

**FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED**

**ABN 098 026 281**

**Australian Stock Exchange Listing Rules Disclosure**

**Preliminary Full Year Report**

**For the year ended 31 March 2015**

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**The information contained in this Report is to be read in conjunction with the last annual report and any announcements to the market by Fisher & Paykel Healthcare Corporation Limited during the period.**

# Fisher & Paykel Healthcare Corporation Limited

ABN 098 026 281

## Preliminary Final Year Report

For the year ended 31 March 2015  
compared to year ended 31 March 2014

<b>Group Results</b>			
<b>Total Operating Revenue</b> (\$NZ000's) (Appendix 4D item 2.1)	Up	8%	\$672,348
Earnings before interest and tax (\$NZ000's)	Up	19%	\$170,083
<b>Net profit</b> for the period attributable to members (\$NZ000's)	Up	17%	\$113,173

<b>Dividends</b>	Amount per security* <b>NZ cents</b>	Franked amount per security <b>NZ cents</b>
Final dividend	8.0	N/A
Previous corresponding period	7.0	N/A
The record date for determining entitlements to the final dividend	19 June 2015	

## Full Year Results Commentary

Net profit after tax was NZ\$113.2 million for the year ended 31 March 2015, an increase of 17% compared to the prior year's NZ\$97.1 million. In constant currency, operating profit increased 57%.<sup>1</sup> The increase in the full year net profit after tax reflects strong revenue growth and further gross margin expansion, through a combination of favourable product mix, lower manufacturing cost and logistics improvements.

Operating revenue was a record NZ\$672.3 million, 8% above the prior year, or 13% in constant currency. The company's respiratory and acute care product group (RAC) operating revenue and obstructive sleep apnea (OSA) product group revenue each increased by 14% over the prior year, in constant currency.

The company's financial statements for the year ended 31 March 2015 and the comparative financial information for the year ended 31 March 2014 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), Interpretations and other applicable FRS.

### Second half results

For the second half, net profit after tax grew by 22% to NZ\$64.3 million and operating revenue grew 11% to NZ\$354.9 million. In constant currency, second half operating revenue increased by 14% and operating profit increased by 52%, primarily as a result of revenue growth, improved gross margins and operating efficiencies.

Respiratory and acute care product group (RAC) operating revenue grew 16% and Obstructive Sleep Apnea product group (OSA) operating revenue grew 13% in constant currency, compared to the prior year second half.

Strong growth in the RAC product group was primarily driven by increasing acceptance of products which are used in applications outside of intensive care ventilation, including non-invasive ventilation, oxygen therapy and humidity therapy. Consumables revenue from those new applications increased 27% in the second half, in constant currency.

OSA mask constant currency revenue grew 23% in the second half, mainly reflecting growth of the Simplus full-face and Eson nasal masks.

### Dividend

The company's debt to debt plus equity ratio of 10.3% is now within the previously established target range of 5% to 15%. The directors believe that it is now appropriate to increase the final dividend and continue the Dividend Reinvestment Plan (DRP) without discount.

The company's directors have reviewed the company's gearing and dividend policies and have established a revised target debt to debt plus equity ratio in the range of +5% to -5% to support business growth and operation of its foreign currency hedging policy. The company now expects that a dividend pay-out ratio of approximately 70% of net profit after tax will be appropriate to achieve and maintain that target gearing.

The directors have approved an increased final dividend of NZD 8.0 cents per ordinary share carrying a full imputation credit of 3.1111 cents per share. Eligible non-resident shareholders will receive a supplementary dividend of NZD 1.4118 cents per share. The final dividend will be paid on 10 July 2015, with a record date of 19 June 2015 and an ex-dividend date of 17 June 2015 for the NZSX and ASX.

The company offers eligible shareholders the opportunity to receive ordinary shares rather than cash under the DRP. Shareholders who have not yet elected to participate in the DRP will need to provide a Participation Notice to the Company's Share Registrar by 22 June 2015. No discount will apply to the DRP.

The total dividend payment for the year at 13.8 cps equates of 68% of net profit after tax.

<sup>1</sup> For clarity, all references to constant currency amounts or percentages are stated in *italics*.

## Financial Performance

The following table sets out the consolidated statement of financial performance for the years ended 31 March 2014 and 2015 in New Zealand dollars:

	Year ended 31 March	
	2014 NZ\$000's	2015 NZ\$000's
<b>Operating revenue</b>	<b>623,447</b>	<b>672,348</b>
Cost of sales	258,049	261,369
Gross profit	365,398	410,979
<b>Gross margin</b>	<b>58.6%</b>	<b>61.1%</b>
Other income	3,700	5,000
Selling, general and administrative expenses	171,453	180,909
Research and development expenses	54,146	64,987
Total operating expenses	225,599	245,896
<b>Operating profit before financing costs</b>	<b>143,499</b>	<b>170,083</b>
<b>Operating margin</b>	<b>23.0%</b>	<b>25.3%</b>
Net financing expense	6,835	11,317
<b>Profit before tax</b>	<b>136,664</b>	<b>158,766</b>
Tax expense	39,611	45,593
<b>Profit after tax</b>	<b>97,053</b>	<b>113,173</b>

## Foreign Exchange Effects

The company is exposed to movements in foreign exchange rates, with approximately 48% of operating revenue generated in US dollars, 24% in Euros, 6% in Australian dollars, 5% in Japanese yen and British pounds, 4% in Canadian dollars, 2% in New Zealand dollars and 6% in other currencies.

As the number of direct sales operations increases, an increasing proportion of the company's revenue is generated in local currencies, reducing operating revenue exposure to the US dollar. In the current year the proportion of revenue which was generated in US dollars remained at 48%. The company's cost base is also becoming more diverse, as manufacturing output from Mexico increased to approximately 30% of consumables output for the year.

By historical standards the New Zealand dollar remained elevated against most of the currencies in which the company receives revenue. Foreign exchange hedging gains contributed NZ\$27.9 million (2014: NZ\$54.6 million) to operating profit.

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 2014 and 2015 are set out in the table below:

	Average Daily Spot Rate		Average Effective Exchange Rate	
	Year ended 31 March		Year ended 31 March	
	2014	2015	2014	2015
USD	0.8208	0.8098	0.6740	0.7896
EUR	0.6123	0.6394	0.4998	0.5259

The effect of balance sheet translations of offshore assets and liabilities for the year ended 31 March 2015 resulted in an increase in operating revenue of NZ\$3.5 million (2014: a reduction of NZ\$2.2 million) and an increase in operating profit of NZ\$4.4 million (2014: a reduction of NZ\$2.7 million).

### 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 2015 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 comparative 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](http://www.fphcare.com/CCIS).

Constant Currency Income Statements	Year ended 31 March 2013 NZ\$000	Year ended 31 March 2014 NZ\$000	Variation 2013 to 2014 %	Year ended 31 March 2015 NZ\$000	Variation 2014 to 2015 %
<b>Operating revenue</b>	<b>487,568</b>	<b>552,954</b>	<b>+13</b>	<b>625,650</b>	<b>+13</b>
Cost of sales	243,026	253,838	+4	259,520	+2
Gross profit	244,542	299,116	+22	366,130	+22
<b>Gross Margin</b>	<b>50.2%</b>	<b>54.1%</b>	<b>+393bps</b>	<b>58.5%</b>	<b>+443bps</b>
Other income	2,400	3,700	+54	5,000	+35
Selling, general and administrative expenses	146,013	166,850	+14	177,961	+7
Research & development expenses	45,720	54,146	+18	64,987	+20
Total operating expenses	191,733	220,996	+15	242,948	+10
<b>Operating profit</b>	<b>55,209</b>	<b>81,820</b>	<b>+48</b>	<b>128,182</b>	<b>+57</b>
<b>Operating margin</b>	<b>11.3%</b>	<b>14.8%</b>	<b>+348bps</b>	<b>20.5%</b>	<b>+569bps</b>
Financing expenses (net)	4,564	7,617	+67	9,118	+20
<b>Profit before tax</b>	<b>50,645</b>	<b>74,203</b>	<b>+47</b>	<b>119,064</b>	<b>+60</b>

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2015, are USD 0.85, EUR 0.615, AUD 0.945, GBP 0.50, CAD 0.925, JPY 88 and MXN 11.0.

A reconciliation of the constant currency income statements above to the actual income statements for each year is provided below.

Reconciliation of Constant Currency to Actual Income Statements	Year ended 31 March		
	2013 NZ\$000	2014 NZ\$000	2015 NZ\$000
<b>Profit before tax (constant currency)</b>	<b>50,645</b>	<b>74,203</b>	<b>119,064</b>
Spot exchange rate effect	11,671	9,711	9,552
Foreign exchange hedging result	48,534	54,584	27,893
Balance sheet revaluation	(1,464)	(1,834)	2,257
<b>Profit before tax (as reported)</b>	<b>109,386</b>	<b>136,664</b>	<b>158,766</b>

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 2015 with the prior year:

- the movement in average daily spot exchange rates had an unfavourable impact of NZ\$0.2m; and
- the benefit from the company's foreign exchange hedging activities was lower by NZ\$26.7m.
- Overall, the net adverse impact of movements in exchange rates and the hedging programme was NZ\$22.8m, including the impact of balance sheet revaluations.

### Operating revenue

Operating revenue increased by 8% to NZ\$672.3 million for the year ended 31 March 2015 from NZ\$623.4 million for the year ended 31 March 2014, principally due to increased sales of RAC new applications consumables and OSA masks.

The following table sets out operating revenue by product group for the years ended 31 March 2014 and 2015:

	Year ended 31 March	
	2014 NZ\$000's	2015 NZ\$000's
RAC products	336,851	368,162
OSA products	270,048	291,126
Core products sub-total	606,899	659,288
Distributed and other products	16,548	13,060
<b>Total</b>	<b>623,447</b>	<b>672,348</b>

Underlying growth in demand for respiratory humidification systems was strong throughout the year. This resulted in total operating revenue of NZ\$368.2 million for the respiratory and acute care product group, growth of 9% in NZ dollars, and 14% in constant currency, compared with last year.

Growth in demand for products used in the care of patients beyond the company's traditional invasive ventilation market continued. Revenue from devices used in non-invasive ventilation, oxygen therapy, humidity therapy and surgery grew 26% for the year ended 31 March 2015 and in total represented 47% of respiratory and acute care consumables revenue.

OSA product group operating revenue increased 8% to NZ\$291.1 million, and 14% in constant currency for the year.

Constant currency mask revenue grew 22% for the year, as the Simplus full-face and Eson nasal masks continued to gain share.

Sales of respiratory and acute care products represented 54% and 55% of operating revenue for the years ended 31 March 2014 and 2015 respectively. Sales of OSA products represented 43% of operating revenue for the years ended 31 March 2014 and 2015. Sales of consumable and accessory products for core products accounted for approximately 79% and 81% of operating revenue for the years ended 31 March 2014 and 2015 respectively.

### Regional revenue

The following table sets out operating revenue for each of our regional markets for the year ended 31 March 2014 and 2015:

	Year ended 31 March	
	2014 NZ\$000's	2015 NZ\$000's
North America	261,620	290,692
Europe	211,861	223,403
Asia Pacific	118,869	127,240
Other	31,097	31,013
<b>Total</b>	<b>623,447</b>	<b>672,348</b>

The breakdown of revenue presented above is based on the geographical location of the customer and is inclusive of foreign exchange gains.

### Gross Margin

Gross margin increased by *443bps* to be 58.5% in constant currency terms compared to 54.1% in the prior year. The key drivers of this increase included positive RAC and OSA product mixes, manufacturing improvements both in New Zealand and Mexico and logistics improvements.

### Expenses

Total expenses increased by 9% to NZ\$245.9 million or 10% in constant currency which was significantly below constant currency revenue growth of 13%.

SG&A constant currency expense growth was 7% and R&D expense increased by 20% as the company continued to invest in a significant number of new product platforms.

### Operating profit

Operating profit increased by 19% to NZ\$170.1 million for the year ended 31 March 2015 from NZ\$143.5 million for the year ended 31 March 2014.

In constant currency, operating profit increased by 57%.

### Balance Sheet

Gearing<sup>2</sup> at 31 March 2015 was 10.3%, compared to 21.0% at 31 March 2014. The decrease in gearing relates to the reduction in debt (net) as a result of profit growth, aided by substantial gross margin improvements, and improved shareholders' funds, as planned.

<sup>2</sup> Net interest-bearing debt (debt less cash and cash equivalents) to net interest-bearing debt and equity (less cash flow hedge reserve - unrealised).

## Funding

The company had total available committed debt funding of \$195 million as at 31 March 2015, of which approximately \$143 million was undrawn, and cash on hand of \$14 million. Bank debt facilities provide all available funding given the modest level of requirements. Over the next 12 months a \$40 million facility and a \$20 million facility will mature. As at 31 March 2015, the weighted average maturity of borrowing facilities is 2.1 years.

## Debt maturity

The average maturity of the debt of \$51 million was 1.5 years and the currency split was 28% New Zealand dollars; 39% US dollars; 22% Euros; 7% Australian dollars and 4% Canadian dollars.

## 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. An amount of \$3.5 million (\$2.6 million after tax) was included in financing expense in relation to these de-designated hedges. At 31 March 2015 there are no hedge effective NZ dollar interest rate swaps.

Exclusive of ineffective NZ dollar interest rates swaps, approximately 59% of all borrowings were at fixed interest rates with an average duration of 4.6 years and an average rate of 3.4%. Inclusive of floating rate borrowings, the average interest rate on the debt is currently 3.7%. All interest rates are inclusive of margins but not fees.

Interest coverage for the period was 15 times and the group remains in a sound financial position.

## Cashflow

Cashflow from operations was \$146.8 million compared with \$99.5 million for the year ended 31 March 2014. The increase was mainly related to improved profit performance through growth in revenue and significant improvement in gross margin and inventory cost improvements favourably impacting working capital.

Capital expenditure for the year was \$53.6 million compared with \$31.9 million in the prior year. The capital expenditure related predominantly to new product tooling and manufacturing equipment for increased capacity. The increase in capital expenditure for intangibles mainly related to implementation costs for our ERP project.

## Financial ratios

Unaudited	Year ended 31 March	
	2014	2015
Pre-tax return on average shareholders' equity	35.1%	36.2%
Earnings per share (cents)	17.7	20.4
Dividends (interim plus approved final) per share (cents)	12.4	13.8
Gearing	21.0%	10.3%
Interest cover (times)	21.0	15.0

## Foreign Exchange Hedging Position

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

Unaudited	Year to 31 March		
	2016	2017	2018
USD % cover of expected exposure	90%	46%	3%
USD average rate of cover	0.74	0.72	0.68
EUR % cover of expected exposure	92%	50%	0%
EUR average rate of cover	0.58	0.58	-

**Outlook for FY2016**

We continue to focus on our strategy of continually improving our products, serving more patient groups, extending our range of products and growing our international presence. We believe that this 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\$750 million and net profit after tax to be approximately NZ\$125 million to NZ\$130 million.

**TONY CARTER**

Chairman

**MICHAEL DANIELL**

Managing Director and  
Chief Executive Officer

Dated at Auckland, 29 May 2015

**Fisher & Paykel Healthcare Corporation Limited**  
**Consolidated Income Statement**  
**For the year ended 31 March 2015**

		2014	2015
	Notes	NZ\$000	NZ\$000
<b>Operating revenue</b>	4	623,447	672,348
Cost of sales		(258,049)	(261,369)
Gross profit		365,398	410,979
Other income	5	3,700	5,000
Selling, general and administrative expenses		(171,453)	(180,909)
Research and development expenses		(54,146)	(64,987)
<b>Total operating expenses</b>		(225,599)	(245,896)
<b>Operating profit before financing costs</b>		143,499	170,083
Financing income		57	144
Financing expense		(7,780)	(9,329)
Exchange gain (loss) on foreign currency borrowings		888	(2,132)
<b>Net financing (expense)</b>		(6,835)	(11,317)
<b>Profit before tax</b>	5,12	136,664	158,766
Tax expense	12	(39,611)	(45,593)
<b>Profit after tax</b>		97,053	113,173
Basic earnings per share	18	17.7 cps	20.4 cps
Diluted earnings per share	18	17.1 cps	19.9 cps
Weighted average basic ordinary shares	18	547,094,526	555,542,677
Weighted average diluted ordinary shares	18	565,973,595	569,548,997

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

**Fisher & Paykel Healthcare Corporation Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 March 2015**

		2014	2015
	Notes	NZ\$000	NZ\$000
<b>Profit after tax</b>		<u>97,053</u>	<u>113,173</u>
<b>Other comprehensive income</b>			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedge reserve - unrealised			
Changes in fair value	17	19,312	12,211
Transfers to profit before tax	17	(32,965)	(29,746)
Tax on changes in fair value and transfers to profit before tax	12,17	3,823	4,910
Cash flow hedge reserve - realised			
Transfers to profit before tax	6,17	(21,291)	-
Tax on transfers to profit before tax	12,17	5,987	-
Items that will not be reclassified to profit or loss			
Revaluation of land	10	-	8,359
<b>Other comprehensive income for the year, net of tax</b>		<u>(25,134)</u>	<u>(4,266)</u>
<b>Total comprehensive income for the year</b>		<u><b>71,919</b></u>	<u><b>108,907</b></u>

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

**Fisher & Paykel Healthcare Corporation Limited**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 March 2015**

		Share capital	Treasury shares	Retained earnings	Asset revaluation reserve	Cash flow hedge reserve - unrealised	Cash flow hedge reserve - realised	Employee share entitlement reserve	Employee share option reserve	Total equity
	Notes	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
<b>Balance at 31 March 2013</b>		<b>92,815</b>	<b>(1,535)</b>	<b>194,918</b>	<b>24,100</b>	<b>44,089</b>	<b>15,304</b>	<b>203</b>	<b>2,337</b>	<b>372,231</b>
<b>Total comprehensive income</b>		-	-	<b>97,053</b>	-	<b>(9,830)</b>	<b>(15,304)</b>	-	-	<b>71,919</b>
Dividends paid	17	-	-	(67,518)	-	-	-	-	-	(67,518)
Issue of share capital under dividend reinvestment plan	16	26,783	-	-	-	-	-	-	-	26,783
Issue of share capital	16	1,046	-	-	-	-	-	-	-	1,046
Movement in employee share entitlement reserve	17	-	-	-	-	-	-	(73)	-	(73)
Movement in employee share option reserve	17	-	-	-	-	-	-	-	412	412
Movement in treasury shares	17	-	(24)	-	-	-	-	-	-	(24)
Increase in share capital under share option schemes for employee services	16	987	-	-	-	-	-	-	-	987
Employee share scheme shares issued for employee services	16	301	-	-	-	-	-	-	-	301
Unclaimed dividends	17	-	-	58	-	-	-	-	-	58
<b>Balance at 31 March 2014</b>		<b>121,932</b>	<b>(1,559)</b>	<b>224,511</b>	<b>24,100</b>	<b>34,259</b>	-	<b>130</b>	<b>2,749</b>	<b>406,122</b>
<b>Total comprehensive income</b>		-	-	<b>113,173</b>	<b>8,359</b>	<b>(12,625)</b>	-	-	-	<b>108,907</b>
Dividends paid	17	-	-	(70,913)	-	-	-	-	-	(70,913)
Issue of share capital under dividend reinvestment plan	16	23,012	-	-	-	-	-	-	-	23,012
Issue of share capital	16	1,580	-	-	-	-	-	-	-	1,580
Movement in employee share entitlement reserve	17	-	-	-	-	-	-	145	-	145
Movement in employee share option reserve	17	-	-	-	-	-	-	-	1,431	1,431
Movement in treasury shares	17	-	16	-	-	-	-	-	-	16
Increase in share capital under share option schemes for employee services	16	878	-	-	-	-	-	-	-	878
Employee share scheme shares issued for employee services	16	12	-	-	-	-	-	-	-	12
Unclaimed dividends	17	-	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2015</b>		<b>147,414</b>	<b>(1,543)</b>	<b>266,771</b>	<b>32,459</b>	<b>21,634</b>	-	<b>275</b>	<b>4,180</b>	<b>471,190</b>

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

**Fisher & Paykel Healthcare Corporation Limited**  
**Consolidated Balance Sheet**  
**As at 31 March 2015**

		2014	2015
	Notes	NZ\$000	NZ\$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	10,438	13,621
Trade and other receivables	8	93,363	107,416
Inventories	9	94,475	96,143
Derivative financial instruments	6	35,332	24,240
Tax receivable	12	1,350	1,871
<b>Total current assets</b>		<b>234,958</b>	<b>243,291</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	349,760	367,428
Intangible assets	11	10,405	22,430
Other receivables	8	2,165	3,372
Derivative financial instruments	6	18,366	13,364
Deferred tax asset	12	14,671	19,931
<b>Total assets</b>		<b>630,325</b>	<b>669,816</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest-bearing liabilities	13	45,786	14,154
Trade and other payables	14	71,261	81,075
Provisions	15	3,388	2,614
Tax payable	12	6,740	14,198
Derivative financial instruments	6	1,615	5,073
<b>Total current liabilities</b>		<b>128,790</b>	<b>117,114</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	13	63,570	51,342
Provisions	15	2,483	1,824
Other payables	14	4,899	6,349
Derivative financial instruments	6	3,428	6,324
Deferred tax liability	12	21,033	15,673
<b>Total liabilities</b>		<b>224,203</b>	<b>198,626</b>
<b>EQUITY</b>			
Share capital	16	121,932	147,414
Treasury shares	16,17	(1,559)	(1,543)
Retained earnings	17	224,511	266,771
Asset revaluation reserve	17	24,100	32,459
Cash flow hedge reserve - unrealised	17	34,259	21,634
Cash flow hedge reserve - realised	17	-	-
Employee share entitlement reserve	17	130	275
Employee share option reserve	17	2,749	4,180
<b>Total equity</b>		<b>406,122</b>	<b>471,190</b>
<b>Total liabilities and equity</b>		<b>630,325</b>	<b>669,816</b>

On behalf of the Board  
28 May 2015



A J Carter  
**Chairman**



M G Daniell  
**Managing Director and  
Chief Executive Officer**

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

**Fisher & Paykel Healthcare Corporation Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 31 March 2015**

	2014	2015
Notes	NZ\$000	NZ\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	591,674	659,513
Grants received	3,105	4,750
Interest received	21	90
Payments to suppliers and employees	(455,114)	(467,300)
Tax paid	(32,531)	(44,274)
Interest paid	(7,651)	(5,947)
<b>Net cash flows from operations</b>	<b>99,504</b>	<b>146,832</b>
<b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		
Sales of property, plant and equipment	19	10
Purchases of property, plant and equipment	(27,305)	(39,271)
Purchases of intangible assets	(4,574)	(14,314)
<b>Net cash flows (used in) investing activities</b>	<b>(31,860)</b>	<b>(53,575)</b>
<b>CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		
Employee share purchase schemes	299	529
Issue of share capital	355	1,580
New borrowings	8,754	5,000
Repayment of borrowings	(30,816)	(50,207)
Dividends paid	(40,736)	(47,901)
<b>Net cash flows (used in) financing activities</b>	<b>(62,144)</b>	<b>(90,999)</b>
Net increase in cash	5,500	2,258
Opening cash	(9,427)	(3,761)
Effect of foreign exchange rates	166	970
<b>Closing cash</b>	<b>(3,761)</b>	<b>(533)</b>
<b>RECONCILIATION OF CLOSING CASH</b>		
Cash and cash equivalents	7 10,438	13,621
Bank overdrafts	13 (14,199)	(14,154)
<b>Closing cash</b>	<b>(3,761)</b>	<b>(533)</b>

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

**CASH FLOW RECONCILIATION**

<b>Profit after tax</b>	97,053	113,173
Add (deduct) non-cash items:		
Depreciation and writedown of property, plant and equipment to recoverable amount	26,744	27,943
Cash flow hedge gain from monetised instruments, net of tax	(15,304)	-
Amortisation of intangibles	3,149	3,705
Accrued financing income / expense	(125)	(259)
Movement in provisions	510	(1,433)
Movement in deferred tax asset / liability	(1,295)	(5,710)
Movement in foreign currency option contracts time value	96	1,762
Movement in working capital:		
Trade and other receivables	(12,240)	(15,260)
Inventory	(5,364)	(1,668)
Trade and other payables	4,811	14,070
Provision for taxation	2,302	6,937
Foreign currency translation	(833)	3,572
<b>Net cash flows from operations</b>	<b>99,504</b>	<b>146,832</b>

## **Notes to the Financial Statements**

For the year ended 31 March 2015

### **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 28 May 2015.

### **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. In accordance with the Financial Markets Conduct Act 2013, separate financial statements for Fisher & Paykel Healthcare Corporation Limited are no longer required to be prepared and presented, because Group financial statements are prepared and presented for Fisher & Paykel Healthcare Corporation Limited and its subsidiaries. The Group is a for-profit entity for the purposes of complying with NZ GAAP. These consolidated financial statements for the year ended 31 March 2015 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).

#### **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 Company 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.

## **Judgements**

### *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are some transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Refer further detail in Note 12.

## **Estimates**

### *Fair value of derivative financial instruments*

The Group holds derivatives for significant amounts which are hedge accounted. The estimation of fair values is determined in accordance with the accounting policy stated in Note 6, and discussed in Note 24 a. (iv).

### *Revaluation of land*

The Group holds land which is measured at fair value as disclosed in Note 10 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is an aggregate of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the Income Statement.

Intercompany transactions 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.

#### 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 when the following criteria are met:

##### **Sale of products**

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

	2014	2015
	NZ\$000	NZ\$000
Sales revenue	568,602	644,013
Foreign exchange gain on hedged sales	54,845	28,335
Total operating revenue	<u>623,447</u>	<u>672,348</u>

## 5. OPERATING PROFIT

	2014	2015
	NZ\$000	NZ\$000
Profit before tax	136,664	158,766
<b>After charging the following specific expenses:</b>		
Auditors' fees:		
Statutory audit	921	837
Other services:		
Auditors' half year review	49	55
Accounting standards advice	10	48
Remuneration committee advisory services	2	25
ERP upgrade project advisory services	77	16
Risk management advisory services	75	266
Treasury risk management advice	38	45
Tax compliance fees	70	77
	<u>321</u>	<u>532</u>
Total auditors' fees	1,242	1,369
Donations	5	19
Depreciation:		
Buildings - structure	1,871	1,777
Buildings - fit-out and other	4,801	5,057
Leasehold improvements	171	254
Plant and equipment	19,901	20,855
Total depreciation	<u>26,744</u>	<u>27,943</u>
Inventory written off (net)	(383)	1,262
Rental and lease expense	8,042	8,049
Amortisation:		
Patents and trademarks	1,371	1,572
Software	1,518	1,820
Other	260	313
Total amortisation	<u>3,149</u>	<u>3,705</u>
Directors' fees paid	779	765
Directors' retirement fees paid	279	-
Movement in accrual for directors' retirement fees	<u>(273)</u>	<u>3</u>
<b>After crediting the following specific income:</b>		
Technology development grant	1,200	-
R&D growth grant	<u>2,500</u>	<u>5,000</u>

### 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.

### Technology development grant

This government grant reimbursed 20 per cent of eligible expenditure on the Group's R&D programme, up to a maximum of \$2.4 million a year (excluding GST). The Group qualified for this grant as its average annual R&D intensity (eligible R&D expenditure divided by revenue) was at least five per cent and average annual revenues exceeded \$3 million a year during the period covered by the grant. The grant was awarded for the three years ended 30 September 2013.

### 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.

## 6. DERIVATIVE FINANCIAL INSTRUMENTS

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.

### Fair value hedges

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

### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. Any ineffective portion is recognised immediately in the Income Statement.

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

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. In the case of a hedging instrument sold, any cumulative gain or loss is recorded in the Cash Flow Hedge Reserve – Realised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the Income Statement.

### Derivatives that do not qualify for hedge accounting

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

	2014		2015	
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
	Assets	Liabilities	Assets	Liabilities
<b>CURRENT</b>				
Foreign currency forward exchange contracts - cash flow hedges	30,514	736	21,021	2,928
Foreign currency forward exchange contracts - not hedge accounted	174	-	593	15
Foreign currency option contracts - cash flow hedges	4,196	-	2,131	-
Foreign currency option contracts - time value	257	1	448	756
Interest rate swaps - cash flow hedges	191	878	47	1,374
	<b>35,332</b>	<b>1,615</b>	<b>24,240</b>	<b>5,073</b>
<b>NON-CURRENT</b>				
Foreign currency forward exchange contracts - cash flow hedges	15,555	922	12,213	1,457
Foreign currency forward exchange contracts - not hedge accounted	260	-	-	-
Foreign currency option contracts - cash flow hedges	1,390	-	897	-
Foreign currency option contracts - time value	384	-	237	805
Interest rate swaps - cash flow hedges	777	2,506	17	4,062
	<b>18,366</b>	<b>3,428</b>	<b>13,364</b>	<b>6,324</b>

Refer to Note 24 a.(iv) for information on the calculation of fair values.

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

	As at 31 March 2014			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Foreign exchange derivative instruments inflows	171,971	62,180	26,266	-
Foreign exchange derivative instruments outflows	(141,756)	(52,715)	(19,921)	-
Interest rate derivative instruments net inflows (outflows)	(1,474)	(881)	(788)	696
	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 (outflows)	(687)	(565)	(675)	(47)

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

	2014 NZ\$000	2015 NZ\$000
Purchase commitments forward exchange contracts	27,450	30,594
Sale commitments forward exchange contracts	234,666	350,147
Foreign currency borrowing forward exchange contracts	8,951	14,557
NZD call option contracts purchased	-	8,304
Collar option contracts - NZD call options purchased (i)	94,542	137,859
Collar option contracts - NZD put options sold (i)	102,023	153,304

(i) Foreign currency contractual amounts are equal.

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

	2014 Foreign Currency 000s	2015 Foreign Currency 000s
United States dollars	US\$84,250	US\$205,750
European Union euros	€ 66,950	€ 76,150
Australian dollars	A\$6,500	A\$4,700
British pounds	£10,500	£13,475
Canadian dollars	C\$6,650	C\$5,450
Japanese yen	¥2,170,000	¥2,197,500
Chinese yuan	¥25,000	¥45,000
Korean won	₩1,632,738	₩2,479,504

During the 2010 and 2012 financial year forward exchange contracts with foreign currency contractual amounts totalling US\$100 million were monetised (closed out) with the NZ dollar benefit of \$56,077,000 (\$39,739,000 after tax) held within Cash Flow Hedge Reserve - Realised, on the Balance Sheet. The benefit remains within Cash Flow Hedge Reserve - Realised, until the original forecast transactions occur relating to the forward exchange contracts monetised. During the 2014 financial year a benefit of \$21,291,000, or \$15,304,000 after tax, was released to the Income Statement and included as part of the foreign exchange gain on hedged sales within revenue for that year (2015: Nil).

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

	2014 Foreign Currency 000s	2015 Foreign Currency 000s
Mexican pesos	Mex\$293,000	Mex\$366,000

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

	2014 NZ\$000	2015 NZ\$000
Interest rate swaps	115,772	121,324

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.

Interest rate swaps will expire from financial years 2016 through to 2024. Future changes in the mark to market valuation of these interest rate swaps will be expensed or credited to the Income Statement.

## 7. CASH AND CASH EQUIVALENTS

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

### Financing income

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

	2014	2015
	NZ\$000	NZ\$000
Cash at bank - New Zealand dollar balances	57	2,868
Cash at bank - foreign currency balances	10,194	10,557
Cash on hand	187	196
	<u>10,438</u>	<u>13,621</u>

## 8. 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.

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

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

	2014	2015
	NZ\$000	NZ\$000
<b>CURRENT</b>		
Trade receivables	85,661	96,985
Less provision for doubtful trade receivables	(914)	(1,272)
	84,747	95,713
Other receivables	8,616	11,703
	93,363	107,416
<b>NON-CURRENT</b>		
Other receivables	2,165	3,372
	2,165	3,372

### Foreign currency risk

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

United States dollars	34,688	49,538
European Union euros	26,151	21,948
Japanese yen	7,642	8,559
Australian dollars	4,414	4,270
Canadian dollars	4,290	4,015
British pounds	3,219	3,521
New Zealand dollars	1,159	1,224
Other currencies	4,098	3,910
	85,661	96,985

### Ageing of trade receivables past due

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

	1-30 days	31-60 days	61-90 days	90+ days	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Past due but not considered impaired					
31 March 2014	9,383	2,982	399	559	13,323
31 March 2015	8,593	999	306	833	10,731
Past due and considered impaired					
31 March 2014	8	306	66	534	914
31 March 2015	267	260	106	639	1,272

	2014	2015
	NZ\$000	NZ\$000
<b>Movements in the provision for doubtful trade receivables are as follows:</b>		
Balance at beginning of the year	1,494	914
Additional provision recognised	773	825
Foreign exchange translation	(12)	12
Trade receivables written off during the year as uncollectable	(1,341)	(479)
Balance at end of the year	914	1,272

The creation and release of the provision for impaired trade receivables has been included in Selling, General and Administrative expenses in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of further recovery. The individually impaired trade receivables relate mainly to customers which are in difficult economic situations.

#### **Customer and receivable concentration**

Five largest customers' proportion of the Group's:		
Operating revenue	20.9%	21.4%
Trade receivables	12.4%	14.0%

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

#### **Fair value**

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

## 9. 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.

	2014	2015
	NZ\$000	NZ\$000
Materials	22,477	23,674
Finished products	78,183	80,076
Provision for obsolescence	(6,185)	(7,607)
	<u>94,475</u>	<u>96,143</u>

Inventory provisions are provided at year end for stock obsolescence.

## 10. 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.

	Cost	Land Revaluation	Buildings Structure	Buildings Fit out and other	Leasehold improvements	Plant & equipment	Capital projects Buildings	Capital projects Other	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
<b>Cost and revaluation</b>									
Balance at 31 March 2013	64,150	24,100	82,294	125,292	1,609	176,996	255	19,258	493,954
Additions	-	-	-	(48)	288	3,104	2,656	23,817	29,817
Transfers	(934)	-	7,957	(4,438)	20	21,140	(2,604)	(21,141)	-
Disposals	-	-	-	(792)	(20)	(3,299)	-	-	(4,111)
Balance at 31 March 2014	<b>63,216</b>	<b>24,100</b>	<b>90,251</b>	<b>120,014</b>	<b>1,897</b>	<b>197,941</b>	<b>307</b>	<b>21,934</b>	<b>519,660</b>
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	<b>63,216</b>	<b>32,459</b>	<b>89,410</b>	<b>124,915</b>	<b>1,947</b>	<b>209,960</b>	<b>444</b>	<b>35,977</b>	<b>558,328</b>
<b>Depreciation and impairment losses</b>									
Balance at 31 March 2013	-	-	9,089	38,102	1,057	98,990	-	-	147,238
Depreciation charge for the year	-	-	1,871	4,801	171	19,901	-	-	26,744
Disposals	-	-	-	(792)	(20)	(3,270)	-	-	(4,082)
Balance at 31 March 2014	-	-	<b>10,960</b>	<b>42,111</b>	<b>1,208</b>	<b>115,621</b>	-	-	<b>169,900</b>
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	-	-	<b>12,737</b>	<b>47,040</b>	<b>1,417</b>	<b>129,706</b>	-	-	<b>190,900</b>
<b>Carrying amounts</b>									
At 31 March 2013	64,150	24,100	73,205	87,190	552	78,006	255	19,258	346,716
At 31 March 2014	63,216	24,100	79,291	77,903	689	82,320	307	21,934	349,760
At 31 March 2015	<b>63,216</b>	<b>32,459</b>	<b>76,673</b>	<b>77,875</b>	<b>530</b>	<b>80,254</b>	<b>444</b>	<b>35,977</b>	<b>367,428</b>

### Land and Buildings

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.

### Land revaluation

The Group's policy requires that a formal external valuation of land is carried out at least every three years. Darroch Limited valued the land 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, has been 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 24 a.(iv) land is considered to be a level 3 asset within the fair value hierarchy for valuation purposes.

## 11. 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 costs

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

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is not amortised, instead it is tested annually for impairment or immediately if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

	Software	Patents & trademarks & applications	Other	Goodwill	ERP Project	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
<b>Cost</b>						
Balance at 31 March 2013	10,892	14,487	644	4,273		30,296
Additions	1,912	3,013	5	-		4,930
Disposals	(437)	(94)	-	-		(531)
Balance at 31 March 2014	<b>12,367</b>	<b>17,406</b>	<b>649</b>	<b>4,273</b>	-	<b>34,695</b>
Additions	1,955	3,792	74	-	9,909	15,730
Disposals	(157)	(75)	-	-	-	(232)
Balance at 31 March 2015	<b>14,165</b>	<b>21,123</b>	<b>723</b>	<b>4,273</b>	<b>9,909</b>	<b>50,193</b>
<b>Amortisation and impairment losses</b>						
Balance at 31 March 2013	8,338	10,359	150	2,823	-	21,670
Amortisation for the year	1,518	1,371	260	-	-	3,149
Disposals	(435)	(94)	-	-	-	(529)
Balance at 31 March 2014	<b>9,421</b>	<b>11,636</b>	<b>410</b>	<b>2,823</b>	-	<b>24,290</b>
Amortisation for the year	1,820	1,572	313	-	-	3,705
Disposals	(157)	(75)	-	-	-	(232)
Balance at 31 March 2015	<b>11,084</b>	<b>13,133</b>	<b>723</b>	<b>2,823</b>	-	<b>27,763</b>
<b>Carrying amounts</b>						
At 31 March 2013	2,554	4,128	494	1,450	-	8,626
At 31 March 2014	2,946	5,770	239	1,450	-	10,405
At 31 March 2015	<b>3,081</b>	<b>7,990</b>	-	<b>1,450</b>	<b>9,909</b>	<b>22,430</b>

### Impairment tests for goodwill

Residual goodwill relating to the acquisition of distribution businesses in Germany and South Korea is assessed annually for impairment, based on value-in-use calculations. The calculations support the carrying amount of the recorded goodwill. The Board believes that any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.

## 12. 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.

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

	2014	2015
	NZ\$000	NZ\$000
<b>TAX EXPENSE</b>		
Profit before tax	136,664	158,766
Tax expense at the New Zealand rate of 28%	38,266	44,454
Adjustments to taxation for:		
Non-assessable income	(246)	(283)
Non-deductible expenses	1,093	898
Tax at 30% on previously monetised financial instruments	26	-
Foreign rates other than 28%	502	797
Effect of foreign currency translations	288	(50)
Other	(318)	(223)
Total tax expense	39,611	45,593
This is represented by:		
Current tax	40,906	51,303
Deferred tax	(1,295)	(5,710)
Tax expense	39,611	45,593
Effective tax rate	29.0%	28.7%
<b>TAX PAYABLE/RECEIVABLE</b>		
Balance at beginning of the year		
Tax payable	(4,575)	(6,740)
Tax receivable	1,429	1,350
	(3,146)	(5,390)
Movements		
Current portion of tax expense	(40,906)	(51,303)
Tax expense recognised on previously monetised financial instruments	5,987	-
Tax paid	27,994	39,282
Supplementary dividend tax credit	4,595	5,089
Other movements	86	(5)
	(2,244)	(6,937)
Balance at end of the year		
Tax payable	(6,740)	(14,198)
Tax receivable	1,350	1,871
	(5,390)	(12,327)

A pre-tax gain of \$56,077,000 was realised from US dollar forward exchange contracts monetised during the 2010 and 2012 financial years. This gave rise to a total tax liability of \$16,338,000, of which \$6,794,000 related to the 2012 financial year. The tax expense was recorded in the Income Statement during the 2012 - 2014 financial years, based on the original maturity dates of the forward exchange contracts. Of this tax expense \$5,987,000 was recorded in the 2014 year.

	2014	2015
	NZ\$000	NZ\$000
<b>DEFERRED TAX</b>		
<b>Balance at beginning of the year</b>		
Deferred tax asset	11,647	14,671
Deferred tax liability	(23,127)	(21,033)
<b>Movements</b>		
Credited (charged) to the Income Statements:		
Provisions and accruals	3,152	5,515
Depreciation	(1,898)	(434)
Amortisation	115	159
Other	(74)	470
	1,295	5,710
Credited (charged) to Other Comprehensive Income:		
Deferred tax on cash flow hedge reserve movements	3,823	4,910
	3,823	4,910
<b>Balance at end of the year</b>		
Deferred tax asset	14,671	19,931
Deferred tax liability	(21,033)	(15,673)
	(6,362)	4,258
<b>The balance comprises temporary differences attributable to:</b>		
Provisions and accruals	20,731	26,246
Depreciation	(15,897)	(16,331)
Amortisation	1,793	1,952
Other	334	804
Cash flow hedges	(13,323)	(8,413)
	(6,362)	4,258
<b>Timing of usage</b>		
The amount of the deferred tax asset expected to be used:		
Within one year	14,798	19,896
After one year	(127)	35
	14,671	19,931
The amount of the deferred tax liability expected to be used:		
Within one year	6,097	1,397
After one year	(27,130)	(17,070)
	(21,033)	(15,673)
<b>IMPUTATION CREDITS</b>		
New Zealand imputation credits available for use in subsequent reporting periods	3,035	19,589
	3,035	19,589
Australian franking credits available for use in subsequent reporting periods	5,802	6,360
	5,802	6,360

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.

### 13. 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.

	2014	2015
	NZ\$000	NZ\$000
<b>CURRENT</b>		
Bank overdrafts	14,199	14,154
Borrowings	31,587	-
	<u>45,786</u>	<u>14,154</u>
<b>NON-CURRENT</b>		
Borrowings	63,570	51,342
	<u>63,570</u>	<u>51,342</u>

#### Foreign currency risk

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

United States dollars	1,156	1,559
European Union euros	4,564	4,638
Australian dollars	969	64
British pounds	1,313	1,266
Swedish krona	353	487
Japanese yen	5,621	5,602
Korean won	-	536
Other currencies	223	2
	<u>14,199</u>	<u>14,154</u>

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

New Zealand dollars	58,032	14,614
United States dollars	17,315	20,081
European Union euros	14,285	11,494
Australian dollars	3,525	3,359
Canadian dollars	2,000	1,794
	<u>95,157</u>	<u>51,342</u>

<b>Borrowings due for repayment</b>	NZ\$000	NZ\$000
Current	<u>31,587</u>	<u>-</u>
Between one and two years	29,000	51,342
Between two and three years	34,570	-
Between three and four years	-	-
Between four and five years	-	-
Non-current	<u>63,570</u>	<u>51,342</u>

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 4.8% (2014: 5.0%)

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 24 (d).

	2014	2015
	NZ\$000	NZ\$000
<b>Unused lines of credit</b>		
Bank overdraft facilities	13,921	13,916
Borrowing facilities	86,430	133,658
	<u>100,351</u>	<u>147,574</u>

**Fair value**

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

#### 14. 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.

	2014	2015
	NZ\$000	NZ\$000
<b>CURRENT</b>		
Trade payables	23,221	27,663
Employee entitlements	26,918	30,103
Other payables and accruals	21,122	23,309
	<u>71,261</u>	<u>81,075</u>
<b>NON-CURRENT</b>		
Employee entitlements	3,652	5,136
Other payables and accruals	1,247	1,213
	<u>4,899</u>	<u>6,349</u>
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<u>76,160</u>	<u>87,424</u>

#### Foreign currency risk

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

New Zealand dollars	40,485	48,835
United States dollars	13,849	15,076
European Union euros	9,620	9,325
Mexican pesos	2,455	4,125
British pounds	1,941	2,502
Australian dollars	2,209	1,895
Japanese yen	1,838	1,745
Other currencies	3,763	3,921
	<u>76,160</u>	<u>87,424</u>

#### Fair value

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

## 15. 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. Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred on warranty exposure. Currently warranty terms are 1 to 2 years for parts or parts and labour. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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.

	2014	2015
	NZ\$000	NZ\$000
<b>CURRENT</b>		
Warranty provision:		
Balance at beginning of the year	2,960	3,388
Current year provision	6,252	4,071
Warranty expenses incurred	(5,824)	(4,845)
Balance at end of the year	<u>3,388</u>	<u>2,614</u>
<b>NON-CURRENT</b>		
Warranty provision:		
Balance at beginning of the year	2,401	2,483
Current year provision	82	(659)
Warranty expenses incurred	-	-
Balance at end of the year	<u>2,483</u>	<u>1,824</u>

The total warranty provision of \$4,438,000 is expected to be fully utilised during the 2016 and 2017 financial years.

## 16. SHARE CAPITAL

Ordinary shares are classified as capital.

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

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

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.

	2014	2015
	NZ\$000	NZ\$000
Share capital at beginning of the year	92,815	121,932
Issue of share capital under dividend reinvestment plan (i)	26,783	23,012
Issue of share capital	1,046	1,580
Increase in share capital under share option schemes for employee services	987	878
Employee share scheme shares issued for employee services	301	12
Share capital at end of the year	121,932	147,414
Less accounted for as treasury shares	(1,559)	(1,543)
	120,373	145,871
<b>Number of issued shares</b>		
Number of shares on issue at beginning of the year	542,612,236	551,110,270
Shares issued:		
Dividend reinvestment plan (i)	7,651,826	4,759,628
Employee share purchase schemes	244,430	11,115
Exercise of share options	93,134	438,332
Exercise of share options under cancellation facility	508,644	1,620,912
Total number of shares on issue	551,110,270	557,940,257
Less accounted for as treasury shares	(692,861)	(684,728)
	550,417,409	557,255,529

(i) 4,759,628 (2014: 7,651,826) shares were issued under the Company's dividend reinvestment plan at an average price of \$4.83 (2014: \$3.50) per share.

## 17. RESERVES

### Nature and purpose of reserves

#### (i) Asset revaluation reserve

Refer Note 10.

#### (ii) Cash flow hedge reserve - unrealised

The cash flow hedge reserve - unrealised is used to record gains or losses on hedging instruments in forward foreign currency cash flow hedges that are recognised directly in equity. Amounts are recycled to the Income Statement when the associated hedged transactions affect the Income Statement.

#### (iii) Cash flow hedge reserve – realised

The cash flow hedge reserve – realised is used to record gains or losses on hedging instruments in forward foreign currency cash flow hedges that have been closed out (monetised) and are recognised directly in equity while the cash flow being hedged remains. Amounts are recycled to the Income Statement when the associated hedged transactions affect the Income Statement.

#### (iv) 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.

#### (v) Employee share option reserve

The employee share option reserve is used to recognise the fair value of options and PSRs 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.

#### (vi) 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.

	2014	2015
	NZ\$000	NZ\$000
<b>Retained earnings</b>		
Balance at beginning of the year	194,918	224,511
Profit after taxation	97,053	113,173
Dividends: (i)		
Final 2014 (2013)	(37,983)	(38,626)
Interim 2015 (2014)	(29,535)	(32,287)
Unclaimed dividends	58	-
Balance at end of the year	<u>224,511</u>	<u>266,771</u>
<b>Asset revaluation reserve</b>		
Balance at beginning of the year	24,100	24,100
Revaluation of land	-	8,359
Balance at end of the year	<u>24,100</u>	<u>32,459</u>
<b>Cash flow hedge reserve - unrealised (ii)</b>		
Balance at beginning of the year	44,089	34,259
Revaluation of derivative financial instruments	19,312	12,211
Transfers to profit before tax	(32,965)	(29,746)
Tax on changes in fair value and transfers to profit before tax	3,823	4,910
Balance at end of the year	<u>34,259</u>	<u>21,634</u>
<b>Cash flow hedge reserve - realised (ii)</b>		
Balance at beginning of the year	15,304	-
Transfers to profit before tax	(21,291)	-
Tax on transfers to profit before tax	5,987	-
Balance at end of the year	<u>-</u>	<u>-</u>
<b>Employee share entitlement reserve</b>		
Balance at beginning of the year	203	130
Employee expense for the year	124	150
Transfer to share capital on vesting of shares to employees	(197)	(5)
Balance at end of the year	<u>130</u>	<u>275</u>

**Employee share option reserve**

Balance at beginning of the year	2,337	2,749
Employee expense for the year	1,399	2,309
Transfer to share capital on exercise or lapse of vested options	(987)	(878)
Balance at end of the year	<u>2,749</u>	<u>4,180</u>

**Treasury shares**

Balance at beginning of the year	(1,535)	(1,559)
Treasury shares issued to employee share purchase plans	(809)	-
Shares transferred to employees	785	16
Balance at end of the year	<u>(1,559)</u>	<u>(1,543)</u>

- (i) Supplementary dividends of \$5,089,000 were paid (2014: \$4,595,000).  
All dividends are recognised as distributions to shareholders.
- (ii) The cash flow hedge reserve - unrealised movement for the current 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.

## 18. 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.

	2014	2015
	NZ\$000	NZ\$000
Profit after tax	97,053	113,173
Weighted average number of ordinary shares (000s)	547,095	555,543
Basic earnings per share (cents per share)	17.7 cps	20.4 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	97,053	113,173
Weighted average number of ordinary shares (000s)	547,095	555,543
Adjustment for share options and PSRs (000s)	18,879	14,006
Weighted average number of ordinary shares for diluted earnings per share (000s)	565,974	569,549
Diluted earnings per share (cents per share)	17.1 cps	19.9 cps

## 19. EMPLOYEE BENEFITS

	2014	2015
	NZ\$000	NZ\$000
Wages and salaries	199,590	217,941
Other employment costs	12,577	9,202
Employer contributions defined contribution superannuation plans inclusive of tax	5,373	6,131
Employer contributions defined benefit superannuation plans inclusive of tax	10	12
Movement in liability for long service leave	(551)	1,651
Employee share option plans	864	1,275
Employee performance share right plans	535	1,034
Employee share purchase plans - discount on issue	124	150
Employee share purchase plans - interest free loan	33	39
Employee stock purchase plans	6	7
	<b>218,561</b>	<b>237,442</b>

### 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.

### 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.

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 2015, options had been granted to 397 employees (2014: 380). 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:

	2014		2015	
	Price*	Number	Price*	Number
As at beginning of the year	\$3.04	19,846,050	\$2.95	15,751,186
Granted during the year	\$3.57	2,188,630	\$4.88	1,534,890
Exercised during the year	\$3.28	(3,607,332)	\$3.46	(5,958,199)
Lapsed during the year	\$3.67	(2,676,162)	\$3.77	(350,658)
<b>As at end of the year</b>		<b>15,751,186</b>		<b>10,977,219</b>

\*Estimated weighted average

Out of the 10,977,219 outstanding options (2014: 15,751,186 options), 2,259,399 options (2014: 5,262,740 options) were exercisable. The weighted average remaining contractual life of the outstanding options was 30 months (2014: 29 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 \$1.22 (2014: \$0.77) per option or \$1,873,000 (2014: \$1,685,000) in aggregate. The significant inputs into the model were:

	2014	2015
Share price at grant date	\$3.69	\$4.95
Exercise price at grant date	\$3.57	\$4.88
Expected/historical share price volatility	25.00%	30.00%
Dividends expected over option life (cents)	62	62
Option life (years)	5	5
Risk free interest rate	4.04%	4.22%
Cost of equity	8.50%	8.80%

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

#### **Employee performance share rights plan**

The Employee Performance Share Rights 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 2015 PSRs had been granted to 374 employees (2014: 327). 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:

	2014	2015
As at beginning of the year	600,240	1,164,770
Granted during the year	588,070	585,990
Exercised during the year	-	-
Lapsed during the year	(23,540)	(53,310)
<b>As at end of the year</b>	<b>1,164,770</b>	<b>1,697,450</b>

There is no nominal value for the PSRs.

Out of the 1,697,450 outstanding PSRs (2014: 1,164,770 PSRs), none have yet become exercisable. The weighted average remaining contractual life of the outstanding PSRs was 41 months (2014: 47 months).

The fair value of PSRs granted during the period using Monte Carlo simulation was \$3.14 (2014: \$2.36) per PSR or \$1,840,000 (2014: \$1,388,000) in aggregate. The significant inputs into the model were:

	2014	2015
Share price at grant date	\$3.69	\$4.95
NZD/USD exchange rate of grant date	0.7805	0.8370
5 yr NZD risk free rate	4.04%	4.22%
5 yr USD risk free rate	1.54%	1.64%
Expected/historical share price volatility	25.00%	30.00%
Expected/historical NZD/USD volatility	13.50%	13.30%
Expected/historical DJSMQDT index volatility	16.00%	14.60%

#### ***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.

684,728 shares (2014: 692,861) are held by the Trustees of the plans, being 0.1% (2014: 0.1%) of the Company's issued and paid up capital.

At 31 March 2015 the total receivable owing from employees was \$631,000 (2014: \$1,156,000).

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 2015 totalled 11,115 (2014: 21,894).

## KEY MANAGEMENT AND DIRECTOR COMPENSATION

(a) Key management and director compensation for the years ended 31 March 2014 and 2015 is set out below. The key management personnel includes the Chief Executive Officer and those employees who report directly to the CEO.

	2014	2015
	NZ\$000	NZ\$000
<b>Short-term benefits</b>		
Salaries and other short term benefits	5,252	5,247
Directors fees paid	779	765
Directors retirement fee paid	279	-
Movement in accrual for directors' retirement fees	(273)	3
Total short-term benefits	<u>6,037</u>	<u>6,015</u>
<b>Post-employment benefits</b>		
Employer contributions to defined contribution superannuation plans	<u>97</u>	<u>102</u>
<b>Share-based benefits</b>		
Employee share purchase plans	2	1
Employee share option plans	225	371
Employee performance share right plans	<u>127</u>	<u>269</u>
Total share-based benefits	<u>354</u>	<u>641</u>
Total compensation	<u>6,488</u>	<u>6,758</u>

The amounts of key management and director compensation outstanding as at balance date are \$1,719,000 (2014: \$1,679,000).

(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.

## **20. 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.

## 21. COMMITMENTS

2014	2015
NZ\$000	NZ\$000

Capital expenditure commitments contracted for but not recognised as at the reporting date

Within one year	3,749	11,411
Between one and two years	-	194
Between two and five years	-	-
	<u>3,749</u>	<u>11,605</u>

Gross commitments under non-cancellable operating leases

Within one year	4,989	5,115
Between one and two years	3,318	3,991
Between two and five years	3,731	4,963
Over five years	1,348	600
	<u>13,386</u>	<u>14,669</u>

### 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.

## 22. FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets

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

#### (a) Financial assets at fair value through profit or loss

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

#### (b) Loans and receivables

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

### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Income Statement. 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.

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 8.

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

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
<b>31 March 2014</b>				
<b>Assets as per Balance Sheet</b>				
Cash and cash equivalents	10,438	-	-	10,438
Trade receivables	84,747	-	-	84,747
Derivative financial instruments	-	1,075	52,623	53,698
<b>Total</b>	<b>95,185</b>	<b>1,075</b>	<b>52,623</b>	<b>148,883</b>

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities measured at amortised cost	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
<b>31 March 2014</b>				
<b>Liabilities as per Balance Sheet</b>				
Interest-bearing liabilities	-	-	109,356	109,356
Trade and other payables	-	-	44,343	44,343
Derivative financial instruments	-	5,043	-	5,043
<b>Total</b>	<b>-</b>	<b>5,043</b>	<b>153,699</b>	<b>158,742</b>

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
<b>31 March 2015</b>				
<b>Assets as per Balance Sheet</b>				
Cash and cash equivalents	13,621	-	-	13,621
Trade receivables	95,713	-	-	95,713
Derivative financial instruments	-	1,278	36,326	37,604
<b>Total</b>	<b>109,334</b>	<b>1,278</b>	<b>36,326</b>	<b>146,938</b>

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities measured at amortised cost	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
<b>31 March 2015</b>				
<b>Liabilities as per Balance Sheet</b>				
Interest-bearing liabilities	-	-	65,496	65,496
Trade and other payables	-	-	50,972	50,972
Derivative financial instruments	771	10,626	-	11,397
Total	<u>771</u>	<u>10,626</u>	<u>116,468</u>	<u>127,865</u>

#### 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. Those financial assets and liabilities that are subject to enforceable master netting arrangements are as found in Note 6.

## 23. 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 below, 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 below. 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.

### Operating Segments - 31 March 2014

	New Zealand NZ\$000	North America NZ\$000	Europe NZ\$000	Asia-Pacific NZ\$000	Eliminations NZ\$000	Total NZ\$000
Sales revenue - external	57,125	235,432	183,698	92,347	-	568,602
Sales revenue - internal	368,700	-	-	-	(368,700)	-
Foreign exchange gain on hedged sales	54,845	-	-	-	-	54,845
<b>Total operating revenue</b>	<b>480,670</b>	<b>235,432</b>	<b>183,698</b>	<b>92,347</b>	<b>(368,700)</b>	<b>623,447</b>
Other income	3,700	-	-	-	-	3,700
Depreciation and amortisation	28,234	333	482	844	-	29,893
<b>Reportable segment operating profit before financing costs</b>	<b>135,055</b>	<b>5,452</b>	<b>11,676</b>	<b>3,777</b>	<b>(12,461)</b>	<b>143,499</b>
Financing income	2,285	2	1	4	(2,235)	57
Financing expense	(7,010)	(1,999)	(675)	(331)	2,235	(7,780)
Exchange gain on foreign currency borrowings	1,055	-	(167)	-	-	888
<b>Reportable segment assets</b>	<b>630,207</b>	<b>69,891</b>	<b>76,924</b>	<b>36,943</b>	<b>(183,640)</b>	<b>630,325</b>
<b>Reportable segment capital expenditure</b>	<b>30,562</b>	<b>292</b>	<b>343</b>	<b>682</b>	<b>-</b>	<b>31,879</b>

### Operating Segments - 31 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 (loss) on hedged sales	28,335	-	-	-	-	28,335
<b>Total operating revenue</b>	<b>542,100</b>	<b>289,515</b>	<b>196,895</b>	<b>99,956</b>	<b>(456,118)</b>	<b>672,348</b>
Other income	5,000	-	-	-	-	5,000
Depreciation and amortisation	29,879	353	596	820	-	31,648
<b>Reportable segment operating profit before financing costs</b>	<b>161,848</b>	<b>6,888</b>	<b>9,966</b>	<b>4,359</b>	<b>(12,978)</b>	<b>170,083</b>
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)
<b>Reportable segment assets</b>	<b>651,177</b>	<b>93,109</b>	<b>79,186</b>	<b>42,590</b>	<b>(196,246)</b>	<b>669,816</b>
<b>Reportable segment capital expenditure</b>	<b>52,591</b>	<b>322</b>	<b>420</b>	<b>252</b>	<b>-</b>	<b>53,585</b>

### 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 31 March 2014 NZ\$000	Year Ended 31 March 2015 NZ\$000
Respiratory & acute care	336,851	368,162
Obstructive sleep apnea	<u>270,048</u>	<u>291,126</u>
Core products subtotal	606,899	659,288
Distributed and other	<u>16,548</u>	<u>13,060</u>
Total revenue	<u>623,447</u>	<u>672,348</u>

### Major Customer

Revenues from one customer of the North America segment (being a distributor) represent approximately \$82.9million (2014: \$73.3million) of the Group's total revenues.

## 24. 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 13 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 (2014: 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 (2014: +/-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 (2014: +/-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% (2014: 10%) movement in the New Zealand dollar against all currencies.

Consolidated 2014	Carrying amount NZ\$000	Interest rate risk				Foreign exchange risk			
		-1%			+1%	-10%			+10%
		Income Statement	OCI	Income Statement	OCI	Income Statement	OCI	Income Statement	OCI
		NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
<b>Derivative Financial Instruments</b>	48,655	(686)	(4,066)	686	3,987	(1,234)	(16,815)	(28)	15,965
<b>Other Financial Assets:</b>									
Cash and cash equivalents	10,438	-	-	5	-	812	-	(731)	-
Trade receivables	84,747	-	-	-	-	6,538	-	(5,885)	-
<b>Other Financial Liabilities:</b>									
Trade and other payables	45,033	-	-	-	-	(1,916)	-	2,129	-
Interest-bearing liabilities	109,356	779	-	(779)	-	(3,613)	-	4,015	-
<b>Total increase/(decrease)</b>		93	(4,066)	(88)	3,987	587	(16,815)	(500)	15,965

  

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

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.

## 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:

	2014 NZ\$000	2015 NZ\$000
<b>Credit rating</b>		
A- and above	9,209	11,163
Other	1,041	2,262
Total	10,250	13,425

The maximum potential exposure to credit risk is:

	2014 NZ\$000	2015 NZ\$000
Cash and cash equivalents	10,438	13,621
Trade receivables	84,747	95,713
Derivative financial instruments	53,698	37,604
Total	148,883	146,938

### 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.

	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
<b>As at 31 March 2014</b>	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Bank overdrafts	14,199	-	-	-	14,199
Trade and other payables	44,343	-	-	-	44,343
Borrowings	35,396	31,166	35,160	-	101,722

  

	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
<b>As at 31 March 2015</b>	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Bank overdrafts	14,154	-	-	-	14,154
Trade and other payables	50,972	-	-	-	50,972
Borrowings	2,403	52,289	-	-	54,692

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:

<b>At 31 March 2014</b>	< 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
<b>GROSS SETTLED DERIVATIVES</b>						
Forward foreign exchange contracts						
Inflow	178,815	64,287	26,266	-	269,368	
Outflow	(148,429)	(54,549)	(19,921)	-	(222,899)	
Net inflow (outflow)	30,386	9,738	6,345	-	46,469	44,845
Foreign currency option contracts*						
Inflow	-	-	-	-	-	
Outflow	-	-	-	-	-	
Net inflow	-	-	-	-	-	6,227
<b>NET SETTLED DERIVATIVES</b>						
Interest rate swaps**						
Net inflow (outflow)	(1,474)	(881)	(788)	696	(2,447)	(2,417)

\*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.

<b>At 31 March 2015</b>	< 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
<b>GROSS SETTLED DERIVATIVES</b>						
Forward foreign exchange contracts						
Inflow	258,563	117,903	17,067	-	393,533	
Outflow	(239,690)	(107,305)	(16,301)	-	(363,296)	
Net inflow (outflow)	18,873	10,598	766	-	30,237	29,427
Foreign currency option contracts*						
Inflow	-	-	-	-	-	
Outflow	-	-	-	-	-	
Net inflow	-	-	-	-	-	2,151
<b>NET SETTLED DERIVATIVES</b>						
Interest rate swaps**						
Net inflow (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.

#### **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.

## **25. SIGNIFICANT EVENTS AFTER BALANCE DATE**

On 28 May 2015 the directors approved the payment of a fully imputed 2015 final dividend of \$44,638,116 (8.0 cents per share) to be paid on 10 July 2015. A supplementary dividend of 1.4118 cents per share was also approved for eligible non-resident shareholders.

## 26. OTHER ACCOUNTING POLICIES

### a. **Changes to accounting policies**

There have been no changes in accounting policies.

### b. **Standards, Interpretations and Amendments to Published Standards**

The following new accounting standards and amendments to existing standards have been adopted by the Group in the year ended 31 March 2015:

**NZ IAS 32, 'Financial instruments: Presentation' (amendment)** on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

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

**NZ IFRS 9, 'Financial instruments'**, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group intends to adopt NZ IFRS 9 for the first period beginning after its effective date and has yet to assess its full impact.

**NZ IFRS 15, 'Revenue from contracts with customers' (Effective date: periods beginning on or after 1 January 2017)** 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 2017 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.

### 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. Advertising and sales promotion costs**

All advertising and sales promotion costs are expensed as incurred.

**h. 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.

**i. 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.



## ***Independent Auditor's Report***

to the shareholders of Fisher & Paykel Healthcare Corporation Limited

### ***Report on the Financial Statements***

We have audited the Group financial statements of Fisher & Paykel Healthcare Corporation Limited ("the Company") on pages 9 to 54 which comprise the balance sheets as at 31 March 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2015 or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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



## ***Independent Auditor's Report***

Fisher & Paykel Healthcare Corporation Limited

### ***Opinion***

In our opinion, the financial statements on pages 9 to 54 present fairly, in all material respects, the financial position of the Group as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

### ***Restriction on Use of our Report***

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
28 May 2015

Auckland

## OTHER INFORMATION

<b>1.0 NTA backing</b>	Previous corresponding Period 31 March 2014	Current period 31 March 2015
Net tangible asset backing per +ordinary security	NZ\$0.73	NZ\$0.80

### 2.0 Control gained over entities having material effect

There was no gain of control of entities that would have a material effect on the consolidated financial statements of Fisher & Paykel Healthcare Corporation Limited.

### 3.0 Loss of control of entities having material effect

There was no loss of control of entities that would have a material effect on the consolidated financial statements of Fisher & Paykel Healthcare Corporation Limited.

### 4.0 Dividends

<b>4.01</b>	Date the dividend is payable	10 July 2015
<b>4.02</b>	+Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	19 June 2015

### 4.1 Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
<b>4.11</b>	<b>Final Dividend:</b> Current year	NZ 8.0¢	N/A	N/A
<b>4.12</b>	Previous year	NZ 7.0¢	N/A	N/A
<b>4.13</b>	<b>Interim Dividend:</b> Current year	NZ 5.8¢	N/A	N/A
	Previous year	NZ 5.4¢	N/A	N/A

## 4.2 Final dividend on all securities

		Previous corresponding Year to 31 March 2014 \$NZ000	Current year to 31 March 2015  \$NZ000
4.21	+Ordinary securities <i>(each class separately)</i>	38,626	44,639
4.22	Preference +securities <i>(each class separately)</i>	N/A	N/A
4.23	Other equity instruments <i>(each class separately)</i>	N/A	N/A
<b>4.24</b>	<b>Total</b>	<b>38,626</b>	<b>44,639</b>

The company operates a DRP. For the final dividend a discount will not apply.

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

Per attached NZX Appendix 7.

## 5.0 Material interests in entities which are not controlled entities

Fisher & Paykel Healthcare Corporation Limited does not have any material interests in entities which are not controlled entities.

## 6.0 Issued and quoted securities at end of the year

### 6.1 Ordinary Shares

Opening balance 1 April 2014	551,110,270
Issued during the year	6,829,987
Closing balance 31 March 2015	557,940,257

## 6.2 Share Options

Financial Year of Issue	2010	2011	2012	2013	2014	2015	Total
Opening balance at 1 April 2014	2,773,788	3,216,604	3,981,014	3,620,550	2,159,230	-	15,751,186
Granted during the year	-	-	-	-	-	1,534,890	1,534,890
Lapsed during the year	(22,666)	(23,668)	(76,234)	(128,250)	(75,690)	(24,150)	(350,658)
Exercised/ cancelled during the year	(2,751,122)	(2,280,822)	(926,255)	-	-	-	(5,958,199)
Closing balance at 31 March 2015	-	912,114	2,978,525	3,492,300	2,083,540	1,510,740	10,977,219

2010 issue	- expiry date September 2014
	- exercise prices of \$3.68, \$3.88 and \$4.09
2011 issue	- expiry date September 2015
	- exercise prices of \$3.21, \$3.37 and \$3.53
2012 issue	- expiry date September 2016
	- exercise prices of \$2.29 and \$2.36, further exercise price based on cost of capital calculation
2013 issue	- expiry date August 2017
	- exercise price of \$2.06
2014 issue	- expiry date September 2018
	- exercise price of \$3.57
2015 issue	- expiry date August 2019
	- exercise price \$4.88

## 6.3 Performance Share Rights

Financial Year of Issue	2013	2014	2015	Total
Opening balance at 1 April 2014	585,540	579,230	-	1,164,770
Granted during the year	-		585,990	585,990
Lapsed during the year	(21,050)	(22,860)	(9,400)	(53,310)
Exercised during the year	-	-	-	-
Closing balance at 31 March 2015	564,490	556,370	576,590	1,697,450

2013 issue	- expiry date August 2017
2014 issue	- expiry date September 2018
2015 issue	- expiry date August 2019

## Directors' Details

The directors of Fisher & Paykel Healthcare Corporation Limited at any time during or since the end of the financial year are as follows:

Antony John Carter	Chairman, Non-Executive, Independent
Michael Grenfell Daniell	Managing Director and Chief Executive Officer
George Roger Wayne France	Non-Executive, Independent
William Lindsay Gillanders	Non-Executive, Independent
Dr Arthur James Morris	Non-Executive, Independent
Donal Paul O'Dwyer	Non-Executive, Independent
Geraldine Celia McBride	Non-Executive, Independent

During the twelve months to 31 March 2015:

- At the Annual Meeting of Shareholders on 20 August 2014 Mr Tony Carter offered himself for election to the Board and was elected.
- At the Annual Meeting of Shareholders on 20 August 2014 Mr Lindsay Gillanders offered himself for election to the Board and was elected.

**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 **28 / 05 / 2015**

**Nature of event**  
Tick as appropriate

Bonus Issue <input type="checkbox"/>	If ticked, state whether: <input type="checkbox"/>	Taxable <input type="checkbox"/>	/ Non Taxable <input type="checkbox"/>	Conversion <input type="checkbox"/>	Interest <input type="checkbox"/>	Rights Issue Renounceable <input type="checkbox"/>
Rights Issue non-renounceable <input type="checkbox"/>	Capital change <input type="checkbox"/>	Call <input type="checkbox"/>	Dividend <input checked="" type="checkbox"/>	If ticked, state whether: Interim <input type="checkbox"/>	Full Year <input checked="" type="checkbox"/>	Special <input type="checkbox"/>
						DRP Applies <input checked="" type="checkbox"/>

**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  Treatment of Fractions

Strike price per security for any issue in lieu or date Strike Price available.  Enter N/A if not applicable ☐ Tick if *pari passu* ☐ OR provide an explanation of the ranking

**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)	<b>8.0 cents/share</b>	Source of Payment	<b>Revenue Reserves</b>
Excluded income per security (only applicable to listed PIEs)	<input type="text"/>		
Currency	<b>New Zealand Dollars</b>	Supplementary dividend details - NZSX Listing Rule 7.12.7	Amount per security in dollars and cents <b>\$1.411765</b>
Total monies	<b>\$44,638,627</b>	Date Payable	<b>10 July, 2015</b>

**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	<b>0.555556 cents/share</b>	Imputation Credits (Give details)	<b>3.111111 cents/share</b>
Foreign Withholding Tax	\$ <input type="text"/>	FWP Credits (Give details)	<input type="text"/>

**Timing**

(Refer Appendix 8 in the NZSX Listing Rules)

**Record Date 5pm**

For calculation of entitlements -

**19 June, 2015**

**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.

**10 July, 2015**

**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:

