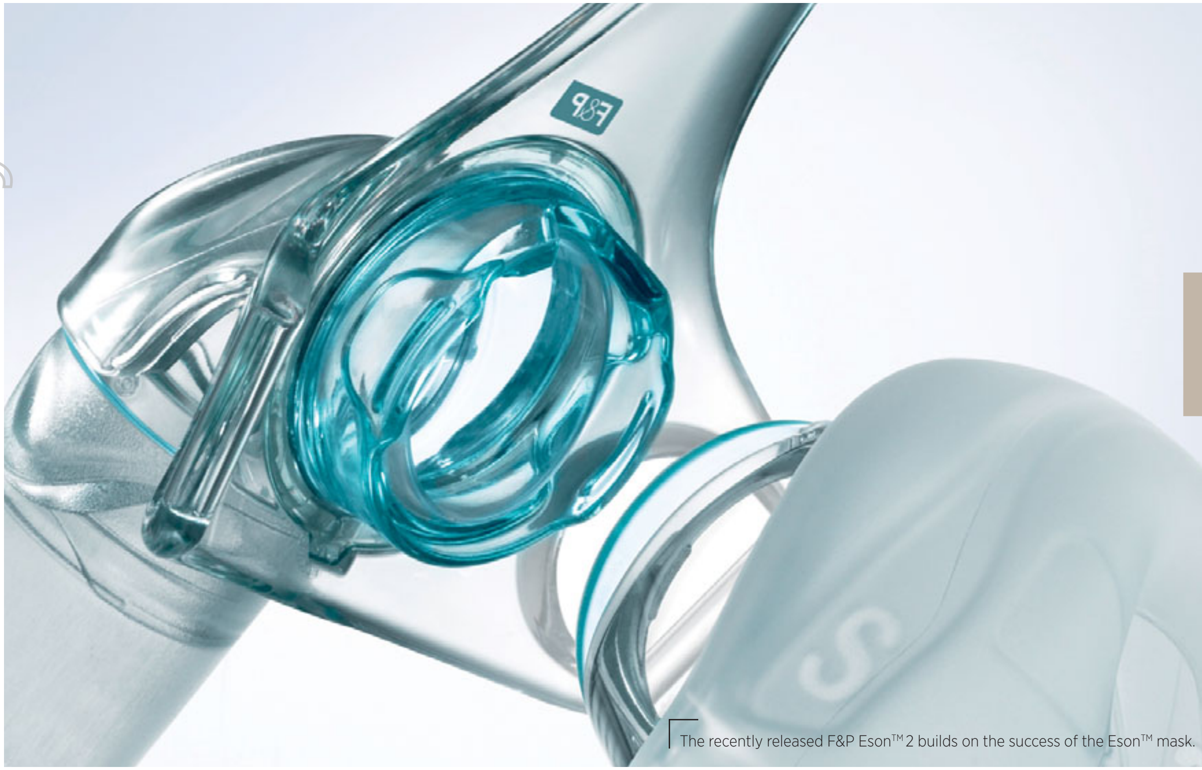
CONSTANT CURRENCY REVENUE GROWTH

↑12%

CONSTANT CURRENCY MASKS REVENUE GROWTH

↑21%

* Obstructive sleep apnea



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

It's the best sealing mask I've ever used. You just put it on, and it simply stays put and does what it's meant to do. No adjustments needed. I can move freely in my sleep. It's there, but I don't really know it's there, it's so comfortable.

CASE STUDY:

The Eson™ mask

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

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

"The mask was the deal breaker for me," says Mark. "I couldn't find a mask that didn't leak. I tried several. I'd end up overtightening them and they'd literally give me sores at the base of the nose. They felt so small – my nose just didn't seem to fit them."

Mark's experience changed after he started using an Eson™ mask. "It's the best sealing mask I've ever used. You just put it on, and it simply stays put and does what it's meant to do. No adjustments needed. I can move freely in my sleep. It's there, but I don't really know it's there, it's so comfortable. It's quiet too – so the days of my wife tapping me and asking if I could get a quieter mask are over, thankfully."

* Mark is an OSA patient based in Milwaukee, Wisconsin, USA.

CASE STUDY:

Optiflow™ leads to better outcomes

Dr Hernandez and his group found that the use of Optiflow™ nasal high flow therapy reduced the risk of escalation for extubated patients within 72 hours, when compared with conventional oxygen therapy.

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

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

This is not only better for the patient, but can also result in cost savings for healthcare providers.

A recent trial published in the *Journal of the American Medical Association* reported that Optiflow™ significantly lowered the possibility of re-escalation of care for some patients. Dr Hernandez and his group found that the use of Optiflow™ nasal high flow therapy reduced the risk of escalation for extubated patients within 72 hours, when compared with conventional oxygen therapy. The need to intubate patients a second time within 72 hours was less common in the nasal high flow group (5%) than in the conventional oxygen therapy group (12%).[8]

The F&P Optiflow™+ nasal cannula incorporates the latest in innovative technology.

Another study published in 2016 in *Australian Critical Care* examined the use of nasal high-flow oxygen therapy in ICU settings. Fealy et al found that the use of nasal high flow therapy resulted in a 14-fold increase in the use of humidification and significantly reduced a hospital's expenditure on oxygen delivery devices.[9]

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

Exceptional.

On the 31st of March, our long-standing Managing Director and CEO, Mike Daniell retired after 37 years of continuous service with Fisher & Paykel.

Mike Daniell

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

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

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

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

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

Mike has been an outstanding CEO. We thank him for his exceptional service and look forward to his continued contribution on our Board.

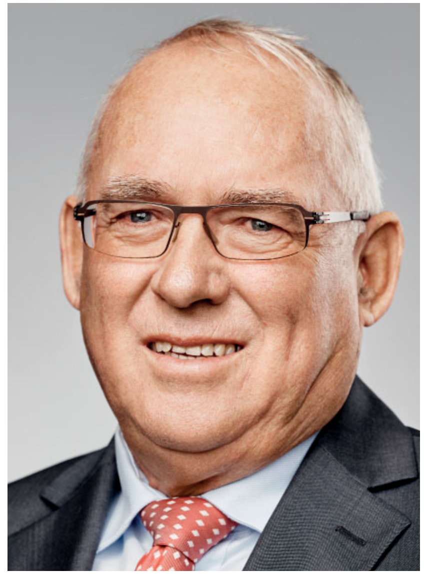
24,000 hours of design time, over 500 engineers and scientists, 47 sponsored clinical trials and $73M invested in R&D: it is this search for the best design, the best materials, and the best patient outcome that drives our design process.

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


Tony Carter


Lewis Gradon


Michael Daniell


Lindsay Gillanders


Geraldine McBride


Arthur Morris


Donal O'Dwyer


Scott St John

Our Board

Tony Carter

CHAIRMAN

Term of Office:
Appointed December 2010, last re-elected 20 August 2014, appointed chairman in April 2012

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

Master of Engineering, Master of Philosophy

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

Lewis Gradon

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Term of Office:
Appointed 1 April 2016

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

Bachelor of Science – Physics

Michael Daniell

NON-EXECUTIVE DIRECTOR

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

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

Bachelor of Engineering (Hons).

Lindsay Gillanders

INDEPENDENT DIRECTOR

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

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

Bachelor of Law degree (Hons)

Sub-committee responsibilities:
Member Audit & Risk Committee.

Geraldine McBride

INDEPENDENT DIRECTOR

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

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

Bachelor of Science – Zoology.

Arthur Morris

INDEPENDENT DIRECTOR

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

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

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

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

Donal O'Dwyer

INDEPENDENT DIRECTOR

Term of Office:
Appointed December 2012, last re-elected 22 August 2013

Donal is Chairman of Atcor Medical Pty Limited and a director of Cochlear Limited, Mesoblast Limited and nib Holdings Limited. From 1996 to 2003, he worked for Cordis Cardiology, initially as its president (Europe) and from 2000 to 2003 as its worldwide president. Prior to joining Cordis, Donal worked for 12 years with Baxter Healthcare, rising from plant manager in Ireland to president of the Cardiovascular Group, Europe, now Edwards Lifesciences.

Bachelor of Engineering, Master of Business Administration.

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

Scott St John

INDEPENDENT DIRECTOR

Term of Office:
Appointed October 2015

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

Bachelor of Commerce, Diploma in Business

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

Lewis Gradon

Paul Shearer

Tony Barclay

Deborah Bailey

Winston Fong

Brian Schultz

Andrew Somervell

Jonti Rhodes

Our Executive Management Team

Lewis Gradon

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

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

Paul Shearer

SENIOR VICE PRESIDENT – SALES & MARKETING

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

Tony Barclay

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

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

Deborah Bailey

VICE PRESIDENT HUMAN RESOURCES, GROUP PRIVACY OFFICER, DIVERSITY AND INCLUSION MANAGER

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

Winston Fong

VICE PRESIDENT – INFORMATION & COMMUNICATION TECHNOLOGY

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

Brian Schultz

VICE PRESIDENT – QUALITY & REGULATORY

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

Andrew Somervell

VICE PRESIDENT – PRODUCTS & TECHNOLOGY

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

Jonti Rhodes

GENERAL MANAGER – SUPPLY CHAIN

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

FINANCIAL COMMENTARY

CONSTANT CURRENCY ANALYSIS

A constant currency income statement is prepared each month to enable the Board and management to monitor and assess the company's underlying comparative financial performance without any distortion from changes in foreign exchange rates. The table below provides estimated NZ dollar income statements for the relevant periods, which have all been restated at the budget foreign exchange rates for the 2016 financial year but after excluding the impact of movements in foreign exchange rates, hedging results and balance sheet translations. This constant currency analysis is non–conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the company's financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each year. The company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

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

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

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

Reconciliation of Constant Currency to Actual Income Statements Year ended 31 March	2014 NZ$000	2015 NZ$000	2016 NZ$000
Profit before tax (constant currency)	**84,312**	**130,951**	**156,502**
Spot exchange rate effect	(398)	(2,335)	44,518
Foreign exchange hedging result	54,584	27,893	(4,005)
Balance sheet revaluation	(1,834)	2,257	3,815
Profit before tax (as reported)	**136,664**	**158,766**	**200,830**

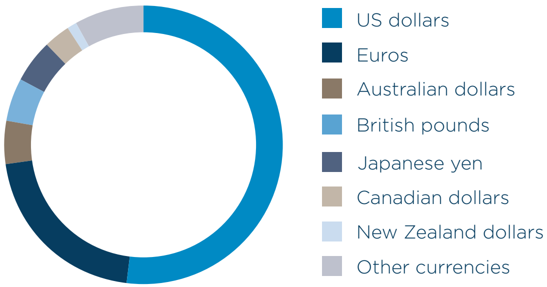
The reconciliation set out above illustrates that, when comparing the NZ dollar profit before tax shown in the actual income statement for the year to 31 March 2016 with the corresponding period for the prior year:

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

Overall, the net favourable effect of movements in exchange rates and the hedging programme was NZ$16.5 million, including the impact of balance sheet revaluations.

FOREIGN EXCHANGE EFFECTS

The company is exposed to movements in foreign exchange rates, with approximately 52% of operating revenue generated in US dollars, 21% in Euros, 5% in Australian dollars, 5% in British pounds, 5% in Japanese yen, 3% in Canadian dollars, 1% in New Zealand dollars and 8% in other currencies.



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

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

The average daily spot rate and the average effective exchange rate (i.e. the accounting rate, incorporating the benefit of forward exchange contracts entered into by the company in respect of the relevant financial year) of the main foreign currency exposures for the years ended 31 March 2015 and 2016 are set out in the table below:

	Average Daily Spot Rate Year ended 31 March		Average Effective Exchange Rate Year ended 31 March	
	2015	2016	2015	2016
USD	0.8098	0.6786	0.7896	0.7235
EUR	0.6394	0.6145	0.5259	0.5794

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

FOREIGN EXCHANGE HEDGING POSITION

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

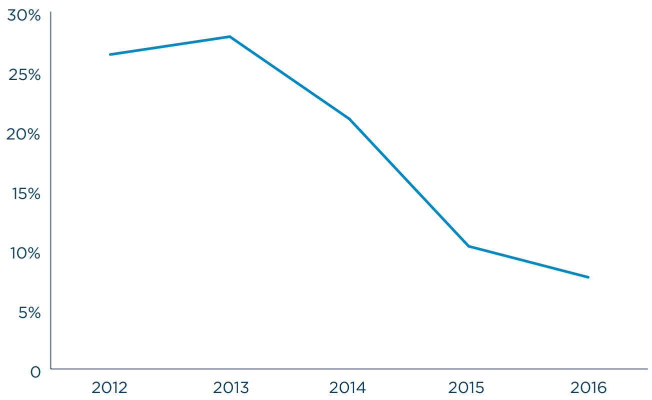
	Year to 31 March				
	2017	2018	2019	2020	2021
USD % cover of expected exposure	85%	42%	24%	22%	18%
USD average rate of cover	0.689	0.659	0.643	0.626	0.614
EUR % cover of expected exposure	86%	53%	8%	0%	0%
EUR average rate of cover	0.577	0.576	0.571	–	–

FINANCIAL COMMENTARY

BALANCE SHEET

Gearing[1] at 31 March 2016 was 7.7%, lower than the 10.3% gearing at 31 March 2015. The decrease in gearing since 31 March 2015 is a result of increased earnings and retained profit partially offset by an increase in working capital, principally inventory, to accommodate the change in hospital distribution in the US. The gearing figure remains above the debt to debt plus equity target range of +5% to –5%.

Gearing[1]



FUNDING

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

Debt maturity

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

Interest rates

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

Cash flow

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

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

1. Net interest-bearing debt (debt less cash and cash equivalents) to net interest-bearing debt and equity (less cash flow hedge reserve – unrealised). Gearing ratios have been calculated at 31 March of each financial year.

Figures.

FIVE YEAR FINANCIAL SUMMARY – (NZ$)

For the years ended 31 March

	2012 NZ$000	2013 NZ$000	2014 NZ$000	2015 NZ$000	2016 NZ$000 (except as otherwise stated)
FINANCIAL PERFORMANCE					
Sales revenue	466,726	507,250	568,602	644,013	818,492
Foreign exchange gain (loss) on hedged sales	49,962	49,000	54,845	28,335	(3,004)
Total operating revenue	**516,688**	**556,250**	**623,447**	**672,348**	**815,488**
Cost of sales	(241,651)	(248,406)	(258,049)	(261,369)	(293,840)
Gross profit	275,037	307,844	365,398	410,979	521,648
Gross margin	53.2%	55.3%	58.6%	61.1%	64.0%
Other income	2,400	2,400	3,700	5,000	5,000
Selling, general and administrative expenses	(142,644)	(151,791)	(171,453)	(180,909)	(242,279)
Research and development expenses	(41,988)	(45,720)	(54,146)	(64,987)	(73,288)
Total operating expenses	**(184,632)**	**(197,511)**	**(225,599)**	**(245,896)**	**(315,567)**
Operating profit before financing costs	92,805	112,733	143,499	170,083	211,081
Operating margin	18.0%	20.3%	23.0%	25.3%	25.9%
Net financing (expense)	(488)	(3,347)	(6,835)	(11,317)	(10,251)
Profit before tax	92,317	109,386	136,664	158,766	200,830
Tax expense	(28,207)	(32,333)	(39,611)	(45,593)	(57,405)
Profit after tax*	**64,110**	**77,053**	**97,053**	**113,173**	**143,425**
Revenue by region:					
North America	230,563	241,123	261,620	290,692	385,860
Europe	170,355	181,422	211,861	223,403	253,718
Asia Pacific	92,981	106,637	118,869	127,240	142,624
Other	22,789	27,068	31,097	31,013	33,286
Total	**516,688**	**556,250**	**623,447**	**672,348**	**815,488**
Revenue by product group:					
Hospital products	271,036	301,503	336,851	357,259	436,324
Homecare products	228,899	235,778	270,048	302,029	365,758
Core products subtotal	499,935	537,281	606,899	659,288	802,082
Distributed and other products	16,753	18,969	16,548	13,060	13,406
Total	**516,688**	**556,250**	**623,447**	**672,348**	**815,488**

*Prior to one-off non-cash deferred tax charges of $11.5 m (2011)

FIVE YEAR FINANCIAL SUMMARY – (NZ$) CONTINUED

For the years ended 31 March

	2012 NZ$000	2013 NZ$000	2014 NZ$000	2015 NZ$000	2016 NZ$000 (except as otherwise stated)
FINANCIAL POSITION					
Tangible assets	481,759	528,253	551,551	589,851	667,543
Intangible assets	90,295	90,344	78,774	79,965	99,260
Total assets	572,054	618,597	630,325	669,816	766,803
Liabilities	(223,902)	(246,366)	(224,203)	(198,626)	(225,134)
Shareholders' equity	**348,152**	**372,231**	**406,122**	**471,190**	**541,669**
Net tangible asset backing (cents per share)	67.2	69.1	73.0	79.7	86.3
Pre-tax return on average total assets percentage	16.9%	18.4%	21.9%	24.4%	28.0%
Pre-tax return on average equity percentage	27.9%	30.4%	35.1%	36.2%	39.7%
CASH FLOWS					
Net cash flow from operating activities	88,486	81,531	99,504	146,832	144,574
Net cash flow (used in) investing activities	(67,475)	(61,976)	(31,860)	(53,575)	(65,715)
Net cash flow (used in) financing activities	(19,155)	(21,547)	(62,144)	(90,999)	(74,674)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	525,706,219	537,560,800	547,094,526	555,542,677	561,036,045
Weighted diluted average shares outstanding	546,509,548	559,097,010	565,973,595	569,548,997	572,037,753
Basic shares outstanding at end of the year	530,053,399	542,612,236	551,110,270	557,940,257	563,841,265
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	7.0	7.0	7.0	8.0	10.0
Interim	5.4	5.4	5.4	5.8	6.7
Total ordinary dividends	12.4	12.4	12.4	13.8	16.7
Basic earnings per share	12.2	14.3	17.7	20.4	25.6
Diluted earnings per share	11.7	13.8	17.1	19.9	25.1

(i) Final dividend relates to the prior financial year.

FIVE YEAR FINANCIAL SUMMARY – (NZ$) CONTINUED

For the years ended 31 March

	2012 NZ$000	2013 NZ$000	2014 NZ$000	2015 NZ$000	2016 NZ$000
					(except as otherwise stated)
PATENTS					
Number of United States patents	98	107	111	118	138
Number of United States patent applications (includes PCTs*)	107	159	220	287	329
Number of non-United States patents	413	442	459	496	559
Number of non-United States patent applications (excludes PCTs*)	189	260	306	410	582
RESEARCH AND DEVELOPMENT					
Research and development expenditure	41,988	45,720	54,146	64,987	73,288
Percentage of operating revenue	8.1%	8.2%	8.7%	9.7%	9.0%
CAPITAL EXPENDITURE					
Operational	16,761	24,725	23,961	38,071	46,280
Land and buildings	48,150	33,821	3,344	1,200	1,737
Total	64,911	58,546	27,305	39,271	48,017
Capital expenditure : depreciation ratio	3.2	2.5	1.0	1.4	1.6
NUMBER OF EMPLOYEES					
By function:					
Research and development	325	359	403	433	509
Manufacturing and operations	1,544	1,641	1,743	1,818	1,992
Sales, marketing and distribution	616	645	727	738	907
Management and administration	107	113	139	162	179
Total	2,592	2,758	3,012	3,151	3,587
By region:					
New Zealand	1,718	1,753	1,904	1,943	2,142
North America	519	627	681	751	922
Europe	202	205	217	221	258
Rest of World	153	173	210	236	265
Total	2,592	2,758	3,012	3,151	3,587

* PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions.

FIVE YEAR FINANCIAL SUMMARY – (NZ$) CONTINUED
For the years ended 31 March

	2012 NZ$000	2013 NZ$000	2014 NZ$000	2015 NZ$000	2016 NZ$000
					(except as otherwise stated)
AVERAGE DAILY SPOT EXCHANGE RATES (NZ$1 =)**					
USD	0.8072	0.8142	0.8208	0.8098	0.6786
AVERAGE EFFECTIVE EXCHANGE RATES (NZ$1 =)***					
USD	0.6641	0.6801	0.6740	0.7896	0.7235
EUR	0.4823	0.5077	0.4998	0.5259	0.5794
GBP	0.4787	0.4975	0.5153	0.4953	0.4718
AUD	0.7851	0.7855	0.8205	0.8583	0.9000
CAD	0.7206	0.7325	0.7637	0.8130	0.8720
JPY	59.3760	58.3516	64.9652	68.2676	68.3762
MXN	9.6811	10.1535	10.1436	10.6783	10.7109

** Exchange rates used for the translation of NZD financial results to USD.

*** Actual exchange rates achieved in delivering or purchasing net foreign currency in relation to the Group's exposures. The average rate includes hedged, spot and close-out transactions in each year.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

	Notes	2015 NZ$000	2016 NZ$000
Operating revenue	4	**672,348**	**815,488**
Cost of sales		(261,369)	(293,840)
Gross profit		410,979	521,648
Other income	5	5,000	5,000
Selling, general and administrative expenses		(180,909)	(242,279)
Research and development expenses		(64,987)	(73,288)
Total operating expenses		**(245,896)**	**(315,567)**
Operating profit before financing costs		**170,083**	**211,081**
Financing income		144	102
Financing expense		(9,329)	(6,384)
Exchange gain (loss) on foreign currency borrowings		(2,132)	(3,969)
Net financing (expense)		**(11,317)**	**(10,251)**
Profit before tax	5,11	**158,766**	**200,830**
Tax expense	11	(45,593)	(57,405)
Profit after tax		**113,173**	**143,425**
Basic earnings per share	17	20.4 cps	25.6 cps
Diluted earnings per share	17	19.9 cps	25.1 cps
Weighted average basic ordinary shares	17	555,542,677	561,036,045
Weighted average diluted ordinary shares	17	569,548,997	572,037,753

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2015 NZ$000	2016 NZ$000
Profit after tax		**113,173**	**143,425**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedge reserve			
Changes in fair value	16	12,211	6,540
Transfers to profit before tax	16	(29,746)	(19,797)
Tax on changes in fair value and transfers to profit before tax	11,16	4,910	3,712
Items that will not be reclassified to profit or loss			
Revaluation of land	9	8,359	–
Other comprehensive income for the year, net of tax		**(4,266)**	**(9,545)**
Total comprehensive income for the year		**108,907**	**133,880**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Notes	Share capital NZ$000	Treasury shares NZ$000	Retained earnings NZ$000	Asset revaluation reserve NZ$000	Cash flow hedge reserve NZ$000	Share based payments reserve NZ$000	Total equity NZ$000
Balance at 31 March 2014		**121,932**	**(1,559)**	**224,511**	**24,100**	**34,259**	**2,879**	**406,122**
Total comprehensive income		**–**	**–**	**113,173**	**8,359**	**(12,625)**	**–**	**108,907**
Dividends paid	16	–	–	(70,913)	–	–	–	(70,913)
Issue of share capital under dividend reinvestment plan	15	23,012	–	–	–	–	–	23,012
Issue of share capital	15	1,580	–	–	–	–	–	1,580
Movement in share based payments reserve	16	–	–	–	–	–	1,576	1,576
Movement in treasury shares	16	–	16	–	–	–	–	16
Increase in share capital under share option schemes for employee services	15	878	–	–	–	–	–	878
Employee share scheme shares issued for employee services	15	12	–	–	–	–	–	12
Balance at 31 March 2015		**147,414**	**(1,543)**	**266,771**	**32,459**	**21,634**	**4,455**	**471,190**
Total comprehensive income		**–**	**–**	**143,425**	**–**	**(9,545)**	**–**	**133,880**
Dividends paid	16	–	–	(82,342)	–	–	–	(82,342)
Issue of share capital under dividend reinvestment plan	15	14,150	–	–	–	–	–	14,150
Issue of share capital	15	2,086	–	–	–	–	–	2,086
Movement in share based payments reserve	16	–	–	–	–	–	1,568	1,568
Movement in treasury shares	16	–	(851)	–	–	–	–	(851)
Increase in share capital under share option schemes for employee services	15	1,573	–	–	–	–	–	1,573
Employee share scheme shares issued for employee services	15	415	–	–	–	–	–	415
Balance at 31 March 2016		**165,638**	**(2,394)**	**327,854**	**32,459**	**12,089**	**6,023**	**541,669**

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2016

	Notes	2015 NZ$000	2016 NZ$000
ASSETS			
Current assets			
Cash and cash equivalents		13,621	18,741
Trade and other receivables	7	107,416	131,361
Inventories	8	96,143	120,948
Derivative financial instruments	6	24,240	12,792
Tax receivable	11	1,871	1,878
Total current assets		**243,291**	**285,720**
Non-current assets			
Derivative financial instruments	6	13,364	20,986
Other receivables		3,372	5,006
Property, plant and equipment	9	367,428	389,609
Intangible assets	10	22,430	35,757
Deferred tax asset	11	19,931	29,725
Total assets		**669,816**	**766,803**
LIABILITIES			
Current liabilities			
Interest-bearing liabilities	12	14,154	16,286
Trade and other payables	13	81,075	101,376
Provisions	14	2,614	3,875
Tax payable	11	14,198	19,117
Derivative financial instruments	6	5,073	8,869
Total current liabilities		**117,114**	**149,523**
Non-current liabilities			
Interest-bearing liabilities	12	51,342	46,853
Provisions	14	1,824	2,389
Other payables	13	6,349	7,860
Derivative financial instruments	6	6,324	8,336
Deferred tax liability	11	15,673	10,173
Total liabilities		**198,626**	**225,134**

CONSOLIDATED BALANCE SHEET CONTINUED

As at 31 March 2016

	Notes	2015 NZ$000	2016 NZ$000
EQUITY			
Share capital	15	147,414	165,638
Treasury shares	15,16	(1,543)	(2,394)
Retained earnings	16	266,771	327,854
Asset revaluation reserve	16	32,459	32,459
Cash flow hedge reserve	16	21,634	12,089
Share based payments reserve	16	4,455	6,023
Total equity		**471,190**	**541,669**
Total liabilities and equity		**669,816**	**766,803**

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

On behalf of the Board
26 May 2016

Tony Carter
Chairman

Lewis Gradon
Managing Director and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2015 NZ$000	2016 NZ$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		659,513	800,451
Grants received		4,750	5,000
Interest received		90	102
Payments to suppliers and employees		(467,300)	(591,968)
Tax paid		(44,274)	(63,976)
Interest paid		(5,947)	(5,035)
Net cash flows from operations		**146,832**	**144,574**
CASH FLOWS (USED IN) INVESTING ACTIVITIES			
Sales of property, plant and equipment		10	45
Purchases of property, plant and equipment		(39,271)	(48,017)
Purchases of intangible assets		(14,314)	(17,743)
Net cash flows (used in) investing activities		**(53,575)**	**(65,715)**
CASH FLOWS (USED IN) FINANCING ACTIVITIES			
Employee share purchase schemes		529	631
Issue of share capital		1,580	939
New borrowings		5,000	29,683
Repayment of borrowings		(50,207)	(37,736)
Dividends paid		(47,901)	(68,191)
Net cash flows (used in) financing activities		**(90,999)**	**(74,674)**
Net increase in cash		2,258	4,185
Opening cash		(3,761)	(533)
Effect of foreign exchange rates		970	(1,197)
Closing cash		**(533)**	**2,455**
RECONCILIATION OF CLOSING CASH			
Cash and cash equivalents		13,621	18,741
Bank overdrafts	12	(14,154)	(16,286)
Closing cash		**(533)**	**2,455**

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

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED
For the year ended 31 March 2016

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

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS


WARNING
BEWARE
OF FOLDING
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. REPORTING ENTITY

Fisher & Paykel Healthcare Corporation Limited (the "Company" or "Parent") together with its subsidiaries (the "Group") is a leading designer, manufacturer and marketer of medical device products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea. Products are sold in over 120 countries worldwide. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 15 Maurice Paykel Place, East Tamaki, Auckland. These financial statements were approved for issue by the Board of Directors on 26 May 2016.

2. BASIS OF PREPARATION

Statement of compliance and measurement base

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

Historical cost convention

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

Functional and presentation currency

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

Transactions and balances

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors regularly review all accounting policies and areas of judgement in presenting the financial statements.

Estimates

Revaluation of land

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

3. PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at balance date and the results of all subsidiaries for the year then ended. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. OPERATING REVENUE

Revenue includes the fair value of the consideration received or receivable for the sale of products, net of sales taxes and other indirect taxes, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will accrue to the Group, and in accordance with the terms of sale when title has been transferred and the benefits of ownership and risk pass to the customer.

	2015 NZ$000	2016 NZ$000
Sales revenue	644,013	818,492
Foreign exchange gain on hedged sales	28,335	(3,004)
Total operating revenue	**672,348**	**815,488**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

5. OPERATING PROFIT

	2015 NZ$000	2016 NZ$000
Profit before tax	**158,766**	**200,830**
After charging the following specific expenses:		
Auditors' fees:		
Statutory audit and half year review	936	1,137
Other assurance services	33	33
Total audit and other assurance services	969	1,170
Other services:	400	225
Total fees paid to auditors	1,369	1,395
Donations	69	54
Inventory written off (net)	1,262	2,186
Rental and lease expense	8,049	9,525
Directors' fees paid	765	826
Directors' retirement fees paid	–	–
Movement in accrual for directors' retirement fees	3	6

Other fees paid to auditors

These include tax compliance services and advisory services in relation to accounting standards, remuneration, the ERP upgrade project, treasury and risk management.

After crediting the following specific income:		
R&D growth grant	5,000	5,000

Government grants

Government grants are recognised at fair value in the Income Statement over the same periods as the costs for which the grants are intended to compensate.
Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

R&D growth grant

This government grant reimburses 20 per cent of eligible expenditure on the Group's R&D programme, up to a maximum of $5.0 million a year (excluding GST).
The grant has been awarded for the three years ending 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

6. DERIVATIVE FINANCIAL INSTRUMENTS

Recognition and measurement

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

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

The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or (2) hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. The Group also documents their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Derivatives that are designated as hedges will be classified as non-current if they have maturities greater than 12 months after the balance sheet date.

Master netting

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

	2015		2016	
	NZ$000 Assets	NZ$000 Liabilities	NZ$000 Assets	NZ$000 Liabilities
CURRENT				
Foreign currency forward exchange contracts – cash flow hedges	21,021	2,928	11,164	4,510
Foreign currency forward exchange contracts – not hedge accounted	593	15	131	–
Foreign currency option contracts – cash flow hedges	2,131	–	944	830
Foreign currency option contracts – time value	448	756	553	1,424
Interest rate swaps – cash flow hedges	47	1,374	–	2,105
	24,240	**5,073**	**12,792**	**8,869**
NON-CURRENT				
Foreign currency forward exchange contracts – cash flow hedges	12,213	1,457	9,600	4,179
Foreign currency forward exchange contracts – not hedge accounted	–	–	–	–
Foreign currency option contracts – cash flow hedges	897	–	6,507	24
Foreign currency option contracts – time value	237	805	4,869	166
Interest rate swaps – cash flow hedges	17	4,062	10	3,967
	13,364	**6,324**	**20,986**	**8,336**

Refer to Note 22a.(iv) for information on the calculation of fair values.

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

6. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

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

	As at 31 March 2015			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Foreign exchange derivative instruments inflows	244,006	117,903	17,067	–
Foreign exchange derivative instruments outflows	(225,716)	(107,305)	(16,301)	–
Interest rate derivative instruments net inflows (outflows)	(687)	(565)	(675)	(47)

	As at 31 March 2016			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Foreign exchange derivative instruments inflows	249,330	112,542	119,235	–
Foreign exchange derivative instruments outflows	(242,540)	(109,845)	(116,125)	–
Interest rate derivative instruments net (outflows)	(701)	(658)	(669)	–

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

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

(i) Foreign currency contractual amounts of put and call options are equal.

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

6. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

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

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

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

	Foreign Currency	
	2015 000s	2016 000s
Mexican pesos	Mex$366,000	Mex$628,500

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

	2015 NZ$000	2016 NZ$000
Interest rate swaps	121,324	89,821

As at 31 March 2015 interest rate swaps with a face value of NZ$91 million were de-designated as effective hedges with the mark to market valuation of NZ$3,542,000 ($2.550,000 after tax) expensed to financing expense in the Income Statement. This action was taken due to uncertainty whether there would be an equivalent amount of NZ dollar debt on an ongoing basis. Prior to the de-designation the mark to market valuation of these interest rate swaps were held within the Cashflow Hedge Reserve, net of tax.
During the 2016 financial year interest rate swaps with a face value totalling NZ$34.5M were either closed out or have expired, leaving swaps with a face value of $56.5M outstanding as ineffective hedges.
These interest rate swaps will expire from financial years 2017 through to 2021. Future changes in the mark to market valuation of these interest rate swaps will be expensed or credited to the Income Statement.

Credit Risk

The Group's exposure to credit risk from derivative financial instruments is limited because it does not expect non-performance of the obligation contained therein due to the credit rating of the financial institutions concerned. The Group does not require collateral or other security to support derivative financial instruments.

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

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

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

	2015 NZ$000	2016 NZ$000
CURRENT		
Trade receivables	96,985	117,933
Less provision for doubtful trade receivables	(1,272)	(1,704)
	95,713	116,229
Other receivables	11,703	15,132
	107,416	**131,361**

Foreign currency risk
The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2015 NZ$000	2016 NZ$000
United States dollars	49,538	54,208
European Union euros	21,948	29,529
Japanese yen	8,559	13,262
Australian dollars	4,270	4,796
Canadian dollars	4,015	4,604
British pounds	3,521	4,343
New Zealand dollars	1,224	1,400
Other currencies	3,910	5,791
	96,985	**117,933**

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

7. TRADE AND OTHER RECEIVABLES CONTINUED

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

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

	2015 NZ$000	2016 NZ$000
Customer and receivable concentration		
Five largest customers' proportion of the Group's:		
Operating revenue	21.4%	18.4%
Trade receivables	14.0%	15.9%

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

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

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

	2015 NZ$000	2016 NZ$000
Materials	23,674	32,236
Finished products	80,076	98,418
Provision for obsolescence	(7,607)	(9,706)
	96,143	**120,948**

Inventory provisions are provided at year end for stock obsolescence.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

9. PROPERTY, PLANT AND EQUIPMENT

Land is measured at fair value, based on periodic but at least triennial valuations by external independent valuers less any impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the fair value does not differ materially from its carrying amount.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated economic useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognised in the Income Statement.

Revaluations of land

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the Income Statement, in which case the increment is recognised in the Income Statement.

Any revaluation decrement is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Land		Buildings				Capital projects		Total
	Cost	Revaluation	Structure	Fit out and other	Leasehold improvements	Plant & equipment	Buildings	Other	
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cost and revaluation									
Balance at 31 March 2014	63,216	24,100	90,251	120,014	1,897	197,941	307	21,934	519,660
Additions	–	8,359	–	(50)	95	1,396	1,229	34,657	45,686
Transfers	–	–	(841)	5,079	–	17,468	(1,092)	(20,614)	–
Disposals	–	–	–	(128)	(45)	(6,845)	–	–	(7,018)
Balance at 31 March 2015	**63,216**	**32,459**	**89,410**	**124,915**	**1,947**	**209,960**	**444**	**35,977**	**558,328**
Additions	–	–	–	(185)	173	6,444	1,737	44,101	52,270
Transfers	–	–	–	2,840	(274)	22,119	(1,623)	(23,062)	–
Disposals	–	–	–	(168)	(192)	(4,462)	–	–	(4,822)
Balance at 31 March 2016	**63,216**	**32,459**	**89,410**	**127,402**	**1,654**	**234,061**	**558**	**57,016**	**605,776**
Depreciation and impairment losses									
Balance at 31 March 2014	–	–	10,960	42,111	1,208	115,621	–	–	169,900
Depreciation charge for the year	–	–	1,777	5,057	254	20,855	–	–	27,943
Disposals	–	–	–	(128)	(45)	(6,770)	–	–	(6,943)
Balance at 31 March 2015	**–**	**–**	**12,737**	**47,040**	**1,417**	**129,706**	**–**	**–**	**190,900**
Depreciation charge for the year	–	–	1,806	5,350	232	22,740	–	–	30,128
Disposals	–	–	–	(168)	(398)	(4,295)	–	–	(4,861)
Balance at 31 March 2016	**–**	**–**	**14,543**	**52,222**	**1,251**	**148,151**	**–**	**–**	**216,167**
Carrying amounts									
At 31 March 2014	63,216	24,100	79,291	77,903	689	82,320	307	21,934	349,760
At 31 March 2015	63,216	32,459	76,673	77,875	530	80,254	444	35,977	367,428
At 31 March 2016	**63,216**	**32,459**	**74,867**	**75,180**	**403**	**85,910**	**558**	**57,016**	**389,609**

Land revaluation

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

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

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

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, conducted by Darroch Limited as at 31 March 2015 was $267.0 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

10. INTANGIBLE ASSETS

Patents and trademarks

Patents and trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents and trademarks over their anticipated useful lives of 5 to 15 years. In the event of a patent being superseded or a trademark registration is not continued or renewed, the unamortised costs are written off immediately to the Income Statement.

Software

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

	Software	Patents & trademarks & applications	Other	ERP Project in Progress	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cost					
Balance at 31 March 2014	12,367	17,406	4,922	–	34,695
Additions	1,955	3,792	74	9,909	15,730
Transfers	–	–	–	–	–
Disposals	(157)	(75)	–	–	(232)
Balance at 31 March 2015	**14,165**	**21,123**	**4,996**	**9,909**	**50,193**
Additions	1,579	5,406	35	11,381	18,401
Transfers	19,993	–	–	(19,993)	–
Disposals	(128)	(251)	–	–	(379)
Balance at 31 March 2016	**35,609**	**26,278**	**5,031**	**1,297**	**68,215**
Amortisation and impairment losses					
Balance at 31 March 2014	9,421	11,636	3,233	–	24,290
Amortisation for the year	1,820	1,572	313	–	3,705
Disposals	(157)	(75)	–	–	(232)
Balance at 31 March 2015	**11,084**	**13,133**	**3,546**	**–**	**27,763**
Amortisation for the year	2,598	2,442	35	–	5,075
Disposals	(128)	(252)	–	–	(380)
Balance at 31 March 2016	**13,554**	**15,323**	**3,581**	**–**	**32,458**
Carrying amounts					
At 31 March 2014	2,946	5,770	1,689	–	10,405
At 31 March 2015	3,081	7,990	1,450	9,909	22,430
At 31 March 2016	**22,055**	**10,955**	**1,450**	**1,297**	**35,757**

The ERP implementation project is being capitalised in stages as each implementation is undertaken. As each implementation is completed its costs are transferred from ERP Project in Progress to Software.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

11. INCOME TAX

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

Current tax balances are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

	2015 NZ$000	2016 NZ$000
TAX EXPENSE		
Profit before tax	**158,766**	**200,830**
Tax expense at the New Zealand rate of 28%	44,454	56,232
Adjustments to taxation for:		
Non-assessable income	(283)	(380)
Non-deductible expenses	898	1,132
Foreign rates other than 28%	797	1,400
Effect of foreign currency translations	(50)	(701)
Other	(223)	(278)
Total tax expense	**45,593**	**57,405**
This is represented by:		
Current tax	51,303	68,987
Deferred tax	(5,710)	(11,582)
Tax expense	**45,593**	**57,405**
Effective tax rate	28.7%	28.6%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

11. INCOME TAX CONTINUED

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

	2015 NZ$000	2016 NZ$000
IMPUTATION CREDITS		
New Zealand imputation credits available for use in subsequent reporting periods	19,589	45,201
Australian franking credits available for use in subsequent reporting periods	6,360	6,789

The above amounts represent the balance of the imputation and franking accounts as at the end of the reporting period.

The amounts include imputation and franking credits that would be available to the parent entity if subsidiaries paid dividends.

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

11. INCOME TAX CONTINUED

	2015 NZ$000	2016 NZ$000
DEFERRED TAX		
Balance at beginning of the year		
Deferred tax asset	14,671	19,931
Deferred tax liability	(21,033)	(15,673)
Movements		
Credited (charged) to the Income Statement:		
Provisions and accruals	5,515	11,489
Depreciation	(434)	(1,284)
Amortisation	159	2,336
Other	470	(959)
	5,710	11,582
Credited (charged) to Other Comprehensive Income:		
Deferred tax on cash flow hedge reserve movements	4,910	3,712
	4,910	3,712
Balance at end of the year		
Deferred tax asset	19,931	29,725
Deferred tax liability	(15,673)	(10,173)
	4,258	**19,552**
The balance comprises temporary differences attributable to:		
Provisions and accruals	26,246	37,735
Depreciation	(16,331)	(17,615)
Amortisation	1,952	4,288
Other	804	(155)
Cash flow hedges	(8,413)	(4,701)
	4,258	**19,552**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

11. INCOME TAX CONTINUED

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

12. INTEREST-BEARING LIABILITIES

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	2015 NZ$000	2016 NZ$000
CURRENT		
Bank overdrafts	14,154	16,286
Borrowings	–	–
	14,154	**16,286**
NON-CURRENT		
Borrowings	51,342	46,853
	51,342	**46,853**

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

12. INTEREST-BEARING LIABILITIES CONTINUED

Foreign currency risk

The carrying amounts of the Group's bank overdrafts are denominated in the following currencies:

	2015 NZ$000	2016 NZ$000
United States dollars	1,559	1,629
European Union euros	4,638	4,612
Canadian dollars	–	1,175
British pounds	1,266	1,191
Swedish krona	487	476
Japanese yen	5,602	6,993
Korean won	536	–
Other currencies	66	210
	14,154	**16,286**

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

	2015 NZ$000	2016 NZ$000
New Zealand dollars	14,614	–
United States dollars	20,081	28,948
European Union euros	11,494	12,356
Australian dollars	3,359	3,657
Canadian dollars	1,794	1,892
	51,342	**46,853**
Borrowings due for repayment		
Current	**–**	**–**
Between one and two years	51,342	5,549
Between two and three years	–	12,356
Between three and four years	–	–
Between four and five years	–	28,948
Non-current	**51,342**	**46,853**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

12. INTEREST-BEARING LIABILITIES CONTINUED

These borrowings have been aged in accordance with the expiry dates of the facilities as there are no required principal payments before the expiry of each facility. At year end the weighted average interest rate is 2.7% (2015: 4.8%)

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

The companies in the Group providing the undertakings under the Negative Pledge Deed are:

Fisher & Paykel Healthcare Corporation Limited

Fisher & Paykel Healthcare Limited

Fisher & Paykel Healthcare Treasury Limited

Fisher & Paykel Healthcare Properties Limited

Fisher & Paykel Healthcare Pty Limited

The principal covenants of the negative pledge are that:

(a) the interest cover ratio for the Group shall not be less than 3 times;

(b) the net tangible assets of the Group shall not be less than $150 million; and

(c) the total tangible assets of the Guaranteeing Group shall constitute at least 80% of the total tangible assets of the Group.

Refer to Note 22 (d) for further information on these covenants.

	2015 NZ$000	2016 NZ$000
Unused lines of credit		
Bank overdraft facilities	13,916	24,093
Borrowing facilities	133,658	184,864
	147,574	**208,957**

Fair value

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

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

13. TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

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

Foreign currency risk

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

New Zealand dollars	48,835	57,585
United States dollars	15,076	19,792
European Union euros	9,325	13,579
Mexican pesos	4,125	5,047
British pounds	2,502	3,284
Australian dollars	1,895	2,397
Japanese yen	1,745	2,376
Other currencies	3,921	5,176
	87,424	**109,236**

Fair value

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

14. PROVISIONS

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

Warranty

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

As the provision for warranty is based on historical warranty rates, the actual future warranty claims experienced by the Group may be different to that of the past. Factors that could impact the provision for warranty include the success of the Group's quality system, as well as future parts and labour costs. Where the Group is aware of specific product warranty issues these are included in the provision.

	2015 NZ$000	2016 NZ$000
CURRENT		
Warranty provision:		
Balance at beginning of the year	3,388	2,614
Current year provision	4,071	7,694
Warranty expenses incurred	(4,845)	(6,433)
Balance at end of the year	**2,614**	**3,875**
NON-CURRENT		
Warranty provision:		
Balance at beginning of the year	2,483	1,824
Current year provision	(659)	565
Warranty expenses incurred	–	–
Balance at end of the year	**1,824**	**2,389**

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

15. SHARE CAPITAL

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

All shares are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share. All ordinary shares have equal voting rights.

	2015 NZ$000	2016 NZ$000
Share capital at beginning of the year	121,932	147,414
Issue of share capital under dividend reinvestment plan (i)	23,012	14,150
Issue of share capital	1,580	2,086
Increase in share capital under share option schemes for employee services	878	1,573
Employee share scheme shares issued for employee services	12	415
Share capital at end of the year	147,414	165,638
Less accounted for as treasury shares	(1,543)	(2,394)
	145,871	**163,244**
Number of issued shares		
Number of shares on issue at beginning of the year	551,110,270	557,940,257
Shares issued:		
Dividend reinvestment plan (i)	4,759,628	1,868,718
Employee share purchase schemes	11,115	217,478
Exercise of share options	438,332	343,352
Exercise of share options under cancellation facility	1,620,912	2,935,870
Exercise of performance share rights	–	535,590
Total number of shares on issue	557,940,257	563,841,265
Less accounted for as treasury shares	(684,728)	(538,100)
	557,255,529	**563,303,165**

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

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

16. RESERVES

Nature and purpose of reserves

Asset revaluation reserve

Refer Note 9.

Cash flow hedge reserve

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

Share based payments reserve

Employee share entitlement reserve

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

Employee share option reserve

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

Treasury shares

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

Dividends

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

	2015 NZ$000	2016 NZ$000
Retained earnings		
Balance at beginning of the year	224,511	266,771
Profit after taxation	113,173	143,425
Dividends: (i)		
Final 2015 (2014)	(38,626)	(44,652)
Interim 2016 (2015)	(32,287)	(37,690)
Balance at end of the year	**266,771**	**327,854**
Asset revaluation reserve		
Balance at beginning of the year	24,100	32,459
Revaluation of land	8,359	–
Balance at end of the year	**32,459**	**32,459**

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

16. RESERVES CONTINUED

	2015 NZ$000	2016 NZ$000
Cash flow hedge reserve (ii)		
Balance at beginning of the year	34,259	21,634
Revaluation of derivative financial instruments	12,211	6,540
Transfers to profit before tax	(29,746)	(19,797)
Tax on changes in fair value and transfers to profit before tax	4,910	3,712
Balance at end of the year	**21,634**	**12,089**
Employee share entitlement reserve		
Balance at beginning of the year	130	275
Employee expense for the year	150	181
Transfer to share capital on vesting of shares to employees	(5)	(212)
Balance at end of the year	**275**	**244**
Employee share option reserve		
Balance at beginning of the year	2,749	4,180
Employee expense for the year	2,309	3,172
Transfer to share capital on exercise or lapse of vested options	(878)	(1,573)
Balance at end of the year	**4,180**	**5,779**
Treasury shares		
Balance at beginning of the year	(1,559)	(1,543)
Treasury shares issued to employee share purchase plans	-	(1,397)
Shares transferred to employees	16	546
Balance at end of the year	**(1,543)**	**(2,394)**

(i) Supplementary dividends of $6,995,000 were paid (2015: $5,089,000).
All dividends are recognised as distributions to shareholders.
(ii) The cash flow hedge reserve movement for the prior year includes a transfer of $3,542,000 to profit before tax in relation to de-designated interest rate swaps.
There was no other ineffectiveness in relation to cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

17. EARNINGS PER SHARE

Basic

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

	2015 NZ$000	2016 NZ$000
Profit after tax	113,173	143,425
Weighted average number of ordinary shares (000s)	555,543	561,036
Basic earnings per share (cents per share)	20.4 cps	25.6 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	113,173	143,425
Weighted average number of ordinary shares (000s)	555,543	561,036
Adjustment for share options and PSRs (000s)	14,006	11,002
Weighted average number of ordinary shares for diluted earnings per share (000s)	569,549	572,038
Diluted earnings per share (cents per share)	19.9 cps	25.1 cps

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

18. EMPLOYEE BENEFITS

	2015 NZ$000	2016 NZ$000
Wages and salaries	217,941	257,312
Other employment costs	9,202	12,654
Employer contributions defined contribution superannuation plans inclusive of tax	6,131	6,705
Employer contributions defined benefit superannuation plans inclusive of tax	12	12
Movement in liability for long service leave	1,651	1,640
Employee share option plans	1,275	1,652
Employee performance share right plans	1,034	1,520
Employee share purchase plans - discount on issue	150	181
Employee share purchase plans - interest free loan	39	45
Employee stock purchase plans	7	5
	237,442	**281,726**

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Equity-settled share-based compensation
The Board believes that the issue of a combination of options and share rights broadly in equal value proportions provides appropriate incentive for participating employees to grow the total shareholder return of the Company. The combination of the Option Plan and the Share Rights Plan assists the Group to attract, motivate and retain key employees in an environment where such employees are in high demand both within New Zealand and internationally. Options and share rights are issued to employees under the Option Plan and Share Rights Plan as a long-term component of remuneration in accordance with the Group's remuneration policy. Details of the Option and Share Rights issues are described below.

(i) Employee option plans

The Employee Share Option Plans allow Group employees to acquire shares of the Company. One option gives the employee the right to subscribe for one ordinary share in the Company subject to meeting the vesting conditions. No amount is payable for the grant of options.

The fair value of options granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share option reserve. The fair value is measured at grant date and spread over the vesting periods, which are the periods over which all of the specified vesting conditions are to be satisfied. The fair value of the options granted since the 2013 financial year has been independently assessed using Monte Carlo Simulation, taking into account the terms and conditions upon which the options are granted. When options are exercised, the amount in the share option reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital. When any vested options lapse, upon employee termination or unexercised options reaching maturity, the amount in the share option reserve relating to those options is also transferred to share capital.

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

18. EMPLOYEE BENEFITS CONTINUED

Options granted since the 2013 financial year vest at any time between the third and the fifth anniversary of the grant date, as long as the Company's share price on the NZSX has, at any time on or after the third anniversary, exceeded the "escalated price" and as long as the employee remains in the service of the Group. This "escalated price" is determined using a base price established on or around the grant date being the volume weighted average price for a share on the NZSX for the 5 business days prior to the grant date; and

- increasing the last calculated base price each year by a percentage determined by the Board, based on independent advice, to represent the Company's cost of capital; and
- reducing the resulting figure by any dividend paid by the Company in respect of a share in the 12 month period immediately preceding that anniversary.

Options granted prior to the 2013 financial year have slightly different vesting conditions; the fair value of these options was measured using the Binomial Options Pricing Model, taking into account the terms and conditions upon which the options were granted.

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

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

	2015		2016	
	Price*	Number	Price*	Number
As at beginning of the year	$2.95	15,751,186	$2.92	10,977,219
Granted during the year	$4.88	1,534,890	$7.23	1,306,560
Exercised during the year	$3.46	(5,958,199)	$2.46	(4,639,303)
Lapsed during the year	$3.77	(350,658)	$3.87	(136,440)
As at end of the year	**$2.92**	**10,977,219**	**$3.94**	**7,508,036**

*Estimated weighted average

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

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

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

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

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

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

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

18. EMPLOYEE BENEFITS CONTINUED

(ii) Employee performance share rights plan

The Employee Performance Share Rights (PSR) Plan allows Group employees to acquire shares of the Company. One share right gives the employee the potential to exercise a share right for an ordinary share in the Company at no cost. Share rights become exercisable if the Company's gross total shareholder return (TSR) performance exceeds the performance of the Dow Jones US Select Medical Equipment Total Return Index (DJSMQDT) in New Zealand dollars over the same period. If the Company's TSR performance exceeds that of the DJSMQDT at either of the third, fourth or fifth anniversary of the grant date of the PSRs, some or all of the PSRs become exercisable as long as the employee remains in the service of the Group. Where an employee has exercised a portion of their PSRs before the fifth anniversary of the grant date, the remaining PSRs lapse at the time that portion has been exercised.

All unexercised PSRs expire on the fifth anniversary of the grant date.

The fair value of Performance Share Rights (PSR) granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share entitlement reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the PSRs granted is independently assessed using Monte Carlo Simulation, taking into account the terms and conditions upon which the PSRs are granted. When PSRs are exercised the amount in the share entitlement reserve relating to those PSRs is transferred to share capital. When any vested PSRs lapse, upon employee termination or unexercised PSRs reaching maturity, the amount in the share entitlement reserve relating to those PSRs is also transferred to share capital.

As at 31 March 2016 PSRs had been granted to 464 employees (2015: 374). PSRs granted to employees have no voting rights until they have been exercised and ordinary shares issued.

Movements in the number of PSRs outstanding are as follows:

	2015	2016
As at beginning of the year	1,164,770	1,697,450
Granted during the year	585,990	478,350
Exercised during the year	–	(535,590)
Lapsed during the year	(53,310)	(27,650)
As at end of the year	**1,697,450**	**1,612,560**

There is no nominal value for the PSRs.

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

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

	2015	2016
Share price at grant date	$4.95	$7.43
NZD/USD exchange rate of grant date	0.8370	0.6590
5 yr NZD risk free rate	4.22%	2.69%
5 yr USD risk free rate	1.64%	1.52%
Expected/historical share price volatility	30.00%	27.50%
Expected/historical NZD/USD volatility	13.30%	12.50%
Expected/historical DJSMDQT index volatility	14.60%	17.50%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

18. EMPLOYEE BENEFITS CONTINUED

(iii) Employee share and stock purchase plans

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

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

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

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

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

Key management and director compensation

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

	2015 NZ$000	2016 NZ$000
Short-term benefits		
Salaries and other short term benefits	5,247	5,945
Directors fees paid	765	826
Directors retirement fee paid	–	–
Movement in accrual for directors' retirement fees	3	6
Total short-term benefits	6,015	6,777
Post-employment benefits		
Employer contributions to defined contribution superannuation plans	102	111
Share-based benefits		
Employee share purchase plans	1	1
Employee share option plans	371	483
Employee performance share right plans	269	403
Total share-based benefits	641	887
Total compensation	6,758	7,775

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

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

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

19. CONTINGENT LIABILITIES

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

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

20. COMMITMENTS

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

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

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

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

21. SEGMENT INFORMATION

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). For the purposes of NZ IFRS 8 the CODM is a group comprising the Board of Directors (which includes the Chief Executive Officer), Senior Vice-President – Products and Technology, Senior Vice-President – Sales and Marketing and Chief Financial Officer. This has been determined on the basis that it is this group which determines the allocation of the resources to segments and assesses their performance.

The operating segments of the Group have been determined based on the components of the Group that the CODM monitors in making decisions about operating matters. These components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the Group.

The Group has four operating segments reportable under NZ IFRS 8, as described opposite, which are the Group's strategic business units or groupings of business units. All other operating segments have been included in 'New Zealand segments'.

The strategic business units all offer the same products, being medical device products and systems for use in respiratory and acute care and the treatment of obstructive sleep apnea. Products are sold in over 120 countries worldwide through the Group's distribution subsidiaries, third party distributors and original equipment manufacturers (OEMs), with these sales being managed geographically from New Zealand and other locations worldwide. It is the management of these worldwide sales relationships that forms the basis for the Group's reportable segments. The following summary describes the operations in each of the Group's reportable segments:

1) **New Zealand**. Includes all activities controlled by entities or employees based in New Zealand, principally research and development, manufacturing, marketing, sales and distribution and administration. The research and development activity relates to New Zealand. The manufacturing activity principally relates to New Zealand, however the Mexico manufacturing activity is also included in this segment as the Mexico facility is managed by New Zealand-based employees. The sales and distribution activity principally relates to New Zealand, Latin America, Africa, the Middle East and other countries in Asia not included in 4) below. Also included are sales made to countries within Europe and Asia-Pacific where the management of the sale is from New Zealand.

2) **North America**. Includes all activities controlled by entities or employees based in the United States of America and Canada, principally sales, distribution and administration activities.

3) **Europe**. Includes all activities controlled by entities or employees based in the United Kingdom, France, Germany, Sweden ,Turkey and Russia, principally sales, distribution and administration activities. These sales and distribution hubs also distribute product into neighbouring European countries.

4) **Asia-Pacific**. Includes all activities controlled by entities or employees based in Australia, Japan, India, China, South Korea, Taiwan and Hong Kong, principally sales, distribution and administration activities.

All minor or other activities have been included in the New Zealand segment as they are controlled by New Zealand entities or employees.

There are varying levels of integration between these geographical segments. This integration includes transfers of finished product, principally from New Zealand to other segments, and shared costs.

Information regarding the operations of each reportable segment is included on the following two pages. Performance is measured based on segment operating profit or EBIT. Segment profit is used to measure performance as the CODM believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

21. SEGMENT INFORMATION CONTINUED

Operating Segments – March 2015	New Zealand NZ$000	North America NZ$000	Europe NZ$000	Asia-Pacific NZ$000	Eliminations NZ$000	Total NZ$000
Sales revenue – external	57,647	289,515	196,895	99,956	–	644,013
Sales revenue – internal	456,118	–	–	–	(456,118)	–
Foreign exchange gain on hedged sales	28,335	–	–	–	–	28,335
Total operating revenue	**542,100**	**289,515**	**196,895**	**99,956**	**(456,118)**	**672,348**
Other income	5,000	–	–	–	–	5,000
Depreciation and amortisation	29,879	353	596	820	–	31,648
Segment operating profit before financing costs	**161,848**	**6,888**	**9,966**	**4,359**	**(12,978)**	**170,083**
Financing income	2,256	10	2	8	(2,132)	144
Financing expense	(9,019)	(1,534)	(609)	(299)	2,132	(9,329)
Exchange gain (loss) on foreign currency borrowings	(1,903)	–	(229)	–	–	(2,132)
Segment net profit before tax	**153,182**	**5,364**	**9,130**	**4,068**	**(12,978)**	**158,766**
Segment assets	**651,177**	**93,109**	**79,186**	**42,590**	**(196,246)**	**669,816**
Segment capital expenditure	**52,591**	**322**	**420**	**252**	**–**	**53,585**

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

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

21. SEGMENT INFORMATION CONTINUED

Product Segments
The Group's products and systems are for use in respiratory care, acute care and the treatment of obstructive sleep apnea and are sold in over 120 countries worldwide. Revenues are managed on a regional basis, but a split by product group is set out below. Assets are not split by product group.

Product Group Information	Year Ended 2015	Year Ended 2016
	NZ$000	NZ$000
Hospital products	357,259	436,324
Homecare products	302,029	365,758
Core products subtotal	659,288	802,082
Distributed and other products	13,060	13,406
Total revenue	**672,348**	**815,488**

Major Customer
The Group's distribution relationship with its major customer in the North America segment ended in July 2015. Revenue from that customer therefore decreased to approximately NZ$30.3 million (2015: NZ$82.9 million) of the Group's total revenues. Revenue is now derived from a number of hospital sub-distributors in the North America segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

22. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

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

a. Market risk

(i) Foreign exchange risk

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

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The purpose of the Group's foreign currency risk management activities is to protect the Group from exchange rate volatility with respect to New Zealand dollar net cash movements resulting from the sale of products in foreign currencies to foreign customers, and the purchase of raw materials in foreign currencies from foreign and domestic suppliers. The Group enters into foreign currency option contracts and forward foreign currency contracts within policy parameters to manage the risk associated with anticipated sales or costs. The terms of the foreign currency option contracts and the forward foreign currency contracts generally do not exceed five years. However, with Board approval, the foreign currency option contracts and the forward foreign currency contracts may have terms of up to ten years.

Foreign exchange contracts and options in relation to sales are designated at the Group level as hedges of foreign exchange risk on specific forecast foreign currency denominated sales.

Major capital expenditure in foreign currency may be hedged with forward exchange contracts and options and may be designated as hedges.

Balance sheet foreign exchange risk arising from net assets held by the Group may be hedged either by debt in the relevant currency, foreign currency swaps or by foreign currency option contracts and forward foreign currency contracts.

(ii) Price risk

The Group has no material exposure to price risk.

(iii) Interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating-to-fixed interest rate swaps and interest rate swaptions. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate swaptions give the right, but not the obligation, to enter into an interest rate swap at a fixed rate 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 and management may also designate interest rate swaptions as cash flow hedges.

(iv) Fair value estimation

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

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

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

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

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

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

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

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

(v) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk. A sensitivity of +/-10% for foreign exchange risk has been selected (2015: +/-10%). The Group's primary foreign currency exposure is the New Zealand dollar versus the US dollar, with other currencies as discussed above forming the balance of the exposure. The Group believes that an overall sensitivity of +/-10% is reasonably possible given the exchange rate volatility observed on a historical basis for the preceding 5 year period with a higher weighting given to exchange rate volatility over the preceding year and the range of market expectations for potential future movements. A sensitivity of +/-1% has been selected for interest rate risk (2015: +/-1%). This sensitivity is based on reasonably possible changes over a financial year using the observed range of historical data for the preceding 5 year period.

Amounts are shown net of income tax. All variables other than the applicable interest rates and exchange rates are held constant. The tables assume a 10% (2015: 10%) movement in the New Zealand dollar against all currencies.

For the effect on profit a positive number represents an increase to net profit after tax and a negative number represents a decrease to net profit after tax. For the effect on equity a positive number represents an increase in equity and a negative number represents a decrease in equity.

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

22. FINANCIAL RISK MANAGEMENT CONTINUED

		Interest rate risk				Foreign exchange risk			
		-1%		+1%		-10%		+10%	
Consolidated 2015	Carrying amount NZ$000	Income Statement NZ$000	OCI NZ$000	Income Statement NZ$000	OCI NZ$000	Income Statement NZ$000	OCI NZ$000	Income Statement NZ$000	OCI NZ$000
Derivative Financial Instruments	26,207	(2,604)	(1,830)	2,885	1,298	(1,459)	(30,673)	2,760	24,804
Other Financial Assets:									
Cash and cash equivalents	13,621	(21)	–	21	–	1,079	–	(971)	–
Trade receivables	96,985	–	–	–	–	3,758	–	(3,382)	–
Other Financial Liabilities:									
Trade and other payables	50,972	–	–	–	–	(152)	–	169	–
Interest-bearing liabilities	65,496	464	–	(464)	–	(96)	–	106	–
Total increase/(decrease)		**(2,161)**	**(1,830)**	**2,442**	**1,298**	**3,130**	**(30,673)**	**(1,318)**	**24,804**

		Interest rate risk				Foreign exchange risk			
		-1%		+1%		-10%		+10%	
Consolidated 2016	Carrying amount NZ$000	Income Statement NZ$000	OCI NZ$000	Income Statement NZ$000	OCI NZ$000	Income Statement NZ$000	OCI NZ$000	Income Statement NZ$000	OCI NZ$000
Derivative Financial Instruments	16,573	(1,720)	(1,259)	1,667	1,214	(5,918)	(41,091)	(23)	38,013
Other Financial Assets:									
Cash and cash equivalents	18,741	(24)	–	25	–	1,216	–	(1,095)	–
Trade receivables	117,933	–	–	–	–	9,229	–	(8,306)	–
Other Financial Liabilities:									
Trade and other payables	67,255	–	–	–	–	(689)	–	766	–
Interest-bearing liabilities	63,139	445	–	(445)	–	(4,501)	–	5,001	–
Total increase/(decrease)		**(1,299)**	**(1,259)**	**1,247**	**1,214**	**(663)**	**(41,091)**	**(3,657)**	**38,013**

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

22. FINANCIAL RISK MANAGEMENT CONTINUED

b. Credit risk

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

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

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

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

	2015 NZ$000	2016 NZ$000
Credit rating		
A- and above	11,163	16,300
Other	2,262	2,377
Total	**13,425**	**18,677**

The maximum potential exposure to credit risk is:

	2015 NZ$000	2016 NZ$000
Cash and cash equivalents	13,621	18,741
Trade receivables	95,713	116,229
Derivative financial instruments	37,604	33,778
Total	**146,938**	**168,748**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

22. FINANCIAL RISK MANAGEMENT CONTINUED

c. Liquidity risk

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

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

2015	< 1 year NZ$000	1 – 2 years NZ$000	2 – 5 years NZ$000	> 5 years NZ$000	Total NZ$000
Bank overdrafts	14,154	–	–	–	14,154
Trade and other payables	50,972	–	–	–	50,972
Borrowings	2,403	52,289	–	–	54,692

2016	< 1 year NZ$000	1 – 2 years NZ$000	2 – 5 years NZ$000	> 5 years NZ$000	Total NZ$000
Bank overdrafts	16,286	–	–	–	16,286
Trade and other payables	67,255	–	–	–	67,255
Borrowings	1,270	6,741	43,829	–	51,840

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:

2015	< 1 year NZ$000	1 - 2 years NZ$000	2 - 5 years NZ$000	> 5 years NZ$000	Total NZ$000	Carrying amount NZ$000
GROSS SETTLED DERIVATIVES						
Forward foreign exchange contracts						
Inflow	258,563	117,903	17,067	–	393,533	
Outflow	(239,690)	(107,305)	(16,301)	–	(363,296)	
Net inflow	18,873	10,598	766	–	30,237	29,427
Foreign currency option contracts*						
Inflow	–	–	–	–	–	
Outflow	–	–	–	–	–	
Net inflow	–	–	–	–	–	2,151
NET SETTLED DERIVATIVES						
Interest rate swaps**						
Net (outflow)	(1,541)	(1,490)	(2,454)	(459)	(5,944)	(5,372)

* 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 2016

22. FINANCIAL RISK MANAGEMENT CONTINUED

2016	< 1 year NZ$000	1 - 2 years NZ$000	2 - 5 years NZ$000	> 5 years NZ$000	Total NZ$000	Carrying amount NZ$000
GROSS SETTLED DERIVATIVES						
Forward foreign exchange contracts						
Inflow	253,589	112,542	119,235	–	485,366	
Outflow	(246,677)	(109,845)	(116,125)	–	(472,647)	
Net inflow (outflow)	6,912	2,697	3,110	–	12,719	12,207
Foreign currency option contracts*						
Inflow	–	–	–	–	–	
Outflow	–	–	–	–	–	
Net inflow	–	–	–	–	–	10,428
NET SETTLED DERIVATIVES						
Interest rate swaps**						
Net inflow (outflow)	(2,196)	(2,085)	(2,272)	–	(6,553)	(6,062)

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

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

d. Capital risk management

The main objective of capital risk management is to ensure the Group operates as a going concern, meets debts as they fall due, maintains the best possible capital structure, and reduces the cost of capital. Group capital consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure the Group has the ability to review the size of the dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets.

There has been no change in Group policies or objectives in relation to capital risk management since the prior year.

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

23. SIGNIFICANT EVENTS AFTER BALANCE DATE

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

24. OTHER ACCOUNTING POLICIES

a. Changes to accounting policies

There have been no changes in accounting policies.

b. Standards, Interpretations and Amendments to Published Standards

There are no new accounting standards and amendments to existing standards adopted by the Group in the year ended 31 March 2016.

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

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

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

c. Impairment of non-financial assets

Assets that have an indefinite useful life are 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 as an expense for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

d. Goods and Services Tax (GST)

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

e. Financing expense

Financing expense comprises interest expense on interest-bearing liabilities calculated using the effective interest rate method, and other associated borrowing costs. Financing expenses directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

f. Research & development

Research expenditure is expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets only when all the following criteria are met: it is technically feasible to complete the product so that it will be available for use or sale; management intends to complete the product and use or sell it; there is an ability to use or sell the product; it can be demonstrated that the product will generate future economic benefits; adequate technical, financial and other resources to complete the development and to use or sell the product are available; and the expenditure attributable to the product during its development can be reliably measured and is material. Directly attributable costs capitalised as part of the product would include employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs recognised as an asset are amortised over their estimated useful lives.

g. Financial guarantee contracts

A financial guarantee contract is a contract that requires a company within the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value. Financial guarantees are subsequently measured at the greater of the initial recognition amount less amounts recognised as income or the estimated amount expected to have to be paid to a holder for a loss incurred.

h. Statements of cash flows

The following are the definitions of the terms used in the Statements of Cash Flows:

(i) Cash comprises cash and bank balances.

(ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and investments.

(iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.

(iv) Operating activities include all transactions and other events that are not investing or financing activities. Cash flows from short-term borrowings, being durations of 3 months or less, are disclosed net, due to their short-term maturities and the volume of transactions involved. Our Group audit scope focused on the major operating locations which were selected as they each contribute more than 5% of either the Group's revenue or profit before tax. In aggregate, the locations selected contribute 84% of the Group's revenue and 97% of the Group's profit before tax.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

OUR OPINION

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

What we have audited

We have audited the consolidated financial statements which comprise:

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

OUR AUDIT APPROACH

Overview

Overall group materiality: $10 million, which represents 5% of profit before tax.

We applied this benchmark because, in our view, this is the metric against which the performance of the Group is most commonly measured.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above $0.5 million as well as misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters

- Change in US distribution model
- Implementation of SAP.

INDEPENDENT AUDITOR'S REPORT

Materiality

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

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

Audit scope

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

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

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

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Implementation of SAP	
During the year the Group implemented SAP as a new enterprise-wide resource planning system (ERP) for all of its manufacturing operations. This was the first time in over 20 years such a significant system change has occurred. The implementation for the global sales offices will occur over the next two financial years. With any large and complex system change there is heightened risk that controls will breakdown and the migration of financial data to the new system may not be complete or accurate.	We evaluated the design and tested the operating effectiveness of key automated and manual controls both before and after the migration to SAP including IT general controls, with particular focus to the production, purchasing and payables cycles. We have tested the controls over the data migration and undertaken our own tests in relation to the transfer of key data. We are satisfied that management had adequate and effective controls over the implementation of the new ERP system. Our own testing did not highlight any material exceptions in data migration.

OTHER INFORMATION

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

This description forms part of our auditor's report.

WHO WE REPORT TO

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

PricewaterhouseCoopers

Chartered Accountants Auckland
26 May 2016

CORPORATE GOVERNANCE AND STATUTORY INFORMATION

The Board and management of Fisher & Paykel Healthcare are committed to ensuring that the company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews and assesses the company's governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The company is listed on both the New Zealand and Australian stock exchanges. Corporate governance principles and guidelines have been introduced in both countries. These include the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition), the NZX Main Board Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code, and the Financial Markets Authority handbook Corporate Governance in New Zealand Principles and Guidelines (collectively, the Principles).

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

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

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

THE BOARD

Board Composition

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

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

The biography of each Board member, including each director's skills, experience, expertise and the term of office held by each director at the date of this Annual Report, is set out in the "Our Board" section of this Annual Report.

Independence of Directors

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

Committees

Specific responsibilities are delegated to the Audit & Risk Committee, the Remuneration and Human Resources Committee, the Nomination Committee and the Quality, Safety and Regulatory Committee. These Board committees support the Board by working with management on relevant issues at a suitably detailed level and then reporting back to the Board. Please refer to the 2016 Corporate Governance Statement for a summary of each committee's responsibilities and functions. Each committee has a charter detailing its objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's Website.

Committee membership

– Audit & Risk Committee – members of this committee are Scott St John (Chairman), Tony Carter and Lindsay Gillanders.

– Remuneration and Human Resources Committee – members of this committee are Tony Carter (Chairman), Donal O'Dwyer and Geraldine McBride (Scott St John replaced Geraldine McBride from 1 April 2016).

– Nomination Committee – members of this committee are Tony Carter (Chairman), Donal O'Dwyer and Geraldine McBride (Scott St John replaced Geraldine McBride from 1 April 2016).

– Quality, Safety and Regulatory Committee – members of this committee are Arthur Morris (Chairman), Tony Carter and Donal O'Dwyer.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

	Board		Audit & Risk Committee		Remuneration & Human Resources Committee		Nomination Committee		Quality, Safety & Regulatory Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Tony Carter	8	8	6	6	2	2	2	2	3	3
Michael Daniell	8	8								
Roger France	6	6	5	5	2	2	2	2		
Scott St John	4	4	3	3						
Lindsay Gillanders	8	8	6	6						
Geraldine McBride	8	7			2	2	2	2		
Arthur Morris	8	8							3	3
Donal O'Dwyer	8	8							3	3

Board Processes

The Board held 8 meetings during the year ended 31 March 2016. The table above shows attendance at all meetings of the Board and committees referred to above. At the company's Annual Meeting of Shareholders held on 27 August 2015, all of the then-serving directors attended the meeting.

Directors' Remuneration

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

	NZ $000
Tony Carter	209,000
Roger France (retired 31 December 2015)	95,940
Lindsay Gillanders	107,635
Geraldine McBride	102,410
Arthur Morris	112,860
Donal O'Dwyer	127,628
Scott St John (appointed 1 October 2015)	57,240
	812,713

Non-executive directors do not take a portion of their remuneration under an equity security plan but directors may hold shares in the company, details of which are set out in the "Directors' Shareholdings" section of this Annual Report. It is the company's policy to encourage directors to own shares in the company and to acquire any shares on-market.

No non-executive director is entitled to receive a retirement payment unless eligibility for such payment has been agreed by shareholders and publicly disclosed during his or her term of Board service or such retirement payment is within the limits prescribed by the NZX Main Board Listing Rules. More information about the NZX Main Board Listing Rules, and the Board resolution approved at the 2004 Annual Meeting of Shareholders, in each case relating to directors' retirement payments, is set out in the 2016 Corporate Governance Statement. A non-executive director's retirement allowance of NZ$101,728 has been provided for by the company as at 31 March 2016 in relation to Lindsay Gillanders. Michael Daniell, acting in his capacity as an employee of the company, received fixed remuneration (inclusive of the value of benefits) in the year ended 31 March 2016 of $1,288,095. In addition to this fixed remuneration, Michael Daniell also received performance-based at-risk components, both paid out and accrued, of $601,203. On 8 September 2015, Michael Daniell was issued 80,000 options with a fair value of NZ$128,000 and 30,000 performance share rights with a fair value of NZ$137,000.

The options and performance share rights were valued using Monte Carlo simulation (the assumptions for these calculations are included in Note 18 of the Financial Statements). Michael Daniell, in his capacity as an executive director, did not receive remuneration as a director of the company or any subsidiary company and Lewis Gradon, in his capacity as executive director from 1 April 2016 will not receive remuneration as a director of the company or any subsidiary company. No employee of the company or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a director.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

SENIOR MANAGEMENT REMUNERATION

Please see the "Employee Remuneration" section of this Annual Report, where the company has disclosed remuneration (inclusive of the value of other benefits) received by employees or former employees of the company or its subsidiaries in the relevant bandings of employee remuneration totalling NZ$100,000 or more received in the year ended 31 March 2016. More information about the company's senior management remuneration policy and packages is set out in the 2016 Corporate Governance Statement.

RISK MANAGEMENT

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

POLICIES

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

Diversity Policy

The company is committed to providing equal employment opportunities and, as such, has a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experiences. The company ensures that its selection processes for recruitment and employee development opportunities are free from bias and are based on merit.

The company has appointed the Vice President – Human Resources as the Diversity Manager. The Diversity Manager has reviewed existing recruitment processes and practices to ensure that they are free from any discrimination.

The Board has delegated to the Remuneration and Human Resources Committee the responsibility for oversight of the company's Diversity Policy. On an annual basis, the Remuneration and Human Resources Committee review and report to the Board on the company's Diversity Policy, its diversity objectives and the company's achievement against its diversity objectives, including the representation of women at all levels of the organisation.

The Board has conducted its annual assessment of its diversity objectives and the company's progress towards achieving these objectives in respect of the year ended 31 March 2016. The company reports that during the year under review:

- the company continued the roll out of its diversity and inclusion module in its leadership program for managers, which is now included as a standard module in the company's leadership program for managers. The program educates the company's managers on the importance of creating a diverse and inclusive environment;
- the company has continued to train new employees in its Code of Business Ethics awareness programme globally. This awareness programme includes a section covering appropriate practices and policies relating to diversity and Equal Employment Opportunities;
- the company has continued to monitor its policies and practices to ensure that they are free from bias;
- the team involved in any recruitment and selection process has continued to include a female member, wherever practical; and
- the company commenced the development of a training module providing awareness of the potential for unconscious bias in people management processes.

In the year ahead the company will:

- continue the development and implementation of the unconscious bias training module; and
- complete a diversity diagnostic of our NZ operations to assist in identifying diversity and inclusion objectives for the future.

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

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

The table opposite shows the respective proportions of men and women on the board, in senior executive positions and across the whole organisation as at 31 March 2015 and 31 March 2016:

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

	2015				2016			
	Woman	Men	Woman %	Men %	Woman	Men	Woman %	Men %
Board	1	6	14%	86%	1	6	14%	86%
Senior executives	1	5	17%	83%	1	5	17%	83%
All employees	1,343	1,718	44%	56%	1,546	1,924	45%	55%

"Senior executive", as it is used in the table above, refers to the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer.

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

Other Policies

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

PRINCIPAL ACTIVITIES

The company is a world leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea. There were no significant changes to the state of affairs of the company or to the nature of the company's principal activities during the year ended 31 March 2016.

STOCK EXCHANGE LISTINGS

The company's shares were listed on the NZX Main Board on 14 November 2001. The company's shares were listed on the ASX on 21 November 2001. There is no current on-market buy-back of the company's ordinary shares and during the year ended 31 March 2016 none of the company's ordinary shares were purchased on-market under or for the purposes of an employee incentive scheme or to satisfy the entitlements of holders of options or other rights to acquire ordinary shares granted under an employee incentive scheme. The company does not have any restricted securities or securities subject to voluntary escrow on issue.

SHARE ISSUES

During the year ended 31 March 2016:

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

DIRECTORS

During the twelve months to 31 March 2016:

- at the company's annual shareholders' meeting on 27 August 2015, Roger France and Arthur Morris retired by rotation and, being eligible, offered themselves for re-election and were re-elected.
- Roger France retired from the Board on 31 December 2015.
- Scott St John was appointed by the Board on 1 October 2015 and will stand for election at the next company's annual shareholders' meeting.

DISCLOSURE OF INTERESTS BY DIRECTORS

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

DISCIPLINARY ACTION TAKEN BY THE NZX OR THE ASX

Neither the NZX nor the ASX has taken any disciplinary action against the company during the year ended 31 March 2016.

ENTRIES RECORDED IN THE INTERESTS REGISTER

Except for disclosures made elsewhere in this Annual Report, there have been no entries in the company's interests register made during the year ended 31 March 2016.

No entries were made in the interests register of any subsidiary of the company during the year ended 31 March 2016.

CREDIT RATING

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

DONATIONS

Please refer to Note 5 of the Financial Statements.

ANNUAL SHAREHOLDERS' MEETING

The company's 2016 annual shareholders' meeting will be held at the Guineas Ballroom, Ellerslie Event Centre, Auckland on Tuesday, 23 August 2016 at 2pm.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

EMPLOYEE REMUNERATION

The Group operates in a number of countries where remuneration market levels differ widely. The offshore remuneration amounts are converted into New Zealand dollars. Of the employees noted in the table below 50% are employed by the Group outside New Zealand. During the year a number of employees or former employees of the Group, not being directors of the Company, received remuneration and other benefits that exceeded NZ$100,000 in value as follows:

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

Remuneration	Number of employees
$	
300,001 – 310,000	3
310,001 – 320,000	3
320,001 – 330,000	1
330,001 – 340,000	1
340,001 – 350,000	1
350,001 – 360,000	1
370,001 – 380,000	1
390,001 – 400,000	1
400,001 – 410,000	1
440,001 – 450,000	1
450,001 – 460,000	1
490,001 – 500,000	3
530,001 – 540,000	2
550,001 – 560,000	1
640,001 – 650,000	1
770,001 – 780,000	1
950,001 – 960,000	1
1,080,001 – 1,090,000	1
1,200,001 – 1,210,000	1

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

CORPORATIONS ACT 2001 (COMMONWEALTH) DISCLOSURES

The Board is not aware of any matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the company, the results of these operations or the state of affairs or the company in subsequent financial years. The company's operations are not subject to a significant Australian environmental regulation under any law of the Commonwealth of Australia or of any State or Territory of Australia, however the Board believes that the company has adequate systems in place to manage its environmental obligations.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

The details set out above were as at 29 April 2016. As disclosed in Note 18 of the Financial Statements, there were 7,508,036 options on issue to 474 employees and 1,612,560 performance share rights on issue to 464 employees as at 31 March 2016. The company only has one class of shares on issue, ordinary shares, and these shares are listed on the NZX Main Board and ASX. There are no other classes of equity security currently on issue. The company's ordinary shares each carry a right to vote on any resolution at a meeting of shareholders. Holders of ordinary shares may vote at a meeting in person, or by proxy, representative or attorney. Voting may be conducted by voice, by show of hands, or poll. There are no voting rights attaching to options or performance share rights. There were 509 shareholders holding less than a marketable parcel, as defined by ASX Listing Rules, of the company's ordinary shares, based on the closing market price as at 29 April 2016. As at 29 April 2016 the company has not carried out any issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act.

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

The details set out above were as at 29 April 2016

LIMITATIONS ON THE ACQUISITION OF SHARES

The company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 (Commonwealth) dealing with the acquisition of shares (i.e. substantial holdings and takeovers). Limitations on the acquisition of the securities imposed by the jurisdiction in which the company is incorporated (New Zealand) are:

(a) In general, securities in the company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

(b) The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the company or the increase of an existing holding of 20% or more of the voting rights of the company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the shares of the company.

(c) The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an overseas person acquires shares in the company that amount to 25% or more of the shares issued by the company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

(d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in the company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

CURRENT NZX WAIVERS

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

(1) waiver from NZX Main Board Listing Rule 7.1.10 and 7.1.16 in respect of the issue of options under the company's share options plans (granted 19 August 2011);

(2) waiver from NZX Main Board Listing Rule 7.1.10, 7.1.16 and 8.1.7 in respect of the company's performance share rights plan (granted 7 August 2012); and

(3) waiver from NZX Main Board Listing Rule 8.1.4 in respect of the issue of shares under the company's share purchase plan (granted 29 October 2007).

SUBSTANTIAL PRODUCT HOLDERS

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

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

PRINCIPAL SHAREHOLDERS

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

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

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

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

DIRECTORS' SHAREHOLDINGS

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

Name	Ownership	Ordinary Shares
Tony Carter	Beneficial	70,499
Michael Daniell*	Beneficial	1,001,274
Roger France	Beneficial	39,480
Lindsay Gillanders	Beneficial	514,415
Arthur Morris	Beneficial	9,154
Donal O'Dwyer	Beneficial	55,614
Scott St John	Beneficial	10,074

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

SHARE DEALINGS BY DIRECTORS

In accordance with the Companies Act 1993 and the FMCA, the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests (as defined in the FMCA) in the company between 1 April 2015 and 31 March 2016, and details of those dealings were entered in the company's interests register.

The particulars of such disclosures are:

Tony Carter

– is a director of Loughborough Investments Limited which was issued with:
  a) 690 ordinary shares, valued at $6.9484 per share, on 10 July 2015 under the company's dividend reinvestment plan; and
  b) 479 ordinary shares, valued at $8.4661 per share, on 23 December 2015 under the company's dividend reinvestment plan.

– is a trustee and beneficiary of the Antony Carter Family Trust No 2 which was issued with:
  a) 52 ordinary shares, valued at $6.9484 per share, on10 July 2015 under the company's dividend reinvestment plan; and
  b) 36 ordinary shares, valued at $8.4661 per share, on 23 December 2015 under the company's dividend reinvestment plan.

Michael Daniell

– cancelled 80,000 options and in return was issued 58,777 ordinary shares on 29 February 2016 at an average value of $9.1158 per share.

– cancelled 120,000 options and in return was issued 87,618 ordinary shares on 7 December 2015 at an average value of $8.6015 per share

– disposed of 60,000 ordinary shares on 4 December 2015 at an average value of $8.4212 per share

– exercised 30,000 performance share rights on 3 September 2015 and was issued with 30,000 ordinary shares for nil consideration in accordance with the Performance Share Rights Plan

– was granted 80,000 options on 8 September 2015 for nil consideration, convertible into 80,000 shares in accordance with the terms of the 2003 Share Option Plan.

– was issued with 30,000 performance share rights on 8 September 2015 for nil consideration in accordance with the Performance Share Rights Plan.

Arthur Morris

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

Donal O'Dwyer

– is a trustee and beneficiary of the Dundrum Super Fund which was issued with:
  a) 628 ordinary shares, valued at$ 6.9484 per share, on10 July 2015 under the company's dividend reinvestment plan.
  b) 437 ordinary shares, valued at $8.4661 per share, on 23 December 2015 under the company's dividend reinvestment plan.

Scott St John

– was issued with 74 ordinary shares valued at $8.4661 per share on 23 December 2015 under the company's dividend reinvestment plan.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

STATUTORY DISCLOSURE

Subsidiary Company Directors

Section 211(2) of the Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by directors and former directors, and particulars of entries in the interests registers made, during the year ended 31 March 2016. Other than Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited, of which Tony Carter is a director, no subsidiary has directors who are not full-time employees of the Group. The remuneration and other benefits of such employees and former employees (received as employees) totalling NZ$100,000 or more during the year ended 31 March 2016 are included in the relevant bandings for remuneration disclosed on page 84 of this Annual Report. No employee of the Fisher & Paykel Healthcare Group appointed as a director of Fisher & Paykel Healthcare Corporation Limited or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a director. The persons who held office as directors of subsidiary companies at 31 March 2016 are as follows:

Fisher & Paykel Healthcare Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Properties Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Treasury Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Asia Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Asia Investments Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Americas Investments Limited (NZ)
Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)
Tony Carter, Michael Daniell, Tony Barclay

Fisher & Paykel Healthcare Pty Limited (Australia)
Michael Daniell, Lewis Gradon, Paul Shearer, David Boyle

Fisher & Paykel do Brasil Ltda (Brazil)
Brazilian law does not require directors. Decision making authority lies with the directors of its shareholders.

Fisher & Paykel Healthcare Limited (Canada)
Michael Daniell, Paul Shearer, Justin Callahan

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

Fisher & Paykel Healthcare SAS (France)
Michael Daniell, Paul Shearer, Patrick McSweeny, Ian Hopkinson

Fisher & Paykel Holdings GmbH (Germany)
Ian Hopkinson

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

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

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

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

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

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

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

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

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

Fisher & Paykel Healthcare Limited (UK)
Michael Daniell, Paul Shearer, Nicholas Connolly, Patrick McSweeny

Fisher & Paykel Holdings Inc. (USA)
Michael Daniell, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Inc. (USA)
Michael Daniell, Paul Shearer, Justin Callahan

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

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

DISCLOSURE OF INTERESTS BY DIRECTORS

In accordance with Section 140(2) of the Companies Act 1993, the directors named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in the company's interests register. General notices given by directors which remain current as at 31 March 2016 are as follows:

Tony Carter

Chairman of:
Air New Zealand Limited, Blues Management Limited

A director of:
Fletcher Building Limited, ANZ Bank New Zealand Limited, Loughborough Investments Limited, Avonhead Mall Limited, Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited

A shareholder of:
Loughborough Investments Limited, Avonhead Mall Limited

A trustee of:
Antony Carter Family Trust No 2, Foodstuffs Auckland Perpetuation Trust, Foodstuffs Auckland Protection Trust, Maurice Carter Charitable Trust, Tony and Frances Carter Family Trust

An advisor to:
Capital Solutions Limited

Michael Daniell

Chairman of:
Medical Technologies Centre of Research Excellence

A director of:
Tait Limited, Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited
Other company subsidiaries as listed in the section 'Subsidiary Company Directors' in this Annual Report

A member of:
Council of the University of Auckland

Roger France

Chairman of:
Tappenden Holdings Limited
Governance Board of Deep South National Science Challenge, Governance Board of Sustainable Seas National Science Challenge (Acting Chairman)

A director of:
Air New Zealand Limited Tappenden Management Limited, Orion Health Group Limited, Southern Cross Medical Care Society

A trustee of:
Dilworth Trust Board, The University of Auckland Foundation, France Family Trust

Lindsay Gillanders

Chairman of:
Auckland Packaging Company Limited

A director of:
LRS Management Limited, Rangatira Limited

Geraldine McBride

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

Donal O'Dwyer

Chairman of:
Atcor Medical Pty Limited

A director of:
Cochlear Limited, Mesoblast Limited

Scott St John

Chief Executive Officer & Managing Director of:
First NZ Capital (includes all subsidiaries with the exception of Harbour Asset Management)

A director of:
Te Awanga Terraces Limited

A trustee of:
St John Family Trust, Macleod Trust

A member of:
Council of the University of Auckland

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

The Group has arranged, as provided for under the company's Constitution, policies of directors' and officers' liability insurance which, with a Deed of Indemnity entered into with all directors, ensures that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines which may be imposed in respect of breaches of the law.

USE OF COMPANY INFORMATION

There were no notices from directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

GROUP STRUCTURE

All subsidiary companies in the Fisher & Paykel Healthcare group (detailed below) are ultimately 100% owned by Fisher & Paykel Healthcare Corporation Limited.

Fisher & Paykel Healthcare Corporation Limited* Owns:

Fisher & Paykel Healthcare Limited (NZ)*

Fisher & Paykel Healthcare Pty Limited (Australia)*

Fisher & Paykel Healthcare Treasury Limited (NZ)*

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)

Fisher & Paykel Healthcare Limited (UK)

Fisher & Paykel Holdings Inc. (USA)

Fisher & Paykel do Brasil Ltda (Brazil)

Fisher & Paykel Healthcare (Guangzhou) Limited (China)

Fisher & Paykel Healthcare Asia Limited (NZ)

Fisher & Paykel Healthcare Americas Investments Limited (NZ)

Fisher & Paykel Healthcare Limited (Canada)

Fisher & Paykel Healthcare Limited* (NZ) Owns:

Fisher & Paykel Healthcare Properties Limited (NZ)*

Fisher & Paykel Healthcare Asia Limited (NZ) Owns:

Fisher & Paykel Healthcare Asia Investments Limited (NZ)

Fisher & Paykel Healthcare Asia Investments Limited (NZ) Owns:

Fisher & Paykel Healthcare India Private Limited (India)

Fisher & Paykel Healthcare K.K. (Japan)

Fisher & Paykel Healthcare Limited (Hong Kong)

Fisher & Paykel Healthcare Americas Investments Limited (NZ) Owns:

Fisher & Paykel Healthcare S.A. de C.V. (Mexico)

Fisher & Paykel Healthcare Limited (UK) Owns:

Fisher & Paykel Healthcare SAS (France)

Fisher & Paykel Holdings GmbH (Germany)

Fisher & Paykel Healthcare AB (Sweden)

Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey)

Limited Liability Company Fisher & Paykel Healthcare (Russia)

Fisher & Paykel Holdings Gmbh (Germany) Owns:

Fisher & Paykel Healthcare GmbH & Co KG (Germany)

Fisher & Paykel Verwaltungsgesellschaft GmbH (Germany)

Fisher & Paykel Holdings Inc. (USA) Owns:

Fisher & Paykel Healthcare Inc. (USA)

* Companies Operating Under a Negative Pledge Deed

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

DIRECTORS' DETAILS

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

Tony Carter	Chairman, Non-Executive, Independent
Michael Daniell	Managing Director and Chief Executive Office (retired as Managing Director and Chief Executive Officer on 31 March 2016, continues to hold office as a Non-Executive director from 1 April 2016)
Lewis Gradon	Managing Director and Chief Executive Officer (appointed 1 April 2016)
Roger France	Non-Executive, Independent (retired 31 December 2015)
Lindsay Gillanders	Non-Executive, Independent
Geraldine McBride	Non-Executive, Independent
Arthur Morris	Non-Executive, Independent
Donal O'Dwyer	Non-Executive, Independent
Scott St John	Non-Executive, Independent (appointed 1 October 2015)

EXECUTIVES' DETAILS

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

GLOSSARY

Constant Currency	is a way to measure performance of a company without any distortion from changes in foreign exchange rates
COPD	Chronic Obstructive Pulmonary Disease
CPAP	Continuous Positive Airway Pressure
DRP	Dividend Reinvestment Plan
FDA	United States Food & Drug Administration
OSA	Obstructive Sleep Apnea
R&D	Research and Development
RAC	Respiratory and Acute Care
SG&A	Sales, General and Administrative
QS&R	Quality, Safety & Regulatory

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DIRECTORY

DIRECTORY

In New Zealand:

The details of the company's principal administrative and registered office are:

Physical address: 15 Maurice Paykel Place, East Tamaki,
Auckland 1061, New Zealand

Telephone: +64 9 574 0100

Facsimile: +64 9 574 0158

Postal address: PO Box 14348, Panmure,
Auckland 1741, New Zealand

Internet address: www.fphcare.com

Email: investor@fphcare.co.nz

In Australia:

The details of the company's registered office are:

Physical address: 36–40 New Street, Ringwood,
Victoria 3134, Australia

Telephone: +61 3 9879 5022

Facsimile: +61 3 9879 5232

Postal address: PO Box 167, Ringwood, Victoria 3134, Australia

SHARE REGISTRAR

In New Zealand:

Link Market Services Limited

Physical address: Level 11, Deloitte Centre,
80 Queen Street, Auckland 1010, New Zealand

Postal address: PO Box 91976, Auckland 1142, New Zealand

Facsimile: +64 9 375 5990

Investor enquiries: +64 9 375 5998

Internet address: www.linkmarketservices.co.nz

Email: enquiries@linkmarketservices.co.nz

In Australia:

Link Market Services Limited

Physical address: Level 12, 680 George Street,
Sydney, NSW 2000, Australia

Postal address: Locked Bag A14, Sydney South, NSW 1235, Australia

Facsimile: +61 2 9287 0303

Investor enquiries: +61 2 8280 7111

Internet address: www.linkmarketservices.com.au

Email: registrars@linkmarketservices.com.au

STOCK EXCHANGES

The Company's ordinary shares are listed on the NZX Main Board and the ASX.

INCORPORATION

The Company was incorporated in New Zealand.

Fisher & Paykel Healthcare is a world leader in medical devices and systems for use in respiratory care, acute care, surgery and in the treatment of obstructive sleep apnea.

Fisher & Paykel HEALTHCARE

www.fphcare.com

Annual Review 2016

Care.

RECORD NET PROFIT AFTER TAX
NZ$143.4m

↑27%

RECORD OPERATING PROFIT
NZ$211.1m

↑24%

RECORD OPERATING REVENUE
NZ$815.5m

↑21%

HOSPITAL / RAC REVENUE GROWTH
NZ$436.3 MILLION

↑22%

HOMECARE / OSA REVENUE GROWTH
NZ$365.8 MILLION

↑21%

GROSS MARGIN IMPROVEMENT

284bps

TOTAL DIVIDEND FOR THE YEAR
NZ16.7CPS FULLY IMPUTED

↑21%

Fisher & Paykel HEALTHCARE

Dear Shareholders

We are pleased to report a record financial result for the 2016 financial year with net profit after tax of $143.4 million, an increase of 27% over the previous year.

Our operating revenue was also a record $815.5 million, 21% higher than last year. Both product groups, Hospital/RAC and Homecare/OSA delivered record operating revenue results. RAC product group revenue grew 22% to $436.3 million, or 15% growth in constant currency, and OSA product group revenue grew 21% to $365.8 million, or 12% growth in constant currency.

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

We continue to produce a premium range of medical devices, designed to improve patient care and outcomes. In the last year, we estimate that our products were used in the treatment of more than 10 million patients around the world.

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

Dividend

The Board has approved an increased final dividend for the year of 10cps. This takes the total dividend for the financial year to 16.7cps, an increase of 21% on the previous year.

Tony Carter

Lewis Gradon

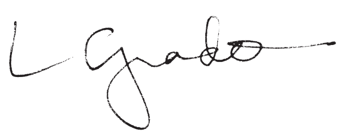
Key achievements this financial year include the transition to a direct sales model for our respiratory products in the United States. This has been successfully completed and we expect to see benefits of this in the next financial year.

We also have established a larger distribution facility in California. The new location provides a sustainable platform for the growth of our global supply chain operations with good access to infrastructure and services. Manufacturing capability in Mexico also continues to grow.

We believe we are well positioned to continue delivering on our growth strategy and strengthening our position as a global leader. As population growth and changing demographics place increasing demands on global healthcare systems, we will continue to invest in R&D to support product innovation and development. This year, we invested $73.3 million, which is 9% of our operating revenue. This is fuelling one of our most exciting periods of product development, with a wide range of products expected to be released during this current year.

Our strategy remains consistent: focusing on continuous product improvement, serving more patient groups, broadening the range of assistance we can provide for each patient and expanding our global reach. This approach is well proven and has steadily guided us to record operating revenue for more than a decade, and we believe that it will continue to deliver robust revenue growth in the coming financial year.

TONY CARTER, CHAIRMAN

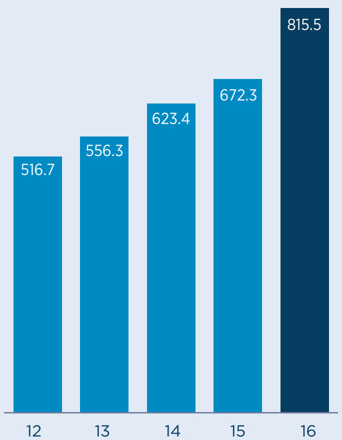


LEWIS GRADON, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

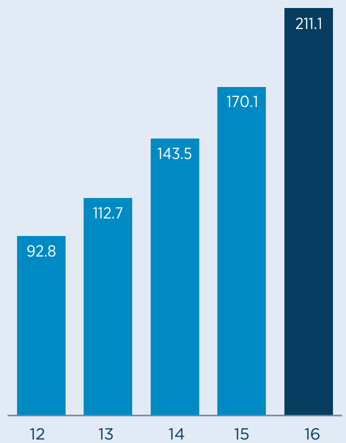
Full Year Results

Our consistent long-term strategy has continued to deliver growth this year.

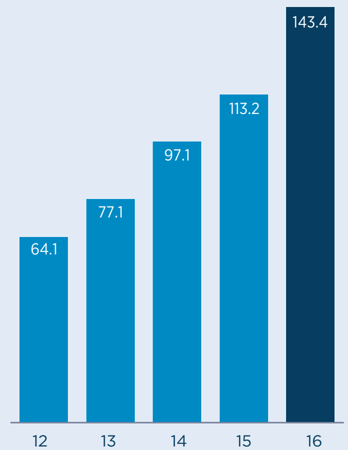
OPERATING REVENUE NZ$ MILLIONS



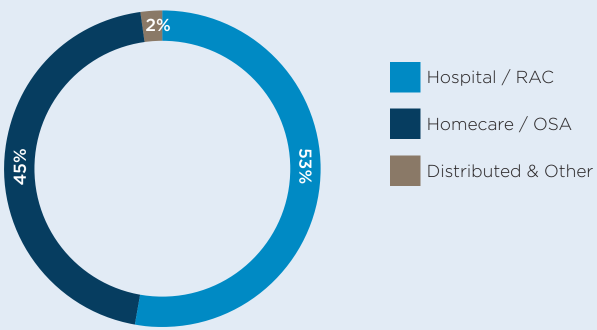
OPERATING PROFIT NZ$ MILLIONS



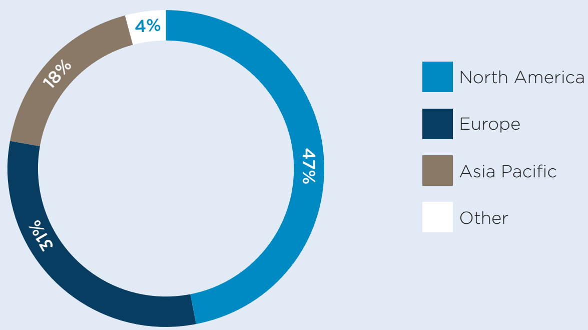
PROFIT AFTER TAX NZ$ MILLIONS



REVENUE BY PRODUCT GROUP – 12 MONTHS TO 31 MARCH 2016



REVENUE BY REGION – 12 MONTHS TO 31 MARCH 2016



Hospital/RAC

Fisher & Paykel Healthcare offers comprehensive medical devices for hospitals across invasive and non-invasive ventilation, nasal high flow therapy and surgery.

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

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

FY16 HIGHLIGHTS

Increasing numbers of clinical trials providing evidence of patient benefits from using our products

Strong customer demand for our Optiflow™ and AIRVO™ systems

Optiflow™ nasal high flow therapy being used in a broader range of patient groups within the hospital

A number of new product launches expected in the coming year

Homecare/OSA

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

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

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

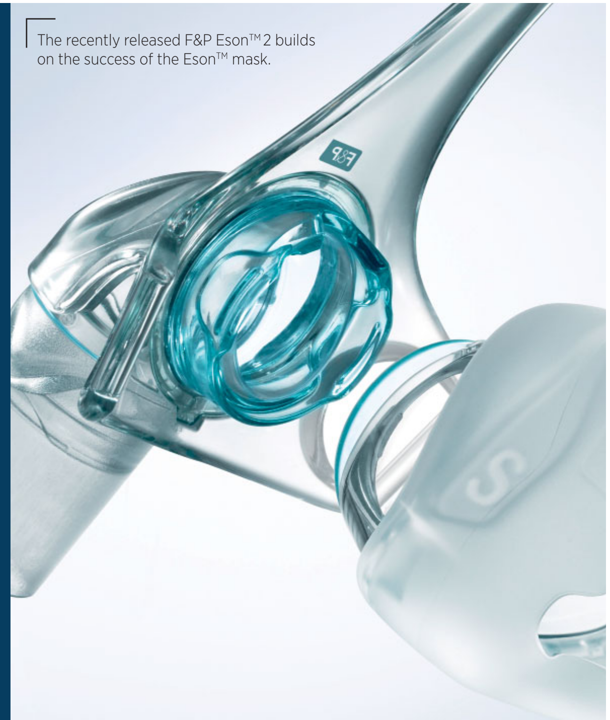
FY16 HIGHLIGHTS

Strong customer demand for our Eson™ 2 and Simplus™ masks

Exciting product pipeline, with several product launches anticipated

Completed 30 trials across product development and post market studies

Expansion of functionality and geographic coverage of our InfoSmart™ Web platform



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

The F&P Optiflow™+ nasal cannula incorporates the latest in innovative technology.

SHARE REGISTRAR

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IN AUSTRALIA:

Link Market Services Limited

Investor enquiries: +61 2 8280 7111
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Email: registrars@linkmarketservices.com.au

Annual Corporate Governance Statement 2016

Care.

Fisher & Paykel HEALTHCARE

APPROVED BY THE BOARD OF FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED ON 26 MAY 2016

As encouraged by the ASX Corporate Governance Council, Fisher & Paykel Healthcare Corporation Limited (the "company" or "Fisher & Paykel Healthcare") has published certain corporate governance disclosures on its website through this corporate governance statement.

The Annual Report for the financial year ended 31 March 2016 incorporates this corporate governance statement by cross-reference. This statement was approved by the Board on 26 May 2016 and is accurate as at that date.

The Board and management of Fisher & Paykel Healthcare are committed to ensuring that the company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews and assesses the company's governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The company is listed on both the New Zealand and Australian stock exchanges. Corporate governance principles and guidelines have been introduced in both countries. These include the Australian Securities Exchange (ASX) Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition), the NZX Main Board Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code, and the Financial Markets Authority handbook Corporate Governance in New Zealand Principles and Guidelines (collectively, the "Principles"). The Board considers that the company's corporate governance practices and procedures substantially reflect the Principles.

The ASX Corporate Governance Council Corporate Governance Principles and Recommendations set out eight principles of good corporate governance. Fisher & Paykel Healthcare has adopted these as an appropriate way to structure its corporate governance reporting.

The full content of the company's corporate governance policies, practices and procedures can be found in the corporate governance section of the company's website - www.fphcare.com/corporategovernance (the "Company's Website").

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Responsibilities of Board and Management

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

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

The Board Charter regulates internal Board procedure and describes the Board's specific roles and responsibilities. A copy of the Board Charter is available on the Company's Website.

The Board delegates management of the day-to-day affairs and responsibilities of the company to the Chief Executive Officer and the executive to deliver the strategic direction and goals determined by the Board. The Board Charter records the specific responsibilities delegated to management.

The Board has four committees which support the Board by working with management on relevant issues at a suitably detailed level and then reporting back to the Board. These committees are:

- Audit & Risk Committee
- Remuneration and Human Resources Committee
- Nomination Committee
- Quality, Safety and Regulatory Committee

Each of these committees has a charter setting out the committee's objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's Website.

Written Agreements with Directors and Management

Upon appointment, non-exeutive directors are issued a letter setting out the terms and conditions of their appointment. A copy of the standard form of this letter is available on the Company's Website. The Chief Executive Officer and other members of the senior management team have employment agreements setting out their roles and conditions of employment. The company has set delegated authorities controlling the extent to which employees can commit the company.

Director's Access to Information

The non-executive director appointment letter records that, with the approval of the Chairperson, a director may seek independent professional advice, at the expense of the company, on any matter connected with the discharge of that director's responsibilities. Copies of this advice should be made available to, and for the benefit of, all Board members, unless the Chairperson agrees otherwise.

Role of the Company Secretary

The Company Secretary reports directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Diversity

Information about diversity at Fisher & Paykel Healthcare, including measurable objectives and the respective proportions of men and women across the company, can be found in the "Diversity" section of our 2016 Annual Report.

Evaluation of Board Performance

The Board has a policy in place relating to the performance evaluation of the Board, the Board's committees and individual directors. An externally facilitated performance evaluation is scheduled to occur during the first half of the current financial year. A summary of the company's Performance Evaluation Policy is available on the Company's Website.

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

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

Evaluation of Senior Management Performance

The company's senior executives are subject to regular performance reviews. The performance of senior executives is reviewed by the CEO who meets with each senior executive to discuss their performance, as measured against key performance targets (both financial and non-financial) previously established and agreed with that executive. During the year ended 31 March 2016, performance reviews took place in accordance with that process.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board Composition

The number of directors is determined by the Board, in accordance with the company's constitution. The constitution requires that there are at least four directors, and no more than nine directors. The company undertakes a number of checks before appointing a person, or putting forward to shareholders a candidate for election, as a director and provides shareholders with information relevant to a decision on whether or not to elect or re-elect a director. Further information about the company's policies for the appointment and selection of new directors is available on the Company's Website.

The Board comprises eight directors, being Tony Carter, Michael Daniell, Scott St John, Lindsay Gillanders, Geraldine McBride, Arthur Morris, Donal O'Dwyer and Lewis Gradon. Seven of the eight directors are non-executive directors. Lewis Gradon, who on 1 April 2016 replaced Michael Daniell as the Managing Director and Chief Executive Officer, is the only executive director on the Board. The Chairperson of the Board is Tony Carter.

The biography of each Board member, including each director's skills, experience, expertise and the term of office held by each director, is set out in the "Board of Directors" section of the 2016 Annual Report and is available on the Company's Website.

Board Diversity and Skills Matrix

Diversity is recognised and respected at Fisher & Paykel Healthcare. At Board level, diversity allows us to benefit from a range of different perspectives, which leads to more healthy debate and decision making. While all Board appointments are based on merit, diversity, including gender diversity, is also taken into account.

As the company operates in specialised international markets, the Board believes that it is important to have a board consisting of members with diverse backgrounds, experience and skills. The Board also believes that the tenure of each of its members is important as it seeks to balance independent, institutional knowledge gained through length of service and the importance of fresh perspectives in decision-making.

The following table summarises the key skills and experience, and tenure of the Board:

Skills and Experience	Number of Directors
Financial acumen	8
Sales/Marketing	7
Engineering/Science/Technology/Manufacturing	6
Medicine/Medical Device	5
Legal/Regulatory	5
Governance	7
Global Business Experience	8

Tenure					
0 – 4 yrs	3	5 – 8 yrs	2	9+ years	2

For details of individual directors see the "Board of Directors" section of the 2016 Annual Report.

Independence of Directors

The factors that the company will take into account when assessing the independence of its directors are set out in its Board Charter, a copy of which is available on the Company's Website. No quantitative materiality thresholds have been adopted by the company because it was considered more appropriate to determine independence on a case by case basis.

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

1. No director is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
2. Michael Daniell and Lewis Gradon are directors who, within the last three years, have been employed in an executive capacity by the company or another group member, or have been a director after ceasing to hold any such employment.
3. No director has been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with such service provider, within the last three years.
4. No director is a material supplier or customer of the company or other group member, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
5. No director has a material contractual relationship with the company or another group member other than as a director of the company.
6. No director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company. In this context, the Board specifically

confirms that it has unanimously endorsed Lindsay Gillanders' position as a valued independent director of the company.

7. All directors are free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Based on these assessments, the company considers that, as at 31 March 2016, six of the directors are independent directors, namely Tony Carter (Chair), Scott St John, Lindsay Gillanders, Geraldine McBride, Arthur Morris and Donal O'Dwyer.

The roles of Chair of the Board and Chief Executive Officer are held by separate individuals. The company's Chairperson is not required to be an independent Director although, as noted above, the Chairperson (Tony Carter) is independent. The Chief Executive Officer cannot be the company's Chairperson.

Nomination Committee

The procedure for the appointment and removal of directors is ultimately governed by the company's constitution. A director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy.

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

The members of the Nomination Committee are Tony Carter (Chairperson), Donal O'Dwyer and Scott St John (who replaced Geraldine McBride on 1 April 2016). All members of the Nomination Committee are independent directors.

Board Meetings

Normally, the Board holds eight formal meetings a year, two of which serve to review and approve the company's strategy and financial plans. At the Board meeting in March, the Board reviews the strategy and business plans for the next financial year and at the Board meeting in October the Board reviews the company's long-term strategic plan. Additional meetings are held as required. The Board also meets with senior executives to consider matters of strategic importance.

Details of attendance at Board and Committee meetings during the year ended 31 March 2016 are contained in the 2016 Annual Report.

Induction and Continuing Development of Directors

A formal induction program is available to new directors to ensure that they have a working knowledge of the company. The program includes one-on-one meetings with management and a tour of the company's research and development and manufacturing facilities. All directors are regularly updated on relevant industry and company issues. From time to time the Board may also undertake educational trips to receive briefings from customers and visit operations of the company outside of New Zealand. There is an ongoing program of presentations to the Board by all business units.

PRINCIPLE 3: COMPANIES SHOULD ACTIVELY PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Codes of Conduct

The company expects its employees and directors to maintain high ethical standards. A Code of Business Ethics for the company and a separate Directors' Code of Conduct set out these standards.

Both codes address, amongst other things:

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

The Code of Business Ethics requires employees to act in the best interests of the company at all times and to not accept from, or offer to, anyone, bribes or improper inducements.

In addition to this policy, the company has Protected Disclosure policies that facilitate the disclosure and investigation of matters of serious wrongdoing within the company. The company also has a policy that it does not make corporate level political donations.

Copies of the company's Code of Business Ethics and Code of Conduct for Directors can be found on the Company's Website.

Trading by Company Directors and Officers Policy

The Trading by Company Directors and Officers Policy identifies circumstances where directors and officers are permitted to trade, or prohibited from trading, company securities. The company is committed to complying with legal and statutory requirements with respect to ensuring directors and officers do not trade company securities while in possession of inside information.

A summary of the Trading by Company Directors and Officers Policy is available on the Company's Website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit & Risk Committee

The primary function of the Audit & Risk Committee is to assist the Board in fulfilling its responsibilities relating to the company's risk management and internal control framework, the integrity of its financial reporting and the company's internal and external auditing processes and activities.

Under the Audit & Risk Committee Charter, the Committee must be made up of non-executive directors, the majority of whom must be independent. Further, the Chair of the Committee must be an independent director and cannot be the Chairperson of the Board.

The members of the Audit & Risk Committee are Scott St John (Chairperson), Tony Carter and Lindsay Gillanders. All members of the Audit & Risk Committee are independent non-executive directors. The external auditors are invited to attend meetings when it is considered appropriate by the Committee. The Committee, at least once per year, meets with the auditors without any representatives of management present and is encouraged to seek advice from external consultants or specialists where the Committee considers that necessary or desirable.

Further details are provided in the Audit & Risk Committee Charter available on the Company's Website.

External Financial Auditors independence Policy

The Board has also adopted a policy in respect of the independence of the external financial auditor. This policy places limitations on the extent of non-audit work which can be carried out by the external financial auditors, and requires the lead partner and review partner of the external financial auditors to change every five years. The External Financial Auditors Independence Policy can be found on the Company's Website.

The Board also requires the external financial auditors to attend the company's annual shareholders' meeting in order to answer any question from shareholders relating to the audit for that financial year.

Approval of Financial Statements

The Audit & Risk Committee closely monitors financial reporting risks in relation to the preparation of the financial statements. The Audit & Risk Committee, with the assistance of management, works to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. As part of this process, the Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board that, to the best of their knowledge, the company's financial reports present a true and fair view of the company's financial condition and operational results and are in accordance with the relevant accounting standards and those reports are founded on a sound system of risk management and internal control which is operating effectively.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The company is committed to the promotion of investor confidence by ensuring that the trading of company shares takes place in an efficient, competitive and informed market. The company believes that evenly balanced disclosure is fundamental to building shareholder value and earning the trust of employees, customers, suppliers, communities and shareholders.

The company's Market Disclosure Policy establishes the company's disclosure policies for meeting the continuous disclosure requirements of both the NZX and the ASX. A summary of the Market Disclosure Policy is available on the Company's Website.

The company has formal policies for managing its disclosure requirements. The Disclosure Committee, comprising the Chief Executive Officer, the Chief Financial Officer and Company Secretary, and the Investor Relations Manager, is responsible for administering the company's compliance with its Market Disclosure Policy, including its continuous disclosure obligations. Market disclosure requires the approval of either the Board or the Disclosure Committee, depending on the circumstances.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder Communications

The aim of the company's communication arrangements is to provide shareholders with information about the company and to enable shareholders to actively engage with the company and exercise their rights as shareholders in an informed manner. The company's Shareholder Communication Policy facilitates communication with shareholders through written and electronic communication, and by facilitating shareholder access to directors, management and the company's auditors. A copy of the Shareholder Communication Policy is available on the Company's Website.

The company provides shareholders with communication through the following channels:

- the investor section of the Company's Website;
- the Annual Report;
- the Interim Report;
- the annual shareholders' meeting;
- regular disclosures on company performance and news; and
- disclosure of presentations provided to analysts and investors during regular briefings.

The Company's Website is an important part of the company's Shareholder Communications Policy. Included on the website is a range of information relevant to shareholders and others concerning the operation of the company and its subsidiaries, including information about the company and its history, biographies of the company's directors and senior management, the company's constitution, Board Charter (and the charters of the various subcommittees) and other corporate governance policies of the company.

Shareholders may, at any time, direct questions or requests for information to directors or management through the Company's Website or by contacting the company's Investor Relations Manager, the contact details for whom are available on the Company's Website.

The company provides shareholders with the option to receive communications from, and send communications to, the company and its share registrar electronically.

The company has in place an investor relations program to facilitate effective two way communication with investors. A summary of issues discussed at one-on-one or group meetings with investors and analysts, including a record of those present, time and venue of the meeting, is kept for internal reference only.

Shareholder Meetings

The annual shareholders' meeting of the company is currently held in Auckland, New Zealand, as the Board believes this location best facilitates attendance by shareholders at the meeting. The Board encourages active participation by shareholders at the annual shareholders' meeting and shareholders may present questions during the meeting.

The company also offers an electronic voting facility to allow shareholders to vote ahead of the meeting without having to attend or appoint a proxy.

Electronic Communications

Shareholders have the option to receive communications from, and send communications to, the company and its share registry electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The company has a number of risk management policies for the oversight and management of financial and non-financial material business risks, as well as related internal compliance systems that are designed to:

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

A summary of the company's Risk Management Policy is available on the Company's Website. Although the Board ultimately has responsibility for internal compliance and control, the Audit & Risk Committee is responsible for oversight of the company's risk management and internal control framework. Please see "Principle 4" for information regarding the composition of the Audit & Risk Committee.

The Audit & Risk Committee, in conjunction with management, regularly reports to the Board on the effectiveness of the company's management of its material business risks and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

The company has an internal audit function that is managed internally. The company maintains a risk register and regularly carries out targeted internal audits with the assistance of specialised external providers. An annual internal audit plan is presented to and approved by the Audit & Risk Committee and at least four times a year the Audit & Risk Committee receives an internal audit report.

The Audit & Risk Committee reviews the company's risk management framework annually to satisfy itself that it continues to be sound. A review of this framework has taken place in relation to the period under review.

Quality, Safety and Regulatory Committee

The Quality, Safety and Regulatory Committee's role is to assist the Board in fulfilling its responsibilities relating to the company's health and safety risk management system and oversight of the company's quality management system. As part of the company's internal audit function, regular Quality system specific internal audit reports are received by the Committee.

The members of the Quality, Safety and Regulatory Committee are Arthur Morris (Chairperson), Tony Carter and Donal O'Dwyer. All members of the Quality, Safety and Regulatory Committee are independent directors.

Material Exposure to Economic, Environmental and Social Sustainability Risks

Risks that could affect results and performance include:

- a long-term structural increase in the value of the New Zealand dollar relative to major currencies in which sales are made;
- a major regulatory compliance failure resulting in product recall and/or significant loss;
- inability to continuously and effectively innovate;
- the emergence of a substitute or disruptive technology and/or therapy;
- short to medium term volatility in foreign exchange rates;
- supply chain issues;
- theft of intellectual property records;
- critical system crash corrupts data and prevents production; and
- compliance with privacy regulations and law.

The company has in place a number of mechanisms and internal controls intended to manage these areas of material business risk. These include:

- Board committees, such as the Audit & Risk Committee;
- a quality management system;
- information management systems;
- detailed management and financial accounting reporting systems;
- systems to ensure that capital expenditure and leasing commitments above a certain size obtain prior Board approval and that business transactions are properly authorised and executed;
- financial controls and procedures (including internal audit function);
- established organisational structures, setting out clear lines of responsibility for managers and staff;
- occupational and safety and health policies;
- regular building services monitoring and maintenance;
- comprehensive human resources policies; and
- environmental policies.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee's role is to oversee and regulate remuneration and organisation matters of the company, including remuneration and benefits policies; performance objectives and remuneration of the company's senior executives; succession planning and associated management development for the chief executive and senior executives. The members of the Remuneration and Human Resources Committee are Tony Carter (Chairperson), Donal O'Dwyer and Scott St John (who replaced Geraldine McBride on 1 April 2016). All members of the Remuneration and Human Resources Committee are independent directors.

Director's Remuneration

The Remuneration and Human Resources Committee is responsible for establishing and monitoring remuneration policies and guidelines for directors which enable the company to attract and retain directors who contribute to the successful governing of the company and create value for shareholders.

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

The directors' fees received by non-executive directors in the year ended 31 March 2016 are set out in the 2016 Annual Report. Executive directors are not entitled to receive any remuneration solely in their capacity as directors of the company. See the "Senior Management Remuneration" section of this statement for information about remuneration of executive directors.

The maximum total monetary sum payable by the company by way of directors' fees is $950,000 per annum as approved by shareholders at the 2014 annual shareholders' meeting.

Non-executive directors do not take a portion of their remuneration under an equity security plan but directors may hold shares in the company, details of which are set out in the "Directors' Shareholdings" section of the 2016 Annual Report. It is the company's policy to encourage directors to acquire shares on-market.

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

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

As approved at the 2004 annual shareholders' meeting, the Board has resolved that it will not pay any future retirement benefits to non-executive directors other than, at the Board's discretion, a retirement allowance of one year's directors' fees to each non-executive director in office at the time of the 2004 meeting, such amount being equal to the average of the annual fees paid to that director in any three years prior to that director's retirement or cessation of office, and payable on retirement or cessation of office.

The non-executive directors' retirement allowances that have been provided for by the company as at 31 March 2016 are set out in the 2016 Annual Report.

Senior Management Remuneration

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

The remuneration policy for senior management is designed to attract, reward and retain high quality employees who will enable the company to achieve its short and long term objectives.

The remuneration packages of senior management consist of a combination of a fixed remuneration package, the company-wide profit sharing bonus, an annual variable remuneration (AVR) component and a long term variable remuneration (LVR) component.

Annual Variable Remuneration

The AVR component is based 80% on financial measures and 20% on personal objectives.

The weighting of the performance measures for financial AVR targets in the 2016 financial year, together with the results of performance against those targets during that financial year, is set out below:

Performance Measure	Weighting	Amount of Target Achieved
Constant currency operating profit	45%	102.3%
Constant currency revenue	25%	100.2%
Constant currency pre-tax operating cash flow	10%	101.4%

Meeting both the financial and individual targets results in a payment of 100% of the AVR amount. The AVR payment amount is adjusted pro-rata, with each 1% above or below target resulting in a 2% increase or decrease in payment. The maximum payment is 140% of the AVR amount at 20% over achievement. Should any financial measures be underachieved by more than 10%, no AVR is payable for that measure.

The weighting of performance measures for AVR targets in the 2017 financial year remains the same as those used for the 2016 financial year.

Long Term Variable Remuneration

The LVR component consists of share options, performance share rights and participation in the company's employee share purchase plan. These long term plans are intended to encourage the retention of senior management and increase the commonality between the interests of management and shareholders. Further information on the company's LVR arrangements can be found in the "Long Term Variable Remuneration" section of the Company's Website.

A general and wider disclosure of senior management remuneration is included in the "Employee Remuneration" section set out in the Shareholder Information section of the 2016 Annual Report, where the company has disclosed remuneration (inclusive of the value of other benefits) received by employees or former employees of the company or its subsidiaries in the relevant bandings of annual employee remuneration exceeding $100,000 received in the year ended 31 March 2016.

With respect to employee share purchase plans or equity-based remuneration schemes operating with respect to company securities, no director or employee is permitted to enter into financial products or arrangements which operate to limit the economic risk of their vested or unvested entitlements.

Rules 4.7.3 and 4.10.3[1]

Appendix 4G

Key to Disclosures
Corporate Governance Council Principles and Recommendations

Name of entity:

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

ABN / ARBN:	**Financial year ended:**
ABN 098 026 281	31 MARCH 2016

Our corporate governance statement[2] for the above period above can be found at:[3]

☐ These pages of our annual report:

☒ This URL on our website: http://www.fphcare.co.nz/corporategovernance/

The Corporate Governance Statement is accurate and up to date as at 26 May 2016 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 26 May 2016

Name of Director or Secretary authorising lodgement:

Tony Barclay, Company Secretary

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[1] Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

[2] "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

[3] Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☒ at http://www.fphcare.co.nz/files/documents/investor-announcements/corporate-governance/board-charter/	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

[4] If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	… the fact that we have a diversity policy that complies with paragraph (a): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of our diversity policy or a summary of it: ☒ at http://www.fphcare.co.nz/files/documents/investor-announcements/corporate-governance/diversity-policy/ … and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ☐ in our Corporate Governance Statement **OR** ☒ in the 2016 Annual Report … and the information referred to in paragraphs (c)(1) or (2): ☐ in our Corporate Governance Statement **OR** ☒ in the 2016 Annual Report	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	… the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	… the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	[If the entity complies with paragraph (a):] … the fact that we have a nomination committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☒ at http://www.fphcare.co.nz/files/documents/investor-announcements/corporate-governance/nomination-committee-charter/ … and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement **OR** ☒ in the 2016 Annual Report [If the entity complies with paragraph (b):] … the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	… our board skills matrix: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	… the names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and, where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the length of service of each director: ☐ in our Corporate Governance Statement **OR** ☒ at http://www.fphcare.co.nz/investor/corporate-governance/board-of-directors/	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	… our code of conduct or a summary of it: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	[If the entity complies with paragraph (a):] … the fact that we have an audit committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☒ at http://www.fphcare.co.nz/files/documents/investor-announcements/corporate-governance/audit-and-risk-committee-charter/ … and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement **OR** ☒ in the 2016 Annual Report [If the entity complies with paragraph (b):] … the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	… our continuous disclosure compliance policy or a summary of it: ☐ in our Corporate Governance Statement **OR** ☒ at http://www.fphcare.co.nz/files/documents/investor-announcements/corporate-governance/market-disclosure-policy/	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	… information about us and our governance on our website: ☒ at http://www.fphcare.co.nz/investor/	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	… our policies and processes for facilitating and encouraging participation at meetings of security holders: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	[If the entity complies with paragraph (a):] … the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☒ at http://www.fphcare.co.nz/files/documents/investor-announcements/corporate-governance/13-05-14-cosec-audit-and-risk-committee-charter/ … and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement **OR** ☒ in the 2016 Annual Report [If the entity complies with paragraph (b):] … the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	… the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and that such a review has taken place in the reporting period covered by this Appendix 4G: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (a):] … how our internal audit function is structured and what role it performs: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	… whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	[If the entity complies with paragraph (a):] … the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☒ at http://www.fphcare.co.nz/files/documents/investor-announcements/corporate-governance/13-05-14-cosec-remuneration-and-human-resources-co/ … and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement **OR** ☒ in the 2016 Annual Report [If the entity complies with paragraph (b):] … the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	… separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	… our policy on this issue or a summary of it: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	*Alternative to Recommendation 1.1 for externally managed listed entities:* The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	… the information referred to in paragraphs (a) and (b): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
-	*Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:* An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	… the terms governing our remuneration as manager of the entity: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Fisher & Paykel HEALTHCARE

NZX Appendix 1 and ASX Appendix 4E Information

Results for announcement to the market

FULL YEAR REPORTING PERIODS

Reporting Period	12 months to 31 March 2016
Previous Reporting Period	12 months to 31 March 2015

EARNINGS

	Amount (NZ$000)	Percentage change
Operating revenue from ordinary activities	$815.5	21%
Earnings before interest and tax	$211.1	24%
Net profit attributable to shareholders	$143.4	27%

DIVIDENDS

	Amount per share NZ cents	Imputed amount per share* NZ cents	Gross amount per share* NZ cents	Franked amount per share
Final Dividend	10.0 cents	3.8889 cents	13.8889 cents	N/A

* NZ resident shareholders

Record Date	17 June 2016
Dividend Payment Date	8 July 2016

An Interim Dividend of 6.7 cents per ordinary share was paid by the company on 23 December 2015. Imputation credits were attached and supplementary dividends were paid to non-resident shareholders.

The company operates a dividend reinvestment plan for New Zealand and Australian resident shareholders. For the Final Dividend no discount will be applied. Participation notices must be received on or before the first business day after the Record Date to be eligible to participate in entitlements under the plan. A copy of the plan offer document is available at www.fphcare.com/drp.

FINANCIAL INFORMATION AND COMMENTARY

For commentary on the results please refer to the news release and financial commentary section of the company's 2016 Annual Report. This appendix should be read in conjunction with the company's financial statements for the 12 months to 31 March 2016, contained in the company's 2016 Annual Report.

NET TANGIBLE ASSETS PER SECURITY

	31 March 2015	31 March 2016
Net tangible assets per security	NZ$0.80	NZ$0.86

CONTROL OF ENTITIES GAINED OR LOST

There was no gain or loss of control of entities during the 12 months to 31 March 2016.

ASSOCIATES AND JOINT VENTURES

The company does not have any associates or joint ventures.

ACCOUNTING STANDARDS

The company's financial statements have been prepared in accordance with New Zealand Generally Accept Accounting Practice (NZ GAAP) and the Financial Reporting Act 2013 (NZ). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notice that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

BASIS OF REPORT

This report is based on the audited company financial statements. PwC has provided an audit report on the financial statements, which is contained in the 2016 Annual Report.

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages)

Full name of Issuer: Fisher & Paykel Healthcare Corporation Limited

Name of officer authorised to make this notice: Antony G. Barclay

Authority for event, e.g. Directors' resolution: Directors' Resolution

Contact phone number: (09) 574 0119

Contact fax number: (09) 574 0176

Date: 26 / 05 / 2016

Nature of event
Tick as appropriate

Bonus Issue ☐ *If ticked, state whether:* *Taxable* ☐ */ Non Taxable* ☐ *Conversion* ☐ *Interest* ☐ *Rights Issue Renouncable* ☐

Rights Issue non-renouncable ☐ Capital change ☐ Call ☐ Dividend ☑ If ticked, state whether: Interim ☐ Full Year ☑ Special ☐ DRP Applies ☑

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities: Ordinary Shares

ISIN: NZFAPE0001S2
If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities:

ISIN:
If unknown, contact NZX

Number of Securities to be issued following event:

Minimum Entitlement:

Ratio, e.g 1 for 2: for

Conversion, Maturity, Call Payable or Exercise Date:
Enter N/A if not applicable

Treatment of Fractions:

Tick if pari passu ☐ *OR* *provide an explanation of the ranking*:

Strike price per security for any issue in lieu or date Strike Price available.

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income): 10.0 cents/share

Source of Payment: Revenue Reserves

Excluded income per security (only applicable to listed PIEs):

Currency: New Zealand Dollars

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents: 1.764706 cents/share

Date Payable: 8 July, 2016

Total monies: $56,387,762

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price: $

Resident Withholding Tax: 0.694444 cents/share

Imputation Credits (Give details): 3.888889 cents/share

Foreign Withholding Tax: $

FWP Credits (Give details):

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm
For calculation of entitlements -: 17 June, 2016

Application Date
Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.: 8 July, 2016

Notice Date
Entitlement letters, call notices, conversion notices mailed:

Allotment Date
For the issue of new securities. Must be within 5 business days of application closing date.:

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

Fisher & Paykel HEALTHCARE

27 MAY 2016

Dear Shareholder,

FISHER & PAYKEL HEALTHCARE ANNUAL REPORT 2016

Fisher & Paykel Healthcare Corporation Limited's annual report for the year ended 31 March 2016 is now available on our website at **www.fphcare.com/annualreport2016**.

Request for electronic communications

If you do not currently receive your Fisher & Paykel Healthcare shareholder communications electronically, we would encourage you to elect to do so by providing your email address details in the box below. It keeps costs down, delivery to you is faster and it is better for the environment.

I/We wish to receive all Fisher & Paykel Healthcare shareholder communications electronically (by email) where possible at my / our email address as stated below:

If you have any questions about changing how you receive shareholder communications as a Fisher & Paykel Healthcare shareholder please contact Link Market Services on +64 9 375 5998 or by email at: enquiries@linkmarketservices.co.nz.

Request for printed copies of reports

Even though Fisher & Paykel Healthcare's annual report is available electronically, you have the right to receive, upon request and free of charge, a printed copy of the annual report and the next half year report (when available).

If you wish to receive a printed copy of these reports, please visit the Link Market Services Investor Centre at **https://investorcentre.linkmarketservices.co.nz** and update your communication preference. You will require your CSN/Holder Number and FIN to access your holding information. Alternatively, please complete the section below and return this form to our registry, Link Market Services, within 15 working days of receiving this form. This year the company has decided not to prepare a concise annual report.

I/We would like to receive a printed copy of Fisher & Paykel Healthcare's annual report and half year report (when available) each year. ☐ Please tick this box only if you wish to receive a printed copy of the reports

If you elect to receive printed copies, we will continue to send you printed copies unless you ask us to stop doing so.

Please return the form to our registry, Link Market Services in any of the following ways:

SCAN & EMAIL TO:	operations@linkmarketservices.com (please put "FPH Annual Report" in the subject line for easy identification)
FAX TO:	+64 9 375 5990
MAIL:	Please insert this entire page in an envelope, affix the necessary postage and mail to Link Market Services, PO Box 91976, Victoria Street West, Auckland 1142, New Zealand.
DELIVER:	Level 11, Deloitte Centre, 80 Queen Street, Auckland 1010, New Zealand.