Fisher&Paykel
appliances
Fisher&Paykel
INVESTMENT STATEMENT
AND PROSPECTUS
BY FISHER & PAYKEL APPLIANCES HOLDINGS LIMITED
FOR A RIGHTS
OFFER OF
NEW ORDINARY
SHARES
Joint Lead
Managers:
Deutsche Bank
FIRST NZ CAPITAL

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Important information

(THE INFORMATION IN THIS SECTION IS REQUIRED UNDER THE SECURITIES ACT 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

Question	Page
What sort of investment is this?	**57**
Who is involved in providing it for me?	**57**
How much do I pay?	**57**
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Is there anyone to whom I can complain if I have problems with the investment?	**69**
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In addition to the information in this investment statement, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.*

ENGAGING AN INVESTMENT ADVISER

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- relevant experience and qualifications, and whether dispute resolution facilities are available to you;
- what types of investments the adviser gives advice about;
- whether the advice is limited to investments offered by 1 or more particular financial institutions;
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

* This is the wording required by Schedule 3D to the Securities Regulations 1983 which contemplates a separate investment statement and prospectus. For this offer the two documents have been combined and accordingly the prospectus available on request is identical to this document.

Important notice

GENERAL INFORMATION

This Offer Document is a combined investment statement and prospectus for the purposes of the Securities Act and Securities Regulations, relating to a one for one pro-rata renounceable rights issue of New Shares. It is dated 27 May 2009.

The Rights are renounceable, which means you may choose to sell (renounce) any that you do not accept. If you do not accept or renounce your entitlement, your Rights will lapse and you will not be able to subscribe for any New Shares or realise any other value for your Rights, and your Shareholding in the Company will be diluted.

The information required to be contained in an investment statement is set out under the heading "Important Information" and in the section of this Offer Document entitled "Investment Statement Information – Answers to Important Questions" on pages 56 to 70.

The purpose of those sections is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for New Shares under the Offer. Investors should be aware that other important information about the New Shares and the Offer is set out in other sections of this Offer Document. This Offer Document does not take account of your investment objectives, financial situation or particular needs.

This Offer Document is an important document and should be read carefully. Investors should consider the risks that are associated with an investment in the New Shares, particularly with regard to their personal circumstances (including financial and tax issues). A brief summary of the principal risks associated with the Group and the New Shares are set out in this Offer Document under the heading "What are my risks?" on pages 61 to 68.

If you sold your Shares prior to the Record Date for the Offer, please send this Offer Document and enclosures to the NZX Primary Market Participant or ASX stockbroker through whom you made the sale, requesting that they be forwarded to the new Shareholder.

If you are in any doubt as to how to deal with this Offer Document, please immediately contact an NZX Primary Market Participant (in the case of New Zealand investors) or ASX stockbroker (in the case of Australian investors) or your sharebroker, solicitor, accountant or other financial adviser.

No person named in this Offer Document (including the Company, its Subsidiaries, the Underwriters, Haier or any of their respective directors, officers or employees), nor any other person, guarantees the New Shares to be issued pursuant to the Offer. None of the Company, its Subsidiaries, the Underwriters, Haier or any of their respective directors, officers or employees or any other person warrants the future performance of the Company or any return on any investment made pursuant to this Offer Document.

NEW ZEALAND REGISTRATION OF OFFER DOCUMENT

A copy of this Offer Document, signed by or on behalf of the Directors of the Company, and having endorsed or attached hereto the relevant authorities where an agent has signed this Offer Document on behalf of a Director, and an acknowledgement from NZX as required under clause 23 of the Securities Regulations (being the documents required by section 41 of the Securities Act), has been delivered to the Registrar of Companies for registration under section 42 of the Securities Act.

AUSTRALIAN SHAREHOLDERS

The Offer is being made to Australian resident Shareholders in accordance with section 708AA of the Australian Corporations Act 2001. This Offer Document is not a prospectus or any other form of disclosure document regulated by the Australian Corporations Act 2001. Neither ASIC nor ASX take any responsibility for the contents of this document. Accordingly, this Offer Document may not contain all of the information which would otherwise be required by Australian law to be disclosed in a prospectus prepared in accordance with the Australian Corporations Act 2001.

By returning an Entitlement and Acceptance Form or lodging an Entitlement and Acceptance Form with a stockbroker or otherwise arranging for payment for New Shares in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed

in this Offer Document, you agree to all of the terms and conditions as detailed in this Offer Document and you have made your own enquiries and assessment as to the assets, liabilities, financial position, profit and losses and prospects of the Company and the rights attaching to New Shares.

DECISION TO PARTICIPATE IN OFFER

The information in this Offer Document does not constitute a recommendation to acquire New Shares or financial product advice. This Offer Document has been prepared without taking into account the investment objectives, financial or taxation situation or particular needs of any applicant. Before applying for New Shares, you should consider whether such an investment is appropriate to your particular needs, considering your individual risk profile for investments, investment objectives and individual financial circumstances. If you are in any doubt about the Offer or the contents of this Offer Document or whether this investment is appropriate for you, you should consult your Primary Market Participant, stockbroker, solicitor, accountant or other appropriately qualified professional adviser without delay. You should note that the past Share price performance of the Company provides no guidance as to its future Share price performance. Further, the Company advises that it is not licensed to provide financial product advice in relation to the New Shares and cooling-off rights do not apply to an investment in the New Shares.

RESTRICTIONS ON DISTRIBUTION OF OFFER DOCUMENT

This Offer Document is intended for use only in connection with the offer of the New Shares to Shareholders in New Zealand and Australia and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to permit an offering of the New Shares to Shareholders outside New Zealand and Australia. This Offer Document is not to be sent to or given to any person outside New Zealand and Australia in circumstances in which the Offer or distribution of this Offer Document would be unlawful. The distribution of this Offer Document (including an electronic copy) outside New Zealand and Australia may be restricted by law. If you come into possession of this Offer Document, you should observe any such restrictions and seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws, and persons who receive this Offer Document should seek advice on and observe any such restriction. The Company disclaims all liability to such persons.

In particular, the New Shares have not been and will not be registered under the United States Securities Act 1933 as amended, (the **US Securities Act**), and this Offer Document does not constitute an offer of securities in the United States of America (**US**) or to any "US person" (**US Person**), as defined in Regulation S under the US Securities Act, or to any person acting for the account or benefit of a US Person.

Any person outside New Zealand or Australia who exercises Rights (and therefore applies for New Shares) through a New Zealand or Australian resident nominee will be deemed to have represented and warranted to the Company that the Offer can be lawfully made to their nominee pursuant to this Offer Document.

No New Shares shall be offered or sold in the People's Republic of China (excluding Hong Kong and Macau) (the **PRC**) directly or indirectly. This Offer Document does not constitute an offer to sell or the solicitation of an offer to buy any New Shares in the PRC to any person to whom it is unlawful to make such offer or solicitation in the PRC.

The Company does not represent that this Offer Document may be lawfully distributed, nor that any securities may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, nor assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company which would permit a public offering of New Shares or distribution of this document in the PRC. Accordingly, no New Shares may be offered or sold, directly or indirectly, and neither this Offer Document nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

Except as set out in this Offer Document, no person may purchase, offer, sell, distribute or deliver New Shares, or be in possession of, or distribute to any other person, any offering material or any documents in connection with the New Shares, in any jurisdiction other than in compliance with all applicable laws and regulations.

Nothing in this section "Restrictions on Distribution of Offer Document" applies in relation to the making of the Offer to, the participation in the Offer by, or the issue of New Shares to, Haier, Qingdao Haier Co., Ltd or any subsidiary of Haier nominated by Haier.

FINANCIAL STATEMENTS

A copy of the audited financial statements of the Fisher & Paykel Group as at 31 March 2009 that comply with generally accepted accounting practice is included in this Offer Document (in Appendix I entitled "Historic financial statements") in accordance with clause 6(1)(a)(ii) of the Securities Act (Short Form Prospectus) Exemption Notice 2009 and for the purposes of regulation

7(1)(c) of the Securities Regulations. The audit report for these financial statements is also included in the same Appendix.

The statement of financial position included in the financial statements referred to above is dated 31 March 2009.

FUTURE PERFORMANCE AND FORWARD-LOOKING STATEMENTS

Certain statements in this Offer Document constitute forward-looking statements, including the assumptions related to the prospective financial statements set out in the section of this Offer Document entitled "Review of prospective financial statements" and in Appendix II entitled "Prospective financial statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors (many of which are beyond the control of the Company) which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include but are not limited to, among other things, those discussed on pages 61 to 68 under the heading "What are my risks?".

Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements in this Offer Document. In addition, under no circumstance should the inclusion of such forward-looking statements in this Offer Document be regarded as a representation or warranty by the Company, its Subsidiaries, the Underwriters, Haier or any of their respective directors, officers or employees or any other person with respect to the achievement of the results set out in such statements or that the assumptions underlying such forward-looking statements will in fact be correct. None of the Company, its Subsidiaries, the Underwriters, Haier or any of their respective directors, officers or employees or any other person warrants or guarantees the future performance of the New Shares or any return on any investment made pursuant to the Offer.

The Company, its Subsidiaries, the Underwriters and their respective directors, officers and employees disclaim any responsibility to update any such risk factors or publicly announce the result of any revisions to the forward-looking statements contained in this Offer Document to reflect future developments or events, other than where required to do so by the Securities Act, the Securities Regulations, the Financial Reporting Act, the NZSX Listing Rules or the ASX Listing Rules.

NZX AND ASX LISTING

An application has been made to NZX and ASX for permission to list the Rights and all requirements of NZX and ASX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with.

The New Shares have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document. The Company will apply for quotation of the New Shares on ASX. Neither ASIC nor ASX takes any responsibility for any statement in this Offer Document, nor for the merits of the investment to which this Offer Document relates.

DEFINITIONS

Capitalised terms used in this Offer Document have defined meanings which appear in the Glossary section or within the relevant section of this Offer Document in which the term is used.

All references to "$" or "dollars" are to New Zealand dollars unless specified otherwise. All references in this Offer Document to dates and times are to New Zealand dates and times.

NOTICE TO NEW ZEALAND RESIDENTS UNDER THE NEW ZEALAND PRIVACY ACT 1993

Any personal information provided by Eligible Shareholders will be held by the Company or the Registrar at the addresses shown in the directory on the inside back cover of this Offer Document or such other place as is notified upon request. This information will be used for the purpose of managing your investment in the Company. Under the New Zealand Privacy Act 1993, you have the right to access and correct any personal information held about you.

NOTICE TO AUSTRALIAN RESIDENTS UNDER THE AUSTRALIAN PRIVACY ACT 1988 (CTH)

As an existing Shareholder, the Company and the Registrar have already collected certain personal information from you. If you apply for New Shares the Company and the Registrar may update that personal information and you may be asked to provide personal information to the Company (and the Organising Participant or your NZX Primary Market Participant or ASX stockbroker) and the Registrar on the Company's behalf. That personal information is collected to assess your application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

The Company and the Registrar may disclose your personal information for purposes relating to your application and holding to their agents and service providers including those listed below or as otherwise authorised under the Australian Privacy Act:

- the Joint Lead Managers in order to assess your application;
- the Registrar for ongoing administration of the register; and
- printers and mailing houses for the purposes of preparation and distribution of holder information and for handling of mail.

The information may also be disclosed to the Company's related bodies corporate and/or their agents and service providers on the basis that they deal with such information in accordance with the Australian Privacy Act. Company and tax law requires some of the information to be collected. If you do not provide the information requested, your application may not be processed efficiently, or at all.

Under the Australian Privacy Act 1988 (Cth), you may request access to your personal information held by or on behalf of the Company. You can request access to your information or obtain further information about the Company's management practices by contacting the Registrar at the contact address set out in the Directory. If the Registrar's record of your personal information is incorrect or out of date it is important that you contact the Registrar or the Company so that your records can be corrected.

GOVERNING LAW

This Offer Document, the Offer and the contracts formed on acceptance of the Entitlement and Acceptance Form are governed by the laws of New Zealand. Each Applicant submits to the exclusive jurisdiction of the courts of New Zealand.

DISCLAIMER

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation in connection with the Offer not contained in the Offer Document may not be relied upon as having been authorised by the Company or its Directors or officers.

MEAUX
FROMAGE
FROMAGE
MEAUX

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Chairman's letter

Chairman's letter

27 May 2009

Dear Shareholder

As you may already know, Fisher & Paykel Appliances Holdings Limited (the **Company**) is raising a minimum of $189 million in new capital through a $143 million pro-rata renounceable rights issue to all Eligible Shareholders and a placement of approximately $46 million to a new cornerstone shareholder, Haier Group Corporation (**Haier**). Under the arrangements agreed between the Company and Haier, Haier will take up an equity interest in the Company of 20%.

This Offer Document relates to the pro-rata renounceable rights issue to all Eligible Shareholders to subscribe for one New Share for every one Existing Share held on 29 May 2009, at a price of $0.41 per New Share (the **Offer**).

The net proceeds from the Offer and the placement will be used to reduce debt of the Company's Appliances business, other than $15 million which will provide additional capital to the Company's Finance business. The Offer is fully underwritten by Deutsche Bank and First NZ Capital.

In addition to a placement of equity, the Company has also entered into with Haier, China's largest home appliance brand and a leading global manufacturer of household appliances and consumer electronic products, a Cooperation Agreement that outlines the companies' plans to work together to create value for both companies and their shareholders. The Directors are excited to have secured this partnership with such a strong global appliances player and are confident that Haier's equity interest in the Company has enhanced the future prospects of the Company.

As you will be aware, in 2005 Appliances began implementing a Global Manufacturing Strategy involving the relocation of most of its manufacturing facilities. Completion of the previously announced relocation process is expected this calendar year. The Global Manufacturing Strategy is expected to deliver cost benefits to the business this financial year and beyond. Any recovery in volumes in the medium term should further improve our profitability due to the improved cost efficiency of our manufacturing facilities.

In August 2008, in light of the emerging global economic difficulties, the Board began to explore additional funding options and prepared to make an issue of subordinated capital notes to the market. This initiative was at an advanced stage in October 2008, but with the introduction of the Crown Retail Deposit Guarantee Scheme, a capital note offer became unattractive and the issue did not proceed at that time. Subsequently, steps were then taken to consider raising equity which has ultimately led to the current Offer. During this period, the Group's New Zealand dollar debt levels rose significantly due to the decline in the value of the New Zealand dollar. At the same time, the Group's earnings have been reduced by the current unprecedented global economic difficulties. As a result of the increase in debt and reduced earnings, we would not have complied with our bank covenants as at 31 March 2009 had we not received a waiver from our banks.

We have recently agreed a new debt structure with our banks, in spite of a difficult banking environment. Under these new banking facilities, we are required to reduce Appliances' debt over the coming 10 months by $235 million. The Company intends to achieve the debt reduction using the proceeds from a combination of this equity raising, sales of the planned temporary build up of stocks of appliances, the reduction of raw materials inventories, sales of property assets and operating cash flow.

A detailed discussion of the Company's trading prospects and financial position is set out in sections 5, 6 and 7 of this Offer Document and in Appendices I and II. All information in this document should be read in conjunction with the risks faced by the Company detailed under the heading "What are my risks?" on pages 61 to 68.

I encourage you to read this Offer Document carefully and recommend your support for this Offer. Based on our current outlook, the Board is confident that the proceeds from the equity raising, together with the other debt reduction initiatives being undertaken, will be sufficient to meet the challenges of the current economic climate and the capital needs of the Company. Furthermore, the Board believes the partnership with Haier is an exciting opportunity for the Company to grow substantially and create long-term value for Shareholders.

If you have any questions relating to the Offer, please call your usual financial adviser.

Yours faithfully

Gary Paykel
Chairman

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Summary information

Summary information

SUMMARY INFORMATION	
The issuer of the New Shares	Fisher & Paykel Appliances Holdings Limited
Entitlement of Eligible Shareholders	Eligible Shareholders may subscribe for one New Share for every one Existing Share held on the Record Date
Application Price for each New Share	$0.41
Proceeds of the Offer	Minimum gross proceeds of $189.3 million which will largely be used to pay down debt
Closing Date of the Offer	Applications for the Offer must be received by 7.00 pm (NZ time) /5.00 pm (AEST) on 25 June 2009
Underwriting	The Offer is fully underwritten by Deutsche Bank and First NZ Capital

THE OFFER

The Company is raising gross proceeds of $189.3 million in new equity capital from a combination of the $142.9 million Offer and the $46.5 million Haier Initial Placement. In addition, up to $11.9 million may be raised from the Haier Top Up Placement.

The offer comprises an offer of ordinary Shares (**New Shares**) in the Company to Eligible Shareholders under a pro-rata renounceable rights offer (**Offer**). Under the Offer, Eligible Shareholders are entitled to subscribe for one New Share for every one Existing Share held on the Record Date, subject to the terms of this Offer Document.

The Offer is fully underwritten by the Underwriters.

In addition, the Company is undertaking the Haier Initial Placement, being the issue of 58.1 million Placement Shares to Haier at a price of $0.80 per Placement Share, raising approximately $46.5 million. Haier will be eligible to participate in the Offer in respect of its holding of these Placement Shares and as a sub-underwriter. Following the Offer, Haier may receive a further placement of shares at a price of $0.41 per share under the Haier Top Up Placement which will result in Haier holding an ownership interest in the Company of 20%.

Haier does not guarantee the securities offered under this Offer Document.

PURPOSE OF THE CAPITAL RAISING

The net proceeds from the Offer and the Haier Placement (together the **Equity Raising**) will be used by the Company to reduce debt of the Company's appliances business (**Appliances**), other than $15 million which will be applied to the Company's finance business (**Finance**).

The need to undertake the Equity Raising has arisen for the following key reasons:

- A significant deterioration of trading conditions in all of Appliances' major markets since the middle of FY2009 adversely impacting earnings; and
- The devaluation in the New Zealand dollar causing the Company's foreign currency denominated borrowings to significantly increase when translated into New Zealand dollars. Borrowings (excluding Finance borrowings) totalled $517.7 million as at 31 March 2009.

The Directors believe that it is in the interests of the Company to recapitalise its balance sheet by raising

permanent equity capital. In conjunction with the Equity Raising, the Company has also negotiated a new banking package – including a new 3 year term debt facility and a 12 month amortising facility. Further details on the structure of the funding package are set out in this Offer Document under the heading "Capital structure review" on pages 49 to 50.

Based on its current outlook, the Directors are confident that the proceeds from the Equity Raising, together with the other debt reduction initiatives being undertaken, will be sufficient to meet the challenges of the current economic climate and the capital needs of the Company.

INVESTMENT HIGHLIGHTS

Haier – Our Strategic Partner

Fully globalises F&P Appliances

- Haier, a leading global appliances manufacturer and the Chinese most valuable brand in the world, has agreed to take a substantial ownership interest in the Company
- Haier and the Company have entered into a Cooperation Agreement to work together on a number of initiatives including exclusive distribution of Appliances' branded product into China, exclusive distribution of Haier branded products into Australia and New Zealand, joint product development, access to Haier's terms of trade with its suppliers, joint global distribution, sales and marketing operations, and numerous ODM/OEM opportunities for both companies

Capital Structure

Total capital structure solution

- The Company has successfully negotiated a $575 million debt refinance package that has been designed to accommodate the Company's specific circumstances
- Orderly reduction in debt through a combination of Equity Raising, asset sales and inventory reduction
- Leverage for the Appliances' business is forecast to be 1.1x (Net Debt to LTM EBITDA), interest rate cover is forecast to be 3.7x (LTM EBITDA to LTM Net Interest Expense) and the net debt to net debt plus equity ratio is forecast to be approximately 16% as at 31 March 2010

Global Manufacturing Strategy

On track and delivering results

- The Company's previously announced Global Manufacturing Strategy is scheduled to be completed in this calendar year with operational and production benefits already being realised
- Conversion cost savings per unit of products currently being manufactured in Thailand are exceeding expectations and the Company expects the same trend to be seen in Mexico
- When sales volumes recover, the opportunity exists to make even greater per unit conversion cost savings and fully leverage the efficiency of the Company's new lower cost manufacturing platform

FY2010 Forecast

Higher forecast earnings despite challenging market conditions

- The Company forecasts Normalised Operating Profit before Interest and Tax for the year ending 31 March 2010 to be $87.7 million and Normalised EBITDA for the period of $146.5 million. This represents an increase of 15.9% and 8.4%, respectively, on the Normalised Operating Profit before Interest and Tax and Normalised EBITDA for the year ended 31 March 2009
- Appliances FY2010 forecast Normalised Operating Profit before Interest and Taxation of $68.3 million, an increase of 22.8% compared to FY2009 largely driven by significant reductions in conversion costs following the implementation of the Global Manufacturing Strategy

RISK FACTORS

Prospective investors should consider the risks that are associated with an investment in the New Shares, particularly with regard to their personal circumstances (including financial and tax issues). A summary of the principal risks associated with the Group and the New Shares are set out in this Offer Document under the heading "What are my risks?" on pages 61 to 68. These risks include, amongst other matters, economic conditions, alteration of consumer behaviour, reliance on key customers, foreign currency risks, commodity price risks, risks relating to the Global Manufacturing Strategy and debt reduction activities, any of which may have a material adverse effect on the Company's operating performance and financial position.

KEY DATES	
EVENT	**DATE***
Announcement of Equity Raising and lodgment of Appendix 3B with ASX	Wednesday, 27 May 2009
Notice of lodgment sent to Australian Shareholders	Thursday, 28 May 2009
Existing Shares quoted ex-entitlements on ASX	Friday, 29 May 2009
Rights trading commences on ASX	Friday, 29 May 2009
Settlement and Allotment of the Haier Initial Placement	Tuesday, 2 June 2009
Record Date for determining entitlements (7.00 pm New Zealand time)	Thursday, 4 June 2009
Existing Shares quoted ex-entitlements on NZSX	Friday, 5 June 2009
Rights trading commences on NZSX	Friday, 5 June 2009
Offer Document and Entitlement and Acceptance Form mailed to Eligible Shareholders	by Tuesday, 9 June 2009
Rights trading ceases on ASX (5.00 pm AEST)	Thursday, 18 June 2009
Rights trading ceases on NZSX (5.00 pm New Zealand time)	Tuesday, 23 June 2009
Offer closes (last day for receipt of acceptances and renunciations), 7.00 pm (New Zealand time)/5.00 pm (AEST)	Thursday, 25 June 2009
Notify ASX of under subscriptions	by Tuesday, 30 June 2009
Allotment of New Shares under the Offer	by Wednesday, 1 July 2009
Expected despatch of FASTER/Shareholding statements for New Shares	Thursday, 2 July 2009
Expected commencement of trading of New Shares allotted under the Offer on a normal settlement basis (ASX only)	Thursday, 2 July 2009
Settlement and Allotment of the Haier Top Up Placement	Monday, 6 July 2009

* These dates and the references to them throughout the Offer Document are subject to change and are indicative only. The Company, in consultation with the Joint Lead Managers, reserves the right to amend the dates and times without prior notice.

Note: There is no current expectation for the payment of dividends by the Company during the 2010 financial year. See the information set out in this Offer Document under the heading "What returns will I get?" on page 58.

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Details of the Offer

Details of the Offer

Investors should also refer to the other sections of this Offer Document (in particular the section entitled "Investment statement information – answers to important questions" on pages 56 to 70).

3.1. OVERVIEW OF THE OFFER

The Company is raising minimum gross proceeds of $189.3 million from the Equity Raising, comprising the Offer ($142.9 million) and the Haier Placement (a minimum of $46.5 million and a maximum of $58.4 million).

The Offer is an offer of New Shares to Eligible Shareholders under a pro-rata renounceable rights offer. Under the Offer, Eligible Shareholders are entitled to subscribe for one New Share for every one Existing Share held on the Record Date, subject to the terms of this Offer Document.

New Shares issued under the Offer will rank equally in all respects, including as to dividends and voting, with Existing Shares.

The timetable for the Offer is set out under the heading "Key dates" on page 13 of this Offer Document.

The Haier Placement is not being offered under this Offer Document and is open only to Haier. However, Haier will be entitled to participate in the Offer in respect of the Shares allotted to it in the Haier Initial Placement.

3.2. APPLICATION PRICE

The Application Price for New Shares issued under the Offer is $0.41 per New Share. The Application Price is payable in full on application.

3.3. ELIGIBILITY

The Offer is only open to Eligible Shareholders, being those persons to whom the Offer is made who are registered as Shareholders at 7.00 pm (New Zealand time) on the Record Date. Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's entitlement to participate in this Offer. Persons registered as Shareholders of the Company after 7.00 pm (New Zealand time) on the Record Date will not qualify for the Offer.

Eligible Shareholders are all Shareholders with registered addresses in New Zealand or Australia. As noted above, the Offer is also being made to Haier.

If you sell any Shares prior to 7.00 pm (New Zealand time) on the Record Date, then the Rights transfer to the buyer.

The Company reserves the right to reject any Application that it believes comes from a person who is not an Eligible Shareholder.

3.4. ENTITLEMENT

The entitlement of each Eligible Shareholder is one New Share for every one Existing Share held on the Record Date, being 7.00 pm (New Zealand time) on 4 June 2009.

The entitlement of each Eligible Shareholder is printed on the personalised Entitlement and Acceptance Form distributed to Eligible Shareholders with this Offer Document (applications in excess of an Eligible Shareholder's entitlement will not be accepted). Entitlements are not scaled up to a minimum holding.

3.5. RIGHTS TRADING

Eligible Shareholders are not required to subscribe for all of the New Shares to which they are entitled under the Offer. They may subscribe for a proportion of their Rights or allow their Rights to lapse. The Rights are renounceable. Accordingly, Rights may be sold or transferred by Eligible Shareholders to any other person on or before Thursday, 18 June 2009 on ASX, and Tuesday, 23 June 2009 on the NZSX.

An application has been made to NZX and ASX for permission to list the Rights and all requirements of NZX and ASX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, neither NZX nor ASX accepts responsibility for the contents of or any statement in this Offer Document.

3.6. ALLOTMENT UNDER THE OFFER

FASTER statements and holding statements for New Shares allotted under the Offer will be issued and mailed as soon as practicable after the Offer closes, but no later than Thursday, 2 July 2009.

Applicants under the Offer should ascertain their allocation before trading in the New Shares. Applicants can do so by contacting the Registrar, whose contact details are set out in the Directory.

Applicants selling New Shares prior to receiving a FASTER statement or holding statement do so at their own risk. None of the Company, the Joint Lead Managers, nor any of their respective directors, officers, employees or advisers, accepts any liability or responsibility should any person attempt to sell or otherwise deal with New Shares before the FASTER statement or holding statement showing the number of New Shares allotted to the Applicant is received by the Applicant for those New Shares.

3.7. APPLICATION MONIES AND REFUNDS

Application Monies received will, until the applicable New Shares are issued, be held in a trust account until those corresponding New Shares are allotted or the Application Monies are refunded. The trust account will be established by the Company solely for the purpose of depositing Application Monies. Interest earned on the Application Monies will be for the benefit of, and remain the property of, the Company and will be retained by the Company whether or not the allotment and issue of New Shares takes place.

The Company reserves the right to cancel the Offer at any time, in which case all Application Monies will be refunded as soon as practicable.

3.8. RIGHTS OF NEW SHARES

New Shares will, from the date they are issued, rank equally with Existing Shares, but will have no entitlement to any dividends with a Record Date preceding the date of allotment of the New Shares.

Each Share confers the right to vote at meetings, subject to any voting restrictions imposed on Shareholders under the Company's Constitution or the NZSX or ASX Listing Rules. On a show of hands, every Shareholder present in person or by proxy or representative has one vote. On a poll, every Shareholder who is present in person or by proxy or representative has one vote for each Share they hold.

Applicants for New Shares will be bound by the Constitution and the terms of the Offer set out in this Offer Document.

3.9. QUOTATION ON THE NZSX AND ASX

An application has been made to NZX and ASX for permission to list the Rights and all requirements of NZX and ASX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, neither NZX nor ASX accepts responsibility for the contents of or any statement in this Offer Document.

Rights trading on the ASX is expected to commence on Friday, 29 May 2009 and cease at the close of business on Thursday, 18 June 2009, and commence on the NZSX on Friday, 5 June 2009 and cease at close of business on Tuesday, 23 June 2009. If you wish to sell your Rights using this method you must do so before close of trading on the relevant exchange. Renunciations must be lodged with the Registrar not later than 7.00 pm (New Zealand time)/5.00 pm (AEST) on Thursday, 25 June 2009.

The New Shares have been accepted for listing by the NZX and will be quoted upon completion of allotment procedures.

The Company will apply for the official quotation of the New Shares on the ASX. Subject to approval being granted, it is expected that normal trading of New Shares issued under the Offer will commence on Thursday, 2 July 2009.

Neither the NZX nor the ASX accepts any responsibility for any statement in this Offer Document.

3.10. PARTICIPATION OF ELIGIBLE AUSTRALIAN SHAREHOLDERS

Eligible Australian Shareholders, being Eligible Shareholders, with a registered address in Australia and who have an entitlement to 50,000 New Shares or fewer, are able to apply for New Shares under the Offer in New Zealand dollars or at the Australian dollar equivalent to the Application Price. The Australian dollar equivalent of the Application Price is A$0.34 per New Share. The actual price paid per New Share will be the lesser of A$0.34 per Share and NZ$0.41 converted to Australian dollars at the exchange rate prevailing on the day of allotment. Refunds (if any) of A$2.00 or greater will be paid to Applicants whilst refunds of A$2.00 or less will be donated to charity.

3.11. TREATMENT OF INVESTORS OUTSIDE AUSTRALIA AND NEW ZEALAND

This Offer Document is being sent to Eligible Shareholders as described in this Offer Document under the heading "Eligibility" on page 16.

The Rights of Ineligible Shareholders will be issued to a nominee who will endeavour to sell those Rights on the NZSX on their behalf and account to such Shareholders for the proceeds of sale of those Rights (net of brokerage costs).

Other than as set out in this Offer Document, this Offer Document may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction other than New Zealand or Australia and no action has been, or will be, taken by the Company which would permit an offer of the New Shares under this Offer Document, or its possession or distribution, in any country or jurisdiction other than New Zealand or Australia.

No person may purchase, offer, sell, distribute or deliver New Shares, or be in possession of, or distribute to any other person, any offering material or any documents in connection with the New Shares, in any jurisdiction other than in compliance with all applicable laws and regulations.

Any person outside New Zealand or Australia who exercises Rights (and therefore applies for New Shares) through a New Zealand or Australian resident nominee will be deemed to have represented and warranted to the Company that the Offer can be lawfully made to their nominee pursuant to this Offer Document.

3.12. UNDERWRITING AGREEMENT

The Company has requested that Deutsche Bank and First NZ Capital (**Underwriters**) underwrite the Offer and the Underwriters have agreed to do so. A summary of the principal terms of the underwriting agreement (**Underwriting Agreement**) is set out below:

- subject to a number of pre-conditions being satisfied, the Underwriters will subscribe (or procure subscription) at the Application Price of $0.41 per New Share for any Shares not subscribed for under the Offer;
- the Underwriters may enter into sub-Underwriting Agreements;
- each Underwriter may terminate its obligations under the Underwriting Agreement on non-fulfilment of any of the conditions to the Underwriting Agreement. Those conditions include the following:
  - the Underwriter being satisfied that there has not been a Material Adverse Event (Material Adverse Event is defined in the Underwriting Agreement, and includes an event or events, or any matter or matters or information which, in the Underwriter's reasonable opinion has or is likely to have a material adverse effect on the Group or its business or prospects, the Offer or the Offer Document, the price at which the Existing Shares are traded, or New Shares will trade, on the NZSX or ASX, the allotment of and payment for the New Shares to be issued, the ability of the Company to issue, or an Underwriter to sell, the New Shares at the Application Price, or acceptance by the Company of valid applications for the New Shares under the Offer, the quotation of the Rights and/or the New Shares on the NZSX and the ASX or the renunciation of the rights through the NZSX and ASX or the sale, transfer or disposition of the New Shares through the NZSX, ASX or otherwise;
  - the Company not breaching any warranty given by the Company under the Underwriting Agreement;
  - there not being a decline in the NZSX50 Index or the S&P/ASX200 Index of 15% or more for 2 consecutive business days between the day immediately prior to the date of execution of the Underwriting Agreement and 5.00 pm on the Allotment Date;
  - there not occurring an increase in the 90 Day Bank Bill Rate in New Zealand of 75 basis points or more or an increase in the 3 year New Zealand government bond rate of 75 basis points or more in each case for a period of at least two business days;

- – the Company confirming on Thursday, 25 June 2009 that all of the warranties given by the Company under the Underwriting Agreement remain true, accurate and not misleading or deceptive, that the conditions have been fulfilled, that it knows of no circumstances which could result in a breach of the warranties or non-fulfilment of the conditions and that it has complied with the Underwriting Agreement; and
- – the Company being in compliance with its renegotiated bank facilities which are summarised in Note 4 to the FY2009 financial statements contained in Appendix I of this Offer Document.

- the Underwriters will be paid an underwriting fee of 2.0% of the total proceeds raised under the Offer (**Underwriting Fee**);
- however, if the Underwriting Agreement is terminated prior to the Allotment Date for non-satisfaction of a condition as a result (or substantially as a result) of any matter, event, act or circumstance within the control of the Company, then the Company is obliged to pay to the Underwriters an early termination fee of 10% of the Underwriting Fee; and
- the Company has agreed to indemnify the Underwriters and persons acting for them in connection with the underwrite against certain losses incurred as a result of the Offer, the allotment of the New Shares or the Underwriting Agreement.

The Company may not, without prior consent of the Underwriters, for a period of six months after the Allotment Date, offer for sale or accept offers for any further Shares or other securities of the Company, issue any further Shares or other securities of the Company or any option entitling the holder to Shares or other securities of the Company, create any debt or other obligation convertible into Shares or other securities of the Company, or enter into any agreement or announce an intention to do any of the foregoing, other than in accordance with certain permitted exceptions.

Warranties given by the Company in the Underwriting Agreement include warranties relating to the content of this Offer Document, compliance by the Company and its Subsidiaries with relevant laws, the existence of no material litigation or Material Adverse Event (as defined in the Underwriting Agreement), the valid issue and allotment of New Shares.

3.13. BROKER STAMPING FEES

No investor will pay brokerage on the exercise of the Rights or as a subscriber for New Shares under the Offer.

A stamping fee of 0.5% of Application Monies on New Shares allotted will be paid to NZX Primary Market Participants and ASX Stockbrokers (being those entities named as full service (advisory) brokers or non-advisory brokers on the ASX website) who submit a valid claim for a broker stamping fee on successful Applications, subject to a fee limit of $100 for each such Application. The aggregate fee payable on all successful Applications will be limited to $200,000. In the event the total stamping fees payable exceed $200,000, the stamping fee payable per successful Application will be scaled back on a pro-rata basis. This fee will be met by the Underwriters. Details of the claims process are to be separately communicated.

If you sell or purchase Rights or sell your New Shares, you may be liable for normal brokerage fees.

3.14. NO GUARANTEE

No person named in this Offer Document (including the Company, its Subsidiaries, the Underwriters, Haier or any of their respective directors, officers or employees) or any other person guarantees the New Shares or promises any amount of return on the New Shares quantifiable as at the date of this Offer Document, or that any distribution will be paid on the New Shares, or that the Application Price per New Share will be recovered by investors.

3.15. TAXATION IMPLICATIONS RELATING TO THE OFFER

The taxation implications relating to the Offer are set out in this Offer Document under the heading "What returns will I get?" on pages 58 to 61. Those comments relate only to New Zealand and Australian taxes and are based on tax legislation current at the date of this Offer Document. Investors should consult their own tax advisors concerning the taxation implications, in their particular circumstances, of acquiring, holding and/or disposing of the Rights or the New Shares.

4

Action to be taken by Eligible Shareholders

Action to be taken by Eligible Shareholders

4.1. AVAILABLE ACTIONS

If you are an Eligible Shareholder, accompanying this Offer Document is an Entitlement and Acceptance Form showing the number of New Shares which you are entitled to subscribe for under the Offer. If you would like to exercise your Rights you must do so on the Entitlement and Acceptance Form.

Applications for exercise of Rights (and issue of New Shares) cannot be revoked or withdrawn.

You may take one of the following actions in respect of your entitlement:

- ACCEPT ALL or PART of your Rights in full;
- SELL ALL or PART of your Rights in full;
- ACCEPT PART of your Rights and SELL the balance; or
- do NOTHING with ALL or PART of your Rights. IMPORTANT: If you do nothing with your entitlement, your Rights will lapse and you will not be able to subscribe for any New Shares or realise any other value for your Rights. Your Rights should have value. The Directors recommend that you accept either all or part of your Rights, or sell some or all of your Rights on the NZSX or ASX.

4.2. ACCEPTING YOUR ENTITLEMENTS

Eligible Shareholders who wish to ACCEPT ALL or PART of their Rights should return their completed Entitlement and Acceptance Form to the Registrar by no later than 7.00 pm (New Zealand time)/5.00 pm (AEST) on Thursday, 25 June 2009 (the **Closing Date**). Payment may be made by following the instructions set out on the Entitlement and Acceptance Form.

Returning a completed Entitlement and Acceptance Form will be taken to constitute a representation by the Eligible Shareholder that they:

- Have received a printed or electronic copy of this Offer Document accompanying the Entitlement and Acceptance Form and have read them in full;
- Declare that all the details and statements in the form are complete and accurate;
- Acknowledge that once the Entitlement and Acceptance Form is returned, the application may not be varied or withdrawn except as required by law;
- Agree to be issued the number of New Shares they applied for; and
- Authorise the Company and the Joint Lead Managers and their officers and agents to do anything on their behalf necessary for New Shares to be issued to them, including to act on instructions received by the Registrar using the contact details in the Entitlement and Acceptance Form.

Eligible Shareholders may elect to apply for all, some or none of the New Shares offered to them under the Offer.

4.3. SELLING YOUR ENTITLEMENTS

The Rights are renounceable. This enables Shareholders who do not wish to take up all or part of their entitlement to sell those Rights not taken up.

If you wish to sell ALL or PART of your Rights, this can be done on the NZSX or ASX by instructing an NZX Primary Market Participant or ASX stockbroker to sell the number of Rights specified on the Entitlement and Acceptance Form. If you wish to sell your Rights on the NZSX, you will need to provide both your FASTER identification number (**FIN**) and your Common Shareholder Number (**CSN**). If you wish to sell your Rights on the ASX, you will need to provide your shareholder reference number (**SRN**).

Trading of Rights will commence on the NZSX on Friday, 5 June 2009 and will cease at 5.00pm on Tuesday, 23 June 2009. Trading of Rights will commence on the ASX on Friday, 29 May 2009 and will cease at 5.00 pm AEST, Friday, 19 June 2009. Your Rights may be sold on the NZSX and ASX between these dates should you choose not to subscribe for your full entitlement. If you wish to sell your Rights using this method you must do so before close of trading on the relevant exchange. Renunciations must be lodged with the Registrar not later than the Closing Date (being 7.00 pm (New Zealand time)/5.00 pm (AEST) on Thursday, 25 June 2009).

4.4. ACCEPTING PART OF YOUR ENTITLEMENT AND SELLING THE BALANCE

There is no minimum number of New Shares which you must subscribe for under the Offer. You may accept as much or as little of your Rights as you wish. If you wish to ACCEPT PART of your Rights and SELL THE BALANCE, you should:

- instruct an NZX Primary Market Participant or ASX stockbroker to sell the number of Rights you wish to renounce (further details on renouncing the Rights are provided in this Offer Document above under the heading "Selling your entitlements"); and
- indicate the number of New Shares you wish to apply for in the Entitlement and Acceptance Form and send your completed Entitlement and Acceptance Form, together with payment for the number of New Shares applied for, directly to the NZX Primary Market Participant or ASX stockbroker through whom you sold your Rights.

If the Company receives, on or before the Closing Date (being 7.00 pm (New Zealand time)/5.00 pm (AEST) on Thursday, 25 June 2009), both an acceptance and a renunciation by a Shareholder in respect of the same Rights, effect will be given to the renunciation in priority to the acceptance.

4.5. INSTRUCTIONS ON HOW TO ACCEPT YOUR ENTITLEMENT

If you are an Eligible Shareholder, then follow the steps below if you wish to accept all or part of your Rights under the Offer.

Step	Instructions
1 Complete forms	• Complete and sign the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of the form • If you wish to apply for a lesser number than your entitlement, you must indicate on the form the number of New Shares you wish to apply for
2 Attach payment	• Attach your cheque or bank draft in New Zealand dollars for Eligible Shareholders, or Australian Dollars for Eligible Australian Shareholders who have an entitlement to 50,000 New Shares or fewer drawn on and payable at a registered bank for the relevant jurisdiction for the amount of the Application Monies, payable to "FPA Rights Offer" and crossed "Not Transferable" • Cheques must not be post-dated • Please do not send cash • Receipts for payment will not be issued • If you do not indicate the number of New Shares for which you wish to subscribe, or there is a discrepancy between the amount of the cheque or bank draft and the number of New Shares indicated, the Company will treat you as applying for as many New Shares as your cheque or bank draft will pay for • The Company reserves the right to accept or reject any Entitlement and Acceptance Form which is not completed correctly, and to correct any errors or omissions on any Entitlement and Acceptance Form
3 Return forms	• Return your completed Entitlement and Acceptance Form and your cheque or bank draft in the enclosed business reply envelope or hand deliver it • In the case of New Zealand shareholders: FPA Rights Offer c/- Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Private Bag 92119, Auckland 1142, New Zealand • In the case of Australian shareholders: FPA Rights Offer Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, GPO Box 52, Melbourne, Victoria 8060, Australia • For Eligible Shareholders, Entitlement and Acceptance Forms, together with Application Monies, may also be lodged with any NZX Primary Market Participant, provided that Applicants must deliver their Forms in time to enable the Entitlement and Acceptance Form to be forwarded to the Registrar before the Closing Date (being 7.00 pm (New Zealand time)/ 5.00 pm (AEST) on Thursday, 25 June 2009)
4 As soon as possible	• Please lodge your Entitlement and Acceptance Form AS SOON AS POSSIBLE • Applications received after the Closing Date (being 7.00 pm (New Zealand time)/5.00 pm (AEST) on Thursday, 25 June 2009) will not be accepted unless the Company determines otherwise
5 Important information	• Applications cannot be revoked or withdrawn • If an Applicant's cheque does not clear on presentation, any allocation to that Applicant may be cancelled. Any notification of an Applicant's allocation of New Shares is conditional on that Applicant's cheque or payment clearing
6 Further information	• You may wish to contact the offer information line on 0800 100 599 (within New Zealand) or + 64 9 303 2796 (outside New Zealand) if you have any questions about the Offer

5

Business overview

Business overview

The business overview set out in this section is a summary of the Company and of the Group, comprising the Company and its Subsidiaries. References to the "Group" include all Subsidiaries of the Company as at the date of this Offer Document.

This section should be read in conjunction with the further information contained in other sections of this Offer Document, including the information set out in the sections of this Offer Document entitled "Overview of FY2009 and trading update" on pages 38 to 50, "Review of prospective financial statements" on pages 51 to 55, the consolidated financial statements of the Group set out in Appendix I of this Offer Document entitled "Historic financial statements" on pages 82 to 166, the prospective financial statements of the Group, including the assumptions and sensitivity analyses, set out in Appendix II of this Offer Document entitled "Prospective financial statements" on pages 167 to 192 and the description of the risks relating to the business of the Company set out in this Offer Document under the heading "What are my risks?" on pages 61 to 68.

5.1. INTRODUCTION

Fisher & Paykel Appliances Holdings Limited is the New Zealand head-quartered parent company of Fisher & Paykel Appliances Limited and its Subsidiaries (**"Appliances"**) and Fisher & Paykel Finance Holdings Limited and its Subsidiaries (**"Finance"**). The Company is listed on the NZSX and ASX.

Appliances manufactures and markets a full range of refrigeration, laundry, dishwashing and cooking products. Appliances has a proven record of successfully developing innovative new products, which is a key element to its competitive position.

Appliances markets its products to over 50 countries including New Zealand, Australia, the United States of America (**USA**), Canada, Singapore, Pacific Islands and the United Kingdom (**UK**). Australia and New Zealand are Appliances' home markets where it has strong market shares and broad product offerings. In the USA, Europe and Rest of the World, Appliances is generally a higher end niche player.

In recent years, Appliances has been implementing a strategy of relocating manufacturing facilities to lower cost locations with new factories in Thailand and Mexico taking over production from factories in New Zealand, Australia and the USA. This strategy will enable Appliances to compete more effectively both locally and globally.

SIMPLIFIED STRUCTURE

Fisher & Paykel Appliances Holdings Limited

Fisher & Paykel Appliances Limited
FY09 Revenue NZ$1,234.5m
FY09 Normalised EBIT* NZ$55.6m

Fisher & Paykel Finance Holdings Limited
FY09 Revenue NZ$138.0m
FY09 Normalised EBIT* NZ$21.1m

* Normalised Operating Profit before Interest and Taxation

Finance is one of the largest consumer finance companies in New Zealand. It is a leading provider in New Zealand of retail point of sale consumer finance (including through the *Farmers Finance Card*™ and *Q Card*®), insurance services and extended warranties. It also provides rental and leasing finance. Finance has a broad based consumer loan portfolio, although it has no related party or private motor car or property loans.

5.2. APPLIANCES

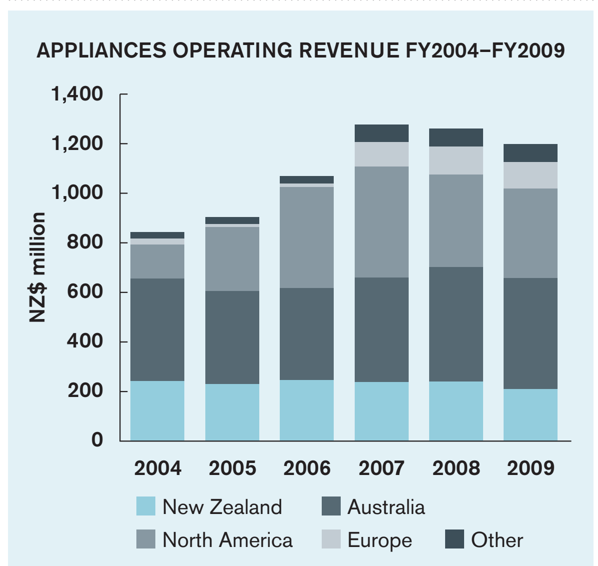
Markets and strategy

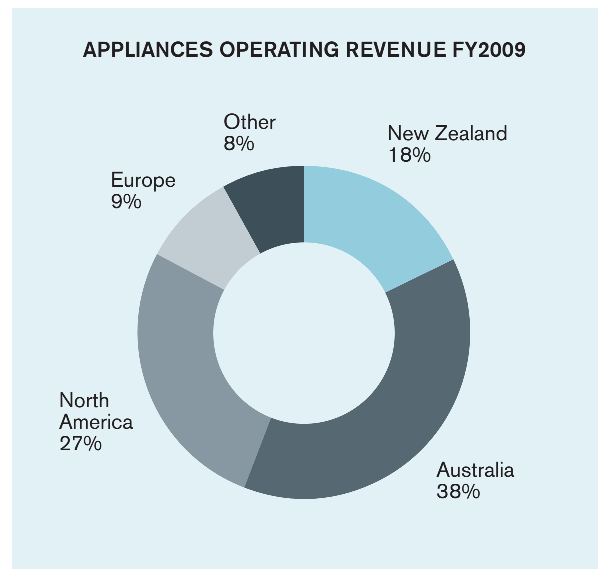
Over recent years, Appliances has accelerated its global expansion, organically and via acquisition of complementary businesses. This expansion was, until the recent adverse global economic conditions, reflected in the significant increase in Appliances' revenues from North America and Europe.

Appliances' product strategy involves utilising its capabilities to innovate and develop new products. Appliances has increasingly focused on the mid to high-end appliance markets under the *Fisher & Paykel*® brand. It has now introduced a second, entry point brand, *Elba by Fisher & Paykel*™, into the New Zealand market with significant success. This has given the Company the confidence to introduce the brand into Australia and North America through selected distributors. Further commentary on Appliances' markets and strategy is provided below.

Appliances supplies products to many OEM customers globally. This includes products sold under the DéLonghi brand globally, under the Kenwood brand in the UK, under the Panasonic and Sanden brands in Japan and under various "house" brands in a number of retail chains in the UK.

In addition, the Company has agreed to work together with its new shareholder, Haier (see the information set out in this Offer Document under the heading "Haier Group" for further information on Haier and the Cooperation Agreement between Haier and the Company). While Haier and the Company are yet to put in place the necessary systems and agreements to start realising the potential benefits, the medium-term impact of this partnership is likely to be wide-ranging in respect of increasing distribution of Appliances' products (under the *Fisher & Paykel*® brand and as OEM product to Haier), increasing Appliances' product range through OEM opportunities with Haier as well as opportunities arising from the potential coordination of sales and marketing, research and development and distribution.





Source: Audited Financial Statements of the Group for the years ended 31 March 2009, 2008, 2007, 2006, 2005, 2004.

*Kenwood and DéLonghi under licence

Softener
Max

Appliances currently operates in five main markets:

New Zealand	**Market**	• A small mature market with strong competition • Key market drivers include replacement, refurbishments, housing starts and immigration • A tight economic environment is expected to result in weaker demand during 2009/2010 • Widening market positioning across all market segments – Asian manufacturers targeting entry level products and low-end price – European brands operate at the premium end of the kitchen market. Have started marketing entry level brands through the builders channel • Beginning to see the emergence of premium technologies (e.g. pyro/induction/auto sensing) • Distribution is dominated by highly concentrated buying groups (e.g. Noel Leeming, Appliance Connection Limited, National Associated Retail Traders of Australia, and Harvey Norman) • Recently there has been an emergence of non-traditional retail channels (e.g. building retailers, The Warehouse, DIYs). Australian retailers continue to grow their New Zealand presence
	Fisher & Paykel	• Appliances is the market leader with recent gains in market share • Appliances offers a full product suite (kitchen and laundry) across all market segments, utilising in-house manufacturing and OEM partners in combination with strong after sales service • Three tier brand strategy – *Fisher & Paykel*® brand targeting the middle to high-end segment of the market – *Whirlpool*® targeting the middle segment of the market – *Elba by Fisher & Paykel*™ low to middle-end segment of the market • Full service model (24/7 customer support) increasingly seen as a point of difference
Australia	**Market**	• A mature, competitive market driven largely by replacements, refurbishments, housing starts and immigration • The cooking market is crowded with multiple brands in the market. European brands tend to be niche and mainly target the high-end segment of the market • Market trending away from independent retailers/buying groups to “big box” retailers (e.g. Harvey Norman, Good Guys and some members of National Associated Retail Traders of Australia) • An increase in the presence of chains and home improvement specialists is expected in the low to middle-end segment of the market
	Fisher & Paykel	• One of the leading brands with a strong market position in whiteware products • Appliances offers a full product suite (kitchen and laundry), primarily in the middle to high-end segment of the market, supported by a strong after sales service (via franchised service application) • Presently a single brand strategy (*Fisher & Paykel*® brand), with a trial for second brand (*Elba by Fisher & Paykel*™): – *Fisher & Paykel*® targeted towards the upper middle segment of the market; – Izona brand introduced in the high-end segment of the market; – *Elba by Fisher & Paykel*™ trial exclusively with Bunnings targeting only the low-end cookware segment of the market • Full service model (24/7 customer support) seen as a point of difference

<table>
<tr><td rowspan="2">North America</td><td>Market</td><td>

- A large open market estimated to be in excess of US$20 billion sales per annum
- A downturn in the housing market combined with a recession in the USA has seen growth slow considerably
- Strong market competition in Canada and the USA:
  - Asian brands continue price pressure with domestic brands responding
- The top three players dominate the low to medium-end segment of the market (Whirlpool, GE and Electrolux)
- Key high-end competitors include Wolf, Sub-Zero, Thermador, Viking, Miele and Bosch
- "Big four" control significant proportion of retail distribution (i.e. Sears, Home Depot, Lowe's and Best Buys)
- Independents are organised into national buying groups

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<tr><td>Fisher & Paykel</td><td>

- Appliances is focused primarily on the high to ultra-high-end segment of the market in Canada and the USA
- A key strategy is to boost volume growth by broadening distribution:
  - Continue to establish new channels through independents and Sears for *Fisher & Paykel*® and *DCS by Fisher & Paykel*™
  - Have launched *Elba by Fisher & Paykel*™ in Sear's Outlet Stores
  - *Fisher & Paykel*® targeting high-end contemporary segment of the market while *DCS by Fisher & Paykel*™ is a high-end traditional styled brand
- From April 2009 *Elba by Fisher & Paykel*™ is targeting the middle to high-end segment of the mass market:
  - Competes with the medium to high priced domestic and Asian brands;
  - *Elba by Fisher & Paykel*™ will be supported by OEM supply to broaden product range

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<tr><td rowspan="2">Europe</td><td>Market</td><td>

- Open market (low tariff), but highly fragmented market by country
- The recession has hit key markets including UK, Italy and Ireland
- Mass market competition is dominated by the big European brands:
  - Electrolux, Bosch/Siemens, Whirlpool, Beko and Arcilek
- High-end brand competitors include Miele, Gaggenau, Wolf, Sub-Zero, Viking and DieDetrich
- Competition from low cost Eastern European countries is putting pressure on the low to middle-end segment of the market (most competitors have established production facilities in Eastern Europe)

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<tr><td>Fisher & Paykel</td><td>

- Appliances product offering covers *DishDrawer*® dishwasher, refrigeration and cooking
- Broad multi-brand approach with *Fisher & Paykel*® positioned at the high-end and *Elba by Fisher & Paykel*™, *DéLonghi*® (under licence) and *Kenwood*® (under licence) positioned at the low to middle-end segment of the market
- Distribution is via independent retailers and some chains in the United Kingdom and Ireland
- Distribution to other areas in Europe (e.g. Scandinavia, Central Europe) is via distributors
- Arcelik has commenced distribution of *Fisher & Paykel*® in Eastern Europe (including OEM *DishDrawer*® dishwasher in Turkey)
- OEM and other brands business (ex Italian factory) sold through distributors, OEM customers and direct to large chains in UK

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<tr><td rowspan="2">Rest of the World</td><td>Market</td><td>

- All countries outside of Australia, New Zealand, North America and Europe
- Competition is typically from a full range of global major appliance manufacturers
- Distribution channels vary on a country by country basis

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<tr><td>Fisher & Paykel</td><td>

- Appliances selectively targets customers where margins are attractive with a primary focus on high to ultra-high-end segment of the market
- Product offering is highly skewed to refrigeration with some cooking and *DishDrawer*® dishwasher
- Key markets include Singapore, Japan, Middle East, Philippines and Africa
- *Fisher & Paykel*® distribution is via a direct operation in Singapore, but primarily via distributors and OEM customers elsewhere

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Global Manufacturing Strategy

In 2005, the Company began implementing its Global Manufacturing Strategy. Initially, the driving rationale for this Global Manufacturing Strategy was to relocate appropriate manufacturing units close to the major markets that Appliances serves, thereby minimising working capital and freight costs. This began with the relocation of the Australian washing machine manufacturing plant to Ohio in the USA.

Subsequently, the New Zealand based washing machine motor plant and one of the clothes dryer lines was relocated to the Ohio facility in the USA. This was followed in late 2007 by the remaining New Zealand laundry manufacturing operations (washing machines and clothes dryers) being relocated to Rayong, Thailand, reflecting a focus on moving production to lower cost countries.

As part of this focus, the Global Manufacturing Strategy was accelerated in 2008 by the acquisition of land and buildings and a side by side refrigerator factory in Reynosa, Mexico and the announcement that manufacturing facilities in Dunedin, New Zealand, Cleveland, Australia and Huntington Beach, USA would be relocated to a combination of existing sites in Rayong, Thailand and Italy, and the new facility in Mexico, where per unit conversion costs (being direct labour, factory overhead and warehouse costs) would be lower.

Since that announcement, Appliances has relocated the New Zealand electronics assembly factory to Thailand. Both the laundry and electronics operations located in Thailand are now fully operational. Increased volumes are expected to be produced through the Thailand site during the 2010 financial year when North American washer volumes are transferred from the Clyde, Ohio facility to Thailand in October 2009. The additional volume throughput for the Thailand facility is expected to further enhance factory efficiencies and conversion costs. Conversion cost savings per unit of products currently being manufactured in Thailand are exceeding expectations. A full year of operational savings is expected in the 2010 financial year.

The planned moves to the Reynosa campus in Mexico are almost complete and the Group continues to ramp up production volumes at that facility. This facility houses manufacturing lines for North American styled side by side refrigerators, *DishDrawer®* dishwashers, cooking products and the full DCS (Dynamic Cooking Systems) product range. The side by side refrigerator line at the Mexican site commenced production in August 2008. Commencement of production of the North American *DishDrawer®* tall dishwasher followed in January 2009 and the relocation of the DCS cooking factory from Huntington Beach, USA to the new facility in Mexico was completed during the 2009 financial year.

Transfer of built-in oven and cooking production from Dunedin, New Zealand to the cooking factory in Italy commenced in December 2008 and is expected to be completed in August 2009, with the transfer of free-standing cooker production. The refrigeration plant transfer from Cleveland, Australia to Rayong, Thailand is progressing well, with the plant presently in transit. The construction of the new facility to house the manufacturing equipment is expected to be completed on schedule and the installation and re-commissioning of the equipment is expected to commence in June 2009. This facility will produce large refrigerators, predominantly for the New Zealand, Australian and North American markets, commencing in August 2009.

The manufacturing relocations to date have been successfully completed without significant disruption to supply. The relocation timetable has been met resulting in the projects completing on time. This has given the Company confidence heading into the remaining manufacturing relocations currently being undertaken in the 2009 calendar year.

The impact of foreign exchange rates

Appliances' foreign currency assets have increased significantly as a result of its Global Manufacturing Strategy. In addition its business has become increasingly exposed to the impact of multi-currency costs and revenues. Appliances is exposed to transactional foreign exchange risks through its cash receipts and payments in foreign currencies and translation foreign exchange risk through its net assets or liabilities that are denominated in foreign currencies.

Appliances has arranged a multi-currency facility that will allow subsidiaries to borrow in the local currencies of their operating assets. This creates a partial, natural hedge of the foreign exchange translation exposure resulting from the revaluation of offshore assets into New Zealand dollars. The rationale for adopting a multi-currency facility is underpinned by the concept of holding debt in countries where it can be secured against net tangible assets but enables Appliances to efficiently utilise surplus funds generated in other countries to cover near term shortfalls in debt servicing capabilities in those local currencies.

The Company intends to enter into financial derivatives to provide a mechanism for the foreign currency interest payments to be serviced from the currencies in which Appliances generates the majority of its revenues.

Outlook and strategy

Forecast financial statements and commentary in respect of the 2010 financial year are set out in the section of this Offer Document entitled "Review of prospective financial statements" on pages 51 to 55 and in Appendix II of this Offer Document entitled "Prospective financial statements" on pages 167 to 192.

The prospective financial statements do not take into account the potential impact of the recently announced intention to partner with the Company's new substantial Shareholder, Haier. At this point in time, Haier and the Company have only a high-level Cooperation Agreement

as to how the companies may work together to access the identified potential opportunities (see the information set out in this Offer Document under the heading "Haier Group" for further detail of Haier and the Cooperation Agreement between Haier and the Company). As a consequence, the impact and timing of the partnership can not be reliably forecasted for inclusion within the Company's forecasts.

Looking beyond the 2010 financial year and aside from the Haier partnership, the Directors believe the Company is well positioned to take advantage of any improvement in economic conditions. The Global Manufacturing Strategy, nearing completion, will allow the Company to produce whiteware products on a more competitive basis as well as offering extra production capacity without significant additional capital cost. The previously announced savings associated with the Global Manufacturing Strategy are being achieved on a conversion cost per product basis and the Company is forecasting an average 33.9% reduction in per unit conversion costs for the 2010 financial year compared with the 2009 financial year.

When sales volumes increase as a result of an economic recovery this will allow the Company to improve its operating margins due to operational leverage of the Company's new lower cost manufacturing platform. After the 2010 financial year end, and with the completion of the Company's announced relocation program, it is expected that there will no longer be a requirement for the large one-off restructuring expenditures outside of normal operating activities. Working capital is expected to return to normal levels during the 2010 financial year from the higher levels required during the relocation of manufacturing facilities.

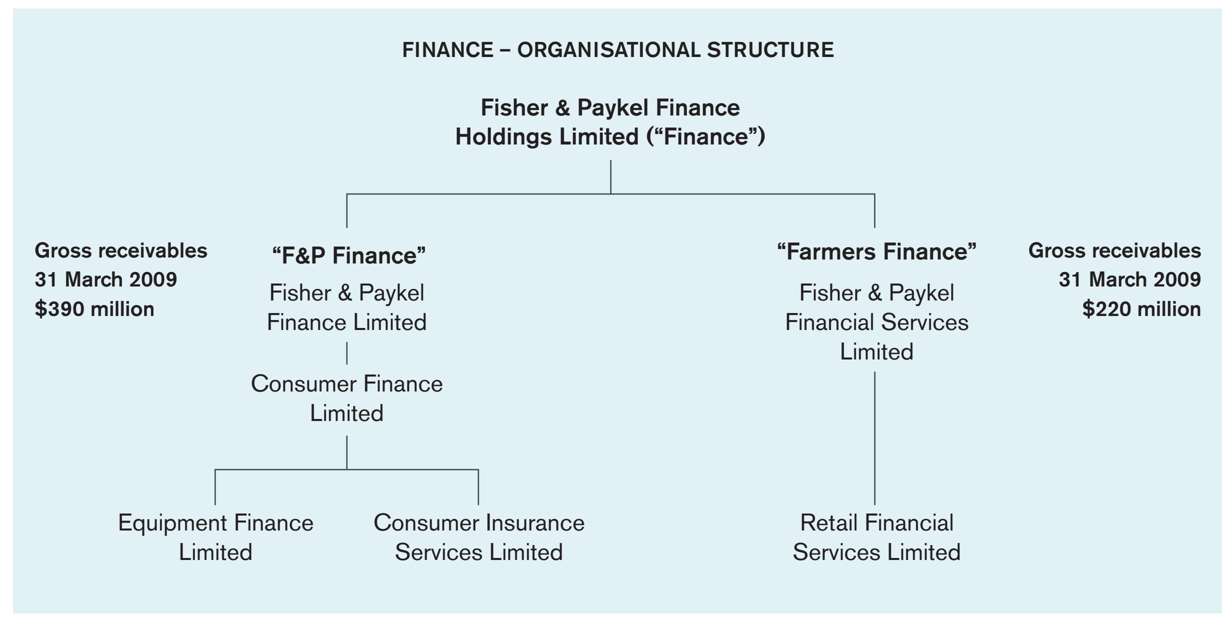
The Company continues to work within each of its major markets to ensure a continuation or improvement of market positions currently held. These include distribution options, product expansion and development and market share goals.

In addition, the Company will seek to identify areas where Appliances' strategies can be enhanced through its partnership with Haier, including by way of rationalisation of distribution and sales or distribution agreements with Haier (involving Haier branded or Appliances branded product).

5.3. FINANCE

The Finance business consists of two separate divisions;

- "F&P Finance" – the original F&P Finance business which was started in 1973 and now includes *Q Card*®, equipment finance, bulk funding, insurance and extended warranty products; and
- "Farmers Finance" – the Farmers Finance business which was acquired in November 2003 and includes the *Farmers Finance Card*™ and Farmers Fixed Instalment Agreements (**Farmers FIA**).



Product range

Finance has a broad based consumer loan portfolio. Its products include the *Farmers Finance Card*™, one of New Zealand's largest private label store cards and the *Q Card*®, a leading non-bank issued fixed instalment and revolving credit card. Finance also offers equipment financing, bulk funding (to Smiths City Group) and insurance and extended warranty products.

Finance has no related party, private motor car or property loans.

The key products/brands within Finance are as follows:

PRODUCTS/ BRANDS	RECEIVABLES (31 MARCH 2009)	DESCRIPTION
Q Card	$251m	• Launched in 2004, *Q Card*® incorporates fixed instalment, flexi payment and revolving credit financing options, with a pre-approved credit limit • *Q Card*® has experienced rapid growth and has over 162,000 active cardholders and is accepted in over 5,800 retail outlets nationwide
efl LTO Rental	$50m	• Finance provides business finance through its Subsidiary Equipment Finance Limited and approximately 300 third party dealers
Consumer Insurance Services Insurance & Extended Warranty	n/a	• F&P Finance insurance and extended warranty business
Smiths City Group Ltd Bulk funding	$85m	• Finance has provided bulk funding to Smiths City Group since 1990
Personal loans	$4m	• Finance withdrew from the personal loan market in 2006
Farmers Finance Card	$197m	• The *Farmers Finance Card*™ has approximately 325,000 active cardholders and is accepted at all Farmers stores and at over 7,800 non-Farmers Trading Company retail outlets
Farmers finance Farmers FIA	$23m	• Finance provides traditional fixed instalment finance to retailers and customers primarily via in-store offerings in Farmers stores • Currently has over 43,000 active credit contracts
Gross receivables	**$610m**	
Less provisions	**($23m)**	
Net receivables	**$587m**	

Governance and risk management

Finance operates independently from Appliances, reporting to a separate board consisting of three members of the Company's board, the Group's chief executive officer and managing director, the Group's chief financial officer and 2 members of executive management of Finance. It operates from a separate location with the majority of its business critical systems in-house.

Monitoring and assessing the risks the business faces, and managing that risk is a key focus of the business. Risks and controls are formally assessed by Finance's executive team, senior management and the Finance board on a regular basis, including internal audit reviews and external auditor consideration of the control environment as part of the annual audit. Enhancements have recently been introduced to a number of these processes as Finance continues to manage its risk profile.

Controls within the Finance business are overseen by a number of internal committees which meet regularly and which are responsible for assessment and proactive management of risk. The key committees are the executive management committee, the asset and liability committee, the credit committee, the pricing committee and the IT steering committee.

Finance maintains a diverse funding base (including wholesale bank funding facilities, retail debentures, a securitisation programme and parent company loans). Further detail of Finance's funding is provided in this Offer Document under the heading "Finance business" on pages 45 to 49. Finance also regularly forecasts future cash flows to assess maturity mismatches in advance and uses financial derivative instruments in its management of residual interest rate exposures.

Finance utilises sophisticated credit processes under the oversight of its credit committee, including credit scorecards, credit checks, business rules and reviews of customer credit history. Wherever appropriate, Finance will take a security interest over assets financed and request guarantees from business proprietors in certain circumstances.

Outlook and Strategy

Forecast financial statements and commentary in respect of Finance in the 2010 financial year is set out in the section of this Offer Document entitled "Review of prospective financial statements" on pages 51 to 55 and in Appendix II of this Offer Document entitled "Prospective financial statements" on pages 167 to 192.

Finance expects that the difficult retail and general economic conditions will continue over the next 12 months with lower levels of lending on consumer credit. Customers will continue to face ongoing pressure to service household debt and increased levels of provisioning are expected to be necessary against a likely increase in the levels of customer contract delinquency.

The diversified funding base, the focus on the management of customer accounts, enhanced credit procedures, and robust governance policies assist Finance to manage the impact of the current economic climate whilst positioning the business to grow when market conditions improve.

5.4. GOVERNANCE

The Board has agreed to appoint two Haier nominees to the Board.

As part of an ongoing process, the Board has conducted a review of its structure and composition including Director succession. The objective of this process has been to ensure continuing proper oversight of the Company while maintaining the benefit of existing Board experience and knowledge.

In respect of the plans of existing Board members:

- Gary Paykel, Chairman, as planned, expects to serve his current term and intends to retire from the Board in 2011;
- Norman Geary, Director, will, as planned, retire at the end of his current term at the 2009 Annual Shareholders' Meeting;
- John Gilks, Director, will seek re-election at the 2009 Annual Shareholders' Meeting, and serve one more term; and
- Ralph Waters, Director, has requested to retire at a time convenient to the Company and before the end of the 2009 calendar year due to impending additional board duties elsewhere.

Earlier in the year, the Company engaged an international search consultant to identify potential new Directors. As a consequence of this engagement, several Board candidates have been identified as potential replacement Directors.

5.5. HAIER GROUP

Overview

Haier is a global company and is the Chinese most valuable brand in the world. Haier is a leading global manufacturer of household appliances and consumer electronic products. Its core product categories include refrigerators/freezers, water heaters, washing machines, dishwashers, televisions, mobile phones and personal computers. The company also has a diverse range of other interests including banking, financial services, insurance, software and real estate. The company has over 60,000 employees and operates 16 industry parks worldwide. In 2008 Haier reported sales of approximately RMB122bn (US$17.5bn) across all its divisions and was an official sponsor of the Beijing Olympic Games. Haier controls two publicly listed companies, Qingdao Haier Co. Ltd, a company listed on the Shanghai Stock Exchange, and Haier Electronics Group Co. Ltd, listed on the Hong Kong Stock Exchange.

Ownership interest in the Company

The Company and Haier have entered into a subscription agreement whereby Haier has agreed to subscribe for an initial placement of Shares, participate in full in the Offer in respect of Shares acquired under that placement, sub-underwrite a portion of the Offer and potentially participate in a top up placement, resulting in an ownership interest of 20% in the Company.

Haier will participate in the Equity Raising as follows:

- Haier will subscribe for $46.5 million Placement Shares under the Haier Initial Placement at a price of $0.80 per Placement Share, representing a 16.67% interest in all Shares on issue following that placement;
- Haier will participate in the Offer in respect of its 16.67% interest in the Company received under the Haier Initial Placement at a price of $0.41 per New Share and will be a sub-underwriter of the Offer. Haier will not receive a sub-underwriting fee; and
- Haier will subscribe for up to $11.9 million Shares under the top up placement (the **Haier Top Up Placement**) at a price of $0.41 per Share, consisting of a top up placement of the number of additional Shares required to increase Haier's shareholding in the Company to a 20% interest.

Haier's total capital investment in the Company will be between $79.8 million and $82.2 million.

Cooperation Agreement

The Company and Haier have also entered into a Cooperation Agreement to work together on a number of initiatives for the benefit of both companies. The Cooperation Agreement is based on the following principles:

- sharing of market resources
- development of superior domestic appliance products and solutions for both companies' customers
- undertaking of joint business, corporate and product planning and development on a global basis to leverage, complement and enhance both companies' technical strengths
- coordination of both companies' global manufacturing resources to lower production costs
- optimising of the companies' sourcing of finished products, components, materials and machinery with a view to reducing procurement costs

Specific terms within the Cooperation Agreement contemplate:

- Haier's exclusive marketing and distribution of *Fisher & Paykel*® brand products in China, and the Company's exclusive marketing and distribution of *Haier*® brand products in Australia and New Zealand
- Sharing of respective market resources and utilisation of OEM/ODM services provided by each party in Europe, the Americas and other markets
- Coordination and sharing of procurement resources to leverage on each parties' purchasing competitive advantage to reduce procurement costs
- Jointly formulating annual development plans and coordination of planning and development work teams with a view to global cooperation
- Sharing of worldwide manufacturing facilities through extended OEM arrangements (i.e. Haier manufactured/*Fisher & Paykel*® branded appliance products or vice versa) and sharing of technical expertise in manufacturing
- Cooperation of after-sales services on a global basis

Significant work remains to further develop the principles of the Cooperation Agreement into actionable business plans and delivery of tangible financial benefits. However, the Directors are confident that the partnership with Haier is an exciting opportunity for the Company to create significant value for its shareholders, including in light of the potential of the European style high-end market in China having an estimated 2.2 to 2.4 million unit sales per annum.

The Board has agreed to appoint two Haier nominees to the Board.

Fisher&Paykel

6

Overview of FY2009 and trading update

Overview of FY2009 and trading update

This section of the Offer Document contains a commentary on the annual financial statements (audited) for the years ended 31 March 2008 and 31 March 2009 for the Group, set out in Appendix I of this Offer Document.

A reconciliation of the reported Group Profit After Taxation to the Normalised Group Profit after Taxation amounts referred to in this section of the Offer Document is set out at page 40.

Financial statements for the Group, comprising the Company and its Subsidiaries, for earlier years are available as part of the Annual Reports for the Company on the Company's website, www.fisherpaykel.co.nz. The annual financial statements for the Group are also available from the Companies Office, www.companies.govt.nz.

6.1. REVIEW OF GROUP RESULTS

Normalised Group Profit after Taxation for the year ended 31 March 2009 was $33.8 million. Slowing consumer demand as a direct result of the global financial crisis significantly impacted sales in the second half of the financial year. Normalised Group Profit after Taxation for the second half of the year was $11.4 million compared to $22.4 million for the first half.

One-off costs associated with implementing Appliances' Global Manufacturing Strategy amounted to $48.8 million after tax ($66.6 million before tax).

Other one-off costs, which were substantially non cash charges associated with the impairment of intangible assets, amounted to $80.3 million after tax ($85.7 million before tax), net of profits on the sale of New Zealand properties of $8.4 million after tax ($7.1 million before tax).

After deducting one off costs, the Group reported a Loss after Taxation of $95.3 million.

The Global Manufacturing Strategy commenced in 2005 is substantially complete with the relocation of the refrigeration plant from Cleveland, Australia to Rayong, Thailand presently in transit and production due to commence in August 2009.

Appliances experienced difficult trading conditions in all markets. Given the adverse trading conditions arising as a result of the global financial crisis, progress made to date has been pleasing, especially in the following areas of the business:

- Continued execution of the Global Manufacturing Strategy during the year with the completion of the DCS move from Huntington Beach, USA to Reynosa, Mexico.
- Successful commissioning of the new *DishDrawer*® tall dishwasher production line at Reynosa, Mexico.
- Unit product conversion cost savings from the Thailand facility exceeding initial expectations.
- Completion of the temporary stock build to facilitate relocation of the refrigeration line from Cleveland, Australia to Rayong, Thailand. The move is anticipated to be completed in August 2009.
- Realigned staffing levels in all areas of the business to reflect current and anticipated future demand.
- Progress in the cost out programme including improvement in internal costs, raw materials costs and freight.
- Successful renegotiation of Appliances' banking facilities with a view to overall deleveraging.

The Group believes that Appliances is well positioned to build on the foundation it has put in place in FY2009 in terms of new lower cost manufacturing facilities, efficient production capabilities, leaner staffing levels and increased distribution prospects.

The newly configured *DishDrawer*® tall dishwasher product in the North American market has been warmly received by both retailers and consumers. The *DishDrawer*® tall dishwasher offers features and benefits previously unavailable in the dishwasher drawer category and the Group has high expectations for future sales levels in respect of this product.

The Finance business delivered a satisfactory result especially given the uncertainty within the New Zealand economy. New term funding facilities have been secured and the level of retail debentures have increased, improving funding headroom.

Group Financial Performance

The result is summarised in the table below.

	YEAR		6 MONTHS	
	31 Mar 2009 (Audited)	31 Mar 2008 (Audited)	**31 Mar 2009 (Unaudited)**	30 Sep 2008 (Unaudited)
	NZ$000	NZ$000	**NZ$000**	NZ$000
Total Revenue and Other Income				
Appliances Business	**1,234,522**	1,282,372	**605,743**	628,779
Finance Business	**138,043**	123,973	**69,752**	68,291
Normalised Operating Profit before Interest and Taxation				
Appliances Business	**55,570**	83,264	**22,387**	33,183
Finance Business	**21,086**	26,888	**9,514**	11,572
	76,656	110,152	**31,901**	44,755
Costs associated with implementing the Global Manufacturing Strategy	**(66,615)**	(18,263)	**(25,417)**	(41,198)
Redundancy costs	**(2,737)**	–	**(2,737)**	–
Debt restructuring costs	**(2,467)**	–	**(2,467)**	–
Impairment losses	**(69,688)**	–	**(69,688)**	–
Fair valuation of non-current assets held for sale (East Tamaki Site)	**(6,725)**	–	**(6,725)**	–
Profit on sale of land & buildings (Appliances Business)	**7,140**	5,021	**7,140**	–
One-off costs associated with the proposed sale of the Finance Business	**–**	(2,335)	**–**	–
Reported Operating Profit/(Loss) before Interest and Taxation	**(64,436)**	94,575	**(67,993)**	3,557
Interest Excluding Finance Business Operating Interest	**(29,565)**	(21,566)	**(16,411)**	(13,154)
Interest Rate Hedge Ineffectiveness	**(11,232)**	–	**(11,232)**	–
Profit/(Loss) before Taxation	**(105,233)**	73,009	**(95,636)**	(9,597)
Income tax expense/(credit)	**9,979**	(18,797)	**7,729**	2,250
Group Profit/(Loss) After Taxation	**(95,254)**	54,212	**(87,907)**	(7,347)
Normalised Group Profit After Taxation	**33,780**	65,545	**11,385**	22,395

Reconciliation of Reported Group Profit/(Loss) After Taxation to Normalised Group Profit/(Loss) After Taxation

Reported Group Profit/(Loss) After Taxation	**($95,254)**
Less: Taxation Credit	($9,979)
Group Profit/(Loss) Before Taxation	($105,233)
Add back:	
Costs associated with implementing Global Manufacturing Strategy	$66,615
Redundancy costs	$2,737
Debt restructuring costs	$2,467
Impairment losses	$69,688
Fair value of non-current assets held for sale	$6,725
Interest rate hedge ineffectiveness	$11,232
Less:	
Profit on sale of land and buildings	($7,140)
Normalised Profit Before Taxation	$47,090
Less: Normalised Taxation	($13,310)
Normalised Group Profit/(Loss) After Taxation	**$33,780**

Operating Profit

The Group recorded Normalised Operating Profit before Interest and Taxation for the year of $76.7 million, down 30.4% on the previous year. The second half of FY2009 was substantially more difficult, resulting in Normalised Operating Profit before Interest and Taxation of $31.9 million (prior comparative period $53.9 million) compared to $44.8 million (prior comparative period $56.2 million) for the first half. This reversal was primarily driven by the rapid deterioration in global economic conditions and the resulting decline in sales volumes experienced in the second half of FY2009. The various cost out initiatives, including staffing and variable cost reductions, took time to implement and put pressure on operating margins across all areas of the business.

Asset Impairment and Fair Valuation Adjustments

The Group recorded a number of one-off asset impairments and fair valuation adjustments which significantly impacted its bottom line performance prior to normalisation. Goodwill of $69.7 million before tax which was attached to the Italian factory was fully impaired as a non-cash charge. This was due to uncertainties in forecasting future earnings for the Italian operation which has experienced significantly reduced demand as a result of European consumer weakness. Its earnings were negatively impacted by the global slow down, especially in its principal market, the United Kingdom, and currency fluctuations which have adversely affected its pricing competitiveness.

Similarly the East Tamaki complex has been written down to the net value likely to be realised on the sale and lease back of the property. This resulted in a non-cash impairment of $6.7 million before tax.

Debt Restructuring

One-off costs associated with the Group's $80 million interim bank facility amounted to $2.5 million before tax.

Interest rate derivatives for USD, EUR and THB borrowings no longer met the strict criteria for hedge accounting at year end ahead of the restructuring of the Group's total debt facilities in May 2009. This resulted in a $11.2 million charge before tax.

Revenue

In New Zealand dollar terms, Total Revenue and Other Income decreased by $33.8 million (2.4%) to $1,372.6 million for FY2009.

Appliances' revenue (excluding sales of service) at $1,213.5 million in FY2009 was down 4% compared to $1,268.0 million in FY2008. Until September 2008, total Appliances' operating revenues were essentially flat when compared to the previous financial year, with growth in Australia offsetting lower revenues in all other markets. Between September 2008 and March 2009 non-service revenues decreased by 5.4% due to a significant reduction in volumes in the three major markets of Australia, the United States and New Zealand. The depreciation of the New Zealand dollar partially offset the effect of declining sales volumes in all markets.

Finance operating revenue increased by 11% compared to the corresponding year. This was a result of improved interest income yields and the introduction of card fees.

TOTAL REVENUE AND OTHER INCOME	YEAR		6 MONTHS	
	31 Mar 2009	31 Mar 2008	**31 Mar 2009**	30 Sep 2008
	NZ$000	NZ$000	**NZ$000**	NZ$000
Appliances Business				
New Zealand	**212,444**	241,730	**101,268**	111,176
Australia	**452,391**	460,230	**222,011**	230,380
North America	**365,397**	378,980	**174,061**	191,336
Europe	**109,987**	112,284	**54,267**	55,720
Rest of World (including Singapore)	**73,261**	74,757	**38,376**	34,885
	1,213,480	1,267,981	**589,983**	623,497
Appliances Business Sales of Service	**9,133**	7,835	**4,854**	4,279
Finance Business	**136,918**	123,893	**68,666**	68,252
Other Income	**13,034**	6,697	**11,992**	1,042
Total Revenue and Other Income	**1,372,565**	1,406,406	**675,495**	697,070

Cash Flow

Cash flow from operating activities for FY2009, before extending additional loans to Finance business customers was $9.4 million compared to $83.7 million for the previous year, however this was affected by a number of one-off items.

The stock build at 31 March 2009 absorbed operating cash of $76.0 million. This was partially offset by the operating cash flows of $20.8 million realised from the sell down of the stock build at 31 March 2008 to accommodate the now completed relocation of the East Tamaki laundry factory.

Capital Expenditure and Depreciation

Appliances' capital expenditure at $71.8 million was as planned and primarily related to implementing the Global Manufacturing Strategy. Pursuant to Appliances' Renegotiated Debt Facilities (described in this Offer Document in Note 4 to the FY2009 financial statements contained in Appendix I to this Offer Document on pages 99 to 100), Appliances' capital expenditure for FY2010 to FY2012 is capped at the Company's budgeted levels.

Capital expenditure during FY2009, in cash flow terms, and Depreciation and amortisation charges were as follows in the tables below.

Dividend

Under the Renegotiated Debt Facilities the Group is not permitted to make distributions to shareholders until the Amortising Facility has been repaid in full and the Company has satisfied certain conditions (including that the total leverage ratio is less than 3 times). The Amortising Facility is scheduled to be repaid in full by 30 April 2010. Accordingly, there will be no final dividend for the year ended 31 March 2009. The total dividend for the year ended 31 March 2009 remains at 5 cents per share (18 cents for the previous corresponding period), being the amount of the interim dividend which was paid on 19 December 2008.

The Directors do not expect to pay a dividend during FY2010. Following the full repayment of the Amortising Facility and provided the total leverage ratio is less than 3 times, the Directors intend to reinstate dividend payments at a time they consider prudent in light of the Company's profitability and balance sheet position. For further detail on the Company's stated dividend policy, refer to the information in this Offer Document under the heading "What returns will I get?" on pages 58 to 61.

CAPITAL EXPENDITURE	YEAR		6 MONTHS	
	31 Mar 2009	31 Mar 2008	**31 Mar 2009**	30 Sep 2008
	NZ$000	NZ$000	**NZ$000**	NZ$000
Appliances Business	**71,768**	45,292	**31,842**	39,926
Finance Business	**2,282**	1,632	**958**	1,324
	74,050	46,924	**32,800**	41,250

DEPRECIATION AND AMORTISATION	YEAR		6 MONTHS	
	31 Mar 2009	31 Mar 2008	**31 Mar 2009**	30 Sep 2008
	NZ$000	NZ$000	**NZ$000**	NZ$000
Appliances Business	**50,625**	42,417	**26,356**	24,269
Finance Business	**7,864**	7,906	**3,945**	3,919
	58,489	50,323	**30,301**	28,188

6.2. APPLIANCES BUSINESS

The Appliances business segmented results for the years ended 31 March 2008 and 2009 were:

	YEAR		6 MONTHS	
	31 Mar 2009	31 Mar 2008	**31 Mar 2009**	30 Sep 2008
	NZ$000	NZ$000	**NZ$000**	NZ$000
Operating Revenue	**1,222,613**	1,275,817	**594,837**	627,776
Normalised Operating Profit before Interest and Taxation	**55,570**	83,264	**22,387**	33,183
Costs associated with implementing the Global Manufacturing Strategy	**(66,615)**	(18,263)	**(25,417)**	(41,198)
Redundancy costs	**(2,737)**	–	**(2,737)**	–
Debt restructuring costs	**(2,467)**	–	**(2,467)**	–
Impairment losses (Italy factory)	**(69,688)**	–	**(69,688)**	–
Fair valuation of non-current assets held for sale (East Tamaki Site)	**(6,725)**	–	**(6,725)**	–
Profit on sale of land & buildings	**7,140**	5,021	**7,140**	–
One-off Costs associated with the proposed sale of the Finance Business	**–**	(1,590)	**–**	–
Reported Profit/(Loss) Before Interest and Taxation	**(85,522)**	68,432	**(77,507)**	(8,015)
Assets Employed	**1,232,237**	1,051,612	**1,232,237**	1,231,016
Operating Margin*	**4.5%**	6.5%	**3.8%**	5.3%

* Normalised Operating Profit before Interest and Taxation to Operating Revenue

Revenues were impacted by slowing global consumer demand. This was partially offset by the decline in the New Zealand dollar. Appliances recorded a 4.2% decline in Operating Revenue to $1,222.6 million for the year. Operating margin narrowed to 4.5%, reflecting a lower level of sales and production output during FY2009.

In the New Zealand and Australian markets competitors have recently lifted prices, as the New Zealand and Australian dollars have depreciated against the USD and input prices have risen relative to revenues generated in those markets. However, the modest increase in pricing is not reflective of the significant devaluation of the Australasian currencies and the Group has experienced tightened operating margins.

Following a price increase put into these markets in September and October 2008 which was not matched by competitors, the Group decided to implement various rebate and bonus activities in order to stay competitive. The recent lift in pricing by opposition brands has allowed these rebates to be reduced and in some cases removed.

Market Reviews

Appliances revenue, by geographic region and local currency, for the full year has been compared to the previous corresponding period in the following table:

		YEAR			6 MONTHS	
		31 Mar 2009	31 Mar 2008		**31 Mar 2009**	30 Sep 2008
		$000	$000	%	**NZ$000**	NZ$000
Appliances						
New Zealand	NZD	**214,435**	242,987	(11.8)	**102,411**	112,024
Australia	AUD	**376,532**	407,907	(7.7)	**186,577**	189,955
North America	USD	**239,339**	287,282	(16.7)	**97,107**	142,232
Europe	EUR	**50,775**	60,224	(15.7)	**23,784**	26,991
Rest of World (incl. Singapore)	NZD	**73,258**	74,757	(2.0)	**38,373**	34,885

All markets experienced a sales level step reduction in the second half of FY2009 (17.5% down on the first half of FY2009). No market was immune to the effects of the global financial crisis although some market share recovery was experienced in both New Zealand and Australia as pricing points were readjusted.

New Zealand

The New Zealand market size reduced 11.5% during the year. Appliances revenue was down 11.8% for the year when compared with the previous corresponding period. The Company has experienced a recovery of market share late in the last quarter due to a more aggressive marketing approach. The *Elba by Fisher & Paykel*™ brand continues to perform well in tight economic conditions. The EDA market share expectations of between 50–55% are maintained and pricing has been targeted to ensure this continues.

The three tier brand strategy to the market with the *Fisher & Paykel*® brand positioned at the mid to high end, the Whirlpool brand complementing in the mid sector and the *Elba by Fisher & Paykel*™ brand at the lower end of the market, is working well with brand presence fulfilling market requirements.

Australia

The Australian market overall continues to decline with sales down 7.7% on the previous corresponding period in local currency terms. Similar to New Zealand, a more aggressive marketing approach in the final quarter resulted in the Group recapturing market share that was previously lost prior to Christmas. The Company continues to be positioned as a premium brand in the Australian market and has maintained its market share.

North America

The *Fisher & Paykel*® and *DCS by Fisher & Paykel*™ brands have performed relatively well in a marketplace that continues to be under severe pressure. Industry sources indicate that the appliances market is down between 10% to 15% on last year, with a greater market size reduction at the high end of the market. The *Fisher & Paykel*® and *DCS by Fisher & Paykel*™ sales collectively were down 12% on the previous corresponding period, and as a result continue to gain market share, particularly in the high end of the market.

The initial reaction to the release of the new *DishDrawer*® tall dishwasher, produced at the Company's Mexican facility, has been favourable. The product is progressively being displayed and marketed throughout the country and the Group expects a sales lift in this product category in FY2010.

Europe/UK

The Group's European sales remain subdued. The weakness of the GBP against the Euro was unhelpful and resulted in reduced margins in the Group's largest European market, the United Kingdom. Despite depressed market conditions in the United Kingdom and Ireland, sales of *Fisher & Paykel*® branded products increased approximately 10% over the previous year in local currency terms.

Asia/ROW

Trading in the Rest of World markets held up well when compared with last year. Asian countries were affected later than other markets by the global financial crisis. The weakening of the New Zealand dollar late in the second half of FY2009 contributed to a more positive revenue number.

Raw Materials

Raw material commodity prices, including steel, plastics, copper and chemicals were at historically high levels during FY2009, however, these were offset by the high New Zealand and Australian dollars. Commodity prices and the New Zealand and Australian dollars fell during the second half of FY2009. The benefits of the lower commodity prices are forecast to be more than offset by the lower New Zealand dollar and delayed by the relocation stock build and excess raw material inventory carried forward into FY2010.

Cost Out

The cost out programme continues to be a major focus for the Group. Staff levels in all departments have been realigned in accordance with the current level of global demand. Salary package reductions of 5% across all salaried staff already implemented during FY2009 will be carried over into FY2010. The relocation of production to lower cost countries as part of the Global Manufacturing Strategy will also provide benefits. These initiatives are expected to deliver significant cost savings on an ongoing basis.

An agreement with the New Zealand Government to participate in the nine day working fortnight scheme has been implemented at the East Tamaki, Auckland refrigeration plant. This arrangement will run in the refrigeration plant for 6 months between April and September 2009, with a saving of approximately 60 redundancies. Under the agreement the scheme is fully flexible and normal working hours can be restored at any time if demand increases.

Capital Expenditure

Capital expenditure during FY2009 was $71.8 million in cash flow terms.

All relocated equipment involved in the Global Manufacturing Strategy has been refurbished prior to transfer and the Group therefore expects maintenance capital required in FY2010 to be reduced.

Post 31 March 2009 Update

Since 31 March 2009, sales across the various regions in which Appliances operates continued in a similar pattern as had been experienced in the second half of the 2009 financial year. Sales during April 2009 were weaker than in the same month in 2008, although still ahead of expectations.

Working capital improved as realisation of the excess stock build associated with the Global Manufacturing Strategy continued in line with expectations. Excess stock as at 30 April 2009 was approximately $54.3 million, compared with a budgeted amount of $59.4 million.

6.3. FINANCE BUSINESS

Despite difficult trading conditions, Finance achieved a satisfactory result for the 12 months to 31 March 2009. Normalised Operating Profit before Interest and Taxation of $21.1 million (compared with the previous year $26.9 million) was driven by 10% growth in interest income due to receivables growth in *Q Card®* and *Farmers Finance Card™*, improved yields, and growth in fee income. However, this income growth was more than offset by significant increases in interest funding costs in both retail debenture funding and increased bank lending margins. Overall net interest margins declined only slightly as the increase in the cost of funds (after incorporating fair value adjustments) was largely offset by improvements in gross yields. Net operating income from Insurance and Extended Warranty declined 16% in the year due to lower levels of instalment credit lending on "big ticket" items.

Operating costs remained stable resulting in a cost to income ratio of 40.1% (compared with 39.6% in the previous period). However, additional bad debt expense of $6.7 million adversely impacted earnings reflecting the higher debt write offs and additional provisioning against increasing levels of delinquencies as consumers face mounting pressure to service their total levels of household debt.

Credit Card receivables grew by over $28.9 million (6.9%) during FY2009 across the *Q Card®* and *Farmers Finance Card™* portfolios. However other receivables, including Farmers Instalment Credit, Equipment Finance, and Bulk Funding contracted resulting in an overall 12 month increase in receivables of $2.4 million. Over the past year there has been a noticeable decline in *Q Card®* structured fixed instalment lending volumes (down 27%) as consumers seek to defer the purchase of "bigger ticket" items and thus avoid increasing levels of longer term debt.

NET FINANCE RECEIVABLES	YEAR		6 MONTHS	
	31 Mar 2009	31 Mar 2008	**31 Mar 2009**	30 Sep 2008
	NZ$000	NZ$000	**NZ$000**	NZ$000
Operating Revenue	**136,918**	123,893	**68,666**	68,252
Normalised Operating Profit before Interest and Taxation* (including operating interest)	**21,086**	26,888	**9,514**	11,572
One off costs associated with the proposed sale of the Finance Business	**–**	(745)	**–**	–
Reported Profit before Interest and Taxation	**21,086**	26,143	**9,514**	11,572
Net Finance Receivables	**587,326**	584,931	**587,326**	582,008

Finance Funding

Finance obtains funding from a number of sources.

F&P Finance sources a portion of its funding ($202.6 million as at 31 March 2009) from the retail debenture market. The retail debentures are first ranking, secured debt instruments with a fixed return and bullet repayment at maturity. As a result of the declining investor confidence in the New Zealand finance sector, Finance experienced a reduction in retail debenture funding over the course of 2008 with the rate of reinvestment becoming inconsistent. In November 2008, Finance was approved to participate in the Crown Retail Deposit Guarantee Scheme for retail deposits, resulting in a significant inflow of funds and an improvement in debenture reinvestment rates to 87% in January 2009. Reinvestment rates however declined following the Company's February announcement in relation to its capital structure and trading performance. Subsequently these rates have increased with the reinvestment rate in April 2009 at 76%.

In addition, F&P Finance sources a portion of its funding under banking facilities ($122.3 million drawn as at 31 March 2009). In September 2008 F&P Finance finalised a $335 million syndicated banking facility

(**Finance Syndicated Facility Agreement**) with three banks, replacing the bilateral banking facilities previously provided by those banks. The Finance Syndicated Facility Agreement comprises tranches of one, two and three year terms of $20 million (one year), $105 million (one year), $105 million (two years) and $105 million (three years) respectively. Finance is able to elect which tranche it wishes to draw down, and has, to date, drawn down on the tranches with the lowest cost of funding. The one year tranches mature in September 2009. If those tranches are not rolled over by the banks or Finance does not seek an extension, Finance will need to draw upon the other tranches.

The Farmers Finance business is funded via an asset backed non-recourse capital markets securitisation programme overseen by Fisher & Paykel Financial Services Limited. Liquidity support for the securitisation programme is provided through a $250 million standby liquidity facility with banks. As at 31 March 2009, the securitisation programme provided funding to Farmers Finance of $216.9 million. The securitisation programme operates under a master trust structure and issues commercial paper into the market. The programme has been assigned a short term A1+ rating by Standard & Poors.

In addition, Finance has equity of $76.8 million as at 31 March 2009 and unsecured parent inter-company loans of $102.8 million as at 31 March 2009 (together $179.6 million as at 31 March 2009).

Finance generates significant cash flows from customer payments. These receipts from customers on their consumer credit contracts exceeded $600 million in both FY2008 and FY2009 and are forecast to exceed $600 million again in FY2010. The nature of Finances' balance sheet receivables is that they amortise over a short period of time compared with other finance companies, as Finance is not exposed to mortgage and property development lending.

Summary

At 31 March 2009, total funding for Finance was $644.6 million. Securitisation represented the largest source of funding (34%), followed by retail debentures (31%).

FUNDING OVERVIEW AS AT 31 MARCH 2009

	Source	Limit ($m)	Amount Drawn ($m)*	% of total funding	Average rate for March 2009	Original Term
F&P Finance	Syndicated Bank Facility	335.0	104.3	16%	8.05%	1, 2 and 3 years
	CBA bi-lateral**	20.0	18.0	3%	4.34%	1 year
	Retail Debentures	–	202.6	31%	9.68%	On call to 5 years
	Parent company subordinated loan	15.0	15.0	2%	5.45%	5 year rolling facility
Farmers Finance	Securitisation Facility	250.0	216.9	34%	6.50%	364 day standby facility
	Parent company loan	–	87.8	14%	6.79%	Revolving facility on demand
Total			**644.6**	**100%**		

*Excludes accrued interest

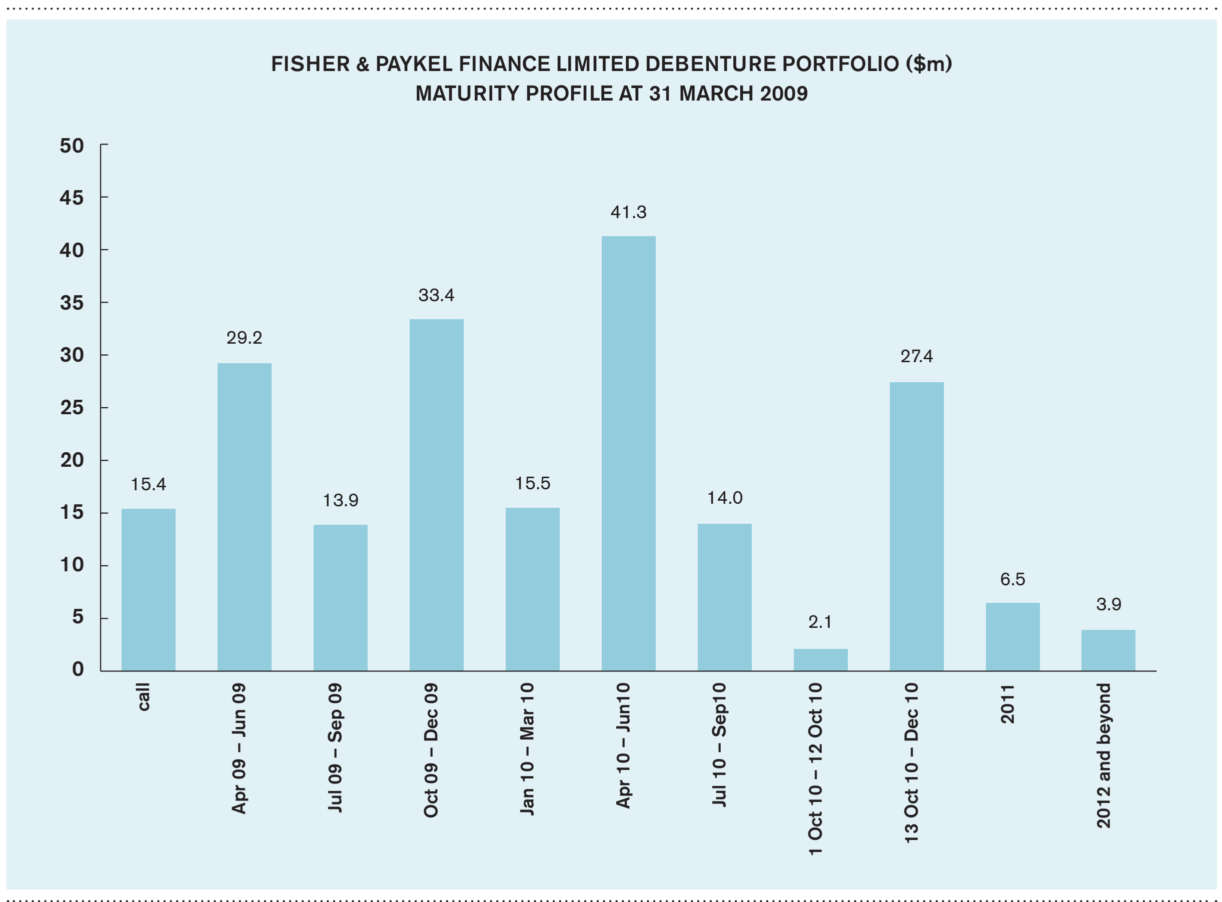
**Matured on 9 April 2009 and was repaid in full

For detailed information on the funding of Finance, refer to notes 7 and 25 in the financial statements of the Group for the year ended 31 March 2009 set out in Appendix I of this Offer Document.

Maturity of debentures

The retail debenture portfolio experienced strong growth after Finance's acceptance into the Crown Retail Deposit Guarantee Scheme on 20 November 2008. At that date the size of the portfolio was $85.1 million. In the period to 31 March 2009 following that approval, Finance's retail debenture funding increased from $85.1 million to $202.6 million.

Since F&P Finance's admission into the Crown Retail Deposit Guarantee Scheme on 20 November 2008, the majority of new investments and reinvestments have been placed for terms maturing prior to the expiration of the Crown Retail Deposit Guarantee Scheme (12 October 2010).



Covenants

F&P Finance is subject to a number of restrictions contained in the debenture trust deed and under the syndicated bank facility. In addition it has adopted a number of internal covenants.

INTERNAL AND EXTERNAL COVENANTS – F&P FINANCE

		AS AT 31 MARCH 2009	
SOURCE	**COVENANT**	**LIMIT**	**ACTUAL**
Debenture Trust Deed	• Total liabilities limit: Total liabilities not to exceed 91% of total tangible assets plus 6.5% of the aggregate of the market worth of public sector and other approved securities	$557.3m	$332.8m
	– maximum additional liabilities	$224.5m	n/a
	• Total secured borrowing limit: Aggregate of the first ranking stock including security stock and the principal amounts secured under prior charges must not be greater than 87.5% total security assets plus 10% of the aggregate of the market worth of public sector and other approved securities	$441.1m	$324.9m
	– maximum additional secured borrowing	$116.2m	n/a
	• Prior charges limit: Cannot exceed 7.5% of total security assets	$29.1m	$0.0m
Syndicated facility documentation	• Liquidity ratio	>=0	$167.8m
	• Interest cover ratio	>=1.10	1.31
	• Minimum capitalisation	>=12.5%	14.10%
	• Concentration exposure	<=5.0%	2.04%
	• First assets impaired test	<=5.0%	3.99%
	• Second assets impaired test	<=7.5%	6.03%
	• Prior charges limit	<=2.5%	0.00%
Internal prudential ratio	• Undrawn committed bank facilities: – Less: committed bank facilities maturing within 3 months – Plus: repayments of finance receivables (0–6 months) – Plus: liquid assets • Must be greater than: – 50% of debenture maturities (0–6 months) – Plus: 100% of uncommitted borrowings – Plus: 100% of debenture call borrowings – Plus: 100% of balance sheet growth (0–6 months)	Must be greater than zero	+$187.1m
Subordinated loan	• None	$15.0m	$15.0m

Source: Finance, loan documents

Note: The minimum capitalisation covenant under the syndicated facility has been calculated with reference to the underlying requirements of the syndicated facility and does not reflect any future changes which may be required by the Reserve Bank of New Zealand.

Furthermore, if the Company ceases business, is placed in administration, receivership or liquidation, has a statutory manager appointed or defaults under the lending agreements of Appliances, then a related person cross default would occur resulting in an Event of Review under Finances' syndicated banking facility. An Event of Review allows the Finance business ten working days to negotiate the terms and conditions required to remedy the Event of Review and if terms and conditions cannot be agreed then an Event of Default occurs. With the exception of this covenant, Finance's banking facilities are independent of those of Appliances. The Company does not guarantee any other obligations of Finance under any of the funding sources listed above.

The Farmers Finance securitisation programme is subject to financial covenants under the trust structure.

KEY COVENANTS – FARMERS FINANCE

		AS AT 31 MARCH 2009	
SOURCE	**COVENANT**	**TARGET**	**ACTUAL**
Key covenants	• Breach if charge off rate greater than 5%	<5%	2.5%
	• Breach if delinquency rate greater than 5%	<5%	1.5%
	• Breach if total portfolio yield is less than the average cost of funds plus 4%* (threshold)	+ve	8.4% above threshold

Source: Finance

*Subsequent to balance date this 4% threshold will increase to 6%

As at 31 March 2009, Finance was in compliance with all these external covenants, along with the internal covenants it had adopted.

Post 31 March 2009 Update

Since 31 March 2009 Finance has continued to experience soft consumer borrowing patterns, as consumers seek to defer purchasing items on credit.

6.4. CAPITAL STRUCTURE REVIEW

The Group has significant overseas operations and Group earnings are highly sensitive to changes in foreign exchange rates. The depreciation in the value of the New Zealand dollar has substantially increased, in New Zealand dollar terms, the value of foreign currency denominated debt as at 31 March 2009.

As a result of the above and the temporary peak of inventory stockbuild required as part of the Global Manufacturing Strategy, the debt to debt plus equity ratio for Appliances has increased beyond the Group's target range of between 25% and 35%, to 45% as at 31 March 2009. This resulted in a notification by the Group to the bankers to Appliances in February 2009 of a material adverse change in trading conditions. Total debt at 31 March 2009 was $517.7 million, which has been classified as current in the financial statements. In February 2009, steps were then taken to consider equity raising which has ultimately led to the current Offer.

In February 2009 the Company provided a trading update to the market detailing trading conditions and also indicating that the Company intended to review its capital structure and examine alternative sources of capital, including the possible issue of equity to a strategic cornerstone investor.

As part of this process, the Company believed it prudent to re-examine its ownership of Finance and invited expressions of interest. While a process is underway, the Company is not currently relying on a successful divestment of Finance to meet debt repayments and, for the purposes of prospective financial statements, is assuming that Finance remains part of the Group. Furthermore, the Directors do not intend to sell Finance unless the Company receives an offer consistent with the Directors' view of value.

On 13 March 2009, the Group entered into a new interim bank funding facility to meet its temporary peak funding requirements. The agreement established a new interim NZ$80 million funding facility, repayable on 29 May 2009, and the waiver of the Group's debt cover and interest cover ratios.

Following the FY2009 balance date, on 27 May 2009, Appliances reached agreement with its banking syndicate in respect of refinancing the debt facilities of Appliances and its Subsidiaries excluding Finance.

In summary, the renegotiated debt package comprises:

- Term loan facility in various currencies aggregating approximately $290 million equivalent with an expiry date of 30 April 2012 (the **Term Loan Facility**)
- Multi currency working capital facility of approximately $50 million equivalent with an expiry date of 30 April 2011 (the **Working Capital Facility**)
- Letter of credit facility with an expiry date of 5 May 2011 (the **LOC Facility**)
- Amortising facility in NZD and AUD aggregating $235 million equivalent with an expiry date of 30 April 2010 (the **Amortising Facility**)

These facilities are described in further detail in Note 4 to the FY2009 financial statements contained in Appendix I and assumption 35 to the prospective financial statements contained in Appendix II. A breakdown of the above facilities in multi-currencies is available in the March 2009 statutory accounts.

In addition to requiring a staged reduction in debt levels, the debt package provides the Company with a significant incentive to reduce debt and raise equity to obtain reductions in interest margins as well as an easing of reporting and financial covenant obligations. In agreeing the debt package all parties were mindful that it is in all parties' interests that the Company retain some flexibility around the necessary steps to reduce outstanding debt and that the targets are achievable. Further discussion of the debt reduction program is detailed in this Offer Document under the heading "Appliances Debt Reduction" on pages 54 to 55.

The Company has entered into a covenant regime with its banking syndicate in respect of its performance relative to its agreed budget. This budget was provided to and agreed with the banks in March 2009, prior to the preparation of the prospective financial statements set out in this Offer Document. As a result of these timing differences, the budget agreed with the banks does differ from the prospective financial statements. However, if the Company performs in accordance with the prospective financial statements then it will meet its agreed budget with its banking syndicate.

7

Review of prospective financial statements

Review of prospective financial statements

The prospective financial statements included in this section are the consolidated group position of Fisher & Paykel Appliances Holdings Limited and its Subsidiaries (the "Group") and include summarised prospective consolidated statements of comprehensive income, financial position, movements in equity and cash flows. Also included are some assumptions for the prospective financial statements and sensitivity analysis. FOR THE FULL PROSPECTIVE FINANCIAL STATEMENTS, ASSUMPTIONS, ACCOUNTING POLICIES AND SENSITIVITY ANALYSIS SEE APPENDIX II OF THIS OFFER DOCUMENT ENTITLED "PROSPECTIVE FINANCIAL STATEMENTS" ON PAGES 167 TO 192.

The prospective financial statements, including the assumptions on which they are based, are the responsibility of, and have been prepared by the Directors. The Directors have given due care and attention to the preparation of the prospective financial statements, including the underlying assumptions.

The prospective financial statements do not take into account the potential impact of the recently announced partnership with the Company's new substantial shareholder, Haier. At this point in time, Haier and the Company have only very recently entered into an agreement as to how the companies may work together to access the identified potential opportunities. Further work is required to develop these potential opportunities into business plans. As a consequence, the impact and timing of the partnership can not be reliably forecasted for inclusion within the Company's forecasts.

Forecasts by their nature are inherently uncertain. They are predictions of future events which cannot be assured. They involve risks and uncertainties many of which are beyond the control of the Company. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. The likelihood of these occurrences is accentuated by the current very volatile global economic environment. Furthermore, various risk factors and the management of those risks (see "Investment Statement Information – Answers to Important Questions" of this Offer Document) may influence the success of the Group's business. Accordingly, actual results will vary from the prospective financial information, and these variations may be significantly more or less favourable. Therefore, the Directors cannot and do not guarantee the achievement of their financial forecasts.

The prospective financial statements were prepared and authorised by the Directors as at 27 May 2009 for use in this Offer Document and not for any other purpose. The prospective financial statements cover the period from 1 April 2009 to 31 March 2010.

There is no present intention to update the prospective financial statements or to publish the prospective financial statements in the future. Investors must consider the assumptions in order to fully understand the prospective financial statements. The Group will report in its FY2010 full year results actual financial results against prospective financial statements in accordance with generally accepted accounting principles and will provide that information to Shareholders on request under section 54B of the Securities Act and regulation 23A of the Securities Regulations.

7.1. GROUP FY2010 OVERVIEW

The Company has forecast a Normalised Group Profit after Taxation for the year ended 31 March 2010 of $32.8 million. This compares to Normalised Group Profit after Taxation for the year ended 31 March 2009 of $33.8 million.

The result is summarised in the table below:

	FY2010 Forecast NZ$m	FY2009 Actual NZ$m	% Change
Operating Revenue and Other Income			
Appliances	1,233.7	1,234.5	(0.0%)
Finance	123.9	138.0	(10.2%)
	1,357.6	**1,372.5**	**(1.1%)**
Normalised EBITDA			
Appliances	118.8	106.1	11.9%
Finance	27.7	29.0	(4.4%)
	146.5	**135.1**	**8.4%**
Normalised Operating Profit before Interest and Tax			
Appliances	68.3	55.6	22.8%
Finance	19.4	21.1	(8.1%)
	87.7	**76.7**	**14.4%**
One-Off Costs before Taxation:			
Costs associated with implementing the Global Manufacturing Strategy	(12.7)	(66.6)	
Redundancy costs	(4.0)	(2.7)	
Debt restructuring costs	(9.1)	(2.5)	
Impairment losses (Italy factory)	–	(69.7)	
Fair valuation of non-current assets held for sale (East Tamaki Site)	–	(6.7)	
Profit on sale of land and buildings (Appliances Business)	3.2	7.1	
External interest expense	(31.0)	(29.6)	4.7%
Interest rate hedge ineffectiveness		(11.2)	
Reported Profit/(Loss) before Taxation	**34.1**	**(105.2)**	
Income Taxation credit/(expense)	(22.4)	10.0	
Group Profit/(Loss) after Taxation	**11.7**	**(95.2)**	
One-offs affecting Group Profit/(Loss) after Tax (tax effected)	21.1	129.0	
Normalised Group Operating Profit after Tax	32.8	33.8	**(3.0%)**

Appliances is forecasting Normalised Operating Profit before Interest and Taxation of $68.3 million. This compares to $55.6 million in FY2009. This 22% forecast improvement in earnings is largely due to significant reductions in conversion costs and implementation of the Global Manufacturing Strategy. This earnings forecast improvement is notwithstanding lower volumes than experienced in FY2009 (i.e. 11.9% reduction when compared to FY2009 volumes) with the low volume experienced in the second half of FY2009 expected to continue through FY2010, albeit with an offsetting positive foreign currency impact.

Finance expects that the difficult retail and general economic conditions will continue in the Prospective Period. Customers will continue to face ongoing pressure to service household debt and further provisioning is expected to be necessary against a likely increase in the levels of customer contract delinquency.

Refer to Appendix II of this Offer Document entitled “Prospective financial statements” on pages 167 to 192 for the full prospective financial statements, assumptions, accounting policies and sensitivity analysis prepared in accordance with FRS-42.

This information should be read in conjunction with the information set out in this Offer Document under the heading “What are my risks?” on pages 61 to 68.

7.2. APPLIANCES DEBT REDUCTION

As at 31 March 2009, Appliances had total outstanding debt of $517.7 million.

The Company believes that a prudent level of debt (excluding Finance) would correspond to less than 2.5x EBITDA (including any cashflow received from Finance). On the basis of the forecast FY2010 Normalised EBITDA of $118.8 million, this corresponds to total net debt of $297.2 million or less.

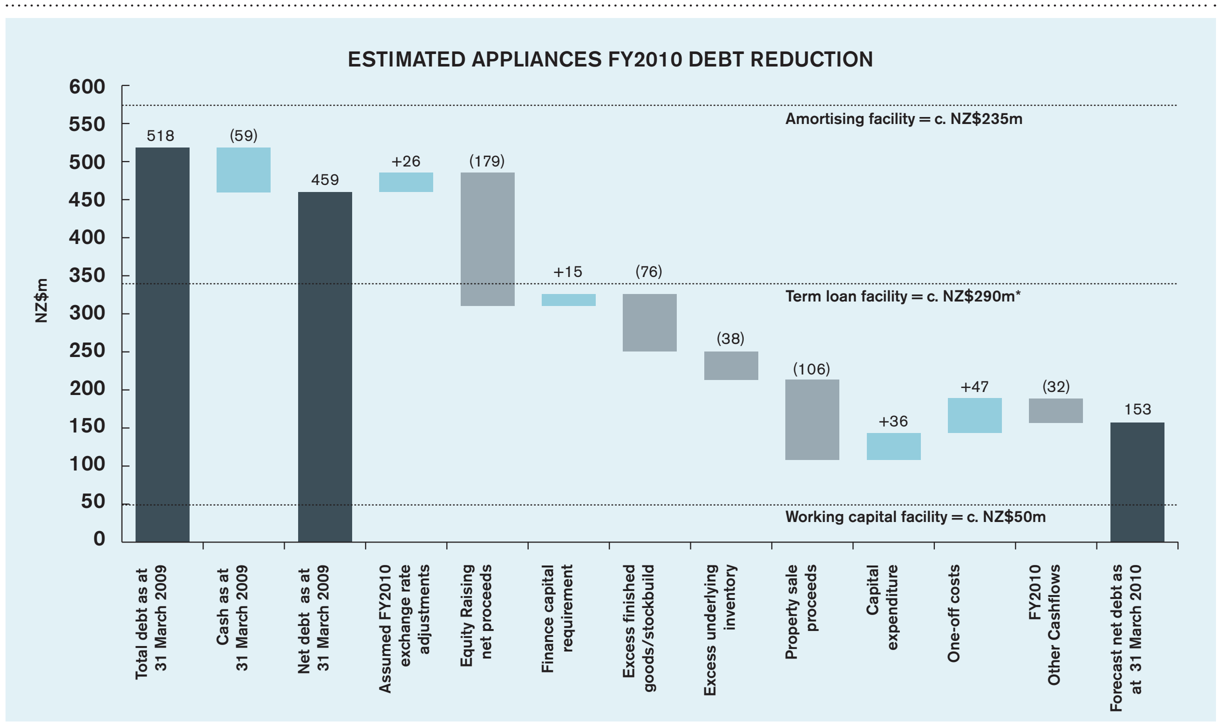
The recently agreed debt facilities provide the Company with a significant incentive to reduce debt so as to reduce applicable interest margins. In addition, while it is not a requirement to raise equity now, by doing so the Company will benefit in terms of applicable interest margins as well as easing its related reporting and financial covenant obligations.

Further detail regarding the terms of the new facilities are set out in Appendix I entitled "Historic financial statements" on pages 82 to 166.

The Company has established a debt reduction program to amortise the current level of debt. Total net debt (excluding Finance) as at 31 March 2010 is estimated to be $153.2 million. This estimate is based on the assumptions as detailed in Appendix II of this Offer Document entitled "Prospective financial statements" on pages 167 to 192 and includes:

- the minimum amount of $189.3 million of capital raised through the Equity Raising;
- planned property sales totalling $96.3 million with the sale of the Cleveland, Australia site and the sale and leaseback of the East Tamaki, New Zealand property (in addition to the $9.3 million proceeds received in April 2009 in respect of the sale of surplus land at East Tamaki, New Zealand); and
- reduction in inventory of $113.7 million, comprising utilisation of finished goods stockbuild (approximately $76.0 million expected to be completed by the end of September 2009), and a steady reduction in excess raw materials of approximately $37.7 million during FY2010 as the Company adjusts to the current level of output and the benefits of the factory relocations flow through.

Further detail of the property sales and the reduction in inventories is provided below. It should be noted that it is assumed that Finance is not sold, notwithstanding the process referred to under the heading "Capital structure review" on pages 49 to 50.



*Based on foreign exchange rates as at 1 May 2009. Applying assumed FY2010 foreign exchange rates (as per Appendix II), the Term Loan Facility size would be c. $310m.

The Company has agreed a series of debt repayments with its banking syndicate as set out in Appendix I on pages 99 to 100. However, the amount and timing of such payments has enabled the Company to retain a degree of flexibility and the Company believes it should be able to meet these obligations in a timely manner through a combination of the proceeds of the Equity Raising, the property sale processes currently underway and the on-going reduction in working capital. With respect to the asset sales, the Company does not need to sell all the assets currently being offered or considered for sale to meet its repayment obligations.

Excess finished goods (stock build) inventory	• To ensure continuity of supply while the manufacturing plant is relocated, the Company has built stock levels in excess of normal levels. The excess finished goods inventory was approximately $76 million at 31 March 2009 and was chiefly refrigeration inventory required to meet the needs of the Australian market. At the end of April 2009, excess finished goods were approximately $54.3 million with the reduction of excess inventory forecasted to be largely completed by the end of September 2009
Excess underlying inventory	• The Company has identified that underlying raw materials and finished goods inventory has been operating at inflated levels through the end of FY2009. This increase has been as a result of: – Opening of the Thai manufacturing operation; – Purchase of the Mexican operation; – Inventory build to support the manufacturing relocation; – The Company's response to the market (i.e. delaying the introduction of North American refrigeration production now to be sourced from Thailand and the early closure of the Dunedin manufacturing operation); and – Temporary disconnect between sales volumes and purchase order quantities driven by length of order lead times. • This excess is expected to be reduced through FY2010 with a reduction of approximately $37.7 million spread across the year and further reductions expected in FY2011, particularly in North America. These reductions are principally driven by localisation of supply (e.g. sourcing raw materials locally in Thailand and Mexico), outsourcing, the elimination of the surplus inventories brought about by the factory relocations and commissioning of new production lines and the adjustment of ordering levels to reflect current production levels
Potential sale of property	• The Company is currently conducting sales processes in respect of two properties – the manufacturing site in Cleveland, Queensland and the site at East Tamaki, Auckland • The Cleveland property was previously the site of the Company's manufacturing operations with the factory having been finally closed and the manufacturing lines removed in April 2009. This asset is now surplus to the Company's requirements and ready for sale • The East Tamaki property is the current site of the remaining New Zealand manufacturing operations and its corporate headquarters. However, given the relocation of much of the Company's manufacturing, some of the site is likely to become surplus to requirements in the long term. The property has been marketed on a sale and leaseback basis (6 year and 15 year leases) • A potential purchaser for the East Tamaki property is currently completing due diligence and seeking funding. It is expected that it will complete these investigations in mid-July 2009. If the Company and the purchaser proceed, completion of the sale would take place in FY2010 • The Company has been negotiating a sale and purchase agreement for the sale of the Cleveland property • Based on the current status of the sale processes of the East Tamaki and Cleveland properties, if the sales are concluded, the Company expects to realise in excess of $90 million from the sale of the two properties. Lease expenses for the leaseback of parts of the East Tamaki property are estimated to be in the range of approximately $6–7 million on an annualised basis

Refer to Appendix II of this Offer Document entitled "Prospective financial statements" on pages 167 to 192 for the full prospective financial statements, assumptions, accounting policies and sensitivity analysis prepared in accordance with FRS-42.

This information should be read in conjunction with the information set out in this Offer Document under the heading "What are my risks?" on pages 61 to 68.

8

Investment statement information – answers to important questions

Investment statement information – answers to important questions

8.1. WHAT SORT OF INVESTMENT IS THIS?

Description of the Offer

The Company is raising minimum gross proceeds of $189.3 million from the Equity Raising, comprising the Offer ($142.9 million) and the Haier Placement (a minimum of $46.5 million and a maximum of $58.4 million).

The Offer is an offer of New Shares to Eligible Shareholders under a pro-rata renounceable rights offer. Under the Offer, Eligible Shareholders are entitled to subscribe for one New Share for every one Existing Share held on the Record Date, subject to the terms of this Offer Document.

New Shares issued under the Offer will rank equally in all respects, including as to dividends and voting, with Existing Shares.

The timetable for the Offer is set out under the heading "Key dates" on page 13 of this Offer Document.

The Haier Placement is not being offered under this Offer Document and is open only to Haier. However, Haier will be entitled to participate in the Offer in respect of the Shares allotted to it in the Haier Initial Placement.

8.2. WHO IS INVOLVED IN PROVIDING IT FOR ME?

Issuer

The issuer of the New Shares is Fisher & Paykel Appliances Holdings Limited (New Zealand company number 289193) which was incorporated on 23 December 1985 and has its registered office at 78 Springs Road, East Tamaki, Auckland, New Zealand. The Company's Australian business number is ABN 65098026263 and the address of its Australian registered office is set out in the Directory.

Promoters

There are no promoters of the Offer of the New Shares.

Business activities

The Company is, and has since incorporation, been the New Zealand head-quartered parent company of its wholly-owned Subsidiaries, Fisher & Paykel Appliances Limited and Fisher & Paykel Finance Holdings Limited. Fisher & Paykel Appliances Limited is predominantly focussed on the design, manufacture and marketing of a range of innovative household appliances developed with a commitment to technology, design, user friendliness and environmental awareness, a business founded in 1934. Fisher & Paykel Finance Holdings Limited is one of New Zealand's leading consumer finance companies, a business established in 1973.

Information in respect of the business activities of the Company and its Subsidiaries is set out in the section of this Offer Document entitled "Business Overview" on pages 25 to 36.

8.3. HOW MUCH DO I PAY?

Entitlement

The entitlement of each Eligible Shareholder is one New Share for every one Existing Share held on the Record Date, being 7.00 pm (New Zealand time) on 4 June 2009.

The entitlement of each Eligible Shareholder is printed on the personalised Entitlement and Acceptance Form distributed to Eligible Shareholders with this Offer Document (applications in excess of an Eligible Shareholder's entitlement will not be accepted). Entitlements are not scaled up to a minimum holding.

Applications

Instructions on how to apply under the Offer are set out in the section of this Offer Document entitled "Action to be Taken by Shareholders" on pages 21 to 24.

Applications made under the Offer must be made on the Entitlement and Acceptance Form. Applications, together with Application Monies, must be delivered to the address set out in the Entitlement and Acceptance Form, or may be lodged with any NZX Primary Market Participant, ASX stockbroker, the Joint Lead Managers or any other channel approved by NZX, provided that Applicants must deliver their Forms in time to enable the Entitlement and Acceptance Form to be forwarded to the Registrar before the Closing Date (being 7.00 pm (New Zealand time)/5.00 pm (AEST) on Thursday, 25 June 2009).

The Company reserves the right to accept late Applications, but has no obligation to do so. The Company reserves the right to accept or reject any Entitlement and Acceptance Form which is not completed correctly, and to correct any errors or omissions on any Entitlement and Acceptance Form.

Application Monies and Refunds

If an Eligible Shareholder fails to apply and make payment for all or part of their Rights by the Closing Date, being 7.00 pm (New Zealand time)/5.00 pm (AEST) on Thursday, 25 June 2009, such Rights will lapse.

Application Monies received will, until the applicable New Shares are issued, be held in a trust account until those corresponding New Shares are allotted or the Application Monies are refunded. The trust account will be established by the Company solely for the purpose of depositing Application Monies. Interest earned on the Application Monies will be for the benefit of, and remain the property of, the Company and will be retained by the Company whether or not the allotment and issue of New Shares takes place.

The Company reserves the right to cancel the Offer at any time, in which case all Application Monies will be refunded as soon as practicable.

Application Price

Each New Share under the Offer is being offered at an Application Price of NZ$0.41 each, payable in full on application. The Application Price was set by the Company in consultation with the Joint Lead Managers.

Trading of Rights

Eligible Shareholders are not required to subscribe for all of the New Shares to which they are entitled under the Offer. They may subscribe for a proportion of their Rights or allow their Rights to lapse. The Rights are renounceable. Accordingly, Rights may be sold or transferred by Eligible Shareholders to any other person on or before Thursday, 18 June 2009 on ASX, and Tuesday, 23 June 2009 on the NZSX.

An application has been made to NZX and ASX for quotation of the Rights and all requirements of NZX and ASX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, neither NZX nor ASX accepts responsibility for the contents of or any statement in this Offer Document.

The price payable for a Right which is traded will be that quoted on NZX or ASX (as applicable) during the period that Rights are quoted. The price will be determined by a number of factors including the supply and demand for Rights at any particular time.

Shareholders may acquire additional Rights on NZX or ASX, or by private agreement.

8.4. WHAT ARE THE CHARGES?

Applicants are not required to pay any fees or charges to the Company in relation to the Offer.

No investor will pay brokerage as a subscriber for New Shares under the Offer, but brokerage may be payable if Shares are purchased or sold on the NZSX or ASX.

The estimated amount of expenses of the Offer is $8.7 million, based on an Offer amount of $142.9 million. That amount comprises accounting fees, underwriting fees, legal fees, registry expenses, advertising, printing and distribution of this Offer Document, and fees payable to the Joint Lead Managers. Any fees or expenses payable to the Registrar and all expenses of the Offer are to be paid by the Company.

A stamping fee of 0.5% of Application Monies on New Shares allotted will be paid to NZX Primary Market Participants and ASX Stockbrokers (being those entities named as full service (advisory) brokers or non-advisory brokers on the ASX website) who submit a valid claim for a broker stamping fee on successful Applications, subject to a fee limit of $100 for each such Application. The aggregate fee payable on all successful Applications will be limited to $200,000. In the event the total stamping fees payable exceed $200,000, the stamping fee payable per successful Application will be scaled back on a pro-rata basis. This fee will be met by the Underwriters. Details of the claims process are to be separately communicated.

The Joint Lead Managers may also pay sub-underwriting fees to invited parties who have agreed to sub-underwrite the Offer.

An underwriting fee of 2.00% is payable by the Company to the Joint Lead Managers on the amount underwritten in the Offer.

8.5. WHAT RETURNS WILL I GET?

The information set out in this section should be read in conjunction with the information set out in the section of this Offer Document entitled "What are my risks?" on pages 61 to 68. Certain events could reduce or eliminate the returns intended to be derived from holding the New Shares.

There are no returns in respect of Rights, other than the market price which may be available from time to time if they are traded on the NZSX. There is no guarantee that the Rights will have any value or will be able to be sold.

Shareholders will be entitled to receive or benefit from any dividends paid by the Company as described below

and to any other returns attaching to the New Shares. Shareholders may also benefit from any increase in the market price of their New Shares if they sell them (after deducting any brokerage and other expenses). The market price of New Shares may also decline.

New Shares issued as a result of this Offer will rank equally, including as to dividends declared after the issue of the New Shares and voting, with the Existing Shares. Upon any liquidation of the Company, Shares (including New Shares) rank for payment after all creditors of the Company.

Returns may be generated from any dividends declared in relation to the New Shares, or by selling the New Shares.

Dividends

Shareholders' returns on the New Shares will include any dividends declared by the Company after the issue of the New Shares. Dividends may be subject to tax.

The Company's dividend policy is to pay approximately 60 percent of the Company's net profit after tax as dividends to holders of Shares each financial year. Imputation credits will be attached to the dividends to the extent available. In addition, special dividends may be declared when appropriate.

Under the Renegotiated Debt Facilities the Group is not permitted to make distributions to shareholders until the Amortising Facility has been repaid in full and the Company has satisfied certain conditions (including that the total leverage ratio is less than 3 times). The Amortising Facility is scheduled to be repaid in full on 30 April 2010. Accordingly, there will be no final dividend for the year ended 31 March 2009. The total dividend for the year ended 31 March 2009 remains at 5 cents per share (18 cents for the previous corresponding period), being the amount of the interim dividend which was paid on 19 December 2008.

The Directors intend to reinstate dividend payments in the future, following full and final payment of the Amortising Facility and at a time they consider prudent in light of the Company's profitability and balance sheet position.

The Directors are committed to, in the long run, returning to the policy of paying approximately 60 percent of the Company's net profit after tax as dividends. If dividends are declared, they will be paid twice a year, following the Company's half-year and full year financial results announcements. Once dividends are re-commenced, key factors that will determine returns in the nature of future dividend payments will be the Company's financial performance, financial position, cash flows, capital requirements and future prospects (all of which can be impacted by the factors set out under the heading "What are my risks?" on pages 61 to 68).

The Board reserves the right to amend the dividend policy at any time. Dividends are declared at the discretion of the Board.

If dividends are declared, the Company will be the entity legally liable to pay them to holders of the Shares.

Nothing contained in this Offer Document should be construed as a promise of profitability, and the Company does not give any guarantee or promise as to the return of capital or the payment of any distributions in relation to the Offer or the New Shares.

Sale of New Shares

Shareholders' returns if they choose to sell the New Shares will be the price at which they sell those New Shares on the NZSX or ASX or through private treaty (less any brokerage or other fee payable on such sale).

The key factors, many of which are not within the Company's control, which may have an influence on share prices of Shares, and therefore determine returns from selling Shares (including New Shares) are:

- market prices for shares in local and global markets;
- the Company's financial performance, financial position and future prospects;
- actions of the Company's main competitors and the effectiveness of the Company's competitive response strategies;
- changes to the cost of raw materials which are necessary for the Appliances business;
- any significant decline in the ability to secure adequate supplies of raw materials;
- increased requirements for capital expenditure;
- material changes in the value of the currencies in which the Company operates;
- disruption to operations by industrial disputes in New Zealand or overseas;
- general economic conditions, including the performance of the key markets in which the Appliances and Finance businesses operate;
- any significant decline in the price of products produced by the Appliances business;
- relocations planned by the Appliances business not being able to be executed efficiently or on time or within budget or at all;
- reduced access to debt financing;
- any significant increase in bad debts;
- major litigation;
- changes to government policy, legislation or regulation;
- the level of interest rates;
- general operational and business risks relevant to the Group (refer to the risks set out in this Offer Document under the heading "What are my risks?" on pages 61 to 68);
- changes in applicable taxes;

- business loss or interruption caused by mechanical problems or information system failures or a significant accident; and
- the Board's decisions and policies in relation to distributions.

More details on factors and risks which may affect the price of Shares are set out in this Offer Document under the heading "What are my risks?" on pages 61 to 68.

If you sell any of your New Shares, the purchaser of those New Shares will be legally liable to pay you the sale price of those New Shares.

No guarantee

None of the Company, nor its Subsidiaries, the Underwriters, or any of their respective directors, officers, employees or any other person guarantees the New Shares or the amount of returns which investors may receive as holders of New Shares.

Taxation

The comments on taxation which follow are based on applicable tax legislation current at the date of this Offer Document.

This Offer Document is not intended to constitute tax advice to Shareholders regarding the Rights and the New Shares or the consequences of holding or selling New Shares. All comments on taxation in this Offer Document are of a general nature only and are not, and should not be construed as, legal or tax advice to any investor in New Shares. Investors should consult their own taxation or other financial advisers concerning the taxation implications, in their particular circumstances, of owning and/or disposing of the Rights or the New Shares.

The New Shares may have resident withholding tax and income tax implications for Shareholders. There may also be taxation implications for a Shareholder who is not resident in New Zealand for New Zealand income tax purposes and who does not have a fixed establishment in New Zealand.

New Zealand tax considerations for New Zealand resident investors

Dividends paid by the Company on the New Shares are potentially subject to the deduction of resident withholding tax at a 33% rate.

The 33% rate of deduction may be reduced to reflect imputation credits attached to the dividend. No resident withholding tax would be deducted if the dividend is fully imputed. The Company intends to continue with its existing practice of attaching imputation credits to the maximum extent possible.

Resident withholding tax is not required to be deducted if the shareholder has supplied the Company with a copy of an RWT exemption certificate that continues to be valid.

A Shareholder who is required to file a tax return for the income year the dividend is derived must include the dividend in the return as an item of assessable income. A tax credit may be claimed for imputation credits attached to, or resident withholding tax deducted from, the dividend.

A subsequent disposal of the New Shares for a gain would not give rise to an item of assessable income if the New Shares are held on capital account. The New Shares would generally be regarded as held on capital account if the New Shares were not acquired:

- with a purpose of resale, or without the dominant purpose of resale if there was more than one purpose of acquisition; or
- as part of a profitmaking scheme; or
- as part of a share dealing or share investment business.

Neither the issue nor sale of the Rights is likely to give rise to an item of assessable income if the Shareholder holds his or her Shares on capital account.

Australian tax considerations for Australian resident investors

Set out below is a summary of the Australian tax implications of the Offer for Eligible Shareholders who are residents of Australia for tax purposes and who hold their Existing Shares (and will hold their Rights and New Shares) as capital assets.

This summary does not apply to Eligible Shareholders who:

- hold their Existing Shares (or will hold their Rights and New Shares) as trading stock or revenue assets;
- hold (or will hold) a 10% or greater shareholding interest in the Company; or
- hold their Existing Shares (or will hold their Rights or New Shares) through a permanent establishment in New Zealand.

The summary below also does not take account any individual circumstances of any particular Eligible Shareholder. Eligible Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

The summary below is based on the law in effect and practices of the Australian Taxation Office (**ATO**) as at the date of this Offer Document.

Granting of Rights
The granting of the Rights will not require Eligible Shareholders to include any amount in their assessable income, nor cause any adjustment to the cost base of their Existing Shares.

For capital gains tax (**CGT**) purposes, the acquisition date of the Rights is the same as the acquisition date of the Existing Shares.

Sale of Rights
Eligible Shareholders who sell their Rights should derive a capital gain for CGT purposes equal to the sale proceeds less certain non-deductible costs of disposal.

Individuals, complying superannuation entities or trustees that have held their Existing Shares for at least 12 months prior to the date of disposal, should be entitled to discount the amount of a capital gain resulting from the sale of the Rights (after the application of any current year or carry forward capital losses). The amount of this discount is 50% for individuals and trustees and 33⅓% for complying superannuation entities. This is referred to as the "CGT discount". The CGT discount is not available for companies that are not trustees. Eligible Shareholders that are trustees should seek specific tax advice regarding the tax consequences arising to beneficiaries because of discount capital gains.

The ATO released Taxpayer Alert 2009/11 on 19 May 2009 regarding "Retail Premiums paid on unexercised share entitlements". Although TA 2009/11 does not expressly deal with the disposal of rights, the ATO may take the position that the sale of rights gives rise to ordinary income rather than capital gains (such that capital losses may not be applied, and the CGT discount is not available). Eligible Shareholders should monitor this area for any developments.

Exercise of Rights
Eligible Shareholders who exercise their Rights and subscribe for New Shares will acquire those shares with a cost base CGT purposes equal to the Application Price payable by them for those shares, plus certain non-deductible incidental costs they incur in acquiring those shares.

New Shares
Eligible Shareholders who exercise their Rights will acquire New Shares.

The Australian tax consequences for Eligible Shareholders in respect of the holding and disposing of New Shares (for example, the taxation of dividends, including the foreign tax offset rules for withholding tax, and the application of the Australian foreign investment fund rules) will generally be the same as for their Existing Shares.

On any future disposal of New Shares, Eligible Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares. The cost base of those shares is described under the heading "Exercise of Rights" above.

New Shares will be treated for the purposes of the CGT discount as having been acquired when the Eligible Shareholder exercised the Rights to subscribe for them. Accordingly, in order to benefit from the CGT discount in respect of a disposal of those shares, they must have been held for at least 12 months after the date of exercise before the disposal occurs.

Other Australian taxes
No Australian Goods and Services Tax or stamp duty is payable in respect of the grant, exercise or sale of the Rights or the acquisition of New Shares.

New Zealand tax considerations for Australian resident investors

Dividends paid by the Company on the New Shares are subject to the deduction of New Zealand non-resident withholding tax. Under the double tax agreement between Australia and New Zealand, dividends paid to a shareholder tax resident in Australia may be subject to a 15% rate of non-resident withholding tax.

If imputation credits have been attached to the dividend, the Company may decide to pay a supplementary dividend reflecting non-resident withholding tax deductions from the main dividend and the supplementary dividend.

A subsequent disposal of the New Shares for a gain may not be an item of assessable income subject to New Zealand taxation. New Zealand does not operate a capital gains tax regime for assets such as the New Shares.

8.6. WHAT ARE MY RISKS?

There are a number of factors, both specific to the Company and of a general nature, which may affect the Company's future operating performance and financial position and the value of the New Shares. A number of these risk factors are described below. These risks and uncertainties are not the only ones facing the Company and the Group. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems immaterial, may in the future become important factors that affect the Group. Prospective investors should note that these risk factors may not be exhaustive, and should consider these in conjunction with other information disclosed in this Offer Document. In addition, descriptions of the risks and uncertainties necessarily include forward-looking statements. Such forward-looking statements involve matters which have not yet occurred or may not occur.

Actual events may be materially different from those described below and may therefore affect the Company in a different way. In practice, changes in variables affecting risk factors may offset each other or may be cumulative. If any of the following events actually occur, the Company's business, financial condition or results of operations could be negatively impacted to a significant degree. In that event, the trading price of the Shares (including New Shares) could decline and you could lose all or part of your investment.

Prospective investors should specifically consider the factors in this section in order to appreciate fully the risks associated with an investment in the New Shares. Prospective investors should carefully consider these factors in light of their personal circumstances and seek professional advice from their NZX firm adviser, ASX stockbroker, accountant, lawyer or other professional adviser before deciding whether to invest.

Summary of principal risks

The principal risks for Shareholders in relation to the New Shares are that:

- the value of the New Shares may reduce; and/or
- the current intention of the Board not to pay any dividends or other distributions in respect of those Shares may continue beyond the 2010 financial year.
- The value of New Shares could reduce for a number of reasons, including if:
- there is a material deterioration in the operating performance or profitability of the Group and, therefore, the financial performance of the Company;
- the price at which Shareholders are able to sell the New Shares is less than their Application Price;
- Shareholders are unable to sell their New Shares due to a lack of demand or absence of a market for those securities; and/or
- Shares cease to be quoted on the NZSX or the ASX.

Specific risks associated with Appliances

As a global appliances manufacturer, Appliances operates in a dynamic business environment that includes risk. Many of these risks are inherent in the business at all times while some may be more related to current conditions. Whilst the Company attempts to prudently manage the risks within its control, many of the risks below are based on factors outside the control of the Company. The list of risks described below should not be considered exhaustive but are those believed to be most significant for their potential impact on Appliances' future operating performance and financial position and the value of the New Shares.

Economic conditions

Current challenging global economic conditions
At present, the global economy is experiencing a range of adverse effects which are resulting in challenging market conditions. A continued and/or prolonged deterioration in general market conditions resulting in reduced or negative growth in the economies in which Appliances operates, or reduced demand for appliance products in particular, could have a material adverse effect on the revenues, earnings or financial condition of Appliances.

Cyclical industry
Appliances operates within a very cyclical industry. Demand for the products and services of Appliances and the appliances industry generally, and both the volumes of the products and services that can be sold and the prices at which they can be sold, is very dependent upon the general performance of different national and regional economies in which products are sold, especially (in the case of Appliances) the economies of New Zealand, Australia, North America and the European Union. Appliances is also dependent upon the economies from which imports originate that may affect Appliances' prices and supply chain.

The impact of the current challenging global economic conditions and the cyclical industry in which Appliances operates has been illustrated in trading in the 2009 financial year and in the current financial year to date, with significantly reduced revenues from all markets as a consequence of the economic downturn.

Alteration in consumer behaviour due to economic conditions

Demand for Appliances' products depends upon economic conditions (and perception of such conditions) affecting consumer income such as employment wages and salaries, business conditions, interest rates, and the availability and cost of credit and taxation. In certain of its markets (in particular North America and the European Union, including the United Kingdom), Appliances has traditionally positioned its products in the high and ultra high segments of those markets. The high and ultra high end of the market is particularly sensitive to adverse global economic and business conditions, which has resulted in a loss of consumer confidence and related decreases in consumer expenditures. In times of recession the rate of decline of the high and ultra high segments of the market is greater than the lower priced segment as customers switch to lower priced products. Demand for Appliances' high and ultra high end products may therefore decline more than the decline in demand for appliances overall.

Competition

The global appliances industry and the markets in which Appliances operates are highly competitive. Appliances is subject to intense competition from other producers and distributors of appliances, especially in its New Zealand, Australian, North American and European markets.
The market share of these competitor producers and distributors in each market may increase and that of Appliances may decrease as a result of various factors including a change in consumer preferences towards products offered by those producers or distributors, pricing, terms of business and promotional strategies implemented by competitors, improved distribution of competitors' products in each market, and enhanced price competitiveness due to exchange rate fluctuations, lower costs of production or otherwise. Additionally, new producers or distributors may attempt to enter the markets in which Appliances operates by selling products or

facilitating distribution at low prices to gain market share. These competitive actions may reduce the prices that Appliances is able to charge for its products or reduce the volume of products sold, both of which would impact negatively upon the financial performance of Appliances.

Reliance on key customers

Appliances has a number of key customers in several of its markets, which together account for a material proportion of its sales turnover in those markets. If any of these key customers elected to cease purchasing or distributing Appliances' products and/or components of Appliances' products or ceased to trade, this could affect the financial performance of Appliances in the short term. There is also a risk that if the customer mix of the business changes significantly, its financial performance could be adversely affected.

Foreign currency risks

Appliances has exposures to fluctuations in foreign currency exchange rates. As a global manufacturer and distributor, a significant proportion of revenues and expenses are in currencies other than New Zealand dollars. The majority of Appliances' production facilities are also located outside of New Zealand. As a result, certain revenues, expenses, cashflows and fair values of assets and liabilities will be affected by changes in foreign currency exchange rates.

At present, the principal currency exposures are the New Zealand dollar, Australian dollar, US dollar, Euro, Thai baht and the British pound.

To manage revenue and expense (including interest expense) currency risk, Appliances' policy is to hedge net foreign currency exposures to reduce variability from changes in the Company's net operating income and cashflow to acceptable parameters.

Fluctuations in currencies may affect the earnings or financial position of Appliances.

To reduce the impact of foreign currency fluctuations on the translation of net investments in foreign production facilities, Appliances holds debt in the currencies of the relevant countries. Holding debt in foreign currencies reduces the net investment in those currencies and therefore reduces the impact of fluctuations in foreign currencies when the net investment is translated into New Zealand dollars.

For the purposes of the total leverage financial covenant (which applies after 30 April 2010), as described under the heading "Capital structure review" on pages 49 to 50, debt in foreign currencies is translated into New Zealand dollars using the exchange rates at the time of measurement while earnings over the prior 12 month period are translated into New Zealand dollars on a monthly basis using the exchange rates at the time of translation. A depreciation in the New Zealand dollar against those foreign currencies over that 12 month period will adversely impact on the calculation of the total leverage covenant.

Commodity price risk

Appliances is exposed to movements in the underlying commodity prices for the raw materials supplied for the manufacture of its products and to those commodities related to the distribution and manufacture of its products (e.g. oil, electricity). Key raw materials in the manufacture of Appliances' products include steel, stainless steel, copper, plastics, and isocycanate (refrigerator foam). Global oil prices affect the cost of sea freight and inland transportation. Future increases in raw materials and other costs could materially affect the financial performance of Appliances.

Appliance product price increases

Increases in commodity prices for the raw materials supplied for the manufacture of products by Appliances and to those commodities related to the distribution and manufacture of those products adversely impact on the margins of Appliances. There is no certainty that Appliances is able to pass these increased costs on to its consumers. Depending on the pricing strategies implemented by its competitors, increased product prices may adversely impact on the competitiveness of Appliances' products and may result in loss of market share, which could have a material adverse effect on the revenues, earnings or financial condition of Appliances.

Reliance on key suppliers

Appliances has a number of key suppliers of raw materials, products, services and parts in several of its markets. Appliances does not currently have long-term supply contracts with its suppliers. If any of these key suppliers were unable or unwilling to continue to supply Appliances at all or at current prices, this could affect the financial performance of Appliances in the short term.

Risks relating to Global Manufacturing Strategy

In late 2005, Appliances began implementing a global manufacturing strategy of relocating manufacturing units closer to the major markets it serves. With an increased focus on lower cost production in 2008 and 2009, the Company announced the relocation of Appliances' manufacturing operations in Dunedin, New Zealand, Cleveland, Australia, Huntington Beach, USA and Clyde, USA to a combination of existing sites in Thailand and Italy, and a recently purchased facility in Mexico. These relocations are largely complete, with the balance to be completed in the current calendar year. Appliances continues to consider relocation of its remaining manufacturing facilities in the USA.

While the manufacturing relocations to date have been completed without significant disruption to supply, the closing of manufacturing facilities and commissioning of new facilities does carry risk of possible cost over-runs

and interruption to Appliances' supply chain, especially should volumes unexpectedly increase.

In addition, significant expenditure is required for manufacturing relocations as evident from the increase in the debt levels of the Company. More costs are to be incurred in completing the factory relocations.

The 2010 financial year will be the first real opportunity to measure the effectiveness of the Global Manufacturing Strategy. If, due to the challenges and complexity of managing a global manufacturing business or otherwise, the expected savings are not realised, the earnings of Appliances will be materially adversely affected. An inability to effectively manage and execute the Global Manufacturing Strategy could materially adversely affect Appliances' competitiveness and financial performance.

Product liability/recalls

Historically, Appliances has had a small number of product liability claims or product recalls resulting from product malfunction or incorrect use, or as a consequence of regulatory requirements.

Appliances has in place policies and procedures to minimise the risk of a substantial product liability claim or recall. Appliances also has insurance cover against product liability claims to a level that it considers provides the business with adequate protection. However, there is a risk that the product liability insurance cover taken by Appliances may be inadequate in the event of unforeseen significant claims. Appliances has no insurance cover against product recalls due to the prohibitive cost of such insurance.

Warranty costs

Warranty claims are a factor for all major household appliance companies. The Appliances business makes provisions for the cost of servicing products that are still within the warranty period. This provision is Appliances' best estimate based on historical and current claims experience and no assurance can be given that this estimate will cover future claims given risks such as unforeseen future product defects.

It is difficult to precisely predict future warranty costs, particularly during the process of relocating and establishing manufacturing operations. There is a risk that the warranty provision made by Appliances may not be adequate.

Liquidity risk

The recent events in the credit markets and financial services industry have impacted on the ability of companies to access debt financing, due to a tightening of credit markets. Appliances has recently refinanced all of its debt facilities. These facilities include the Amortising Facility aggregating NZ$235 million equivalent which is repayable by 30 April 2010. The Company has put in place a programme to amortise its current level of Appliances debt and to repay the Amortising Facility. If the Amortising Facility is not repaid on or before 30 April 2010, there is no certainty that Appliances will be able to refinance this and its other indebtedness on commercially reasonable terms or at all. If Appliances is unable to retain or obtain sufficient financing to fund its operations, its earnings and financial condition will be adversely affected.

Asset sales

Appliances has announced the intended divestment of its former manufacturing site in Cleveland, Australia and the current site of its corporate headquarters and manufacturing in East Tamaki, New Zealand. The proceeds from the sale of these properties form part of the Company's programme to amortise its current level of Appliances debt and to repay the Amortising Facility referred to above. The Company has also announced that it is considering the potential sale of the Finance business. The New Zealand and Australian property markets and the New Zealand consumer finance market are currently experiencing a period of weakness. Although the Company does not need to sell all these assets to meet its repayment obligations, an inability to complete a sale of sufficient of these assets by 30 April 2010 may adversely impact the Company's debt reduction programme. In addition, a loss on sale of these assets could have a material impact on the Company's earnings in the financial year in which they are sold. Included within the Company's debt reduction programme is the reduction in excess underlying inventory. These reductions are principally driven by localisation of supply, outsourcing, the elimination of the surplus inventories brought about by the factory relocations and commissioning of new production lines and the adjustment of ordering levels to reflect current production levels. An inability to successfully execute these initiatives within expected timeframes may adversely impact on the Company's debt reduction programme.

Failure to comply with debt covenants

As part of the recent refinancing of all of the debt facilities of Appliances, the Company has agreed a new financial covenants regime with its banking syndicate. While the Company is comfortable that it will be able to comply with these financial covenants, a significant decline in the New Zealand dollar, a significant further decline in earnings or a combination of both could cause the Company to not comply with these financial covenants. A failure to comply with any financial covenant would, depending on the financial covenant, be either an event of review or an event of default under the Company's debt facilities. Consequences of a failure to comply with any financial covenant may include increased interest costs, decreased availability of debt funding, acceleration of repayment of the outstanding facilities or enforcement of security interests.

Product innovation

An important source of competitive advantage for Appliances is product innovation. This innovation requires significant investment in research and development as well as marketing on the launch of a new product. There is no certainty that any new products will be successful, or the expenditure relating to this process will deliver a return, or Appliances' competitors will not copy or develop products similar to those made by Appliances.

Intellectual property

Intellectual property rights, including patents, trademarks and trade secrets are significant and valuable assets of Appliances. Appliances seeks to protect its intellectual property rights in selected countries in a number of ways, including an international patent programme. However, this programme may not cover all of Appliances' intellectual property. Also there is no assurance that all of Appliances' patent applications will be granted. A failure to obtain or adequately protect the business' trademarks, products, new product features or processes may diminish the competitiveness of Appliances.

A number of products manufactured, supplied or distributed by Appliances incorporate intellectual property rights of third parties under licence. While Appliances believes that it complies with those licence arrangements, an assertion by a third party that Appliances has not complied with those licence arrangements could give rise to costs for Appliances and otherwise adversely affect its financial performance.

Further, while Appliances does not believe that any of its products infringe the intellectual property rights of third parties, any litigation regarding patents or other intellectual property rights could be costly and time-consuming. Appliances may also be subject to significant damages or injunctions against development and sale of certain products.

Compliance costs

Appliances is subject to safety, energy and environmental standards and regulations which are amended from time to time. These standards and regulations include electricity and gas safety supply and efficiency, the use of ozone depleting chemicals used in refrigeration, energy and water conservation standards for some appliances, restrictions on the materials content in some of its products and mandated recycling in some jurisdictions. The introduction of new, or the variation of existing, standards and regulations in the countries in which Appliances operates may require changes to methods of operation, product performance or specifications. Any such changes are likely to require capital and other expenditures to be incurred by Appliances to meet any new compliance requirements.

Political risk

Appliances has substantial operations outside New Zealand and is subject to the political conditions of those countries. In the financial year ended 31 March 2009, 73.6% of the revenues of Appliances originated from outside New Zealand, most significantly from Australia, North America and Europe. In addition, Appliances currently has manufacturing facilities outside New Zealand in Mexico, Thailand, Italy and the USA. This exposes Appliances to potential risks including limitations on the repatriation of funds, imposition of new or additional taxes or withholding taxes, political instability, government protectionism and other forms of investment barriers or tariffs that may adversely impact the operations of Appliances. The occurrence of any of these conditions may prevent Appliances from conducting business in particular countries or regions, which could consequently impact the financial performance of the Company.

Specific risks associated with Finance

As with Appliances, Finance operates in a dynamic business environment that includes risks. Finance companies are exposed to financial risks, including liquidity risk, credit risk and interest rate risk; operational risks, including a breakdown of internal controls or operating procedures; and external risks which generally are outside of a company's direct control. The list of risks described below should not be considered exhaustive but are those believed to be the most significant risks for their potential impact on Finance's future operating and financial performance and the value of the New Shares.

Liquidity risk

There is a risk that Finance may have insufficient liquid funds, or may not be able to raise sufficient funds at short notice, to meet its financial obligations as they fall due. This situation can arise if there is a significant mismatch in the maturity profile of its financial assets and liabilities.

Finance obtains its funding from a number of sources, including retail debentures ($202.6 million as at 31 March 2009), bank facilities ($123.0 million drawn as at 31 March 2009), a securitisation facility accessing the commercial paper market ($216.9 million as at 31 March 2009) and equity and unsecured parent inter-company loans ($179.6 million as at 31 March 2009).

A material change in the availability of these sources of funding may materially affect the financial performance and condition of Finance.

In relation to these sources of funding the following factors may be relevant:

Crown Retail Deposit Guarantee Scheme
In November 2008, Finance was approved to participate in the Crown Retail Deposit Guarantee Scheme for retail deposits. In the period to 31 March 2009 following that approval, Finance's retail debenture funding increased from $85.1 million to $202.6 million. In addition, the majority of this funding and of the current debenture

funding is for terms that mature on or before October 2010, being the date that the Crown Retail Deposit Guarantee Scheme is set to expire. If the Scheme is not extended and Finance's debenture funding re-investment rates decline significantly, this will result in a significant reduction in retail debentures as a source of funding for Finance, which if not able to be replaced, will have a material adverse effect on the financial performance and financial condition of Finance.

Retail debentures
The amount of retail debenture funding received by Finance is dependent on the level of new funds and re-investment rates, both of which are affected by the level of investor confidence in the New Zealand finance sector generally and in the Finance business specifically. Due to the global economic and financial downturn and the failure of a number of companies in the finance sector, Finance experienced a reduction in retail debenture funding over the course of 2008. Reinvestment rates also declined, temporarily, following the Company's trading update to the market in February 2009. A significant reduction in the reinvestment rate will have a material adverse effect on the financial performance and financial condition of Finance.

Parent Company support
The support of Finance's parent Company has been available to Finance to maintain capital adequacy and as a contingency where other sources of funding have not been available. As a result of the proposed regulatory changes discussed below, it is estimated that up to $15 million of additional capital is required to be contributed to the Finance business by the Company in early 2010. Under the terms of the refinancing facility entered into by the Company in relation to Appliances, the Company is restricted from providing further advances or financial accommodation to Finance during the term of that facility, to the lesser of (i) $15 million; and (ii) the amount of proceeds raised by the Offer in excess of $100 million. Following repayment of the Amortising Facility, the existing unsecured subordinated debt of $15 million to Finance may also be converted into equity. Other than the payment of new capital up to $15 million and the conversion of the subordinated debt into equity, the Company will no longer be a source of additional funding for Finance during the term of the Renegotiated Debt Facilities. If Finance is unable to access sufficient levels of additional capital to meet its obligations then this will have a material adverse effect on the financial performance and financial condition of Finance.

Bank facility
F&P Finance sources a portion of its funding from wholesale bank facilities, including a $335 million syndicated banking facility. $123.0 million was drawn as at 31 March 2009. Of that facility, tranches A and B totalling $125 million mature in September 2009, tranche C totalling $105 million matures in September 2010 and tranche D totalling $105 million matures in September 2011. If Finance sought to extend the maturity dates of one or both of tranches A and B and such extension was not agreed to by the banks (or Finance did not seek an extension of one or both of tranches A and B), the amounts drawn under those tranches will need to be refinanced from the tranches maturing in September 2010 and/or September 2011, thereby reducing the funding available under this facility. This will place additional liquidity pressure on remaining funding facilities available to Finance and could result in a material adverse effect on the financial performance and financial condition of Finance.

Liquidity support for the securitisation programme
The Farmers Finance business is funded by an asset backed non-recourse capital markets securitisation programme overseen by Fisher & Paykel Financial Services Limited. Liquidity support for this securitisation programme is provided through a $250 million standby liquidity facility. That liquidity support facility matures on 30 April 2010. Should the liquidity facility not be renewed on maturity then this will have a material adverse effect on the financial performance and financial condition of Finance.

Covenants
The syndicated bank facility, the stand-by liquidity facility, the securitisation programme and the debenture trust deed require compliance with financial covenants. While Finance is comfortable that it will be able to comply with these financial covenants, a significant decline in earnings, as a result of a further deterioration in general economic conditions or otherwise, could cause Finance not to comply with these financial covenants. Consequences of a failure to comply with any financial covenant may include increased interest costs, decreased availability of debt funding, acceleration of repayment of the outstanding facilities or enforcement of security interests.

Furthermore, if the Company ceases business, is placed in administration, receivership or liquidation, has a statutory manager appointed or defaults under the lending agreements of Appliances, then a related person cross default would occur resulting in an event of review under Finance's syndicated banking facility. An event of review allows the Finance business ten working days to negotiate the terms and conditions required to remedy the event of review and if terms and conditions cannot be agreed then an event of default occurs.

Credit risk

Finance lends money to a variety of customers, including individuals, companies and other organisations, and there is a risk of financial loss if customers do not pay interest on or repay their loans on time or in full. As a consequence of the slowing New Zealand economy and households coming under increasing financial pressure, there has been a significant increase in provisioning and bad debts expense above levels previously experienced prior to the 2009 financial year. A further significant increase in provisioning and bad debt write-offs will have a material adverse effect on the financial performance and financial condition of Finance.

Interest rate risk

Finance holds interest bearing assets and liabilities, and incurs interest rate risk because these assets and liabilities will mature or reprice in different periods. Since market interest rates fluctuate, this may impact on the margin earned between these interest bearing financial assets and liabilities.

Although wholesale interest rates have recently fallen, the effects of the global economic and financial downturn have resulted in Bank lending margins increasing thus placing pressure on Finance's borrowing margins. In response, Finance has implemented lending rate increases on its consumer finance products. Although protecting margin, this could adversely impact the competitiveness of those consumer finance products and increase bad debt levels. Continued significant increases in borrowing margins in the future could materially affect the financial performance of Finance. Management expects Finance may also come under pressure to reduce its lending rates on its consumer finance products as wholesale interest rates fall. This could adversely affect Finance's lending margins and thus materially affect the financial performance of Finance.

Operational risks

Finance is exposed to financial loss and/or damage to its reputation if operational risks are not identified and properly managed. This could arise due to information technology system failure, or a breakdown in internal control systems or operating procedures. Alternatively this could arise due to an external event such as a natural disaster beyond the control of Finance. Should any of these events occur this could have a material adverse effect on the financial performance and financial condition of Finance.

Reliance on key retailers

Finance distributes its products and services through a number of retailers in New Zealand. One or more of these retailers choosing to use financial products and services of a competitor will result in a loss of business for Finance. This could result from a variety of factors, including a change in consumer preference, point of sale technologies and cost of funds, any one of which could have a material adverse effect on the financial performance and financial condition of Finance.

Regulatory risks

The New Zealand financial sector is in the process of significant regulatory reform (including a recent amendment to the Reserve Bank Act which has extended the Reserve Bank's responsibility to being a regulator of non-bank deposit takers such as finance companies and further proposed regulations). The new regulations and proposed regulatory changes will affect Finance, which is a "non-bank deposit taker". The proposed changes include the requirement for at least two independent directors on the board, a chairperson who is neither an employee nor a related person, preparation of a formal risk management programme which is to be approved by the trustee and subject to external audit, restrictions on related party credit exposures and minimum capital ratio requirements. The best current estimate is a requirement for up to $30 million of additional capital (of which $15 million will be provided by way of additional capital and $15 million by way of capitalisation of the existing subordinated debt) to be contributed to the Finance business by the Company. In order to continue operating under the proposed reforms, Finance will also be required to obtain a credit rating with an approved credit rating agency by 1 March 2010. The other changes are being gradually introduced, with full compliance expected by 1 June 2010. If Finance is unable to access sufficient levels of additional capital to meet its obligations then this will have a material adverse effect on the financial performance and financial condition of Finance.

External risks

There are several factors which impact Finance's activities over which it has little or no control, including the political and economic environment in New Zealand. The New Zealand economy is experiencing a range of adverse effects which are resulting in challenging market conditions. A continued and/or prolonged deterioration in general market conditions will result in reduced demand for point of sale finance and margin earned.

Reduced or negative growth, such as a reduction in demand for retail goods, could have a material adverse effect on the financial performance of Finance.

General risks – Appliances and Finance

Impairment of assets

The assets, including goodwill and the intellectual property in brands of Appliances were tested for impairment prior to the finalisation of the Group's financial statements for the year ended 31 March 2009. Following that review, Appliances recorded a number of one-off asset impairments and fair valuation adjustments totalling (in aggregate) $76.4 million, which significantly impacted the reported earnings of the Group, prior to normalisation. The Company will continue to monitor the valuations of its assets. As a result of general market conditions in the economies in which the Group operates or for other reasons, there may need to be future impairments of its assets. If an asset is determined to be impaired, this results in a write down of the value of that asset (although it does not result in a cash cost to the business). An impairment would also arise if Finance were to be sold for less than its carrying value.

Tax loss risk

As at 31 March 2009, the Group had accumulated tax losses in New Zealand of $16.6 million. If there is a more than 49% change in ownership of the Company measured from the date that the tax losses were incurred, this could result in the elimination of all of those losses.

Consequences of insolvency

Shareholders would not be liable to pay any money to any person as a result of the insolvency of the Company.

All creditors of the Company would rank ahead of claims by Shareholders if the Company were liquidated. After all such creditors had been paid, the remaining assets, if any, would be available for distribution among Shareholders who would rank equally among themselves.

Other risks

In addition to these specific risks, the Company faces the usual risks that arise in the normal course of operating its business, such as:

- potential failure of distribution systems, both in its home markets and overseas;
- reliance on manufacturing equipment reliability;
- information systems failure, fraud, business continuity planning and data integrity risk;
- ability of management to effectively manage a complex, global business with multiple manufacturing locations and sales markets;
- fire and other natural disasters causing major damage to manufacturing and other facilities;
- the possibility of a number of key personnel leaving the Company and the potential short-term disruption caused by seeking appropriate replacements;
- managing the departure and replacement of longstanding Directors to ensure the collective knowledge and experience of the Board is not weakened;
- the possibility of prolonged industrial action at its manufacturing sites in New Zealand, Italy, Thailand, the USA or Mexico;
- the emergence of a widespread health emergency, epidemic or pandemic which could create economic or financial disruption that could adversely affect the Company's financial performance or impair its ability to manage its businesses in affected countries if the workforce in those countries is impacted by such an event;
- the possibility of future litigation that could adversely affect the Company's financial position; and
- the possibility of a competitor introducing new technology or products into the market or of a competitor following an aggressive pricing strategy, thereby undermining the competitiveness and/or profitability of Appliances or Finance.

Shareholders should consider these risks and other details of the Offer prior to applying for New Shares. Shareholders are encouraged to read the entire Offer Document and to obtain advice from their financial adviser if they have any questions.

8.7. CAN THE INVESTMENT BE ALTERED?

Terms of Offer

The terms and conditions on which investors may apply for and purchase New Shares are set out in this Offer Document and may be altered by an amendment to this Offer Document by the Company on or before the final date on which the New Shares are issued. Details of any such amendment must be filed with the Registrar of Companies.

Variation of rights of Shareholders

The rights of Shareholders will be subject to the provisions of the Companies Act, the Company's Constitution and the Listing Rules of both the NZX and the ASX.

The Company's Constitution may only be altered by a special resolution of shareholders or in certain circumstances by Court order. Section 117 of the Companies Act restricts the Company from taking any action which affects the rights attached to the Shares unless that action has been approved by a special resolution of each group of shareholders whose rights are affected by the action in the same way. Under certain circumstances a shareholder whose rights attached to shares are affected by a special resolution may require the Company to purchase its shares.

A special resolution must be approved by a majority of 75% of Shareholders entitled to vote and who vote on that resolution.

8.8. HOW DO I CASH IN MY INVESTMENT?

Rights are renounceable and can be sold. It is not possible to predict what sort of price, if any, Eligible Shareholders might receive for their Rights should they choose to sell them. There is not currently an established market for the sale of the Rights and it is not guaranteed that there will be an established market for the sale of Rights. An application has been made to NZX and ASX for quotation of the Rights and all requirements of NZX and ASX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, neither NZX nor ASX accepts responsibility for the contents of or any statement in this Offer Document.

In the Company's opinion there is an established market for the sale of Shares as at the date of this Offer Document. No charges are payable to the Company on the sale of Shares. However, brokerage may be payable on sales on the NZSX or the ASX.

The New Shares have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document. The Company has applied for quotation of the New Shares on ASX. However, ASX accepts no responsibility for any statement in this Offer Document.

Under the Companies Act, Shares (including New Shares) can be cancelled by the Company under a share buyback or other form of capital reconstruction. Subject to this, and subject to a Shareholder's right to sell New Shares as discussed in this section, no shareholder, the Company, nor any other person has any right to terminate, cancel, surrender the New Shares or otherwise obtain payment from the Shareholders.

8.9. WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Any enquiries about the Offer and the New Shares can be directed to:

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142
New Zealand

Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787
Email: enquiry@computershare.co.nz

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067
GPO Box 52
Melbourne, Victoria 8060
Australia

Telephone: 1300 850 5051
+61 3 9415 4000
Facsimile: +61 3 9473 2500
Email: web.queries@computershare.com.au

or to:

Fisher & Paykel Appliances Holdings Limited
78 Springs Road
East Tamaki
PO Box 58546
Greenmount
Auckland 2141
New Zealand

Attention: Company Secretary
Telephone: +64 9 273 0600
Facsimile: +64 9 273 0609
Email: corporate.enquiries@fp.co.nz

If you wish to make further enquiries on purchasing and selling New Shares, or to get an update on your investment, please contact your usual investment adviser.

8.10. IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Any complaints about the New Shares can be directed to:

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142
New Zealand

Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787
Email: enquiry@computershare.co.nz

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067
GPO Box 52
Melbourne, Victoria 8060
Australia

Telephone: 1300 850 5051
+61 3 9415 4000
Facsimile: +61 3 9473 2500
Email: web.queries@computershare.com.au

or to:

Fisher & Paykel Appliances Holdings Limited
78 Springs Road
East Tamaki
PO Box 58546
Greenmount
Auckland 2141
New Zealand

Attention: Company Secretary
Telephone: +64 9 273 0600
Facsimile: +64 9 273 0609
Email: corporate.enquiries@fp.co.nz

There is no ombudsman to whom complaints about the New Shares may be made.

8.11. WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

Offer Document and Financial Statements

This Offer Document comprises both an investment statement and a prospectus in respect of the Offer. Additional information about the New Shares and the Company is contained or referred to in other sections of this Offer Document and in the financial statements of the Company.

Inspection of Documents

A copy of this Offer Document, the Company's most recent annual financial statements, and the Constitution of the Company may be inspected, without charge, during normal business hours at the Company's registered office at 78 Springs Road, East Tamaki, Auckland, New Zealand. Financial statements for the Group, comprising the Company and its Subsidiaries, are also available as part of the Annual Reports for the Company on the Company's website, www.fisherpaykel.co.nz.

These documents and other documents of, or relating to, the Company are also filed on a public register which can be accessed on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the Companies Office website, copies may also be obtained (on payment of a fee) by telephoning the Companies Office Contact Centre on 0508 266 726.

The Company is required to keep a register of all equity securities. Holders of equity securities may inspect the register, free of charge. The Company is entitled to charge a fee for the provision of copies of the register.

Shareholders may also inspect the information specified in sections 215 and 216 of the Companies Act.

Ongoing Reports

Notification of the availability of the Company's half yearly report (including unaudited financial statements for the first six months of each financial year) and of an annual report (including annual audited financial statements) and where they can be accessed electronically, will be sent by the Company to Shareholders who are registered on the relevant date within three months after the end of each financial half-year and financial year. Shareholders have the right to request printed copies of these reports.

The Company is also required to make half-yearly and annual announcements to the NZX, and such other announcements as are required by the NZSX Listing Rules from time to time.

On Request Information

Shareholders may request from the Company the following documents (together with any other information required to be made available by statute or by the NZSX Listing Rules):

(a) the most recent half-yearly report and annual report of the Company (together with annual audited financial statements or half-yearly unaudited financial statements, as appropriate) and all documents that are required to be incorporated in, attached to, or accompany, those financial statements; and

(b) this Offer Document or any subsequent investment statement or registered prospectus in respect of the New Shares.

This information will be made available to Shareholders, free of charge, upon a request in writing being made to the Company at its registered office at 78 Springs Road, East Tamaki, Auckland, New Zealand.

The Group will report in its FY2010 full year results actual financial results against prospective financial statements in accordance with generally accepted accounting principles and will provide that information to Shareholders on request under section 54B of the Securities Act and regulation 23A of the Securities Regulations.

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Statutory information

Statutory information

This section includes, but is not limited to, information required by regulation 4(2) of the Securities Regulations.

9.1. MAIN TERMS OF OFFER

The issuer of the New Shares is Fisher & Paykel Appliances Holdings Limited, which has its registered office at 78 Springs Road, East Tamaki, Auckland, New Zealand.

The New Shares are ordinary shares of the Company and rank equally with Existing Shares except that New Shares shall only be eligible for dividends declared after the date of issue of the New Shares.

A fuller description of the New Shares is set out in the section of this Offer Document entitled “Details of the Offer” on pages 15 to 19.

The entitlement of each Eligible Shareholder is one New Share for every one Existing Share held on the Record Date, being 7.00 pm (New Zealand time) on 4 June 2009. The Offer is for a maximum of 348.5 million New Shares.

The Application Price for New Shares under the Offer is $0.41 per New Share.

9.2. PROSPECTS AND FORECASTS

A statement as to the trading prospects of the Group, together with any material information relevant to such prospects including special trade factors and risks, is set out in sections 5, 6 and 7 of this Offer Document. Descriptions of special trade factors and risks are also set out in the section of this Offer Document entitled “What are my risks?” on pages 61 to 68.

9.3. ISSUE EXPENSES

The estimated amount of expenses of the Offer is $8.2 million, based on an Offer amount of $142.9 million. That amount comprises accounting fees, underwriting fees, legal fees, registry expenses, advertising, printing and distribution of this Offer Document, fees payable to the Joint Lead Managers. Any fees or expenses payable to the Registrar and all expenses of the Offer are to be paid by the Company.

The Joint Lead Managers may also pay sub-underwriting fees to invited parties who have agreed to sub-underwrite the Offer.

An underwriting fee of 2.00% and a lead management fee of 1.5% is payable by the Company to the Joint Lead Managers on the amount underwritten in the Offer.

9.4. OTHER TERMS OF OFFER AND SECURITIES

All the terms of the Offer, and all the terms of the New Shares, are set out in this Offer Document, except those:

(a) implied by law; or

(b) which are set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Offer Document.

9.5. FINANCIAL STATEMENTS

In accordance with the Securities Act (Short Form Prospectus) Exemption Notice 2009, a copy of the most recent consolidated financial statements of the Group, for the 12 months ended 31 March 2009, is set out in Appendix I entitled “Historic financial statements” of this Offer Document on pages 82 to 166.

The date of the statement of financial position included in those financial statements is 31 March 2009.

9.6. PLACES OF INSPECTION OF DOCUMENTS

Copies of the financial statements of the Company for the year ended 31 March 2009 can be obtained free of charge by Eligible Shareholders by contacting the Company:

Fisher & Paykel Appliances Holdings Limited
78 Springs Road
East Tamaki
PO Box 58546
Greenmount
Auckland 2141

Attention:	Company Secretary
Telephone:	(09) 273 0600
Facsimile:	(09) 273 0609
Email:	corporate.enquiries@fp.co.nz

Copies of those financial statements may also be viewed at any time on the Company's website, www.fisherpaykel.co.nz, or on the Companies Office website, www.companies.govt.nz, or by telephoning the Companies Office contact centre on 0508 266 726 during normal business hours. The Companies Office may charge a fee to view or access those financial statements.

9.7. DIRECTORS' STATEMENT

The Directors, after due enquiry by them in relation to the period between 31 March 2009 and the date of registration of this Offer Document are of the opinion that no circumstances have arisen that materially adversely affect:

(a) the trading or profitability of the Group; or

(b) the value of its assets; or

(c) the ability of the Group to pay its liabilities due within the 12 months following the date of registration of this Offer Document.

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Additional information

Additional information

10.1. NZX WAIVERS AND RULING

NZX has granted the Company waivers from NZSX Listing Rule 9.2.1 to permit Haier to be a sub-underwriter of the Offer and to permit the Company to undertake the Haier Top Up Placement.

In granting these waivers, NZX considered that:

(a) the policy of Rule 9.2 is to regulate transactions where a related party may gain favourable consideration due to its relationship with the issuer. The decision to make the Offer is borne from the Company's need to raise capital. Having the Offer underwritten provides more certainty that the Offer will be successful. Obtaining sub-underwriters is a necessary aspect of the underwriting, and is unlikely to have been influenced by Haier's relationship, or future relationship, with the Company;

(b) the sub-underwriting agreement is between Haier and the Underwriters and will reflect the terms of the agreement and the terms of other sub-underwriting agreements with other unrelated parties and, in addition, Haier will receive no sub-underwriting fees;

(c) a requirement for shareholder approval would delay the capital raising and would not confer on shareholders any significant benefit that would justify that delay;

(d) the Haier Top Up Placement is a crucial part of the Equity Raising, ensuring that the Company is able to secure a cornerstone investor that will subscribe for the top up Shares on no more favourable terms than those offered under the Offer and will also provide comfort that Haier will be able to obtain the required level of shareholding in the Company; and

(e) a reason the sub-underwriting by, and Haier Top Up Placement to, Haier could be caught by NZSX Listing Rule 9.2.1 is the timing and sequence of the components of the Equity Raising. A timing issue in the context of an overall Equity Raising should not operate to prejudice the Company's ability to raise the capital it requires.

10.2. ASX WAIVER AND CONFIRMATION

ASX has granted the Company the following waiver and confirmation:

(a) a waiver from ASX Listing Rule 7.1 to the extent necessary to permit the Company to determine the number of Shares that may be issued under the Haier Placement by reference to the NZSX Listing Rules; and

(b) a confirmation that ASX will not require shareholder approval under ASX Listing Rule 10.11.2 to allow Haier to be a sub-underwriter of the Offer and participate in the Haier Top Up Placement.

10.3. TAKEOVERS CODE

The Takeovers Code, amongst other things, prohibits any person (together with their "associates" (as defined in the Takeovers Code)) from becoming the holder or controller of more than 20% of the voting rights in the Company (as a "code company") other than in compliance with the requirements of the Takeovers Code.

10.4. OVERSEAS INVESTMENT OFFICE

Any person who is an "overseas person" for the purposes of the Overseas Investment Act 2005 and who intends to acquire more than 25% of the Shares of the Company will be required to obtain consent under the Overseas Investment Act 2005 before acquiring those Shares.

10.5. CHESS

The Company participates in the Clearing House Sub-register System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532 (**ASTC**), a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and ASTC Settlement Rules.

The New Shares will participate from the date of commencement of quotation in CHESS. The New Shares must be held in uncertificated form (i.e. no share certificate will be issued) on the CHESS sub-register under sponsorship of a sponsoring participant (usually a broker) or on the issue-sponsored sub-register.

Arrangements can be made at any subsequent time following quotation to convert your holdings from the issuer-sponsored sub-register to the CHESS sub-register under sponsorship of a sponsoring participant or vice versa, by contacting your sponsoring participant.

Signing

A copy of this Offer Document has been signed by or on behalf of the Directors of the Company.

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Glossary

Glossary

2009 financial year
the financial year to 31 March 2009

2010 financial year
the financial year to 31 March 2010

Allotment Date
by Wednesday, 1 July 2009

Appliances
Fisher & Paykel Appliances Limited and its Subsidiaries

Applicant
an investor whose application for New Shares has been received by the Registrar prior to Closing Date, being 7.00 pm (New Zealand time)/5.00 pm (AEST) on 25 June 2009

Application
an application to subscribe for New Shares under the Offer Document

Application Monies
monies received from Applicants in respect of their Applications

Application Price
$0.41 per New Share

Arcelik
Arcelik Anonim Sirketi

ASIC
Australian Securities & Investments Commission

ASX
ASX Limited

ASX Listing Rules
means the listing rules of the equity security market operated by ASX

Auditors
PricewaterhouseCoopers

Board
the board of the Company

Business Day
a day (other than a Saturday or Sunday) on which registered banks are open for general banking business and the NZSX is open for trading

Closing Date
7.00 pm (New Zealand time)/5.00 pm (AEST) on 25 June 2009, or such other date as the Company determines

Companies Act
the Companies Act 1993

Company
Fisher & Paykel Appliances Holdings Limited

Constitution
the constitution of the Company

Cooperation Agreement
a cooperation agreement between the Company and Haier

Crown Retail Deposit Guarantee Scheme
the retail deposit guarantee scheme announced by the New Zealand Government on 12 October 2008 pursuant to which the New Zealand Government guarantees to cover retail deposits of participating New Zealand-registered banks and retail deposits by locals in non-bank deposit-taking entities

DCS
Dynamic Cooking Systems

Deutsche Bank
Deutsche Bank AG, Auckland branch

Director
a director of the Company

EBITDA
earnings before interest, tax, depreciation and amortisation

EDA
Exclusive Dealer Agreement

Eligible Australian Shareholders
Eligible Shareholders that hold Shares with a registered address in Australia

Eligible Shareholders
means all Shareholders with registered addresses in New Zealand or Australia and Haier

Entitlement and Acceptance Form
the entitlement and acceptance form to be completed by Eligible Shareholders applying for New Shares under the Offer and which accompanies this Offer Document

Equity Raising
the Haier Placement and the Offer

Existing Shares
Shares, excluding the New Shares

Farmers FIA
Farmers Fixed Instalment Agreements

Financial Statements
at any time and in relation to the Group, consolidated financial statements of the Group prepared as at that date in accordance with NZ GAAP and on a basis consistent with the most recent audited consolidated financial statements of the Group, except to the extent (if any) expressly disclosed in the notes to such statements

Finance
Fisher & Paykel Finance Holdings Limited and its Subsidiaries

Financial Reporting Act
the Financial Reporting Act 1993

First NZ Capital
First NZ Capital Securities Limited

Fisher & Paykel Group or Group
the Company and its Subsidiaries

FY2008
the financial year ended 31 March 2008

FY2009
the financial year ended 31 March 2009

FY2010
the financial year ending 31 March 2010

FY2011
the financial year ending 31 March 2011

FY2012
the financial year ending 31 March 2012

GAAP
generally accepted accounting principles

Global Manufacturing Strategy
a strategy of the Company involving the relocation of most of its manufacturing facilities

Haier
Haier Group Corporation

Haier Initial Placement
the issue of 58.1 million Placement Shares to Haier at a price of $0.80 per Placement Share

Haier Placement
the Haier Initial Placement and the Haier Top Up Placement

Haier Top Up Placement
a further placement of Shares at a price of $0.41 per Share to Haier pursuant to which its total ownership interest in the Company will be 20%

Ineligible Shareholders
Shareholders other than Eligible Shareholders

Joint Lead Managers
Deutsche Bank and First NZ Capital

Listing Rules
the NZSX Listing Rules and/or the ASX Listing Rules as applicable

LTM
last 12 months

New Shares
the new Shares to be issued pursuant to the Offer

Normalised EBITDA
excludes Operating Profit before Interest, Tax, Depreciation and Amortisation excluding material one-off items which are considered unlikely to recur, as listed in the table in paragraph 16 on page 176 of Appendix II

Normalised Group Profit after Tax
Reported Group Profit after Tax excluding the after-tax amounts of material one-off items which are considered unlikely to recur, as listed in the table in paragraph 16 on page 176 of Appendix II for FY2009 and FY2010, and in the table on page 40 for FY2008, the first half of FY2009, the second half of FY2009 and FY2009

Normalised Operating Profit before Interest and Tax
Reported Operating Profit before Interest and Tax excluding material one-off items which are considered unlikely to recur, as listed in the table in paragraph 16 on page 176 of Appendix II for the Group, Appliances and Finance for FY2009 and FY2010, in the table on page 40 for Group for FY2008, the first half of FY2009, the second half of FY2009 and FY2009, in the table on page 43 for Appliances for FY2008, the first half of FY2009, the second half of FY2009 and FY2009, and in the table on page 45 for Finance for FY2008, the first half of FY2009, the second half of FY2009 and FY2009

NZX
NZX Limited

NZSX Listing Rules
the listing rules of the NZSX

NZX Primary Market Participant
an entity designated as such under the NZX Participant Rules

NZ GAAP
generally accepted accounting practice as defined in section 3 of the Financial Reporting Act 1993

NZSX
the main board equity security market operated by NZX or any alternative or substitute market for Shares or other arrangement in New Zealand on or through which Shares may be freely traded and which is generally regarded as the principal such market or arrangement for the trading of Shares in New Zealand

ODM
original design manufacturer

OEM
original equipment manufacturer

Offer
the offer of New Shares in the Company to Eligible Shareholders under a pro-rata renounceable rights offer under this Offer Document

Offer Document
this document comprising a combined investment statement and prospectus and dated 27 May 2009

Placement Shares
Shares in the Company issued under the Haier Placement

Record Date
7.00 pm on Thursday, 4 June 2009

Register
the share register of the Company

Registrar
Computershare Investor Services Limited

Renegotiated Debt Facilities
the debt facilities entered into on or about the date of this Offer Document

Rest of the World and Rest of World
all markets in which the Company operates other than in respect of New Zealand, Australia, North America and Europe

Rights
the pro-rata non-renounceable entitlement of each Eligible Shareholder to subscribe for one New Share for every one Existing Share held on the Record Date

Securities Act
the Securities Act 1978

Securities Regulations
the Securities Regulations 1983

Shareholder
a holder of Shares from time to time

Shares
fully paid ordinary shares in the Company of the class quoted on the NZSX or the shares which result if such ordinary shares in the Company are, at any time, subdivided, consolidated or reclassified after the date of this Offer Document

Subsidiary
in relation to an entity, another entity which is:

(a) a subsidiary of the first entity, within the meaning of section 5 of the Companies Act; or

(b) a subsidiary of or otherwise controlled by the first entity within the meaning of any approved accounting standard

Underwriters
Deutsche Bank and First NZ Capital

US or USA
United States of America

US Person
has the meaning given in Rule 902(k) of Regulation S under the US Securities Act

US Securities Act
the United States Securities Act of 1933, as amended

A I

Historic financial statements

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Auditors' Report

To the shareholders of Fisher & Paykel Appliances Holdings Limited

We have audited the financial statements on pages 84 to 166. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 89 to 97.

Directors' Responsibilities

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

Auditors' Responsibilities

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

Basis of Opinion

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

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

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

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

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosure made in Note 3 to the financial statements, concerning the Company's ability to continue as a going concern.

The going concern assumption is dependent on the ability of the Company and its subsidiary companies ("the Group") to meet the obligations under their new banking facility agreements, which is dependent on the generation of future cash flows from trading, equity raising and the realisation of assets, the outcome of which is inherently uncertain.

The financial statements do not include adjustments that would result if the Company was unable to continue as a going concern.

Unqualified Opinion

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

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
(b) the financial statements on pages 84 to 166:
    (i) comply with generally accepted accounting practice in New Zealand;
    (ii) comply with International Financial Reporting Standards; and
    (iii) give a true and fair view of the financial position of the Company and Group as at 31 March 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 May 2009 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants — Auckland

Historical financial statements

This section of the Offer Document contains the annual financial statements (audited) for the years ended 31 March 2008 and 31 March 2009 for the Group.

Financial statements for the Group, comprising the Company and its Subsidiaries, for earlier years are available as part of the Annual Reports for the Company on the Company's website, www.fisherpaykel.co.nz. The annual financial statements for the Group are also available from the Companies Office, www.companies.govt.nz.

Fisher & Paykel Appliances Holdings Limited and subsidiaries
Income Statement
For the year ended 31 March 2009

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Notes	**$'000**	$'000	**$'000**	$'000
Revenue					
Operating revenue	9	**1,359,531**	1,399,709	**–**	–
Other income	9	**13,034**	6,697	**50,000**	33,000
Total revenue and other income		**1,372,565**	1,406,406	**50,000**	33,000
Items affecting comparability:					
Costs associated with implementing the Global Manufacturing Strategy	8	**(66,615)**	(18,263)		
Redundancy costs	8	**(2,737)**	–	**–**	–
Debt restructuring costs	8	**(2,467)**	–	**–**	–
Impairment losses	19	**(69,688)**	–	**–**	–
Fair valuation of non-current assets held for sale	16	**(6,725)**	–	**–**	–
		(148,232)	(18,263)		
Other operating expenses		**(1,288,769)**	(1,293,568)	**(26)**	(503)
Total operating expenses		**(1,437,001)**	(1,311,831)	**(26)**	(503)
Operating (loss)/profit		**(64,436)**	94,575	**49,974**	32,497
External interest expense	10	**(29,565)**	(21,566)	**–**	–
Interest rate hedge ineffectiveness	10	**(11,232)**	–	**–**	–
Finance costs		**(40,797)**	(21,566)	**–**	–
(Loss)/profit before income tax		**(105,233)**	73,009	**49,974**	32,497
Income tax credit/(expense)	11	**9,979**	(18,797)	**(2,460)**	(3,515)
(Loss)/profit for the year		**(95,254)**	54,212	**47,514**	28,982
		Cents	Cents		
(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company during the year:					
Basic (loss)/earnings per share	30	**(33.1)**	19.1		
Diluted (loss)/earnings per share	30	**(32.5)**	18.7		

The above Income Statement should be read in conjunction with the accompanying Notes.

Balance Sheet
As at 31 March 2009

	Notes	CONSOLIDATED 31 March 2009 $'000	CONSOLIDATED 31 March 2008 $'000	APPLIANCES BUSINESS* 31 March 2009 $'000	APPLIANCES BUSINESS* 31 March 2008 $'000	FINANCE BUSINESS 31 March 2009 $'000	FINANCE BUSINESS 31 March 2008 $'000	PARENT 31 March 2009 $'000	PARENT 31 March 2008 $'000
Assets									
Current assets									
Cash and cash equivalents	12	**95,395**	95,468	**58,646**	47,269	**36,749**	48,199	**1**	1
Trade receivables and other current assets	13	**178,137**	166,594	**171,844**	161,029	**6,293**	5,565	**24**	26
Finance receivables	14	**390,495**	393,139	**–**	–	**390,495**	393,139	**–**	–
Inventories	15	**357,793**	277,379	**357,793**	277,379	**–**	–	**–**	–
Non-current assets classified as held for sale	16	**91,890**	–	**91,890**	–	**–**	–	**–**	–
Derivative financial instruments	17	**81**	2,117	**37**	1,532	**44**	585	**–**	–
Current tax receivables		**5,826**	8,561	**5,486**	7,612	**340**	949	**742**	2,464
Future taxation benefit		**–**	1,104	**–**	1,104	**–**	–	**–**	–
Intergroup advances	40	**–**	–	**–**	–	**–**	–	**446,893**	428,058
Total current assets		**1,119,617**	944,362	**685,696**	495,925	**433,921**	448,437	**447,660**	430,549
Non-current assets									
Property, plant & equipment	18	**300,514**	331,002	**298,967**	329,463	**1,547**	1,539	**–**	–
Investment in subsidiaries	38							**100,263**	100,255
Investment in Finance business	38			**179,556**	189,917				
Intangible assets	19	**297,845**	331,308	**167,602**	195,473	**130,243**	135,835	**–**	–
Finance receivables	14	**196,831**	191,792	**–**	–	**196,831**	191,792	**–**	–
Other non-current assets		**12,329**	2,062	**11,255**	1,053	**1,074**	1,009	**–**	–
Derivative financial instruments	17	**1,388**	156	**887**	156	**501**	–	**–**	–
Deferred taxation	20	**67,830**	29,542	**67,830**	29,542	**–**	–	**–**	–
Total non-current assets		**876,737**	885,862	**726,097**	745,604	**330,196**	330,175	**100,263**	100,255
Total assets		**1,996,354**	1,830,224	**1,411,793**	1,241,529	**764,117**	778,612	**547,923**	530,804
Liabilities									
Current liabilities									
Bank overdrafts		**–**	1,474	**–**	1,474	**–**	–	**–**	–
Current borrowings	23	**517,692**	–	**517,692**	–	**–**	–	**–**	–
Current finance leases	36	**776**	3,341	**776**	3,341	**–**	–	**–**	–
Trade creditors	21	**152,340**	119,408	**152,340**	119,408	**–**	–	**–**	–
Provisions	22	**47,350**	28,682	**47,342**	28,682	**8**	–	**–**	–
Finance borrowings	25	**446,377**	534,976	**–**	–	**446,377**	534,976	**–**	–
Derivative financial instruments	17	**14,728**	3,288	**13,404**	3,258	**1,324**	30	**–**	–
Current tax liabilities		**468**	1,837	**468**	1,837	**–**	–	**–**	–
Other current liabilities	26	**62,967**	82,139	**44,694**	61,668	**18,273**	20,471	**156**	–
Total current liabilities		**1,242,698**	775,145	**776,716**	219,668	**465,982**	555,477	**156**	–
Non-current liabilities									
Non-current borrowings	24	**–**	337,615	**–**	337,615	**–**	–	**–**	–
Non-current finance leases	36	**432**	866	**432**	866	**–**	–	**–**	–
Finance borrowings	25	**95,461**	9,199	**–**	–	**95,461**	9,199	**–**	–
Other non-current liabilities	28	**33,294**	3,728	**33,294**	3,728	**–**	–	**216**	266
Provisions	22	**25,928**	23,830	**25,384**	23,359	**544**	471	**–**	–
Derivative financial instruments	17	**568**	–	**–**	–	**568**	–	**–**	–
Deferred taxation	27	**32,421**	33,393	**10,415**	9,845	**22,006**	23,548	**–**	–
Total non-current liabilities		**188,104**	408,631	**69,525**	375,413	**118,579**	33,218	**216**	266
Total liabilities		**1,430,802**	1,183,776	**846,241**	595,081	**584,561**	588,695	**372**	266
Shareholders' equity									
Contributed equity	29	**651,510**	642,082	**651,510**	642,082			**652,022**	642,594
Retained earnings	31	**(116,640)**	18,623	**(116,640)**	18,623			**(106,441)**	(113,946)
Reserves	31	**30,682**	(14,257)	**30,682**	(14,257)			**1,970**	1,890
Investment in Finance business						**179,556**	189,917		
Total shareholders' equity		**565,552**	646,448	**565,552**	646,448	**179,556**	189,917	**547,551**	530,538
Total liabilities and shareholders' equity		**1,996,354**	1,830,224	**1,411,793**	1,241,529	**764,117**	778,612	**547,923**	530,804

**For Balance Sheet disclosure purposes, the Appliances business includes both the Parent entity and AF Investments Limited.*

The above Balance Sheet should be read in conjunction with the accompanying Notes.

Historical financial statements

Statement of Recognised Income and Expense
For the year ended 31 March 2009

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Notes	**$'000**	$'000	**$'000**	$'000
Exchange differences on translation of overseas operations	31	**37,842**	(4,635)	**–**	–
Cash flow hedges taken to equity, net of tax	31	**4,040**	(4,094)		
Interest rate hedges taken to equity, net of tax	31	**3,443**	(3,724)	**–**	–
Commodity hedges taken to equity, net of tax	31	**(466)**	776	**–**	–
Net income and expense recognised directly in equity		**44,859**	(11,677)	**–**	–
(Loss)/profit for the year		**(95,254)**	54,212	**47,514**	28,982
Total recognised income and expense for the year		**(50,395)**	42,535	**47,514**	28,982

The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying Notes.

For and on behalf of the Board
Date: 27 May 2009

GA Paykel
Chairman

JH Bongard
Chief Executive Officer & Managing Director

Cash Flow Statement
For the year ended 31 March 2009

	Notes	CONSOLIDATED 31 March 2009 $'000	CONSOLIDATED 31 March 2008 $'000	PARENT 31 March 2009 $'000	PARENT 31 March 2008 $'000
Cash flows from operating activities					
Receipts from customers		**1,208,813**	1,305,914	**–**	–
Financing interest and fee receipts		**132,953**	122,551	**–**	–
Interest received		**1,490**	805	**–**	–
Dividends received		**–**	–	**50,000**	33,000
Payments to suppliers and employees		**(1,233,316)**	(1,254,365)	**(1,056)**	(1,101)
Income taxes paid		**(21,372)**	(27,892)	**(750)**	(2,299)
Interest paid		**(79,188)**	(63,341)	**–**	–
		9,380	83,672	**48,194**	29,600
Principal on loans repaid by Finance business customers		**601,215**	607,292	**–**	–
New loans to Finance business customers		**(624,311)**	(670,942)	**–**	–
Net cash inflow/(outflow) from operating activities	39	**(13,716)**	20,022	**48,194**	29,600
Cash flows from investing activities					
Sale of property, plant and equipment		**28,216**	9,815	**–**	–
Purchase of property, plant & equipment	18	**(66,817)**	(40,084)	**–**	–
Capitalisation of intangible assets	19	**(7,233)**	(6,840)	**–**	–
Acquisition of Mexican operations – Instalments 1&2	37	**(23,965)**	–	**–**	–
Net cash inflow/(outflow) from investing activities		**(69,799)**	(37,109)	**–**	–
Cash flows from financing activities					
New non-current borrowings		**327,458**	44,258	**–**	–
New Finance business borrowings		**284,118**	173,554	**–**	–
Repayment of non-current borrowings		**(223,741)**	(10,289)	**–**	–
Repayment of Finance business borrowings		**(284,598)**	(117,811)	**–**	–
Lease liability payments		**(902)**	(721)	**–**	–
Issue of share capital		**–**	2,619	**–**	2,619
Dividends paid	34	**(30,427)**	(51,170)	**(30,427)**	(51,170)
Intercompany borrowings		**–**	–	**(17,767)**	18,951
Net cash inflow/(outflow) from financing activities		**71,908**	40,440	**(48,194)**	(29,600)
Net increase (decrease) in cash and cash equivalents		**(11,607)**	23,353	**–**	–
Cash and cash equivalents at the beginning of the financial year		**93,994**	71,502	**1**	1
Cash obtained from acquisitions		**1,546**	–	**–**	–
Effects of foreign exchange rate changes on cash and cash equivalents		**11,462**	(861)	**–**	–
Cash and cash equivalents at end of year	12	**95,395**	93,994	**1**	1

The above Cash Flow Statement should be read in conjunction with the accompanying Notes.

Historical financial statements

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1. General information

The Group and Company are profit-oriented limited liability entities incorporated and domiciled in New Zealand. The Company is dual listed on the New Zealand and Australian Stock exchanges and, under dual listing rules, the Company is required to have registered offices in each country. The addresses are:

- 78 Springs Road, East Tamaki, Auckland, New Zealand
- Weippin Street, Cleveland, Queensland 4163, Australia

The financial statements were authorised for issue by the Board of Directors on 27 May 2009.

The Group has two principal areas of business:

- Appliance manufacturer, distributor and marketer (Appliances business)
- Financial services in New Zealand (Finance business)

The principal activity of the Appliances business is the design, manufacture and marketing of innovative major household appliances. Its major markets are New Zealand, Australia, North America and Europe. The Appliances business has manufacturing operations in New Zealand, Australia (closed on 2 April 2009), United States of America, Mexico, Italy and Thailand.

The Finance business is a leading provider of retail point of sale consumer finance (including the *Farmers Finance Card*™), insurance services and rental & leasing finance.

2. Summary of significant accounting policies

These general purpose financial statements for the year ended 31 March 2009 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

(a) Basis of preparation

Entities reporting and statutory base

The Parent Company's financial statements are for Fisher & Paykel Appliances Holdings Limited as a separate legal entity ("the Company") and the consolidated financial statements are for the Fisher & Paykel Appliances Holdings Limited Group ("the Group"), which includes all its subsidiaries. The Group and Company are reporting entities for the purpose of the Financial Reporting Act 1993 and the financial statements comply with that Act and the Companies Act 1993. Reliance is placed on the Group continuing as a going concern.

These financial statements are stated in New Zealand dollars rounded to the nearest thousand unless otherwise indicated.

In accordance with NZ IAS1, Presentation of Financial Statements, items which are relevant to understanding the Group's financial performance are disclosed on the face of the Income Statement.

Historical cost convention

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

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are highlighted in Note 5.

(b) Principles of consolidation

Subsidiaries are entities that are controlled either directly by the Company or where the substance of the relationship between the Company and the entity indicates the Company controls it. A list of subsidiaries appears in Note 38. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the date of acquisition or up to the date of disposal.

The Company and subsidiary company accounts (including special purpose entities) are consolidated using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

All material intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with those adopted by the Group.

2. Summary of significant accounting policies (continued)

(c) Business combinations
The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, transaction costs arising on the issue of equity instruments are recognised directly in equity.

(d) Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

All costs are directly allocated to the segment in which they are incurred.

The Board has determined that the Group's primary segments are business and its secondary segments are geographic.

(e) Foreign currency translation
(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ('the functional currency'), which is currently the country of domicile for each overseas subsidiary. The consolidated and Company financial statements are presented in New Zealand dollars, which is the Group's presentation currency and the Company's functional currency.

Where settlement of any cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained under the Group's existing funding arrangements.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at the hedged rate if financial instruments have been used to reduce exposure.

At Balance Date, monetary assets and liabilities in foreign currency are translated at the year-end closing or hedged rates.

Translation differences are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges or net investment hedges.

(iii) Foreign Operations
The financial statements of foreign operations with a different functional currency are translated to the presentation currency at the following exchange rates:

- year-end closing exchange rate for assets and liabilities
- monthly weighted average exchange rates for revenue and expense transactions

Exchange differences arising from the translation of any net investment in foreign operations are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(f) Revenue recognition
(i) Sales of goods
Revenue from sales of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer.

(ii) Sales of services
Revenue from sales of services is recognised when the service, such as installation or repair of products, has been performed.

(iii) Long-term contracts
Revenue on long-term contracts is recognised over the period of the project, once the outcome can be estimated reliably. The stage of completion method is used to determine the appropriate amount of revenue to recognise at the Balance Sheet date. The stage of completion is determined by reference to contract terms agreed with the customer. The full amount of any expected loss, including that related to future work on the contract, is recognised in the Income Statement as soon as it becomes probable.

(iv) Income on Finance receivables
Income on Finance receivables is recognised on an actuarial basis (effective interest method) calculated on the net amount outstanding.

Yield related fees for Finance receivables are accrued to income over the term of the loan on an actuarial basis. Facility fee income on amounts advanced to bulk finance retailers is accrued to income on a straight-line basis over the term of the facility.

Fees charged to customer accounts in arrears are recognised as income at the time the fees are charged.

(v) Premium revenue
Premium revenue comprises revenue from direct business and includes amounts charged to the insured but excludes fire service levies, GST and other amounts collected on behalf of third parties.

Premium revenue is recognised in the Income Statement when it has been earned from the attachment date over the period of the contract for direct business. The proportion of premium received or receivable not earned in the Income Statement as at Balance Date is recognised in the Balance Sheet as an unearned premium liability.

(vi) Interest income
Interest income is recognised on a time-proportionate basis using the effective interest method, which takes into account the effective yield on the financial asset.

(vii) Royalty income
Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(viii) Dividend income
Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(g) Government grants
Government grants include government assistance relating to specific research activities and also amounts received to encourage set up of operations in certain regions. Grants are deducted against the expenses they are intended to compensate.

(h) Income tax
The income tax expense for the period is the total of the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction. This is then adjusted for any 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 any unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially 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 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 tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of temporary differences and it is probable that the differences 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.

(i) Goods and Services Tax (GST)
The financial statements have been prepared so that all components are stated exclusive of GST except where the GST is not recoverable from the IRD. In these circumstances the GST component is recognised as part of the underlying item. Trade and other receivables and payables are stated GST inclusive. The net amount of GST recoverable from or payable to the IRD is included within these categories.

(j) Leases
(i) Group as lessee
Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases 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 term of the lease. Assets acquired under finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and any impairment losses.

Historical financial statements

2. Summary of significant accounting policies (continued)

(ii) Group as lessor
Assets leased out to third parties under a finance lease are recognised as a receivable at an amount equal to the present value of the minimum lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Finance lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(k) Insurance expenses (Finance business)
Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs. Discounting is not applied as claims are typically resolved within one year.

Reinsurance is expensed on a straight-line basis.

(l) Cash & cash equivalents
Cash & cash equivalents includes cash on hand, deposits held at call with financial institutions, bank overdrafts and other short-term, highly liquid investments with original 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. Bank overdrafts are shown within current liabilities on the Balance Sheet.

The Finance business has determined that its money market deposits and government stock are held to back general insurance liabilities. These assets are designated at fair value through profit or loss. Initial recognition is at cost in the Balance Sheet and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the Income Statement. The fair value of these assets is recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at Balance Date.

(m) Trade receivables
Trade receivables are recognised initially at fair value and, if applicable, subsequently measured at amortised cost less an allowance account for impaired receivables. The amount of any loss is recognised in the Income Statement within Administration expenses.

Collectability of trade receivables is reviewed on an ongoing basis. When there is objective evidence the Appliances business will not be able to collect all amounts due, they are written off against the allowance account for impaired trade receivables.

(n) Inventories
Inventories are valued at the lower of cost, on a first-in, first-out basis, or net realisable value. Cost includes direct materials, direct labour, an appropriate proportion of variable and fixed overhead expenditure (the latter being allocated on the basis of normal operating capacity) but excludes finance, administration, research & development and selling & distribution overheads. Net realisable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and the costs incurred in marketing, selling and distribution.

(o) Financial assets
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

Held to maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

Loans & receivables
Loans & receivables are non-derivative instruments with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are classified as non-current assets. Loans & Receivables are reported separately in Trade or Finance receivables on the Balance Sheet.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the company intends to dispose of the investment within 12 months of the balance date.

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Held to maturity investments and loans & receivables are carried at amortised cost less impairment using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets through profit or loss category are recognised in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

(p) Insurance assets (Finance business)
Assets that support general insurance liabilities are designated at fair value through profit or loss. Initial recognition is at cost in the Balance Sheet and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the Income Statement. The fair value of these assets is recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at the reporting date.

Other insurance assets with fixed or determinable payments, fixed maturities and which management has the intention and ability to hold, are classified as held to maturity at inception.

Acquisition costs incurred in obtaining general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable they will give rise to premium revenue that will be recognised in the Income Statement in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

(q) Derivatives
The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk and interest rate risk including forward foreign exchange contracts, interest rate swaps and options. Further details of derivative financial instruments are provided in Note 17.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. As appropriate, the Group designates derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

(i) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods 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 (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset or liability.

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

(ii) Derivatives that do not qualify for hedge accounting
Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the Income Statement.

(r) Non-current assets held for sale
Non-current assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised while they are classified as held for sale.

(s) Property, plant & equipment
Property, plant & equipment is stated at historical cost less accumulated depreciation and any impairment losses if applicable. Historical cost includes all expenditure directly attributable to the acquisition or construction of the item, including interest.

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 asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Historical financial statements

2. Summary of significant accounting policies (continued)

Property, plant & equipment, other than Freehold Land and Capital Work-in-Progress, is depreciated on a straight-line basis over its estimated useful life as follows:

Freehold buildings	50 years
Leasehold improvements	Life of lease
Plant & equipment	3-15 years
Fixtures & fittings	3-10 years
Motor Vehicles	5 years

An asset's useful life is reviewed and adjusted, if appropriate, at each balance date.

Property, plant & equipment which is temporarily idle (mothballed) is held at historical cost and is depreciated on a straight-line basis over its estimated useful life as above.

(t) Intangible assets

Acquired intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Impairment losses on goodwill are not reversed.

Goodwill is allocated to those cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(ii) Patents, trademarks and licences

Patents, trademarks and licences are finite life intangible assets and are recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives, which vary from 10–20 years. The estimated useful life and amortisation method is reviewed at each balance date.

(iii) Computer software

External software costs together with payroll and related costs for employees directly associated with the development of software are capitalised. Costs associated with upgrades and enhancements are capitalised to the extent they result in additional functionality. Amortisation is charged on a straight-line basis over the estimated useful life of the software of 3–10 years.

(iv) Brands

Acquired brands, for which all relevant factors indicate there is no limit to the foreseeable net cash flows, are not amortised on the basis that they have an indefinite useful life and are carried at fair value acquired less any accumulated impairment losses. The carrying amount of acquired brands is tested annually for impairment.

(v) Customer relationships

Customer relationships are finite life intangible assets and are recorded at fair value acquired less accumulated amortisation and any impairment losses. Amortisation is charged on a straight-line basis over their estimated useful life of 10 years. The estimated useful life and amortisation method is reviewed at each balance date.

Internally generated intangible assets

(vi) Research & development

Research expenditure is expensed as it is incurred. Development expenditure is expensed as incurred, unless that expenditure directly relates to new or improved products where the level of certainty of their future economic benefits and useful life is probable, in which case the expenditure is capitalised and amortised on a systematic basis reflecting the period of consumption of the benefit, which varies from 3–5 years.

(u) 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 the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(v) Impairment of financial assets (Finance business)
The Finance business classifies its receivables at amortised cost (using the effective interest method) less any impairment adjustment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

At each balance date, Finance receivables are assessed for objective evidence of any impairment. Impairment losses are incurred if, and only if:

(a) objective evidence exists of impairment as a result of one or more events ("loss events") that occurred after the initial recognition of the asset and on or before the balance date; and

(b) the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Loss events include:

- significant financial difficulty of the issuer or obligor
- breach of contract, such as default or delinquency in interest principal payments
- granting of concessions to borrowers, for economic or legal reasons relating to the borrowers' financial difficulty
- likelihood of the borrower entering bankruptcy or other financial reorganisation becomes probable
- disappearance of an active market for that financial asset because of financial difficulties
- adverse changes in the payment status of borrowers
- national or local economic conditions that correlate with defaults on Finance receivables

Assessment of Finance receivables is completed at both an individual (if significant) and group level. Receivables with similar credit risk characteristics are grouped together for the purpose of impairment assessment.

If impaired, the carrying amount of the receivable is reduced indirectly through the use of an allowance account and the amount of the loss is recognised in the Income Statement.

Realised and unrealised gains and losses arising from derecognition of these receivables are included in the Income Statement in the period in which they arise.

(w) Borrowings and borrowing costs
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowing costs are expensed, except for costs directly attributable to assets under construction, which are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

(x) Trade and other payables
Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchases of goods and services.

(y) Employee benefits
(i) Wages & salaries, annual leave and sick leave
Liabilities for wages & salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
Liabilities for long service leave, which are not expected to be settled within 12 months of the balance date are measured as the present value of estimated future cash outflows from the Group in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iii) Defined contribution plan
Contributions to defined contribution superannuation plans are recognised as employee benefit expenses when incurred. The Group has no further payment obligations once the contributions have been paid.

Historical financial statements

2. Summary of significant accounting policies (continued)

(iv) Defined benefit plan
The cost of providing benefits is determined using the Projected Unit Credit Method, with independent actuarial valuations being carried out annually. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation are charged or credited to income over the expected average remaining working lives of employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Net provision for post-employment benefits in the Balance Sheet represents the present value of the Group's obligations at year-end less market value of plan assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs.

Where the calculation results in a net benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(v) Share-based payments
The Group operates equity-settled employee share option and share ownership schemes and a cash-settled share-based payment scheme.

The fair value of share options and shares is expensed on a straight-line basis over the vesting period with a corresponding increase in equity. The fair value of options granted is measured using a binomial model taking into consideration factors such as expected dividends and estimates of the number of options that are expected to become exercisable and shares expected to be distributed. Advances from within the Group fund the initial purchase of shares in the share ownership scheme, which is taken into consideration in arriving at fair value.

For cash-settled schemes, the Group recognises an employee benefit expense over the life of the scheme and remeasures the fair value of the associated liability at each reporting date, with any change in fair value recognised in profit or loss for the period.

(vi) Profit-sharing and bonus plans
The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(z) Insurance liabilities (Finance business)
The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Finance business, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

(aa) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount recognised is the present value of the estimated expenditures.

Warranty
Provisions for warranty costs are recognised at the date of sale of the relevant products or resultant from specific issues, at management's best estimate of the expenditure required to settle the Group's liability based on historical warranty trends. Warranty terms vary, but generally are 2 years parts & labour.

Redundancy
A redundancy provision is recognised when as part of a publicly announced restructuring plan a reliable estimate can be made of the direct costs associated with the plan and where it has raised a valid expectation of its implementation for those employees affected.

Onerous contracts
An onerous contract provision is recognised where the unavoidable costs of meeting the contract obligations exceed the economic benefits expected to be received under the contract.

(ab) Contributed equity
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

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

(ac) Dividends
Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at Balance Date.

(ad) Changes in accounting policies
There have been no significant changes in accounting policies during the current year.

(ae) Standards, interpretations and amendments to published standards that are not yet effective
New standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) and the Accounting Standards Review Board in New Zealand (ASRB) that are mandatory for future periods and which the Group will adopt when they become mandatory. These new standards, amendments and interpretations include:

- **NZ IFRS8: Operating Segments** (mandatory for annual periods beginning on or after 1 January 2009). NZ IFRS 8 replaces IAS 14 "Segment Reporting", and requires a 'management approach'. This means the segments need to be presented on the same basis as that used for internal reporting purposes. When the Group applies the standard it is expected there will be some changes to the presentation of the segment note (Note 8)
- **NZ IFRS3, Business Combinations (Revised) and NZ IAS27, Consolidated and Separate Financial Statements (Revised)** (mandatory for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations but with some significant changes to the treatment of transaction costs and contingent consideration. The Group will simultaneously adopt the changes to NZ IAS 27 (Revised) "Consolidated and separate financial statements". When the Group adopts these standards it does not expect material changes to the Group's measurement of acquisitions and disclosures of financial statements
- **NZ IAS1 (Amendments): Presentation of financial statements** (mandatory for annual periods beginning on or after 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the Statement of Changes in Equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the Income Statement and Statement of Comprehensive Income). It is expected that when the Group applies this standard there will be some changes to the presentation of the financial statements
- **NZ IFRS2 Share-Based Payments** (effective from annual periods beginning on or after 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. It is not expected to have a material impact on the Group's financial statements when the standard is applied
- **NZ IFRS5 (Amendment), Non-current assets held-for-sale and discontinued operations** (effective from annual periods beginning on or after 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 April 2010
- **NZ IAS36 (Amendment), Impairment of assets** (effective from annual periods beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 April 2009. As the Group currently uses value-in-use calculations for impairment testing no changes in disclosures are anticipated
- **NZ IAS19 (Amendment), Employee benefits** (mandatory for annual periods beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The Group will apply the IAS 19 (Amendment) from 1 April 2009

There are a number of minor amendments to NZ IFRS 7, "Financial instruments: Disclosures"; NZ IAS8, "Accounting policies, changes in accounting estimates and errors"; NZ IAS10, "Events after the reporting period"; NZ IAS18, "Revenue" and NZ IAS34, "Interim financial reporting", which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Group's accounts and have therefore not been analysed in detail.

Historical financial statements

3. Going concern

The Group incurred significant one-off costs of $141.1 million before tax during the year (2008 $18.3 million) and reported a net loss after tax for the year ended 31 March 2009 of $95.3 million (2008 Profit $54.2 million). Difficult trading conditions have been experienced in all markets and slowing consumer demand as a direct result of the global recession has significantly impacted sales, particularly in the second half of the financial year.

Furthermore, the Group has significant overseas operations and Group earnings are highly sensitive to changes in foreign exchange rates. The depreciation in the value of the New Zealand dollar has substantially increased, in New Zealand dollar terms, the value of foreign currency denominated debt as at 31 March 2009.

As a result of the above and the temporary peak of inventory stockbuild required as part of the Appliances business' Global Manufacturing Strategy, the debt to debt plus equity ratio for the Appliances business has increased beyond the Group's target range of between 25% and 35%, to 45% as at 31 March 2009. This resulted in notification in February 2009 to the banks that are currently party to the Group's Negative Pledge Deed of a material adverse change event that risked a potential default of banking covenants at 31 March 2009. Total debt at 31 March 2009 is $517.7 million, which has been classified as current in the financial statements.

On 13 March 2009 the Group entered into a new interim bank funding facility to meet its temporary peak funding requirements. The agreement established a new interim NZ$80 million funding facility, repayable on 29 May 2009, and the waiver of the Group's debt cover and interest cover ratios.

Subsequent to year end, the Group entered into new banking arrangements on 27 May 2009 to secure long term financing. The terms of the new arrangements are summarised in Note 4. In addition to the new banking covenant regime, a key aspect of the new arrangements is an Amortising Facility for $235 million for 1 year. This Amortising Facility is required to be repaid in three tranches of $25 million, $135 million and $75 million repayable on 30 September 2009, 31 December 2009 and 30 April 2010 respectively. The Group's ability to make these repayments is dependent on raising funds from a selection of the following sources:

- realisation of approximately $38.0 million excess inventory held as at 31 March 2009 as a result of a significant decline in sales in the latter part of the current year. The Directors expect inventory levels to be reduced in line with projected sales volumes by 31 March 2010
- realisation of $76.0 million held as inventory as at 31 March 2009. This inventory arose from the stockbuild accumulated during the current financial year in advance of the relocation of the Cleveland refrigeration line to Thailand, relocation of cooker plant from the USA to Mexico and the closure of the Dunedin *DishDrawer*® plant. The Directors' expect that this will be fully realised by April 2010
- successful equity raising of at least NZ$100 million by 31 December 2009, which has been underwritten
- realisation of $92m in respect of the sale of land & buildings classified as held for sale as at 31 March 2009. The Group is in negotiations with potential purchasers for the East Tamaki (on a sale & leaseback basis) and Cleveland sites. Based on negotiations conducted to date the Directors have a reasonable expectation that each sale will proceed successfully
- sale of the Finance business. The Group is seeking indicative bids for the Finance business. At this stage the Directors have made no decision to sell the Finance business and meeting the bank repayments is currently not dependent on a sale

As stated above, the Group has a number of exchange rate exposures as a result of having significant operations in overseas jurisdictions. The Group manages revenue and expense foreign currency risk by hedging net foreign currency expenses to reduce variability of operating income and cash flows to acceptable levels. The Group continues to be exposed to the impact on reported Group equity due to the translation of net assets of foreign subsidiaries when preparing consolidated Group financial statements. This impact is reduced to the extent possible by adding or drawing down debt to the extent possible. The Group has completed an independent review of its Treasury Policy and considers a residual risk is the ongoing compliance with the Total Leverage Ratio, which will apply once the Group has repaid the Amortising Facility (refer to Note 4). The Group will actively manage this risk and if necessary redenominate debt into New Zealand dollars to maintain adequate headroom to ensure ongoing compliance.

The Directors have instituted measures to preserve cash and have secured additional finance as described above. However, given the continuing economic pressures on sales volumes and pricing and the terms of the banking covenants (in particular the Amortising Facility) there are inherent uncertainties over whether the extent of future net cash flows will be adequate to meet debt repayment requirements over the next 12 months.

The Directors are confident that following the completion of the Appliances business' Global Manufacturing Strategy and the associated restructuring processes, the Group will be well positioned to manage current market conditions and expect planned asset realisations will be adequate to meet the requirements of the Amortising Facility.

4. Debt restructuring

Subsequent to year-end, the following facilities have been agreed with the Company's bankers. In summary, the renegotiated debt package comprises:

- term loan facility in various currencies aggregating to approximately $290 million equivalent, drawn in NZ$77.5 million, US$60.0 million, €26.0 million and THB900 million with an expiry date of 30 April 2012 (the **Term Loan Facility**)
- multi currency working capital facility of approximately $50 million equivalent, which can be drawn in New Zealand and Australian dollars, with an expiry date of 30 April 2011 (the **Working Capital Facility**)
- letter of credit facility with an expiry date of 5 May 2011 (the **LOC Facility**)
- amortising facility aggregating to $235 million equivalent, drawn as NZ$184 million and A$40 million, with an expiry date of 30 April 2010 (the **Amortising Facility**)

The Company has estimated the interest rates that will be payable on its facilities during the period ending 31 March 2010 including establishment and other fees. These interest rates are based on the Company's estimated base rates plus a known interest rate margin.

- the estimated interest rates (including both a base rate and margin) for the Amortising Facility are 9.00% in respect of the NZ$184 million tranche and 9.33% in respect of the A$40 million tranche (assuming at least NZ$100 million in new equity is raised within six months, otherwise an additional 2.00% shall apply to each tranche)
- the weighted average interest rate on the other facilities, including establishment and other fees, for the year ending 31 March 2010 is estimated to be 6.81%, excluding the effects of interest rate derivatives and their fair valuation

Repayments of the Amortising Facility

The timing and quantum of the repayments or prepayments of the Amortising Facility is dependent upon the amount, if any, of new equity raised on or before 30 July 2009.

If on or before 30 July 2009 new equity of at least NZ$100 million has been raised the scheduled repayments or prepayments would be:

DUE DATE	SCHEDULED AMORTISATION AMOUNTS
30 September 2009	NZ$25 million
31 December 2009	NZ$135 million, less the amount of net of equity proceeds applied prior to that date in repayment of the Amortising Facility
30 April 2010	Outstanding balance of the Amortising Facility

If, on or before 30 July 2009, the Company has not raised at least NZ$100 million in new equity and repaid NZ$100 million against the Amortising Facility, the balance of the Amortising Facility is to be prepaid or repaid in order to comply with the following agreed amortisation amounts:

DUE DATE	SCHEDULED AMORTISATION AMOUNTS
31 July 2009	NZ$35 million
30 September 2009	NZ$45 million
31 December 2009	NZ$120 million
30 April 2010	Outstanding balance of the Amortising Facility

Repayments of the Term Loan Facility

Each tranche of the Term Loan Facility will be repayable in full on 30 April 2012 and, in respect of each quarter after 30 June 2010, if at the end of that quarter the Total Leverage Ratio is not less than 2.5x, 50% of Free Cash Flow is required to be repaid against the Term Loan Facility on a quarterly basis.

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4. Debt restructuring (continued)

Other key terms

- unless the Amortising Facility has been repaid in full and the Total Leverage Ratio is less than 3.0x, no distributions are permitted
- all of the Facilities are secured on the assets of the Appliances Group (the Company and its subsidiaries excluding the Finance business)
- the Company may make capital contributions to the Finance business if at least NZ$100 million in new equity (includes qualifying subordinated debt) is raised and no Event of Default or Potential Event of Default subsists under the Finance business debt funding facilities and the Finance business has either cancelled or extended $105 million of the first tranche of the existing $335 million Fisher & Paykel Finance Limited syndicated banking facility (refer to Note 25). However, the value of the capital contribution (Permitted Support) is limited to an amount up to $15 million to the extent the amount of equity raised is in excess of NZ$100 million
- any reductions in surplus working capital (which is defined to mean the reduction in the finished goods stockbuild and excess underlying inventory) must be applied first (up to $15 million) in meeting transaction and other costs of the Appliances Group and thereafter against the next scheduled repayment under the Amortising Facility
- all net proceeds from the proposed sale of property assets and the proposed equity raising (other than the Permitted Support) must be applied against the repayment scheduled in December 2009 (up to a maximum of NZ$100 million and then to the next repayment in April 2010)
- where the Amortising Facility is repaid but the total leverage ratio is not less than 2.5x, the banks will undertake quarterly cash sweeps to utilise 50% of Free Cash Flow to permanently reduce the Term Loan Facility. The first possible sweep will be 30 June 2010. Once the Company reaches the 2.5x ratio, the Term Loan Facility will become a revolving facility of an amount equal to that which the New Zealand dollar tranche of the Term Loan Facility reached at the date the prescribed ratio was first achieved

Financial covenants

The financial covenant regime is as follows:

(i) until at least $100 million equity has been raised, the Company must ensure on a monthly basis that there is no adverse variance to budget of greater than 15% in relation to monthly gross revenue, gross profit, and Normalised EBITDA

(ii) if at least NZ$100 million equity has been raised before 30 April 2010, the permitted variance will increase to 20% and review will occur quarterly

(iii) from 30 April 2010, these covenants will be replaced with a Total Leverage Ratio not to exceed 3.0x at each monthly test date

(iv) a minimum Total Interest Cover of 2.0x until 31 March 2010, 1 April 2010 – 30 September 2010 2.5x, and 3.0x thereafter, measured against the last 12 months Normalised EBITDA tested on a monthly basis until NZ$100 million equity is raised and thereafter quarterly

(v) maximum capital expenditure must not exceed $40 million in 2010; $33 million in 2011; $44 million in 2012

(vi) the ratio of the Appliances Group's secured total tangible assets to the Appliances Group's total tangible assets is to be no less than 95%

For the purposes of the financial covenants above:

"Total Leverage Ratio" is the ratio of total bank debt to Normalised EBITDA

"Normalised EBITDA" means operating earnings before interest, tax, depreciation and amortisation adjusted to exclude certain non-recurring items.

"Total Interest" means, as at the date of measurement, the aggregate of the last 12 months interest and financing costs of the Appliances Group, less any interest received on cash held at the bank (for the avoidance of doubt, interest received on loans to Finance shall not reduce "total interest".

"Total Interest Cover" means the ratio of Normalised EBITDA to Total Interest, where Normalised EBITDA is the last 12 months normalised EBITDA.

"Free Cash Flow" means Normalised EBITDA adjusted for capital expenditure, fees and costs paid in relation to equity raising; bank fees and repayments or prepayments of debt facilities, which have been paid in cash in the period, and adjusted for movements in working capital balances.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill and other indefinite life intangible assets
The Group annually tests whether goodwill or brands have suffered any impairment, in accordance with the accounting policy stated in Note 2(t). The recoverable amounts of cash generating units for goodwill impairment testing have been determined based on value-in-use calculations and recoverable amounts for brands have been based on relief-from-royalty calculations. These calculations require the use of assumptions. Refer to Note 19 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Warranty provision
Provision is made for estimated warranty claims in respect of products sold which are still under warranty at Balance Date. The majority of these claims are expected to be settled within the next 24 months but this may extend to 5 years for certain refrigeration components. Management estimates the present value of the provision based on historical warranty claim information and any recent specific trends that may suggest future claims could differ from historical amounts.

While changes in management's assumptions would result in different valuations, management considers the effect of any likely changes would be immaterial to the Group's result or financial position.

As at 31 March 2009, the Group had recognised a warranty provision amounting to $41.3 million (2008 $31.9 million) – refer to Note 22.

(iii) Finance receivables
Allowance is made for losses to Finance receivables where there is objective evidence that impairment has occurred due to one or more loss events. Management assesses whether these loss events have an impact upon the estimated future cash flows of the receivables on either an individual (if significant) or collective (if similar characteristics) basis.

While changes in management's assumptions would result in different valuations, management considers the effect of any likely changes would be immaterial to the Group's result or financial position.

As at 31 March 2009, the Group had recognised an allowance for impairment losses amounting to $22.5 million (2008 $19.2 million).

(iv) Inventories
The cost of inventory is sensitive to currency fluctuations. Management applies a blended exchange rate to account for purchases partly covered by forward foreign exchange contracts. As at 31 March 2009, a 10% movement in the blended exchange rate used would have approximately a $7.0 million impact on the value of inventory.

(v) Income taxes
The Group is subject to income taxes in New Zealand and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

As at 31 March 2009, the Group had recognised $35.4 million net deferred tax assets in excess of deferred tax liabilities. The Group has assumed continuity of shareholdings as required by New Zealand tax legislation and therefore has included all available tax loss carry forwards and other deductible temporary differences in the computation of deferred tax assets except for $15.9 million of USA energy tax credits.

(vi) Employment benefits
The Group provides long service leave benefits to employees in certain countries and calculation of the provision for the unvested component of these obligations is based on assumptions about future salary/wage increases, promotion rates and employee turnover. The discount rates used to calculate the present value of these obligations are based on 10 year Government bond yields as no deep market is deemed to exist for high quality corporate bonds in these countries.

While changes in management's assumptions would result in different liabilities, management considers the effect of any likely changes would be immaterial to the Group's result or financial position.

As at 31 March 2009, the Group had recognised a provision for unvested long service leave amounting to $11.0 million (2008 $12.7 million).

(vii) Restructuring provisions
Restructuring charges include required asset impairments, relocation costs and estimated costs for redundancies. These charges are calculated based on detailed plans that are expected to improve the Group's cost structure and productivity. The outcomes of similar historical restructuring plans are used as a guideline to minimise any uncertainties arising. The restructuring plans announced during the year ended 31 March 2009 resulted in restructuring charges of $66.6 million (2008 $18.3 million).

(b) Critical judgements in applying the entity's accounting policies
Mothballed assets
The Group has US$7.0 million of plant & equipment assets located at Ohio, USA scheduled to be mothballed in October 2009. In addition, US$16.0 million of plant & equipment assets at Reynosa, Mexico are forecast to run at low capacity during the year ending 31 March 2010.

5. Critical accounting estimates and judgements (continued)

These assets will continue to depreciate and management's judgement is this is a temporary occurrence and production using these assets will resume within the next 18 months. No impairment is therefore considered to have occurred. For further details, please refer to Note 18.

Special purpose entity
The activities of Retail Financial Services Limited are funded through a master trust securitisation structure established on 8 May 2006. This structure allows for the creation of multiple, separate, standalone trusts. The first trust created under the master trust structure was the RFS Trust 2006-1 (the Trust). Fisher & Paykel Financial Services Limited is the residual income and capital beneficiary of the Trust and therefore the financial statements of the Trust have been consolidated in the Group's financial statements. Refer to Note 38.

6. Financial risk management – Appliances business & Parent

The Group's business activities expose it to a variety of financial risks, namely market risk (including currency risk and interest rate risk) and credit risk. The overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. Derivative financial instruments such as foreign exchange contracts and interest rate swaps are used to hedge certain risk exposures.

The Board of Directors has approved policy guidelines for the Appliances business and Parent that identify, evaluate and authorise various financial instruments to hedge financial risks. Given the fundamental change in the business and debt levels, these policy guidelines have been reviewed and the Group now hedges foreign currency interest costs to New Zealand dollars.

The principal financial risks and hedging policies for the Appliances business and Parent are shown below.

(a) Market risk
(i) Foreign exchange risk
The Appliances business operates internationally and is exposed to foreign exchange risk arising from both transacting in foreign currencies and from translation of the net assets of overseas subsidiaries into New Zealand dollars for consolidation purposes.

The principal currency exposures are the New Zealand dollar cross rates with the Australian dollar, US dollar, Thai baht and Euro.

The Appliances business monitors current and anticipated future foreign currency operating cash flows to determine net exposures, which are hedged with forward exchange contracts and options within prescribed bands for up to a maximum period of 24 months (36 months by exception). Major capital expenditure in foreign currency is hedged with forward foreign exchange contracts and options. The Group's exposure to translation risk of foreign currency denominated net assets is not hedged.

Notional principal of foreign exchange and option agreements outstanding at 31 March 2009 were as follows:

- purchase commitments forward exchange contracts $97.6 million (2008 $44.5 million)
- sale commitments forward exchange contracts $156.5 million (2008 $140.4 million)
- foreign currency sold under option agreements $Nil (2008 $6.3 million)

(ii) Interest rate risk
Debt funding for the Appliances business is subject to floating interest rates which can impact on the segment's financial result. When considered appropriate, in accordance with the policy guidelines, the Appliances business enters into interest rate swaps to manage its exposure to such fluctuations. These financial instruments are subject to the risk that interest rates may change subsequent to implementation.

Notional principal or contract amounts outstanding on interest rate swaps at 31 March 2009 were $206.1 million (2008 $133.1 million). Following the debt restructuring referred to in Note 4, these contracts have been deemed to be ineffective.

(iii) Commodity risk
Pricing for some of the Appliances business' raw material purchases is subject to fluctuations in commodity indices for base metals and crude oil. This is routinely managed through agreements with suppliers however, when considered appropriate and in accordance with the policy guidelines, the Appliances business enters into commodity derivatives to manage its exposure to such fluctuations.

Notional principal or contract amounts outstanding on copper derivatives at 31 March 2009 were $0.3 million (2008 $2.1 million).

(iv) Summarised sensitivity analysis
The following table summarises the sensitivity of the Appliances business' financial assets and financial liabilities (with all other variables held constant) to interest rate risk, foreign exchange risk and commodity risk. The sensitivity analyses represent the range of movements for each type of risk that are considered reasonably possible as at Balance Date. The risk profile will vary throughout the financial year.

Figures disclosed within profit in the sensitivity analyses represent the after tax impact of the variable movements.

APPLIANCES BUSINESS		INTEREST RATE RISK				FOREIGN EXCHANGE RISK				COMMODITY RISK			
		-1%		+2%		-15%		+15%		-10%		+10%	
	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
31 March 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets													
Cash & cash equivalents	**58,646**	**(386)**	**(386)**	**772**	**772**	**8,130**	**8,130**	**(6,009)**	**(6,009)**	**–**	**–**	**–**	**–**
Trade receivables	**143,694**	**–**	**–**	**–**	**–**	**14,188**	**14,188**	**(10,487)**	**(10,487)**	**–**	**–**	**–**	**–**
Foreign exchange derivatives	**887**	**–**	**–**	**–**	**–**	**–**	**(4,835)**	**–**	**3,574**	**–**	**–**	**–**	**–**
Commodity derivatives	**37**	**–**	**–**	**–**	**–**	**–**	**89**	**–**	**(66)**	**–**	**(32)**	**–**	**32**
Financial liabilities													
Foreign exchange derivatives	**(2,417)**	**–**	**–**	**–**	**–**	**2,456**	**(16,106)**	**(1,815)**	**11,905**	**–**	**–**	**–**	**–**
Interest rate derivatives	**(10,987)**	**(2,061)**	**(2,061)**	**4,121**	**4,121**	**1,909**	**1,909**	**(1,411)**	**(1,411)**	**–**	**–**	**–**	**–**
Trade creditors	**(151,352)**	**–**	**–**	**–**	**–**	**(15,722)**	**(15,722)**	**11,620**	**11,620**	**–**	**–**	**–**	**–**
Borrowings	**(517,692)**	**3,714**	**3,714**	**(7,428)**	**(7,428)**	**(39,341)**	**(39,341)**	**29,078**	**29,078**	**–**	**–**	**–**	**–**
Total increase/(decrease)		**1,267**	**1,267**	**(2,535)**	**(2,535)**	**(28,380)**	**(51,688)**	**20,976**	**38,204**	**–**	**(32)**	**–**	**32**

APPLIANCES BUSINESS		INTEREST RATE RISK				FOREIGN EXCHANGE RISK				COMMODITY RISK			
		-1%		+1%		-10%		+10%		-10%		+10%	
	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
31 March 2008	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets													
Cash & cash equivalents	47,269	(668)	(668)	668	668	5,290	5,290	(4,328)	(4,328)	–	–	–	–
Trade receivables	144,873	–	–	–	–	8,603	8,603	(7,038)	(7,038)	–	–	–	–
Foreign exchange derivatives	1,688	–	–	–	–	(3,833)	(17,857)	3,136	14,610	–	–	–	–
Commodity derivatives	504	–	–	–	–	–	56	–	(46)	–	(214)	–	214
Financial liabilities													
Interest rate derivatives	(3,258)	–	(1,331)	–	1,331	–	362	–	(296)	–	–	–	–
Trade creditors	(119,408)	–	–	–	–	(7,381)	(7,381)	6,039	6,039	–	–	–	–
Borrowings	(339,089)	2,272	2,272	(2,272)	(2,272)	(20,425)	(20,425)	16,712	16,712	–	–	–	–
Total increase/(decrease)		1,604	273	(1,604)	(273)	(17,746)	(31,352)	14,521	25,653	–	(214)	–	214

PARENT		INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		-1%		+2%		-15%		+15%	
	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
31 March 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets									
Cash & cash equivalents	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Intergroup advances	**446,893**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total increase/(decrease)		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

PARENT		INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		-1%		+1%		-10%		+10%	
	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
31 March 2008	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets									
Cash & cash equivalents	1	–	–	–	–	–	–	–	–
Intergroup advances	428,058	–	–	–	–	–	–	–	–
Total increase/(decrease)		–	–	–	–	–	–	–	–

Historical financial statements

6. Financial risk management – Appliances business & Parent (continued)

(b) Credit risk

The Appliances business incurs credit risk with trade receivables and has a credit policy which is used to manage exposure to this credit risk. As part of this policy, limits are reviewed on a regular basis. In addition, risk is selectively mitigated through trade indemnity policies and letters of credit where an unacceptably high credit risk is perceived to exist.

Foreign currency forward exchange contracts, foreign currency option agreements and interest rate swaps have been entered into with trading banks. The Appliances business' exposure to credit risk from these financial instruments is limited because it does not expect non-performance of the obligations contained therein due to the credit rating of the financial institutions concerned. The Appliances business does not require collateral or other security to support financial instruments. Further disclosure on trade receivables is reported in Note 13.

(i) Concentrations of credit exposure

As at 31 March 2009, the Appliances business had trade receivables from certain major Australian customers of A$20.6 million (2008 A$19.7 million). However, all Australian receivables balances are covered by trade indemnity insurance, the main terms of which include:

- maximum sum insured of A$30,000,000
- insured percentage of 90% subject to A$5,000 excess
- discretionary credit limit up to A$300,000
- maximum payment terms of 60 days from the end of the month following delivery of goods

Excluding the Australian customers above, the Appliances business had no other concentration of credit exposure.

(ii) Geographic concentrations of trade receivables

The Appliances business' maximum exposure to credit risk for trade receivables by geographic region is as follows:

	31 March 2009 $'000	31 March 2008 $'000
New Zealand	**31,738**	24,933
Australia	**46,379**	46,154
North America	**28,757**	31,189
Europe	**34,726**	40,210
Rest of World	**2,094**	2,387
	143,694	144,873

(c) Liquidity risk

The Board of Directors approves all new loans and funding facilities, including the interim bank funding facility and the Board is updated at least monthly on liquidity risk. Due to the notification in February 2009 to the banks of a material adverse change event that risked a potential default on banking covenants at 31 March 2009, all bank overdrafts and loans in the Appliances business are on call and classified as current – refer to Note 23. Subsequent to year-end, the Group has entered into new long-term financing facilities, the details of which are set out in Note 4.

The table below analyses the Appliances business' 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, except for interest rate swaps.

	On Call $'000	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000
At 31 March 2009				
Bank overdrafts and loans	**533,170**	**–**	**–**	**–**
Trade creditors	**–**	**151,352**	**–**	**–**
Finance lease liabilities	**–**	**776**	**408**	**24**
Interest rate swaps*	**–**	**3,738**	**2,852**	**3,792**
At 31 March 2008				
Bank overdrafts and loans	–	1,518	233,725	138,625
Trade creditors	–	119,408	–	–
Finance lease liabilities	–	3,341	556	310
Interest rate swaps*	–	945	799	1,237

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

The table below analyses the Appliances business' derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the Balance Sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and affect profit or loss at various dates between Balance Date and the following 24 months.

	Less than 1 year $'000	Between 1 and 2 years $'000
At 31 March 2009		
Forward foreign exchange contracts – cash flow hedges		
Inflow	**31,571**	**28,474**
Outflow	**34,178**	**27,397**
At 31 March 2008		
Forward foreign exchange contracts – cash flow hedges		
Inflow	96,017	7,327
Outflow	94,988	7,171

(d) Fair value estimation

The fair value of financial instruments are estimated using discounted cash flows. Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the Balance Sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Appliances business for similar financial instruments.

Unless otherwise stated, all other carrying amounts are assumed to equal or approximate fair value.

Historical financial statements

6. Financial risk management – Appliances business & Parent (continued)

(e) Financial instruments by category

Assets as per Balance Sheet	Derivatives used for hedging $'000	Loans and receivables $'000	Total $'000
Appliances business			
31 March 2009			
Cash & cash equivalents	–	58,646	58,646
Trade receivables	–	143,694	143,694
Derivative financial instruments	924	–	924
	924	202,340	203,264
31 March 2008			
Cash & cash equivalents	–	47,269	47,269
Trade receivables	–	144,873	144,873
Derivative financial instruments	1,688	–	1,688
	1,688	192,142	193,830
Parent			
31 March 2009			
Cash & cash equivalents	–	1	1
Intergroup advances	–	446,893	446,893
	–	446,894	446,894
31 March 2008			
Cash & cash equivalents	–	1	1
Intergroup advances	–	428,058	428,058
	–	428,059	428,059

Liabilities as per Balance Sheet	Fair value through profit or loss – held for trading $'000	Derivatives used for hedging $'000	Measured at amortised cost $'000	Total $'000
Appliances business				
31 March 2009				
Borrowings	–	–	517,692	517,692
Derivative financial instruments	10,987	2,417	–	13,404
Finance leases	–	–	1,208	1,208
	10,987	2,417	518,900	532,304
31 March 2008				
Borrowings	–	–	339,089	339,089
Derivative financial instruments	–	3,258	–	3,258
Finance leases	–	–	4,207	4,207
	–	3,258	343,296	346,554

7. Financial risk management – Finance business

The Finance business' activities expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. The Finance business has a separate Board of Directors, which has appointed the following committees and other specialists to manage these risks and report key outcomes to the Board in accordance with approved policy:

Asset & Liability Committee
Comprises the Managing Director, Chief Operating Officer, Chief Financial Officer (Chair) and Treasury & Funding Manager. The Committee is responsible for managing interest rate risk, liquidity risk and balance sheet and capital structure. The Committee's activities are governed by a formal charter to ensure all treasury risk management policies are followed.

Pricing Committee
Comprises the Managing Director, Chief Operating Officer (Chair) and Chief Financial Officer. The Committee's principal responsibility is to establish and review interest rates on money advanced to customers.

Credit Committee
Comprises the Managing Director, Chief Operating Officer, Chief Financial Officer and Chief Credit Risk Officer (Chair). The committee's principal responsibility is to oversee all aspects of credit risk assessment and management and operates within formal credit policies and guidelines that ensure any credit risk incurred falls within acceptable parameters.

Treasury
The Treasury function's principal responsibility is the day-to-day management of the liability side of the Balance Sheet, especially focusing on maintaining the appropriate level and mix of funding sources and ensuring that the Finance business has sufficient liquidity for its requirements. In addition, Treasury is responsible for:

(i) execution of interest rate risk management strategies including the use of derivative financial instruments in accordance with formal treasury risk management policies

(ii) ensuring compliance with all internal and external measures, covenants and ratios

(a) Market risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Finance business is exposed to fluctuations in the prevailing levels of market interest rates on both fair value and cash flow risks relating to its financial instruments. Interest margins may increase or decrease, as the case may be, as a result of changes in market interest rates.

(i) Interest rate risk management process
The Asset & Liability Committee is responsible for managing interest rate risk in accordance with its Charter and treasury risk management policy. The Pricing Committee is responsible for establishing and reviewing interest rates on money lent.

The Finance business manages interest rate risk through:

- monitoring the maturity profile of assets and liabilities and seeking, where appropriate, to match the date at which these mature and reprice
- monitoring market interest rates and reviewing the impact of these on interest rate risk exposure
- economically hedging a portion of any residual risk exposure using financial derivative instruments. This activity is undertaken in accordance with treasury risk management policies approved by the Finance business Board of Directors
- reviewing lending rates from time to time

(ii) Concentrations of interest rate exposure
The Finance business' borrowings are generally short term in nature to match the profile of the maturing assets. Borrowings issued at variable rates expose the Finance business to cash flow interest rate risk. Borrowings issued at fixed rates expose the Finance business to fair value interest rate risk.

(iii) Repricing schedule
The Finance business has a policy which establishes risk control limits for the net repricing gap. Interest rate exposure is monitored on a regular basis and reported to and reviewed monthly by the Asset and Liability Committee and the Finance business Board of Directors.

Historical financial statements

7. Financial risk management – Finance business (continued)

The table below summarises the Finance business' exposure to interest rate risks. It includes the Finance business' financial instruments at carrying amounts, categorised by the earlier of their contractual repricing or expected maturity dates.

	Weighted average effective interest rate	0 to 6 months	7 to 12 months	13 to 24 months	25 to 60 months	Over 60 months	Non-interest bearing	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 March 2009								
Financial assets								
Cash & cash equivalents	**4.0**	**36,749**	**–**	**–**	**–**	**–**	**–**	**36,749**
Derivative financial instruments	**3.3**	**15**	**28**	**86**	**416**	**–**	**–**	**545**
Finance receivables	**18.3**	**455,435**	**72,335**	**48,397**	**11,010**	**149**	**–**	**587,326**
Other financial assets	**1.1**	**–**	**–**	**–**	**1,074**	**–**	**2,570**	**3,644**
		492,202	**72,363**	**48,483**	**12,500**	**149**	**2,570**	**628,264**
Financial liabilities								
Finance borrowings								
Bank loans	**4.2**	**122,286**	**–**	**–**	**–**	**–**	**–**	**122,286**
Debentures	**8.2**	**58,211**	**48,955**	**87,567**	**7,894**	**–**	**–**	**202,627**
Notes	**5.6**	**123,364**	**–**	**–**	**–**	**–**	**–**	**123,364**
Committed liquidity facilities	**4.3**	**93,561**	**–**	**–**	**–**	**–**	**–**	**93,561**
Derivative financial instruments	**6.3**	**353**	**971**	**568**	**–**	**–**	**–**	**1,892**
Other financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**4,480**	**4,480**
		397,775	**49,926**	**88,135**	**7,894**	**–**	**4,480**	**548,210**
Net effective interest rate gap		**94,427**	**22,437**	**(39,652)**	**4,606**	**149**	**(1,910)**	**80,054**
31 March 2008								
Financial assets								
Cash & cash equivalents	8.3	48,199	–	–	–	–	–	48,199
Derivative financial instruments	8.2	135	293	155	2	–	–	585
Finance receivables	17.6	431,035	84,464	53,217	16,060	155	–	584,931
Other financial assets	1.9	–	–	–	1,009	–	2,035	3,044
		473,969	84,757	53,372	17,071	155	2,035	636,759
Financial liabilities								
Finance borrowings								
Bank loans	8.9	211,456	–	–	–	–	–	211,456
Debentures	8.4	66,684	29,170	6,828	2,371	–	–	105,053
Notes	9.2	167,018	–	–	–	–	–	167,018
Committed liquidity facilities	9.1	60,648	–	–	–	–	–	60,648
Derivative financial instruments	–	–	–	30	–	–	–	30
Other financial liabilities	8.6	–	–	–	–	–	4,333	4,333
		505,806	29,170	6,858	2,371	–	4,333	548,538
Net effective interest rate gap		(26,437)	55,587	46,514	14,700	155	(2,298)	88,221

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Finance business' financial assets and liabilities to interest rate risk in terms of the effect on post-tax profit and equity. The analysis is based on the assumption that all other variables remain constant and incorporates the effect a -/+ 100 basis point movement in interest rates has on the financial assets and financial liabilities held at balance date.

		INTEREST RATE RISK			
		-1%		+1%	
	Carrying amount	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
31 March 2009					
Financial assets					
Cash & cash equivalents	**36,749**	**(255)**	**(255)**	**255**	**255**
Finance receivables	**587,326**	**(4,112)**	**(4,112)**	**4,112**	**4,112**
Derivative financial instruments	**545**	**(598)**	**(598)**	**581**	**581**
Other financial assets	**3,644**	**–**	**–**	**–**	**–**
Financial liabilities					
Finance borrowings	**541,838**	**3,780**	**3,780**	**(3,780)**	**(3,780)**
Derivative financial instruments	**1,892**	**(385)**	**(385)**	**379**	**379**
Other financial liabilities	**4,480**	**–**	**–**	**–**	**–**
Total increase/(decrease)		**(1,570)**	**(1,570)**	**1,547**	**1,547**
31 March 2008					
Financial assets					
Cash & cash equivalents	48,199	(338)	(338)	338	338
Finance receivables	584,931	(4,095)	(4,095)	4,095	4,095
Derivative financial instruments	585	(441)	(441)	643	643
Other financial assets	3,358	(7)	(7)	7	7
Financial liabilities					
Finance borrowings	544,175	3,792	3,792	(3,792)	(3,792)
Derivative financial instruments	30	(181)	(181)	179	179
Other financial liabilities	4,333	–	–	–	–
Total increase/(decrease)		(1,270)	(1,270)	1,470	1,470

The sensitivity analyses above represent the range of movements for each type of risk that are considered reasonably possible as at Balance Date. The risk profile will vary throughout the financial year.

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7. Financial risk management – Finance business (continued)

(b) Credit risk

The Finance business is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Finance business by failing to discharge an obligation. Credit risk arises principally on advances made to customers and deposits held with other entities and also in off-balance sheet items such as loan commitments.

(i) Credit risk management process

A Credit Committee oversees all aspects of credit risk assessment and management and operates within credit policies and guidelines approved by the Finance business Board of Directors. These policies ensure that any credit risk incurred falls within acceptable parameters.

The Finance business manages credit risk in a number of ways:

- In consumer lending, robust credit processes are employed to originate new loans to customers. These processes incorporate credit scorecards, credit checks, business rules and review of customer credit history to assess a customer's creditworthiness. Wherever appropriate, a charge will be taken by way of reservation of title over the asset financed, except for personal loans, where advances are generally unsecured. The personal loans business ceased originating business in January 2006
- In commercial lending, the integrity and financial standing of approved borrowers is relied upon. All equipment finance and rental & leasing contracts are assessed in accordance with a range of credit criteria and the amount of each advance. Criteria include credit checks, trade references and financial account analysis. These contracts are secured over the goods financed and guarantees are requested from business proprietors in certain circumstances. Assets financed include machinery and plant & equipment but do not include residential or commercial property
- In bulk funding, security is taken over the underlying Finance receivables. In addition several factors are taken into account in determining the amount of money advanced, including average yield and arrears levels. A prudential security reserve is also maintained to ensure that a margin exists between the amounts advanced and the estimated market value of the underlying Finance receivables
- Interest rate instruments have been entered into with trading banks. The Finance business' exposure to credit risk from these financial instruments is limited because it does not expect non-performance of the obligations contained therein due to the credit rating of the financial institutions concerned. The Finance business does not require collateral or other security to support these financial instruments

(ii) Concentrations of Credit Exposure

As at 31 March 2009, the Finance business had advanced $84.9 million to Smithcorp Finance Limited, a bulk finance merchant (2008 $88.5 million). Security is a general security interest charging all present and after acquired property and a specific interest over finance receivables. These receivables, taken as individual finance receivable agreements, are largely low value advances to retail customers.

Excluding Smithcorp Finance Limited, the Finance business had no exposure to retailers, commercial accounts or individual receivable agreements that exceeded 10% of Finance business equity (2008 Nil).

Maximum exposure to credit risk before collateral held or other credit enhancements is shown in the table below:

	31 March 2009	31 March 2008
	$'000	$'000
Credit exposures relating to on-Balance Sheet assets:		
Cash & cash equivalents	**36,749**	48,199
Derivative financial instruments	**545**	585
Finance receivables	**587,326**	584,931
Other financial assets	**3,644**	3,044
Credit exposures relating to off-Balance Sheet items:		
Undrawn lending commitments*	**2,188,968**	2,367,145
	2,817,232	3,003,904

*Undrawn lending commitments include unutilised *Q Card*® and *Farmers Finance Card*™ limits, which can be unconditionally cancelled by the Finance business at any time.

The above table represents a maximum credit risk exposure at 31 March 2009, without taking into account any collateral, other credit enhancements attached or the cancellation of undrawn lending commitments. For on-Balance Sheet assets, the exposures set out above are based on net carrying amounts as reported in the Balance Sheet.

Further details on Finance receivables and impairment are disclosed in Note 14.

(iii) Geographic Concentrations of Finance Receivables

The table below details the geographic split of Finance receivables:

	31 March 2009 $'000	31 March 2008 $'000
Upper North Island	**202,929**	201,457
Central North Island	**134,522**	141,299
Lower North Island	**76,188**	80,647
South Island	**173,687**	161,528
	587,326	584,931

Upper North Island comprises the Auckland and Northland regions. Lower North Island comprises the Wellington and Manawatu regions.

(c) Liquidity risk

Liquidity risk is the risk that the Finance business is unable to meet its payment obligations associated with its financial liabilities when they fall due. It includes the risk that the Finance business may have insufficient liquid funds or may not be able to raise sufficient funds at short notice to meet its payment obligations associated with financial liabilities when they fall due. This situation can arise if there is a significant mismatch of its financial assets and financial liabilities.

(i) Liquidity risk management process

The Finance business operates an Asset & Liability Committee that oversees all aspects of Balance Sheet risk. This committee has a formal charter, which outlines its role and responsibilities. All treasury related activity must comply with treasury risk management policies approved by the Finance business Board of Directors.

Liquidity risk is managed through:

- Day to day funding requirements and future cash flows are monitored to ensure requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Finance Business maintains an active presence in local money markets to enable this to happen
- Regularly forecasting future cash flows to assess maturity mismatches between financial assets and financial liabilities in advance
- Not relying on one funding source, but maintaining a diverse and stable funding base
- Maintaining strong bank relationships and committed bank credit facilities
- Monitoring balance sheet liquidity ratios against internal requirements

The Asset & Liability Committee also monitors the level and type of undrawn lending commitments against committed credit facilities to ensure there is sufficient capacity.

Historical financial statements

7. Financial risk management – Finance business (continued)

The table below analyses the Finance business' financial assets and financial liabilities and net settled derivative financial instruments 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, except for derivative financial instruments.

	Call	0 to 6 months	7 to 12 months	13 to 24 months	25 to 60 months	Over 60 months	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 March 2009							
Financial assets							
Cash & cash equivalents	**19,352**	**17,529**	**–**	**–**	**–**	**–**	**36,881**
Derivative financial instruments*	**–**	**26**	**(21)**	**191**	**408**	**–**	**604**
Finance receivables	**–**	**219,963**	**151,549**	**170,881**	**198,163**	**52,751**	**793,307**
Other financial assets	**–**	**2,600**	**30**	**60**	**1,060**	**–**	**3,750**
	19,352	**240,118**	**151,558**	**171,132**	**199,631**	**52,751**	**834,542**
Financial liabilities							
Finance borrowings							
Bank loans	**–**	**123,646**	**–**	**–**	**–**	**–**	**123,646**
Debentures	**14,918**	**50,039**	**53,860**	**93,796**	**8,863**	**–**	**221,476**
Notes	**–**	**124,000**	**–**	**–**	**–**	**–**	**124,000**
Committed liquidity facilities	**–**	**94,151**	**–**	**–**	**–**	**–**	**94,151**
Derivative financial instruments	**–**	**1,297**	**232**	**386**	**–**	**–**	**1,915**
Other financial liabilities	**–**	**4,480**	**–**	**–**	**–**	**–**	**4,480**
	14,918	**397,613**	**54,092**	**94,182**	**8,863**	**–**	**569,668**
31 March 2008							
Financial assets							
Cash & cash equivalents	32,797	15,768	–	–	–	–	48,565
Derivative financial instruments*	–	471	327	78	–	–	876
Finance receivables	–	216,729	152,949	169,206	192,536	51,107	782,527
Other financial assets	–	3,074	30	60	1,120	–	4,284
	32,797	236,042	153,306	169,344	193,656	51,107	836,252
Financial liabilities							
Finance borrowings							
Bank loans	–	87,761	133,314	–	–	–	221,075
Debentures	9,412	60,090	30,171	8,544	2,670	–	110,887
Notes	–	168,500	–	–	–	–	168,500
Committed liquidity facilities	–	61,461	–	–	–	–	61,461
Other financial liabilities	–	4,333	–	–	–	–	4,333
	9,412	382,145	163,485	8,544	2,670	–	566,256

*The amounts expected to be payable in relation to the derivative financial instruments have been estimated using forward interest rates applicable at the reporting date.

Effective 20 November 2008, Fisher & Paykel Finance Limited obtained a guarantee under the New Zealand Deposit Guarantee Scheme. The guarantee ends on 12 October 2010.

Further details about the Scheme, including a copy of the Crown Guarantee and the answers to some frequently asked questions, are available free of charge on the treasury website at www.treasury.govt.nz/economy/guarantee/retail.

(d) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined using generally accepted valuation techniques. The Finance business uses a variety of methods and makes assumptions that are based on market conditions existing at each Balance Date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of financial liabilities and assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Finance business for similar financial instruments. For short-term financial assets and liabilities, their carrying amount is a reasonable approximation of their fair values.

Where present value techniques are used to value future cash flows deriving from interest rate derivative contracts, the Finance business uses a valuation model licensed from a reputable third party vendor. Market data used for valuation purposes (i.e. interest rate yield curves) are provided by independent third party data providers where possible. In addition, month-end derivative portfolio valuations are obtained from all derivative counterparties for comparison with internal valuations.

Historical financial statements

7. Financial risk management – Finance business (continued)

(e) Financial instruments by category

Assets as per Balance Sheet	Fair value through profit or loss – designated	Fair value through profit or loss – held for trading	Loans and receivables	Total
	$'000	$'000	$'000	$'000
31 March 2009				
Cash & cash equivalents	**23,697**	**–**	**13,052**	**36,749**
Derivative financial instruments	**–**	**545**	**–**	**545**
Finance receivables	**84,873**	**–**	**502,453**	**587,326**
Other financial assets	**–**	**–**	**3,644**	**3,644**
	108,570	**545**	**519,149**	**628,264**
31 March 2008				
Cash & cash equivalents	17,200	–	30,999	48,199
Derivative financial instruments	–	585	–	585
Finance receivables	88,512	–	496,419	584,931
Other financial assets	–	–	3,044	3,044
	105,712	585	530,462	636,759

Liabilities as per Balance Sheet	Fair value through profit or loss – held for trading	Measured at amortised cost	Total
	$'000	$'000	$'000
31 March 2009			
Finance borrowings	**–**	**541,838**	**541,838**
Derivative financial instruments	**1,892**	**–**	**1,892**
Other financial liabilities	**–**	**4,480**	**4,480**
	1,892	**546,318**	**548,210**
31 March 2008			
Finance borrowings	–	544,175	544,175
Derivative financial instruments	30	–	30
Other financial liabilities	–	4,333	4,333
	30	548,508	548,538

8. Segment information

(a) Description of segments

Business segments
The Group is organised into the following main business segments:

Appliances business
Manufacturer, distributor and marketer of major household appliances.

Finance business
Financial services sector entirely within New Zealand.

Geographic segments
The Appliances business operates in the following geographic areas:

New Zealand
Comprises corporate head office, manufacturing operations in Auckland and Dunedin (closed on 31 March 2009); product development & engineering services, customer services, sales & distribution operations.

Australia
Comprises a manufacturing operation in Cleveland, Brisbane (closed on 2 April 2009); customer services, sales & distribution operations.

North America
Comprises administration & distribution operations in Huntington Beach, California; manufacturing operations in Clyde, Ohio and Reynosa, Mexico; and sales & distribution operations in the United States and Canada.

Italy
Comprises a manufacturing operation in Borso del Grappa, near Treviso; distribution operation and the Europe sales office.

Thailand
Comprises a manufacturing operation in Amata City, Rayong Province and the Asia sales office.

Overseas sales companies
Comprises UK, Ireland, Singapore and Rest of World sales & distribution operations.

Historical financial statements

8. Segment information (continued)

(b) Combined segment analysis

For the year ended 31 March 2009	New Zealand $'000	Australia $'000	North America $'000	Italy $'000	Thailand $'000	Overseas sales companies $'000	Appliances business $'000	Finance business $'000	Consolidated operations $'000
External operating revenue	268,298	452,120	326,458	134,622	–	41,115	**1,222,613**	**136,918**	**1,359,531**
Other income							**11,909**	**1,125**	**13,034**
Total revenue and other income							**1,234,522**	**138,043**	**1,372,565**
Cost of goods sold							**(898,170)**		
Gross margin							**336,352**		
Administration expenses							**(286,681)**		
Selling, marketing and distribution expenses							**(135,193)**		
Impairment charge for credit losses								**(20,017)**	
Interest expenses and similar charges								**(53,226)**	
Other Finance business expenses								**(43,714)**	
Operating (loss)/profit							**(85,522)**	**21,086**	**(64,436)**
Operating (loss)/profit before amortisation							**(73,811)**	**28,244**	**(45,567)**
Depreciation expense							**(38,914)**	**(706)**	**(39,620)**
Impairment loss (excluding impairments from implementing the Global Manufacturing Strategy)							**(69,688)**	**–**	**(69,688)**
Amortisation expense							**(11,711)**	**(7,158)**	**(18,869)**
[1] Employee benefits expense							**(282,417)**	**(14,613)**	**(297,030)**
[2] One-off costs of implementing Appliances' Global Manufacturing Strategy							**(66,615)**	**–**	**(66,615)**
Hedge ineffectiveness related to debt restructuring							**(11,232)**	**–**	**(11,232)**
[3] Other restructuring costs							**(5,204)**	**–**	**(5,204)**
Total assets	284,345	226,817	421,919	192,523	88,999	17,634	**1,232,237**	**764,117**	**1,996,354**
Total liabilities							**(846,241)**	**(584,561)**	**(1,430,802)**
Capital expenditure	11,431	2,793	36,937	1,576	26,501	98	**79,336**	**2,282**	**81,618**

[1] Includes staff redundancy costs of $26.2 million

[2] Includes staff redundancy costs of $23.5 million also reported as part of employee benefits expense

[3] Includes staff redundancy costs of $2.7 million also reported as part of employee benefits expense

For the year ended 31 March 2008	New Zealand $'000	Australia $'000	North America $'000	Italy $'000	Thailand $'000	Overseas sales companies $'000	Appliances business $'000	Finance business $'000	Consolidated operations $'000
External operating revenue	286,521	458,094	346,449	147,554	–	37,198	**1,275,816**	**123,893**	**1,399,709**
Other income							**6,556**	**80**	**6,636**
Total revenue and other income							**1,282,372**	**123,973**	**1,406,345**
Cost of goods sold							**(897,812)**		
Gross margin							**384,560**		
Administration expenses							**(159,160)**		
Selling, marketing and distribution expenses							**(156,968)**		
Impairment charge for credit losses								**(13,310)**	
Operating interest expenses and similar charges								**(43,427)**	
Other Finance business expenses								**(41,093)**	
Operating profit							**68,432**	**26,143**	**94,575**
Operating profit before amortisation							**76,339**	**33,203**	**109,542**
Depreciation expense							**(34,510)**	**(846)**	**(35,356)**
Impairment loss							**(718)**	**(308)**	**(1,026)**
Amortisation expense							**(7,907)**	**(7,060)**	**(14,967)**
Employee benefits expense							**(282,615)**	**(14,678)**	**(297,293)**
[4] One-off costs of implementing Appliances' Global Manufacturing Strategy							**(18,263)**	**–**	**(18,263)**
Costs associated with proposed sale of Finance business							**(1,590)**	**(745)**	**(2,335)**
Total assets	332,193	180,142	232,247	242,126	48,196	16,708	**1,051,612**	**778,612**	**1,830,224**
Total liabilities							**(595,081)**	**(588,695)**	**(1,183,776)**
Capital expenditure	22,227	3,294	2,699	1,747	8,853	510	**39,330**	**1,632**	**40,962**

[4] Includes staff redundancy costs of $9.2 million also reported as part of employee benefits expense

(c) Notes to and forming part of the segment information

(i) Inter-segment transfers

Inter-segment transactions between the Appliances and Finance businesses are immaterial and those that do occur are arm's length transactions.

Historical financial statements

9. Revenue and other income

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
From continuing operations				
Appliances business sales of goods revenue				
New Zealand	**212,444**	241,730	**–**	–
Australia	**452,391**	460,230	**–**	–
North America	**365,397**	378,980	**–**	–
Europe	**109,987**	112,284	**–**	–
Rest of World	**73,261**	74,757	**–**	–
Appliances business sales of services	**9,133**	7,835	**–**	–
Finance business revenue	**136,918**	123,893	**–**	–
Total operating revenue	**1,359,531**	1,399,709	**–**	–
Other income			**–**	–
Interest	**1,490**	805	**–**	–
Gains on disposal of property, plant & equipment	**8,216**	4,952	**–**	–
Fee income	**1,332**	477	**–**	–
Appliances business miscellaneous income	**1,017**	402	**–**	–
Fair value gain on Finance business derivatives	**979**	61	**–**	–
Dividends	**–**	–	**50,000**	33,000
	13,034	6,697	**50,000**	33,000
	1,372,565	1,406,406	**50,000**	33,000

(a) Sales revenue

Revenue figures reported above are disclosed by location of customer and therefore do not agree directly to Segment disclosures at Note 8, where revenue is reported by country of operation.

(b) Net gains on disposal of property, plant & equipment

Net gains on disposal of property, plant & equipment for the period ending 31 March 2009 includes a net gain on sale of land & buildings of $7.1 million (2008 $5.0 million).

(c) Non-cash transactions

In the year ended 31 March 2009, the Appliances business recognised sales of goods revenue from barter transactions of $11.0 million (2008 $2.7 million).

These transactions involve the exchange of finished goods for barter credits or prepaid vouchers. The barter credits can be used to secure goods and services from members of the same barter exchange network. Barter credits arising in New Zealand are available indefinitely and those arising in the USA have a useful life of three calendar years.

The barter credit balances are actively managed to ensure they are utilised within an appropriate timeframe. In addition, the non-current portion of these balances is discounted to its net present value.

10. Expenses

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Net gains and expenses				
(Loss)/profit before income tax includes the following specific expenses:				
Total depreciation	**39,620**	35,356	**–**	–
Total amortisation	**18,869**	14,967	**–**	–
Finance costs (excludes Finance business operating interest)				
External interest expense	**30,392**	22,132	**–**	–
Interest rate hedge ineffectiveness	**11,232**	–	**–**	–
Amount capitalised – Property, plant & equipment (see 10 (i))	**(827)**	(566)	**–**	–
Finance costs expensed	**40,797**	21,566	**–**	–
Rental expense relating to operating leases				
Minimum lease payments	**23,331**	19,460	**–**	–
Foreign exchange gains and losses				
Net foreign exchange (gains)/losses	**28,813**	(3,292)	**–**	–
Defined contribution superannuation expense	**18,819**	16,771	**–**	–
Research & development	**12,044**	17,330	**–**	–
Sundry expenses				
Donations	**232**	266	**–**	–
Employee benefits	**298,934**	299,221	**–**	503
Impairment charge for credit losses				
Receivables written off during the year	**18,257**	10,970	**–**	–
Recovery of amounts previously written off	**(1,591)**	(2,564)	**–**	–
Movement in allowance for impairment	**3,351**	4,904	**–**	–
	20,017	13,310	**–**	–
Impairment of other assets (see 10 (ii))				
Land & buildings	**6,725**	–	**–**	–
Goodwill	**69,688**	–	**–**	–
Plant & equipment	**7,670**	718	**–**	–
Software	**–**	308	**–**	–
	84,083	1,026	**–**	–

Historical financial statements

10. Expenses (continued)

(i) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised was 7.8% (2008 9.3%) except for isolated costs related to construction of buildings in Thailand which have been capitalised at 4.0% (2008 4.6%). This represents the weighted average interest rate of the Group's applicable outstanding New Zealand dollar borrowings during the year.

(ii) Asset Impairments

In the year ended 31 March 2009, as a result of implementing the Appliances business' Global Manufacturing Strategy, plant & equipment assets with a book value of $7.7 million were impaired. In addition, on transferring the East Tamaki, Auckland land & buildings to Non-current Assets Held for Sale, an impairment of $6.7 million was recognised. Further details are provided in Note 18.

In addition, owing to the current downturn being experienced in all global markets, the Board impaired the goodwill allocated to its Italian cash generating unit ($69.7 million). Further details are provided in Note19.

In the year ended 31 March 2008, following the relocation of laundry manufacturing plant & equipment from New Zealand to Thailand, surplus assets were written down to their recoverable amount. In addition, the Finance business retired certain operating software during the period and wrote off the remaining book value.

Auditors' fees

During the year the following fees were paid or payable for services provided by the auditor of the Company and the Group, its related practices and non-related audit firms:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
(a) Assurance services				
Audit services				
PricewaterhouseCoopers				
Statutory audit – current year	**1,189**	925	**–**	–
Statutory audit – prior year	**19**	110	**–**	–
Compliance audits – Appliances Thailand	**43**	–	**–**	–
Fisher & Paykel Finance Limited Debenture Prospectus audit	**12**	8	**–**	–
Farmers Finance securitisation compliance audit	**25**	25	**–**	–
Other audit firm	**–**	–	**–**	–
Statutory audit – current year	**21**	16	**–**	–
Total remuneration for audit services	**1,309**	1,084	**–**	–
Other assurance services				
PricewaterhouseCoopers				
Review of Group Interim Financial Statements	**62**	100	**–**	–
Advice re International Financial Reporting Standards	**46**	117	**–**	–
Financial due diligence services	**145**	–	**–**	–
Other assurance services	**10**	24	**–**	–
Total remuneration for other assurance services	**263**	241	**–**	–
Total remuneration for assurance services	**1,572**	1,325	**–**	–
(b) Other services				
PricewaterhouseCoopers				
Statutory reporting software	**33**	30	**–**	–
Italian Statutory board of Auditors	**–**	46	**–**	–
Total remuneration for other services	**33**	76	**–**	–
Total remuneration	**1,605**	1,401	**–**	–

11. Income tax expense

	Notes	CONSOLIDATED 31 March 2009 $'000	CONSOLIDATED 31 March 2008 $'000	PARENT 31 March 2009 $'000	PARENT 31 March 2008 $'000
(a) Income tax expense					
Current tax		**24,760**	27,192	**(8)**	(166)
Deferred tax		**(35,150)**	(6,942)	**–**	–
Under/(over) provided in prior years		**411**	(1,453)	**2,468**	3,681
		(9,979)	18,797	**2,460**	3,515
Deferred income tax (revenue) expense included in income tax expense comprises:					
Decrease (increase) in deferred tax assets	20	**(33,107)**	(906)	**–**	–
(Decrease) increase in deferred tax liabilities	27	**(2,043)**	(6,036)	**–**	–
		(35,150)	(6,942)	**–**	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
(Loss)/profit from continuing operations before income tax expense		**(105,233)**	73,010	**49,974**	32,497
Tax at the New Zealand tax rate of 30% (2008 33%)		**(31,570)**	24,093	**14,992**	10,724
Tax effect of a change in tax rate to 30%		**–**	(2,590)	**–**	–
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:					
Fully imputed dividends received		**–**	–	**(15,000)**	(10,890)
Other non-assessable income		**(12,425)**	(1,279)	**–**	–
Non-deductible amounts		**33,100**	1,420	**–**	–
Attributed foreign income		**–**	103	**–**	–
USA energy tax credits		**–**	(2,851)	**–**	–
		(10,895)	18,896	**(8)**	(166)
Difference in overseas tax rates		**505**	1,354	**–**	–
Under/(over) provision in prior years		**411**	(1,453)	**2,468**	3,681
		(916)	(99)	**2,468**	3,681
Income tax (benefit)/expense		**(9,979)**	18,797	**2,460**	3,515

Tax legislation passed in 2007 reduced the New Zealand company tax rate from 33% to 30%, effective 1 April 2008.

The weighted average applicable tax rate was 32.0% (2008 25.7%).

The Group has estimated New Zealand tax losses available to carry forward of $16.6 million (2008 $7.0 million), subject to shareholder continuity being maintained as required by New Zealand tax legislation.

The Group has estimated North American tax losses available to carry forward of $23.0 million. These are due to expire in a range of 10 to 20 years.

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12. Cash & cash equivalents

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**71,695**	77,952	**1**	1
Deposits	**23,700**	17,516	**–**	–
	95,395	95,468	**1**	1

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Note	**$'000**	$'000	**$'000**	$'000
Balance as above		**95,395**	95,468	**1**	1
Bank overdrafts	23	**–**	(1,474)	**–**	–
Balances per statement of cash flows		**95,395**	93,994	**1**	1

(b) Cash at bank and on hand

This consists of both interest and non-interest bearing balances denominated in various currencies. The weighted average interest rate as at 31 March 2009 was 1.2% (2008 5.0%).

(c) Deposits

These are Finance business call and term deposits. The call deposits bear a weighted average interest rate of 3.0% (2008 8.7%). The term deposits bear a weighted average interest rate ranging between 3.2% to 6.9% (2008 8.7% to 9.1%) and an average maturity period of 56 days (2008 95 days).

(d) Fair value

The carrying amount for cash & cash equivalents equals the fair value.

13. Trade receivables & other current assets

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Net trade receivables				
Trade receivables	**145,377**	146,491	**–**	–
Provision for impairment of trade receivables	**(1,683)**	(1,618)	**–**	–
	143,694	144,873	**–**	–
Other debtors & prepayments	**34,443**	21,721	**24**	26
	178,137	166,594	**24**	26

(a) Impaired receivables

As at 31 March 2009 current trade receivables of the Group with a nominal value of $1.7 million (2008 $1.6 million) were impaired. The amount of the provision was $1.7 million (2008 $1.6 million). There were no impaired trade receivables in the Parent in 2009 or 2008.

The ageing of these impaired receivables is as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
0 to 60 days	**327**	285	**–**	–
61 to 120 days	**58**	376	**–**	–
Over 120 days	**1,298**	957	**–**	–
	1,683	1,618	**–**	–

As of 31 March 2009, trade receivables of $15.6 million (2008 $15.9 million) were past due but not impaired. These relate to a number of customers who pay outside terms (but consistent with custom & practice for their sector) and for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
0 to 60 days	**8,763**	11,436	**–**	–
61 to 120 days	**3,275**	2,728	**–**	–
Over 120 days	**3,607**	1,774	**–**	–
	15,645	15,938	**–**	–

Historical financial statements

13. Trade receivables & other current assets (continued)

Movements in the provision for impairment of receivables are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Carrying amount at the start of the year	**1,618**	1,406	**–**	–
Exchange rate variance on opening balance	**353**	(40)	**–**	–
Additional provision recognised	**256**	252	**–**	–
Utilised during the year	**(544)**	–	**–**	–
Carrying amount at the end of the year	**1,683**	1,618	**–**	–

The creation and release of the provision for impaired receivables has been included in Administration expenses in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other current assets do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(b) Bad and doubtful trade receivables
The Group has recognised a net gain of $234,941 in respect of bad and doubtful trade receivables during the year ended 31 March 2009 owing to recovery of debts previously written off (2008 loss of $336,747). The gain has been included in Administration expenses.

(c) Other debtors & prepayments
These amounts generally arise from transactions outside the usual operating activities of the Group.

(d) Foreign exchange and interest rate risk
A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in Note 6.

(e) Fair value and credit risk
Due to the short-term nature of these trade receivables, carrying value is assumed to approximate their fair value.

14. Finance receivables

	31 March 2009 $'000	31 March 2008 $'000
Current		
Finance receivables	**414,291**	417,660
Provision for unearned interest	**(8,803)**	(11,618)
Allowance for impairment	**(14,993)**	(12,903)
Total current Finance receivables	**390,495**	393,139
Non-current		
Finance receivables	**208,822**	203,754
Provision for unearned interest	**(4,436)**	(5,668)
Allowance for impairment	**(7,555)**	(6,294)
Total non-current Finance receivables	**196,831**	191,792
Total Finance receivables	**587,326**	584,931

The Finance business recognised a loss of $20.0 million in respect of impaired receivables for the year ended 31 March 2009 (2008 $13.3 million). Refer to Note 10.

(a) Finance business leases

The Finance business provides leasing finance to customers for office and other equipment..

	31 March 2009 $'000	31 March 2008 $'000
Finance lease receivables		
Gross receivables from finance leases:		
Not later than 1 year	**26,551**	27,684
Later than 1 year and not later than 5 years	**27,052**	28,118
Later than 5 years	**179**	174
	53,782	55,976
Unearned finance income	**(4,164)**	(4,469)
Allowance for uncollectible minimum lease payments receivable	**(536)**	(292)
	(4,700)	(4,761)
Net investment in finance leases	**49,082**	51,215
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	**23,797**	25,009
Later than 1 year and not later than 5 years	**25,141**	26,067
Later than 5 years	**144**	139
	49,082	51,215

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14. Finance receivables (continued)

(b) Impaired receivables

Net finance receivables are summarised as follows:

	31 March 2009 $'000	31 March 2008 $'000
Neither past due nor impaired	535,887	523,834
Impaired – individually	327	177
Impaired – collectively	73,660	80,117
Gross	609,874	604,128
Less:		
Allowance for impairment – individually	183	121
Allowance for impairment – collectively	22,365	19,076
Net	587,326	584,931

The Finance business' policy is to provide for impairment when receivables are one day or more in arrears.

Included within the neither past due nor impaired figures for Finance receivables are restructured receivables that would otherwise be impaired whose terms have been renegotiated. The carrying amount of Finance receivables that would otherwise be past due or impaired whose terms have been renegotiated at 31 March 2009 was $30.1 million (2008 $15.3 million).

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The table below shows a reconciliation of the movement in gross Finance receivables (after provision for unearned interest) that are collectively determined to be impaired.

	31 March 2009 $'000	31 March 2008 $'000
Balance at 1 April (Gross)	80,117	93,780
Net additions/(deletions) to class	11,660	(2,713)
Receivables written off during the year	(18,117)	(10,950)
Balance at 31 March (Gross)	73,660	80,117

The ageing of Finance receivables determined to be individually or collectively impaired is as follows:

	31 March 2009 $'000	31 March 2008 $'000
Up to 30 days	30,465	34,541
31 to 60 days	11,813	14,366
61 to 90 days	4,173	5,311
Over 90 days	27,536	26,076
	73,987	80,294

Collateral held for past due finance receivables collectively determined to be impaired is as follows:

- *Q Card*® fixed term advances are generally secured by way of a general security interest over the asset financed. Personal Loans and *Q Card*® eftpos advances are generally unsecured
- it is impractical to estimate the fair value of collateral held because of the average size of each advance outstanding, the number of advances outstanding, the term to maturity of each advance and the wide variety and condition of each asset financed. The Finance business will, in the first instance, attempt to collect the outstanding debt without recourse to the secured asset. In many instances third party collection agencies are utilised. Repossession of secured assets occurs only in limited circumstances and where it is economic to do so. The carrying amount of these collateralised assets at Balance Date was immaterial

Movements in the allowance for impairment of Finance receivables collectively determined to be impaired is as follows:

	31 March 2009 $'000	31 March 2008 $'000
Balance at 1 April	**19,076**	14,103
Movement in allowance for impairment during the year	**3,289**	4,973
Balance at 31 March	**22,365**	19,076

The creation and release of the allowance for impaired Finance receivables has been included in the 'Impairment charge for credit losses' in Note 10. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) Neither past due nor impaired receivables

The credit quality of Finance receivables which are neither past due nor impaired are summarised as follows:

	31 March 2009 $'000	31 March 2008 $'000
Very good	**469,859**	455,319
Good	**53,520**	53,379
Moderate	**12,508**	15,135
	535,887	523,833

The credit quality of the Finance receivables is determined by the use of an internal grading system. In measuring credit quality the Finance business looks at the counterparty's payment history and whether any arrears type action has been taken.

The credit quality categories are also representative of the Finance business' assessment of the likelihood of default by the counterparty on its contractual obligations for payment. The "Very good" category represents the receivables for which management has judged there is the lowest probability of default (expected future loss).

Included in the table above is the bulk financing facility advance to Smithcorp Finance Limited of $84.9 million (2008 $88.5 million). This advance has been included in the "Very good" category and is secured over individual Finance receivable agreements assigned to Smithcorp Finance Limited.

For certain products, the figures as at 31 March 2008 are based off the portfolio characteristics of other similar products.

(d) Fair values

The fair values and carrying values of Finance receivables are as follows:

	31 March 2009		31 March 2008	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Finance receivables	**587,326**	**587,009**	584,931	582,392

The fair values of Finance receivables other than bulk finance receivables are based on cash flows discounted using current lending rates ranging between 15.3% to 15.6% (2008 13.0% to 20.9%).

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14. Finance receivables (continued)

The fair value of finance lease receivables are based on cash flows discounted using a current lending rate of 12.4% (2008 13.0%).

The fair values of bulk Finance receivables are based on cash flows discounted using current lending rates ranging between 5.7% to 6.1% (2008 9.4% to 10.1%).

The fair value of other Finance receivables equals their carrying amount as the effect of discounting was immaterial.

(e) Interest rate risk
For an analysis of the sensitivity of Finance receivables to interest rate risk, refer to Note 7.

(f) Credit risk
Refer to Note 7 for more information on credit risk from Finance receivables including objectives, policies and processes for managing credit risk.

15. Inventories

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Raw materials	**120,253**	89,893	**–**	–
Spare parts	**15,466**	11,226	**–**	–
Work-in-progress	**21,999**	21,813	**–**	–
Finished goods	**200,075**	154,447	**–**	–
	357,793	277,379	**–**	–

(a) Inventory expense
Raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of goods sold in the year ending 31 March 2009 was $776.4 million (2008 $657.7 million).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 March 2009 amounted to $1.3 million (2008 $1.5 million). This expense has been included in Administration expenses in the Income Statement.

(b) Excess inventory
Owing to the relocation of manufacturing facilities from New Zealand, Australia and USA to Thailand and Mexico, finished goods inventory as at 31 March 2009 was temporarily $76.0 million above normal stockholding levels (2008 $20.8 million). This is expected to reverse during the 2009/10 financial year.

Owing to the decline in sales in the second half of the year ended 31 March 2009, raw materials inventory was approximately $38.0 million above normal stockholding levels at Balance Date. This is expected to be utilised during 2009/10 as the Group adjusts to the current level of output.

16. Non-current assets classified as held for sale

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Land	**38,570**	–	**–**	–
Buildings	**52,292**	–	**–**	–
Plant & equipment	**1,028**	–	**–**	–
	91,890	–	**–**	–

Pursuant to the Appliances business' Global Manufacturing Strategy, land & buildings in East Tamaki, New Zealand and Cleveland, Australia are classified as assets held for sale and stated at the lower of carrying amount or fair value less anticipated costs to sell. An impairment charge of $6.7 million has been recognised – refer to Note 10.

Following the closure of the Appliances business' manufacturing facility in Dunedin, New Zealand, selected items of plant & equipment are classified as assets held for sale and held at the lower of carrying amount or fair value less anticipated costs to sell.

17. Derivative financial instruments

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Notes	**$'000**	$'000	**$'000**	$'000
Current assets					
Forward foreign exchange contracts	(a)(i)	**–**	1,028	**–**	–
Interest rate swaps	(a)(ii)	**44**	585	**–**	–
Commodity hedges	(a)(iii)	**37**	504	**–**	–
Total current derivative financial instrument assets		**81**	2,117	**–**	–
Non-current assets					
Forward foreign exchange contracts	(a)(i)	**887**	156	**–**	–
Interest rate swaps	(a)(ii)	**501**	–	**–**	–
Total non-current derivative financial instrument assets		**1,388**	156	**–**	–
Total derivative financial instrument assets		**1,469**	2,273	**–**	–
Current liabilities					
Forward foreign exchange contracts	(a)(i)	**2,417**	–	**–**	–
Interest rate swaps	(a)(ii)	**12,311**	3,288	**–**	–
Total current derivative financial instrument liabilities		**14,728**	3,288	**–**	–
Non-current liabilities					
Interest rate swaps	(a)(ii)	**568**	–	**–**	–
Total non-current derivative financial instrument liabilities		**568**	–	**–**	–
Total derivative financial instrument liabilities		**15,296**	3,288	**–**	–
Total derivative financial instruments		**(13,827)**	(1,015)	**–**	–

Derivative financial assets and liabilities are classified as current or non-current according to the underlying hedge relationship. Where an effective hedged item has a remaining maturity of more than 12 months it is classified as non-current.

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and commodity prices in accordance with the Group's financial risk management policies (refer to Notes 6 & 7).

(i) Forward foreign exchange contracts

The Group hedges net receipts of Australian and Singapore dollars from related parties for products manufactured in New Zealand.

The Group hedges net receipts of US dollars from related parties for products manufactured in Thailand.

The Group hedges net payments in US dollars for imported raw materials and appliances from third parties and finished products manufactured in Thailand into New Zealand and Australia.

In addition, the Group hedges Canadian dollar receipts into the USA operations.

These contracts are hedging highly probable forecasted purchases and receipts for up to two years and the contracts are timed to mature when payments are scheduled to be made or when sales have been recognised.

The Group also hedges significant capital expenditure transactions with a policy de minimis of NZ$500,000.

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17. Derivative financial instruments (continued)

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the Balance Sheet by the related amount deferred in equity.

During the year ended 31 March 2009 a gain of $16.0 million (2008 gain of $3.8 million) was reclassified from equity and included in sales revenue. There was no hedge ineffectiveness in the current or prior year.

(ii) Interest rate derivatives

The Appliances business has loans totalling US$57 million, €26 million and THB900 million that form part of the core investment rather than operational floats. The Group Treasury Policy states between 30 and 70 percent of these loans should be fixed via interest rate swaps to protect the Group from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 70% (2008 67%) of the US dollar, 96% (2008 67%) of the Euro and 61% (2008 100%) of the Thai baht loan principals outstanding and the swaps are timed to expire as each loan repayment falls due. The swap cover on the Euro loan is outside policy limits (with Board approval) owing to the need for the Group to realign its Euro borrowings with its forecast Euro earnings.

The fixed interest rates average 4.95% for the US dollar loan (2008 4.95%), 4.26% for the Euro loan (2008 4.43%) and 4.62% (2008 4.62%) for the Thai baht loan. The variable rates are set at the LIBOR 90 day settlement rates for the US dollar and Euro loans and the Reuters THBFIX 180 day settlement rate for the Thai baht loan, which at Balance Date were 1.19% (2008 2.69%) for the US dollar, 1.51% (2008 4.73%) for the Euro and 2.16% (2008 2.93%) for the Thai baht.

The contracts require settlement of net interest receivable or payable each 90/180 days as appropriate. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the interest rate hedge reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. The ineffective portion was recognised in the Income Statement owing to the restructuring of the Appliances business borrowings and the interest rate hedge reserve balance of $11.2 million at 31 March 2009 was reclassified to the Income Statement.

The Finance business has not adopted hedge accounting, so its interest rate derivatives are classified as held for trading and recognised at fair value through profit or loss. The Finance business enters into interest rate derivatives in the normal course of business in order to convert floating to fixed rate exposure according to policy guidelines.

The Finance business uses interest rate swaps to economically hedge bulk funding receivables and a portion of the asset/liability gap.

The Finance business enters into interest rate options to hedge a portion of the asset/liability gap.

(iii) Commodity contracts

The Group manufactures motors under contract. To fix the cost of copper wire, copper hedge contracts are in place covering a proportion of the Group's projected copper usage on this contract, as agreed with the contracted party.

(b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. At reporting date $0.9 million is receivable (New Zealand dollar equivalents) for the Appliances business from interest rate swap contracts, commodity hedge contracts and forward foreign exchange contracts (2008 $1.7 million).

The Appliances business undertakes 100% of its transactions in foreign exchange, interest rate and commodity price contracts with financial institutions. Management spreads this risk across several counterparties, all of which are required to hold a minimum Standard & Poor's long-term credit rating of BBB+. Credit risk control limits are then applied to Board approved counterparties dependent on the rating.

The Finance business enters into interest rate derivatives with approved financial institutions. All approved counterparties have a minimum Standard & Poor's long-term credit rating of AA and the Finance business does not require collateral or other security to support these financial instruments.

At Balance Date $0.5 million (2008 $0.6 million) is receivable in respect of these financial instruments.

(c) Interest rate risk exposures

For an analysis of the sensitivity of derivatives to interest rate risk refer to Notes 6 and 7.

18. Property, plant & equipment

Consolidated	Note	Freehold land	Freehold buildings	Leasehold improvements	Plant & equipment	Fixtures & fittings	Motor vehicles	Capital Work-in-Progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1 April 2007									
Cost		43,004	129,832	6,095	317,221	7,881	2,077	7,172	513,282
Accumulated depreciation		–	(22,241)	(1,657)	(154,436)	(3,895)	(1,551)	–	(183,780)
Net book amount		43,004	107,591	4,438	162,785	3,986	526	7,172	329,502
Year ended 31 March 2008									
Opening net book amount		43,004	107,591	4,438	162,785	3,986	526	7,172	329,502
Additions		3	116	775	16,738	888	22	30,016	48,558
Disposals		–	(3)	–	(7,484)	(2)	(13)	–	(7,502)
Depreciation charge		–	(3,803)	(808)	(29,762)	(768)	(215)	–	(35,356)
Impairment charge		–	–	–	(718)	–	–	–	(718)
Exchange differences		695	1,001	(383)	(3,780)	(58)	1	(958)	(3,482)
Closing net book amount		43,702	104,902	4,022	137,779	4,046	321	36,230	331,002
31 March 2008									
Cost		43,702	121,677	6,287	312,672	9,213	2,054	36,230	531,835
Accumulated depreciation & impairment		–	(16,775)	(2,265)	(174,893)	(5,167)	(1,733)	–	(200,833)
Net book amount		43,702	104,902	4,022	137,779	4,046	321	36,230	331,002
Year ended 31 March 2009									
Opening net book amount		**43,702**	**104,902**	**4,022**	**137,779**	**4,046**	**321**	**36,230**	**331,002**
Additions		**7,715**	**21,580**	**1,011**	**71,452**	**1,059**	**9**	**(14,938)**	**87,888**
Acquisition of Mexican operations		**3,608**	**15,797**	**–**	**22,063**	**304**	**–**	**–**	**41,772**
Disposals		**(1,096)**	**(1,093)**	**(639)**	**(22,994)**	**(67)**	**–**	**–**	**(25,889)**
Transfers to assets held for sale		**(42,336)**	**(74,088)**	**–**	**(1,017)**	**(172)**	**–**	**–**	**(117,613)**
Depreciation charge		**–**	**(3,067)**	**(892)**	**(34,687)**	**(833)**	**(141)**	**–**	**(39,620)**
Impairment charge	(d)	**8,622**	**(15,348)**	**–**	**(7,568)**	**(101)**	**–**	**–**	**(14,395)**
Exchange differences		**2,155**	**3,487**	**850**	**24,842**	**77**	**–**	**5,958**	**37,369**
Closing net book amount		**22,370**	**52,170**	**4,352**	**189,870**	**4,313**	**189**	**27,250**	**300,514**
31 March 2009									
Cost		**22,370**	**57,918**	**8,441**	**492,804**	**9,741**	**2,221**	**27,250**	**620,745**
Accumulated depreciation & impairment		**–**	**(5,748)**	**(4,089)**	**(302,934)**	**(5,428)**	**(2,032)**	**–**	**(320,231)**
Net book amount		**22,370**	**52,170**	**4,352**	**189,870**	**4,313**	**189**	**27,250**	**300,514**

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18. Property, plant & equipment (continued)

(a) Valuations of land & buildings

Whilst held at historical cost, land & buildings are valued annually to comply with regulatory requirements. Fair market valuation for land & buildings is defined as the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. Independent assessments performed by Extensor Advisory Services Limited (New Zealand, Australia) and American Appraisal associates (Italy, Thailand & Mexico) as at 31 March 2009 totalled $175.0 million (2008 $213.0 million).

(b) Capitalised borrowing costs

Refer to Note 10 for information on capitalised borrowing costs included in property, plant & equipment.

(c) Leased assets

Plant & equipment includes the following amounts where the Group is a lessee under a finance lease:

	31 March 2009 $'000	31 March 2008 $'000
Plant & equipment		
Cost	**4,209**	4,558
Accumulated depreciation	**(1,931)**	(1,460)
Net book amount	**2,278**	3,098

(d) Impairment loss

Following the Board's decision to dispose of land & buildings at East Tamaki, New Zealand in a sale & leaseback transaction, these assets were transferred to non-current assets held for sale at estimated fair value less costs to sell based on an average of valuations received at the time. A net impairment loss of $6.7 million was recognised in the Income Statement.

The Appliances business recognised an impairment loss of $2.2 million (2008 $718,000) in the Income Statement associated with plant & equipment not being transferred to Thailand or Mexico and whose recoverable amount was assessed as estimated fair value less costs to sell or nil if being scrapped.

(e) Mothballed assets

Included within plant & equipment are assets based in Clyde, Ohio with a net book value of US$7.0 million as at 31 March 2009. Owing to the current downturn in the North American market, the Board have made the decision to temporarily cease production on the washer line in October 2009 and transfer this production to its Thailand manufacturing facility. The washer line assets are to be mothballed and management will keep the status of these assets under constant review.

Owing to the current downturn in the North American market, the refrigeration manufacturing facility at Reynosa, Mexico is forecast to run at low capacity in the year ending 31 March 2010. The carrying amount of these assets at 31 March 2009 was US$16.0 million. Management view this as a temporary situation and these assets will continue to depreciate as normal whilst mothballed, in accordance with the Group's accounting policies.

19. Intangible assets

Consolidated	Development costs	Goodwill	Patents & trademarks	Computer software	Brands	Licences	Customer Relationships	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1 April 2007								
Cost	7,920	112,892	5,448	29,178	59,110	140,548	35,658	380,380
Accumulated amortisation	(1,002)	–	(1,938)	(16,207)	–	(32,544)	(2,939)	(44,256)
Net book amount	6,918	112,892	3,510	12,971	59,110	108,004	32,719	336,124
Year ended 31 March 2008								
Opening net book amount	6,918	112,892	3,510	12,971	59,110	108,004	32,719	336,124
Additions	5,446	–	794	2,435	–	–	–	8,675
Disposals	(79)	–	(42)	(141)	–	–	–	(262)
Amortisation charge	(1,389)	–	(618)	(2,924)	–	(6,394)	(3,642)	(14,967)
Impairment charge*	–	–	–	(308)	–	–	–	(308)
Exchange differences	(245)	3,358	286	(31)	(2,894)	(247)	1,819	2,046
Closing net book amount	10,651	116,250	3,930	12,002	56,216	101,363	30,896	331,308
31 March 2008								
Cost	13,430	116,250	6,748	31,115	56,216	140,195	37,832	401,786
Accumulated amortisation and impairment	(2,779)	–	(2,818)	(19,113)	–	(38,832)	(6,936)	(70,478)
Net book amount	10,651	116,250	3,930	12,002	56,216	101,363	30,896	331,308
Year ended 31 March 2009								
Opening net book amount	**10,651**	**116,250**	**3,930**	**12,002**	**56,216**	**101,363**	**30,896**	**331,308**
Additions	**6,301**	**–**	**1,032**	**3,671**	**–**	**45**	**–**	**11,049**
Acquisition of Mexican operations**	**–**	**1,403**	**–**	**–**	**–**	**–**	**–**	**1,403**
Disposals	**–**	**–**	**–**	**(13)**	**–**	**(26)**	**–**	**(39)**
Amortisation charge	**(2,592)**	**–**	**(668)**	**(4,014)**	**–**	**(7,388)**	**(4,207)**	**(18,869)**
Impairment charge***	**–**	**(69,689)**	**–**	**–**	**–**	**–**	**–**	**(69,689)**
Exchange differences	**460**	**18,377**	**63**	**119**	**17,640**	**984**	**5,039**	**42,682**
Closing net book amount	**14,820**	**66,341**	**4,357**	**11,765**	**73,856**	**94,978**	**31,728**	**297,845**
31 March 2009								
Cost	**19,479**	**136,030**	**7,879**	**35,149**	**73,856**	**151,017**	**44,271**	**467,681**
Accumulated amortisation and impairment	**(4,659)**	**(69,689)**	**(3,522)**	**(23,384)**	**–**	**(56,039)**	**(12,543)**	**(169,836)**
Net book amount	**14,820**	**66,341**	**4,357**	**11,765**	**73,856**	**94,978**	**31,728**	**297,845**

*In the year ended 31 March 2008, the carrying amount of certain retired operating software in the Finance business was reduced to its recoverable amount through recognition of an impairment loss.

**Fair value adjustments are detailed further in Business Combinations – refer to Note 37.

***In the year ended 31 March 2009, goodwill allocated to the Italian cash generating unit was impaired. Further details are shown in sub-note (a)(iv).

Historical financial statements

19. Intangible assets (continued)

(a) Goodwill

(i) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) according to the operations expected to benefit from the synergies of the combination.

A summary of the goodwill allocation is shown below:

	Sales, marketing & distribution	Manufacturing	Consumer finance	Other	Total
	$'000	$'000	$'000	$'000	$'000
2009					
Appliances New Zealand	**8,914**	**–**	**–**	**–**	**8,914**
Appliances North America	**3,546**	**11,052**	**–**	**–**	**14,598**
Appliances Italy	**–**	**–**	**–**	**–**	**–**
Appliances Australia	**5,216**	**–**	**–**	**–**	**5,216**
Appliances Rest of World	**3,889**	**–**	**–**	**–**	**3,889**
Finance business	**–**	**–**	**32,118**	**1,606**	**33,724**
	21,565	**11,052**	**32,118**	**1,606**	**66,341**
2008					
Appliances New Zealand	8,187	15,812	–	–	23,999
Appliances North America	3,030	6,879	–	–	9,909
Appliances Italy	–	40,838	–	–	40,838
Appliances Australia	4,457	–	–	–	4,457
Appliances Rest of World	3,323	–	–	–	3,323
Finance business	–	–	32,118	1,606	33,724
	18,997	63,529	32,118	1,606	116,250

(ii) Key assumptions used for value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by management and approved by the Board covering a five-year period. Cash flow projections are derived using past experience, expectations for the future and external sources of financial and economic data where appropriate.

In arriving at the projected cash flows, management has made assumptions about sales revenue growth, key raw material prices and foreign currency average exchange rates based on industry and economic indicators.

The following EBITDA (operating earnings before interest, taxation, depreciation & amortisation) growth rates (Finance business uses NPBT or net profit before taxation) have been applied by management in the budgeted cash flow projections:

- EBITDA growth rate applied to Dynamic Cooking Systems goodwill: 3.0%
- EBITDA growth rate applied to Fisher & Paykel Italy goodwill: 1–2.0%
- NPBT growth rate applied to Consumer Finance goodwill: 8.6% (on average; ranges from 0%–21.9%)

The terminal growth rates used to extrapolate cash flows beyond the budget period were:

- Dynamic Cooking Systems goodwill: 2.5%
- Italy goodwill: 3.0%
- Consumer Finance goodwill: 2.0%

The following pre-tax discount rates have been applied to the cash flow projections:

- goodwill allocated to Dynamic Cooking Systems acquisition: 11.10%
- goodwill allocated to Italy acquisition: 13.30%
- goodwill allocated to Consumer Finance: 16.45%

(iii) Impact of possible changes in key assumptions

Management does not consider any reasonably possible change in key assumptions applied would reduce the recoverable amounts below their carrying amounts.

(iv) Impairment charge

The Directors' have determined the recoverable amount of the Italian CGU goodwill is nil and an impairment charge of $69.7 million has been recorded in the Income Statement in the year ended 31 March 2009. This goodwill arose on acquisition of Elba S.p.A. (since renamed Fisher & Paykel Appliances Italy S.p.A.) in 2006. Earnings from the Italian operations have been severely impacted by changes in key cross rates (notably the Euro/Sterling cross rate), increased steel prices and most recently the global recession. Projected cash flows no longer support the carrying value of goodwill.

(b) Brands

(i) Impairment tests for brands

Acquired brands are allocated to the Group's cash-generating units (CGUs) identified according to country of operation.

	DCS® $'000	*Elba*® $'000	Total $'000
2009			
Appliances North America	**50,123**	**–**	**50,123**
Appliances New Zealand	**–**	**23,733**	**23,733**
	50,123	**23,733**	**73,856**
2008			
Appliances North America	35,935	–	35,935
Appliances New Zealand	–	20,281	20,281
	35,935	20,281	56,216

(ii) Key assumptions used for relief-from-royalty calculations

The recoverable amount for brands is determined based on relief-from-royalty calculations. These calculations use cash flow projections based on financial budgets prepared by management and approved by the Board covering a five-year period. Cash flow projections are derived using past experience, expectations for the future and external sources of financial and economic data where appropriate.

In arriving at the projected cash flows, management has made assumptions about sales revenue growth and foreign currency average exchange rates based on industry and economic indicators.

The following growth rates have been applied to brand sales revenue by management in the cash flow projections:

- *DCS*®: See below
- *Elba*®: 3.0%

The royalty rates used in the relief-from-royalty calculations were as follows:

- *DCS*®: 3.0%
- *Elba*®: 2.0%

The terminal growth rates used to extrapolate cash flows beyond the budget period were:

- *DCS*®: 2.5%
- *Elba*®: 3.0%

The following pre-tax discount rates have been applied to the cash flow projections:

- *DCS*®: 9.05%
- *Elba*®: 10.61%

19. Intangible assets (continued)

(iii) Impact of possible changes in key assumptions

DCS® Brand

The recoverable amount of the *DCS®* brand is estimated to be US$28.8 million. This exceeds the carrying amount of the *DCS®* brand at 31 March 2009 by US$0.3 million. The recoverable amount is based on flat sales growth in 2009/10 and an average annual sales growth of approximately 8% over the next 4 years. If sales remain flat until 2011/12, this reduces the recoverable amount to US$25.2 million, which is below the carrying amount of US$28.5 million. Sales have been adversely affected by the downturn in the North American market, however the *DCS®* branded product range has recently been extended to also include refrigerators and *DishDrawers®* to support growth in *DCS®* branded sales.

Detailed sales figures for the *DCS®* brand are considered commercially sensitive and therefore are not disclosed.

The recoverable amount is sensitive to changes in the assumed royalty rate. If the royalty rate decreased from 3.0% to 2.9%, the recoverable amount is reduced to US$27.7 million.

The recoverable amount is sensitive to changes in the assumed discount rate. If the discount rate increased from 8.0% to 8.5%, the recoverable amount is reduced to US$27.0 million.

Elba® Brand

The recoverable amount of the *Elba®* brand is estimated to be €10.6 million. This exceeds the carrying amount of the *Elba®* brand at 31 March 2009 by €0.45 million. The recoverable amount is based on average annual sales growth of approximately 3% over the next 5 years. If sales grow at 2%, rather than 3% over the next 5 years this reduces the recoverable amount to €10.2 million, which equals the carrying amount of €10.2 million. Sales continue to be adversely affected by the tightening economic conditions, however the *Elba®* branded product range has recently been introduced to the North American market and trialled in the Australian market.

Detailed sales figures for the *Elba®* brand are considered commercially sensitive and therefore are not disclosed.

The recoverable amount is sensitive to changes in the assumed royalty rate. If the royalty rate decreased from 2.0% to 1.75%, the recoverable amount is reduced to €9.3 million.

The recoverable amount is sensitive to changes in the assumed discount rate. If the discount rate increased from 8.75% to 9.25%, the recoverable amount is reduced to €9.9 million.

(c) Other material intangible assets

The Finance business has licenses with a net book value of $88.7 million as at 31 March 2009. The Finance business has an exclusive license to provide financial services to "The Farmers Trading Company" for a period of 20 years. These Licenses are expected to have a remaining amortisation period of 14.6 years.

There were no indicators of impairment in the year ended 31 March 2009.

(d) Capitalised borrowing costs

Refer to Note 10 for further information on capitalised borrowing costs included in intangible assets.

20. Deferred tax assets

	Note	CONSOLIDATED 31 March 2009 $'000	CONSOLIDATED 31 March 2008 $'000	PARENT 31 March 2009 $'000	PARENT 31 March 2008 $'000
The balance comprises temporary differences attributable to:					
Amounts recognised directly in profit or loss					
Doubtful debts		**421**	284	**–**	–
Employee benefits		**7,042**	8,853	**–**	–
Inventories		**6,112**	3,904	**–**	–
Warranty provisions		**6,132**	4,821	**–**	–
Non-deductible provisions		**8,952**	3,012	**–**	–
Property, plant & equipment		**(6,303)**	(3,448)	**–**	–
DCS® brand		**(1,017)**	474	**–**	–
Defined benefit liability		**390**	192	**–**	–
Accrued rent expense		**956**	976	**–**	–
USA energy tax credit*		**6,164**	4,419	**–**	–
Tax losses to carry forward*		**39,248**	3,925	**–**	–
Other temporary differences		**1,722**	2,130	**–**	–
		69,819	29,542	**–**	–
Amounts recognised directly in equity					
Hedge reserves		**(1,989)**	–	**–**	–
Total deferred tax assets		**67,830**	29,542	**–**	–
Movements:					
Opening balance at 1 April		**29,542**	26,834	**–**	–
Credited (charged) to the Income Statement	11	**33,107**	906	**–**	–
Credited/(charged) to equity		**(1,989)**	3,173	**–**	–
Foreign exchange differences		**7,170**	(1,371)	**–**	–
Closing balance at 31 March		**67,830**	29,542	**–**	–
Expected settlement:					
Within 12 months		**18,310**	22,279	**–**	–
In excess of 12 months		**49,520**	7,263	**–**	–
		67,830	29,542	**–**	–

*The utilisation of these deferred tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences and shareholder continuity being maintained in accordance with New Zealand tax legislation requirements. The recognition of these deferred tax assets is evidenced by forecasts of taxable income arising in the next ten years.

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21. Trade creditors

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Trade creditors	**152,340**	119,408	**–**	–
	152,340	119,408	**–**	–

(a) Foreign currency risk

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

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
New Zealand dollars	**11,555**	12,963	**–**	–
Australian dollars	**12,678**	15,934	**–**	–
United States dollars	**59,986**	48,206	**–**	–
Euros	**50,001**	41,104	**–**	–
Thai baht	**14,311**	–	**–**	–
British pounds	**662**	782	**–**	–
Other	**3,147**	419	**–**	–
	152,340	119,408	**–**	–

For an analysis of the sensitivity of trade creditors to foreign currency risk refer to Note 6.

22. Provisions

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits	**113**	185	**–**	–
Warranty	**26,437**	20,857	**–**	–
Redundancy	**17,986**	7,381	**–**	–
Other	**303**	259	**–**	–
Onerous contract	**2,511**	–	**–**	–
Total current provisions	**47,350**	28,682	**–**	–
Non-current				
Employee benefits	**11,024**	12,748	**–**	–
Warranty	**14,904**	11,082	**–**	–
Total non-current provisions	**25,928**	23,830	**–**	–
Total Provisions	**73,278**	52,512	**–**	–

(a) Employee benefits

Current
In certain jurisdictions, the Group is required to accrue for accumulating short-term benefits such as sick leave.

Non-current
Provision is made for both vested and unvested long service leave accruing to employees. Vested long service leave is calculated on unused entitlements according to Group policy and unvested long service leave is calculated on an actuarial basis taking into account future entitlements under Group policy. Key assumptions in the actuarial model include:

- discount rate: 5.34% (2008 6.39%)
- exit rate: Variable (2008 8.0%)
- promotion rate: 0.50% (2008 0.50%)
- wage/salary inflation rate: 3.50% (2008 3.50%)

The method for calculating the exit rate assumed in the actuarial model was changed in the year ended 31 March 2009 to provide a more accurate representation of the exit rate patterns which vary according to length of service. The revised approach uses a mix of exponential decay formulae in addition to straight-line assumptions and excludes the extreme values in the historical data. The one-off effect of this change was a reduction in the provision of $1.2 million in the year ended 31 March 2009.

(b) Warranty

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at Balance Date. The majority of these claims are expected to be settled within the next 24 months but this may extend to 5 years for certain refrigeration components. Management estimates the present value of the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

The warranty provision has been discounted using an interest rate of 5.47% (2008 9.42%).

(c) Redundancy

Provision has been made for estimated redundancy costs from staff retrenchment, owing to the relocation of factories to Thailand and Mexico as part of the Appliances business Global Manufacturing Strategy. These amounts are expected to be paid out in the year ending 31 March 2010.

(d) Onerous contract

Pursuant to the Appliances business' Global Manufacturing Strategy announced on 17 April 2008, provision has been made for the estimated unavoidable costs associated with exiting the operating lease for a building located at Huntington Beach, California. These amounts are expected to be paid out in the year ending 31 March 2010.

(e) Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Employee benefits $'000	Warranty $'000	Redundancy $'000	Onerous contract $'000	Other provisions $'000	Total $'000
Consolidated – 2009						
Carrying amount at start of year	**12,933**	**31,939**	**7,381**	**–**	**259**	**52,512**
Exchange rate variance on opening balance	**173**	**6,665**	**–**	**–**	**44**	**6,882**
Additional provision recognised	**1,315**	**45,123**	**25,110**	**3,648**	**–**	**75,196**
Utilised during the year	**(1,091)**	**(41,171)**	**(14,505)**	**(1,137)**	**–**	**(57,904)**
Change in discounted amount arising from passage of time and effect of any change in the discount rate	**(2,193)**	**(1,215)**	**–**	**–**	**–**	**(3,408)**
Carrying amount at end of year	**11,137**	**41,341**	**17,986**	**2,511**	**303**	**73,278**
Consolidated – 2008						
Carrying amount at start of year	13,387	34,183	–	–	244	47,814
Exchange rate variance on opening balance	61	(1,488)	–	–	15	(1,412)
Additional provision recognised	107	34,222	9,189	–	–	43,518
Utilised during the year	(617)	(34,534)	(1,808)	–	–	(36,959)
Change in discounted amount arising from passage of time and effect of any change in the discount rate	(5)	(444)	–	–	–	(449)
Carrying amount at end of year	12,933	31,939	7,381	–	259	52,512

Historical financial statements

23. Current borrowings

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Current borrowings	**517,692**	–	**–**	–
Total borrowings	**517,692**	–	**–**	–

As described in Notes 3, 4 and 6, the Group was renegotiating all its banking facilities at 31 March 2009 and accordingly all Appliances business debt is classified as current.

On 13 March 2009, the Group entered into a new interim bank facility to meet its temporary peak funding requirements. The agreement established a new interim NZ$80 million funding facility, repayable by 29 May 2009 and the waiver of the Group's Debt Cover and Interest Cover ratios. Previous covenants that continue to apply are:

- net tangible assets of the Guaranteeing Group (all entities excluding all Finance business entities) at all times shall not be less than NZ$300 million
- total tangible assets of the Guaranteeing Group shall constitute not less than 95% of total tangible assets and EBITDA of the consolidated Group

Under the Group's interim banking facility, there is a general security interest over all assets located in New Zealand, Australia and the United States of America and mortgage security over the manufacturing sites in Thailand, Italy and Mexico.

(a) Financing arrangements

The Appliances business had unrestricted access at 31 March 2009 to the following lines of credit (current and non-current borrowings):

Credit standby arrangements	Note	**31 March 2009** $'000	31 March 2008 $'000
Total facilities			
Bank overdrafts		**17,558**	26,372
Current borrowings		**518,842**	–
Non-current borrowings		**–**	450,117
		536,400	476,489
Used at balance date			
Bank overdrafts	12	**–**	1,474
Current borrowings		**517,692**	–
Non-current borrowings		**–**	337,615
		517,692	339,089
Unused at balance date			
Bank overdrafts		**17,558**	24,898
Current borrowings		**1,150**	–
Non-current borrowings		**–**	112,502
		18,708	137,400

(b) Fair value

The carrying amounts of Appliances business' current borrowings at 31 March 2009 were equal to their fair values. There were no current borrowings as at 31 March 2008.

(c) Risk exposures

The exposure of the Appliances business' current borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Less than 12 months	**517,692**	–	**–**	–
One to two years	**–**	–	**–**	–
Two to three years	**–**	–	**–**	–
Over four years	**–**	–	**–**	–
	517,692	–	**–**	–

These borrowings have been aged in accordance with the facilities' terms.

The carrying amounts of the Appliances business' current borrowings are denominated in the following currencies:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
New Zealand dollars	**223,051**	–	**–**	–
US dollars	**135,069**	–	**–**	–
Australian dollars	**48,311**	–	**–**	–
Euros	**60,620**	–	**–**	–
Thai baht	**50,641**	–	**–**	–
	517,692	–	**–**	–

(d) Interest rate risk

For an analysis of the sensitivity of the Appliance business current borrowings to interest rate risk refer to Note 6.

Historical financial statements

24. Non-current borrowings

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Non-current borrowings	**–**	323,157	**–**	–
Bills payable	**–**	14,458	**–**	–
	–	337,615	**–**	–

Full disclosure of secured assets, financing arrangements, fair values and risk exposures as at 31 March 2009 is available at Note 23, Current borrowings.

(a) Fair value

There were no non-current borrowings as at 31 March 2009. The carrying amounts of non-current borrowings at 31 March 2008 were equal to their fair values.

(b) Risk exposures

The exposure of the Appliances business' non-current borrowings to interest rate changes and the contractual repricing dates at the balance dates were as follows:

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Less than 12 months	**–**	–	**–**	–
One to two years	**–**	226,233	**–**	–
Two to three years	**–**	–	**–**	–
Over four years	**–**	111,382	**–**	–
	–	337,615	**–**	–

The borrowings were aged in accordance with the facilities' terms.

The carrying amounts of the Appliances business' non-current borrowings were denominated in the following currencies:

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
New Zealand dollars	**–**	83,801	**–**	–
US dollars	**–**	119,783	**–**	–
Australian dollars	**–**	14,458	**–**	–
Euros	**–**	111,576	**–**	–
Thai baht	**–**	7,997	**–**	–
	–	337,615	**–**	–

(c) Interest rate risk

For an analysis of the sensitivity of the Appliance business borrowings to interest rate risk refer to Note 6.

(d) Financing arrangements

Refer to Note 23(a).

25. Finance borrowings

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Current secured				
Bank loans	**122,286**	211,456	**–**	–
Debentures	**107,166**	95,854	**–**	–
Notes	**123,364**	167,018	**–**	–
Committed liquidity facilities	**93,561**	60,648	**–**	–
Total current Finance borrowings	**446,377**	534,976	**–**	–
Non-current secured				
Debentures	**95,461**	9,199	**–**	–
Total non-current Finance borrowings	**95,461**	9,199	**–**	–
Total Finance borrowings	**541,838**	544,175	**–**	–

There were no unsecured Finance borrowings as at 31 March 2009 (2008 Nil).

(a) Assets pledged as security

(i) Bank loans and debentures

Bank loans and debentures are secured by a first ranking general security interest in favour of the Trustee over the undertaking and assets of the Fisher & Paykel Finance Limited Charging Group. Bank overdrafts and bank borrowings are secured by Security Stock issued under the terms of the Trust Deed. Fisher & Paykel Finance Limited Charging Group includes Fisher & Paykel Finance Limited and all of its subsidiaries except Consumer Insurance Services Limited.

The carrying amounts of Charging Group assets pledged as security for Charging Group bank loans and debentures are:

	31 March 2009	31 March 2008
	$'000	$'000
Current		
Cash and cash equivalents	**416**	157
Finance receivables	**235,238**	230,377
Current tax receivables	**982**	1,192
Derivative financial instruments	**2**	175
Other assets	**6,642**	5,984
Total current assets pledged as security	**243,280**	237,885
Non-current		
Property, plant & equipment	**1,547**	1,538
Intangible assets	**7,838**	7,348
Finance receivables	**134,562**	130,455
Derivative financial instruments	**212**	76
	144,159	139,417
Total assets pledged as security	**387,439**	377,302

Historical financial statements

25. Finance borrowings (continued)

(ii) Notes and Committed liquidity facilities

Notes issued and Committed liquidity facilities utilised under the securitisation plan are secured by a first ranking general security interest over Finance receivables purchased by the special purpose entity RFS Trust 2006-1. The book value of these Finance receivables at 31 March 2009 was $218.9 million (2008 $225.4 million).

(b) Bank loans

Bank loans are generally short term in nature and bear interest at a weighted average interest rate of 4.2% (2008 8.9%).

On 23 September 2008, Fisher & Paykel Finance Limited put in place a $335 million syndicated banking facility with three banks, replacing bilateral banking facilities totalling $320 million previously provided by those banks. As at 31 March 2009 the Charging Group had total committed banking facilities of $355 million.

The syndicated facility agreement comprises multiple tranches of one, two and three year terms with tranche sizes of $125 million, $105 million and $105 million respectively. The Charging Group may elect which tranche to draw down, and has to date drawn down on the tranches with the lowest cost of funding. The syndicated facility provides the Charging Group with significantly longer term liquidity than was provided by the previous bilateral arrangements.

The syndicated banking facility increases the number of financial covenants with which the Charging Group (consisting of Fisher & Paykel Finance Limited and all its subsidiaries excluding Consumer Insurance Services Limited) must comply and requires a formal compliance certificate to be provided to the facility agent and the lending banks on a monthly basis. The financial covenants comprise:

- a liquidity ratio
- an interest cover ratio
- a minimum capitalisation covenant
- a limit on lending concentration
- two impaired asset tests, one relating to asset net write-off levels and one relating to the level of greater than three month impaired assets compared to total receivables
- a prior charges limit

If a covenant breach occurs and depending on its nature, the Charging Group is generally able to remedy the breach by procuring additional capital from its parent in the form of equity or subordinated debt. Under the facility agreement, the Charging Group is only permitted one remedy in any twelve month period. Refer also Note 4.

The facility documentation also includes a “Change in Market Conditions” clause, which defines a “Market Disruption Event” as:

(i) circumstances, such as adverse funding conditions or market liquidity constraints, which result in a lender becoming unable to participate in an advance requested under the facility, or

(ii) notification to the facility agent by a lender that its cost of obtaining matching deposits in the interbank market would be in excess of the base rate for an advance

In the event of a market disruption event occurring, and depending on the exact circumstances, then the parties to the agreement will enter into negotiations either to agree a substitute basis for maintaining advances, or to agree the rate of interest applicable to further advances.

For the year ended 31 March 2009 no market disruption event has occurred.

(c) Debentures

Debenture stock which is issued on the basis that it is repayable on demand, may be repaid by the Finance business at any time. Other debenture stock is issued on terms ranging from 3 months to 5 years and is repayable on the maturity date. For the majority of debentures, interest is payable quarterly in arrears on the last day of March, June, September and December. On other debentures, interest is paid on the last working day of each month. The effective weighted average interest rate of the debenture stock at 31 March 2009 was 8.2% (2008 8.4%).

(d) Notes and Committed liquidity facilities

Each Note issued has a minimum subscription price of $500,000 and must be a multiple of $100,000. The term of Notes cannot exceed 364 days or the maturity of the Committed liquidity facility, whichever is earlier. Notes are normally issued on the basis that they bear no interest but are issued at a discount to their principal amount. The effective weighted average interest rate of Notes at 31 March 2009 was 5.6% (2008 9.2%).

Liquidity support for the Notes is provided under a Committed liquidity facility. The effective weighted average interest rate of the liquidity facility at 31 March 2009 was 4.3% (2008 9.1%).

(e) Financing arrangements

Unrestricted access was available at each balance date to the following lines of credit:

	31 March 2009 $'000	31 March 2008 $'000
Credit standby arrangements		
Total facilities		
Bank loans	**375,000**	360,000
Bank overdrafts	**2,000**	2,000
Notes/Committed liquidity facilities	**250,000**	300,000
	627,000	662,000
Used at balance date		
Bank loans	**123,000**	211,250
Bank overdrafts	**–**	–
Notes/Committed liquidity facilities	**215,404**	225,197
	338,404	436,447
Unused at balance date		
Bank loans	**252,000**	148,750
Bank overdrafts	**2,000**	2,000
Notes/Committed liquidity facilities	**34,596**	74,803
	288,596	225,553

The figures in the above tables for financing arrangements are principal amounts only.

The bank loan facilities of $375 million at 31 March 2009 have maturity dates in April 2009 ($20 million), August 2009 ($20 million), September 2009 ($125 million), September 2010 ($105 million) and September 2011 ($105 million).

The Liquidity Facility with a facility limit of $250 million matures on 30 April 2010. Refer Note 29.

(f) Fair value

The fair values of Finance business borrowings are:

	31 March 2009		31 March 2008	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-Balance Sheet				
Bank loans	**122,286**	122,691	**211,456**	211,456
Notes	**123,364**	123,476	**167,018**	167,006
Committed liquidity facilities	**93,561**	93,538	**60,648**	60,636
Debentures	**202,627**	208,099	**105,053**	104,670
	541,838	547,804	**544,175**	543,768

(i) On-Balance Sheet

The fair value of Bank loans for the year ended 31 March 2009 was based on cash flows discounted using a borrowing rate of 4.2%. The fair value of Bank loans for the year ended 31 March 2008 equals their carrying amount as the impact of discounting was not significant.

The fair value of Notes is based on cash flows discounted using borrowing rates averaging 4.2% based on the maturity date of those Notes (2008 variable from 9.0% to 9.8%).

The fair value of the Committed liquidity facility is based on cash flows discounted using a borrowing rate of 4.2% (2008 9.2%).

The fair values of Debentures are based on cash flows discounted using borrowing rates varying from 5.0% to 7.3%, depending on the maturity date of those debentures (2008 8.3% to 9.5%).

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25. Finance borrowings (continued)

(ii) Contingent liabilities

There were no interest bearing contingent liabilities as at 31 March 2009 (2008 Nil).

(g) Priority of claims

Bank loans and debentures rank equally as to the priority of claims over the assets of the Charging Group. The Notes and the liquidity facility are secured over the Finance receivables held by the special purpose entity RFS Trust 2006-1.

(h) Interest rate risk

For an analysis of the sensitivity of Finance business borrowings to interest rate risk refer to Note 7.

26. Other current liabilities

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Employee entitlements	**29,450**	39,241	**–**	–
Other creditors	**33,517**	42,898	**156**	–
	62,967	82,139	**156**	–

Employee entitlements include a statutory termination indemnity obligation (TFR) for employees of the Groups Italian operating subsidiary. Refer Note 33(2).

Other employee entitlements is primarily comprised of liabilities for employee leave entitlements, wage & salary withholdings and wages & salaries payable.

27. Deferred tax liabilities

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Note	**$'000**	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:					
Amounts recognised directly in profit or loss					
Provisions		**(9,364)**	(8,767)	**–**	–
Property, plant & equipment		**13,039**	12,004	**–**	–
Intangible assets		**26,604**	28,429	**–**	–
Fair value adjustments re. Elba S.p.A. acquisition		**2,157**	1,843	**–**	–
Other temporary differences		**(15)**	(116)	**–**	–
		32,421	33,393	**–**	–
Net deferred tax liabilities		**32,421**	33,393	**–**	–
Movements:					
Opening balance at 1 April		**33,393**	39,777	**–**	–
Charged/(credited) to the Income Statement	11	**(2,043)**	(6,036)	**–**	–
Foreign exchange differences		**1,071**	(348)	**–**	–
Closing balance at 31 March		**32,421**	33,393	**–**	–
Expected settlement					
Within 12 months		**(7,005)**	(5,074)	**–**	–
in excess of 12 months		**39,426**	38,467	**–**	–
		32,421	33,393	**–**	–

28. Other non-current liabilities

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Employee entitlements	**216**	266	**216**	266
Accrued rent expense	**2,733**	2,811	**–**	–
Retirement benefit obligation	**1,127**	640	**–**	–
Deferred acquisition cost	**29,019**	–	**–**	–
Other	**199**	11	**–**	–
	33,294	3,728	**216**	266

(a) Employee entitlements
Further details of the Group's Executive Long-Term Performance Incentive are provided at Note 41.

(b) Accrued rent expense
In certain jurisdictions where the Group operates, operating lease agreements for land & buildings contain periodic fixed rental increases. The associated lease payments are recognised on a straight-line basis resulting in an accrued rent expense.

(c) Retirement benefit obligation
Further details of the Group's retirement benefit obligation are provided at Note 33(1).

(d) Deferred acquisition cost
This represents the remaining instalments payable to subsidiaries of Whirlpool Corporation Inc. for the acquisition of Maytag Mexico Appliance Products, S. de R.L. de C.V. and refrigeration plant & equipment on 17 April 2008. Refer to Note 37.

29. Contributed equity

(a) Movements in ordinary share capital:

	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Shares	Shares	**$'000**	$'000
Opening balance of ordinary shares authorised and issued	**284,608,307**	283,453,478	**642,082**	639,463
Issues of ordinary shares during the year				
Dividend reinvestment plan	**5,767,683**	–	**9,428**	–
Exercise of options	**–**	1,154,829	**–**	2,619
Closing balance of ordinary shares authorised and issued	**290,375,990**	284,608,307	**651,510**	642,082

(b) Ordinary shares
All shares issued are fully paid and have no par value. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

(c) Options
Information relating to the Group Employee Share Option Scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 41.

(d) Capital risk management – Appliances business & Parent
The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company's options include adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt.

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29. Contributed equity (continued)

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net debt plus shareholders' equity. Net debt is calculated as total borrowings less cash & cash equivalents (excluding the Finance business).

During 2008/09, the Company's capital risk management strategy was to maintain a gearing ratio within 25% to 35%. However, due to the adverse trading conditions encountered in all markets, the inventory stockbuild required as part of the Appliances business' Global Manufacturing Strategy and the impact on the Group's reported equity from translation of foreign currency net assets at significantly lower New Zealand dollar spot rates, the gearing ratios at 31 March 2009 and 31 March 2008 were as follows:

	31 March 2009	31 March 2008
	$'000	$'000
Total borrowings	**517,692**	339,089
Less: cash & cash equivalents	**(58,646)**	(47,269)
Net debt	**459,046**	291,820
Total equity	**565,552**	646,448
Total capital	**1,024,598**	938,268
Gearing ratio	**44.8%**	31.1%

(e) Capital risk management – Finance business

The Finance business' objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its shareholder and to maintain a strong capital base to support the development of its business.

Fisher & Paykel Finance Limited

The level and mix of capital in Fisher & Paykel Finance Limited (the Charging Group) is determined by its internal Corporate Governance Policies and the Debenture Trust Deed, under which Fisher & Paykel Finance Limited issues debentures.

The Debenture Trust Deed imposes three major covenants on borrowing activities:

(i) secured debts do not exceed 87.5% of security

(ii) total liabilities do not exceed 91.0% of tangible assets plus 6.5% of public sector and other approved securities

(iii) prior charges do not exceed 7.5% of security assets

Fisher & Paykel Finance Holdings Limited and Fisher & Paykel Financial Services Limited

Whilst there are no minimum levels of capital required in Fisher & Paykel Finance Holdings Limited and Fisher & Paykel Financial Services Limited, capital is maintained at a level to ensure compliance with the Finance business capital management objectives outlined above.

Fisher & Paykel Financial Services Limited is the company that owns and operates the Farmers Finance business, which is funded under a master trust securitisation programme.

The securitisation programme requires a minimum level of credit enhancement that is provided by way of a subordinated loan from Fisher & Paykel Financial Services Limited. The minimum level of credit enhancement is the greater of 5.5% of receivables or the amount established by applying a dynamic credit enhancement calculation.

The Finance business has extended the Liquidity Facility maturity date to 30 April 2010. The minimum level of credit enhancement has increased from 5.5% to 7.5% (or the amount established by applying the dynamic credit enhancement calculation).

In addition, changes have been made to the excess margin calculation such that the Total Portfolio Yield must now exceed the Average Cost of Funds plus 6.0% (previously 4.0%).

30. Earnings per share

	31 March 2009	31 March 2008
Basic (loss)/earnings per share		
Basic (loss)/earnings per share (cents)	**(33.1)**	19.1
Diluted (loss)/earnings per share (cents)	**(32.5)**	18.7

(a) Reconciliations of (loss)/earnings used in calculating earnings per share

	31 March 2009 $'000	31 March 2008 $'000
Basic earnings per share		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(95,254)**	54,212
Diluted earnings per share		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(95,254)**	54,212

(b) Weighted average number of shares used as the denominator

	31 March 2009 Number	31 March 2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**287,643,820**	284,289,219
Adjustments for calculation of diluted earnings per share:		
Share options	**5,261,397**	5,777,842
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**292,905,217**	290,067,061

(c) Information concerning the classification of securities

(i) Share options

Options granted to employees under the Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share options are set out in Note 41.

31. Retained earnings and reserves

(a) Reserves

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	31 March 2009 $'000	31 March 2008 $'000
Treasury stock	**512**	512	**–**	–
Cash flow hedge reserve	**4,642**	602	**–**	–
Share-based payments reserve	**1,970**	1,890	**1,970**	1,890
Foreign currency translation reserve	**23,521**	(14,321)	**–**	–
Interest rate hedge reserve	**–**	(3,443)	**–**	–
Commodity hedge reserve	**37**	503	**–**	–
	30,682	(14,257)	**1,970**	1,890

Historical financial statements

31. Retained earnings and reserves (continued)

MOVEMENTS	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Treasury stock				
Opening balance	**512**	512	**–**	–
Closing balance	**512**	512	**–**	–

In the Parent Company financial statements, amounts showing as Treasury Stock in the Group financial statements are recorded as share capital. This increases share capital in the Parent Company by $0.5 million at Balance Date (2008 $0.5 million).

MOVEMENTS	**31 March 2009**	31 March 2008	**31 March 2009**	31 March 2008
Cash flow hedge reserve				
Opening balance	**602**	4,696	**–**	–
Recognised income & expense	**4,040**	(4,094)	**–**	–
Closing balance	**4,642**	602	**–**	–
Share-based payments reserve				
Opening balance	**1,890**	1,682	**1,890**	1,682
Equity settled share based payments expense	**80**	208	**80**	208
Closing balance	**1,970**	1,890	**1,970**	1,890
Foreign currency translation reserve				
Opening balance	**(14,321)**	(9,686)	**–**	–
Translation differences arising during the year	**37,842**	(4,635)		
Closing balance	**23,521**	(14,321)	**–**	–
Interest rate hedge reserve				
Opening balance	**(3,443)**	281	**–**	–
Recognised income & expense	**(4,356)**	(3,724)	**–**	–
Reclassification to Profit & Loss	**7,799**	–	**–**	–
Closing balance	**–**	(3,443)	**–**	–
Commodity hedge reserve				
Opening balance	**503**	(273)	**–**	–
Recognised income & expense	**(466)**	776	**–**	–
Closing balance	**37**	503	**–**	–

(b) Nature and purpose of reserves

(i) Treasury stock

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

(ii) Cash flow hedge reserve

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

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options granted but not exercised and discounted employee share scheme entitlements.

(iv) Foreign currency translation reserve

Exchange differences arising on translation of foreign operations are taken to the foreign currency translation reserve. When any net investment is disposed of, the related component of the reserve is recognised in profit and loss.

(v) Interest rate hedge reserve

The interest rate hedge reserve is used to record gains or losses on a hedging instrument in an interest rate hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

When a forecast transaction is no longer expected to occur or becomes ineffective, the cumulative gain or loss that was deferred in equity is immediately transferred to the Income statement.

(vi) Commodity hedge reserve

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

(c) Retained earnings/(accumulated losses)

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Note	**$'000**	$'000	**$'000**	$'000
Opening balance		**18,623**	15,581	**(113,946)**	(91,758)
Net (loss)/profit for the year		**(95,254)**	54,212	**47,514**	28,982
Dividends	34	**(40,009)**	(51,170)	**(40,009)**	(51,170)
Closing balance		**(116,640)**	18,623	**(106,441)**	(113,946)

32. Imputation credits

	CONSOLIDATED	
	31 March 2009	31 March 2008
	$'000	$'000
Balance at beginning of year	**144**	377
Tax payments, net of refunds	**5,100**	13,098
Credits attached to dividends paid	**(4,600)**	(13,331)
Balance at end of year	**644**	144
Imputation credits are available to shareholders as follows:		
Direct – Fisher & Paykel Appliances Holdings Limited Imputation Group	**644**	144
Balance at end of year	**644**	144

33. Defined benefit obligations

(1) Superannuation Scheme – New Zealand

All New Zealand employees of the Group are entitled to benefits from the Group's superannuation scheme on retirement, disability or death. Previously, the New Zealand scheme consisted of a defined benefit plan and a defined contribution plan.

The defined benefit plan provided lump sum benefits based on years of service and final average salary and has been closed to new members for several years. On 1 October 2006, all except 30 members transferred from the defined benefit plan to a new defined contribution master trust plan. There are currently 29 members remaining in the plan at Balance Date.

The remaining obligation is largely in respect of certain defined benefit guarantees provided to members who transferred from the defined benefit plan to the new defined contribution master trust plan and is fully provided for as at 31 March 2009.

The defined contribution plan receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The following tables set out details in respect of the defined benefit liabilities only.

(a) Balance sheet amounts

The amounts recognised in the Balance Sheet are determined as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Present value of the defined benefit obligation	**1,316**	886	**–**	–
Fair value of defined benefit plan assets	**(561)**	(457)	**–**	–
Present value of unfunded obligations	**755**	429	**–**	–
Adjustment for ESCT	**372**	211	**–**	–
Net liability in the Balance Sheet	**1,127**	640	**–**	–

(b) Categories of plan assets

The major categories of plan assets are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	%	%	**%**	%
Cash	**83**	77	**–**	–
Equity instruments	**8**	12	**–**	–
Debt instruments	**8**	9	**–**	–
Property	**1**	2	**–**	–
	100	100	**–**	–

(c) Reconciliations

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	**886**	6,503	**–**	–
Current service cost	**37**	47	**–**	–
Interest cost	**20**	258	**–**	–
Actuarial gains & losses	**1,828**	(4,835)	**–**	–
Benefits paid	**(1,455)**	(1,087)	**–**	–
Balance at the end of the year	**1,316**	886	**–**	–
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**457**	214	**–**	–
Expected return on plan assets	**27**	152	**–**	–
Actuarial gains & losses	**211**	(4,625)	**–**	–
Contributions by Group companies	**178**	5,803	**–**	–
Contributions by plan participants	**1,143**	(1,087)	**–**	–
Benefits paid	**(1,455)**	–	**–**	–
Balance at the end of the year	**561**	457	**–**	–

(d) Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Current service cost	**37**	47	**–**	–
Interest cost	**20**	258	**–**	–
Expected return on plan assets	**(27)**	(152)	**–**	–
Net actuarial losses (gains) recognised in year	**1,617**	(210)	**–**	–
Total included in employee benefits expense	**1,647**	(57)	**–**	–
Actual return on plan assets	**9**	382	**–**	–

Historical financial statements

33. Defined benefit obligations (continued)

(e) Principal actuarial assumptions

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

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
Discount rate	**3.79 %**	4.54%	**– %**	– %
Expected return on plan assets	**6.00 %**	6.00%	**– %**	– %
Future salary increases	**4.50 %**	4.50%	**– %**	– %

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories. This resulted in the selection of a 6.00% rate of return net of tax (and expenses).

(f) Employer contributions

Employer contributions to the defined benefit plan ceased on 30 September 2006.

(g) Historic summary

	31 March 2009 $'000	31 March 2008 $'000
Defined benefit plan obligation	**1,316**	886
Plan assets	**(561)**	(457)
	755	429
ESCT	**372**	211
Deficit	**1,127**	640
Experience adjustments arising on plan liabilities	**1,828**	(4,835)
Experience adjustments arising on plan assets	**211**	(4,625)

(2) Termination Indemnity (TFR) – Italy

TFR is a mandatory severance pay plan for employees of Italian entities. A lump sum payment is provided in any case of employment termination (e.g. dismissal, voluntary resignation, disability, death).

Every year, the employee accrues 6.91% of his/her salary. The accrual is fully employer sponsored. The amount accrued at the beginning of the year is revalued at the end of the year by an index stated as follows: 1.5% plus 75% of the actual inflation rate. The revaluation is reduced net of an 11% tax rate.

Advance payments can be made for house purchase and medical expenses, subject to certain conditions.

Pursuant to legislation enacted on 1 January 2007, the future annual accrual for companies with over 50 employees was transferred either to an external pension fund or to the State fund held by INPS (Instituto Nazionale Previdenza Sociale) and meets the definition of a defined contribution plan. However, the TFR liability accrued prior to 1 January 2007 remains in the Balance Sheet of the Group's Italian operating subsidiary (Fisher & Paykel Appliances Italy S.p.A.) and meets the definition of a defined benefit plan.

The following tables set out details in respect of the defined benefit liabilities:

(a) Balance sheet amounts

The amounts recognised in the Balance Sheet are determined as follows:

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Present value of the defined benefit obligation	**4,922**	4,587	**–**	–
Net liability in the Balance Sheet	**4,922**	4,587	**–**	–

(b) Reconciliations

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	**4,587**	4,913	**–**	–
Interest cost	**270**	218	**–**	–
Actuarial gains & losses	**(290)**	(274)	**–**	–
Benefits paid	**(438)**	(533)	**–**	–
Foreign currency exchange rate changes	**793**	263	**–**	–
Balance at the end of the year	**4,922**	4,587	**–**	–

(c) Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Interest cost	**270**	218	**–**	–
Total included in employee benefits expense	**270**	218	**–**	–

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33. Defined benefit obligations (continued)

(d) Principal actuarial assumptions

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

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
Discount rate	**5.25%**	5.00%	**– %**	– %
Future salary increases	**2.00%**	2.00%	**– %**	– %
Inflation rate	**2.00%**	2.00%	**– %**	– %

(e) Employer contributions

Employer contributions to the defined benefit plan ceased on 31 December 2006.

(f) Historic summary

	31 March 2009	31 March 2008
	$'000	$'000
Defined benefit plan obligation	**4,922**	4,587
Deficit	**4,922**	4,587

34. Dividends

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Note	**$'000**	$'000	**$'000**	$'000
Prior year's final dividend of 9.0 cents per share (2008 9.0 cents)		**25,615**	25,555	**25,615**	25,555
Current year interim dividend of 5.0 cents per share (2008 9.0 cents)		**14,394**	25,615	**14,394**	25,615
Total dividends	34(b)	**40,009**	51,170	**40,009**	51,170

(a) Imputation

The prior year's final dividend carried a partial imputation credit of 1.20 cents (2008 3.25 cents), equivalent to 11.8 cents in the dollar (2008 26.5 cents).

The current year interim dividend carried a partial imputation credit of 0.67 cents (2008 2.25 cents), equivalent to 11.8 cents in the dollar (2008 20.0 cents).

(b) Dividend reinvestment plan

After subscriptions to the Dividend Reinvestment Plan were taken into account, the cash dividend paid in the year ended 31 March 2009 was $30.6 million (2008 N/A).

35. Contingencies

Periodically, the Group is party to litigation including product liability claims. To date, such claims have been settled for relatively small amounts, which have either been expensed or covered by insurance.

As at 31 March 2009 the Company had a contingent liability of $757,125 (2008 $704,375) for Directors' retirement allowances.

The Group also had contingent liabilities at 31 March 2009 in respect of:

Mexico Customs Claim
An issue has arisen in relation to the operation of Maytag Mexico Appliance Products, S de R.L. de C.V. (since renamed Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.) prior to acquisition. It is alleged that their import/export records were not properly maintained prior to acquisition in April 2008 and that inventory had not left Mexico within the prescribed 18 month time period. Fisher & Paykel Appliances Mexico faces a potential customs duty bill of approximately US$5.0 million in relation to this issue. The Stock Purchase Agreement includes an indemnity from the Sellers (jointly Maytag Corporation and Maytag Inc.) for inaccuracy or breach pertaining to representations and warranties given in relation to tax.

Italy Tax Audit
An audit report issued by the Tax Administration of Montebelluna details potential non-compliances by Elba S.p.A. (since renamed Fisher & Paykel Appliances Italy S.p.A.) with applicable tax laws and regulations with respect to the 2005 fiscal year. The report's initial assessment is the reversal of deductions totalling approximately €1.0 million for IRES, IRAP and VAT (Italian taxes) with an adverse tax payable effect of €0.4 million. Elba S.p.A. was acquired in June 2006 and the Share Purchase Agreement includes an indemnity from the Sellers (DéLonghi) for inaccuracy or breach pertaining to representations and warranties given in relation to tax.

36. Commitments

(a) Capital commitments
Capital expenditure contracted for at Balance Date but not recognised as liabilities is as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Within one year	**22,453**	5,949	**–**	–
	22,453	5,949	**–**	–

Capital commitments at 31 March 2009 largely relate to additional building construction in Thailand for the new refrigeration manufacturing facility as part of the Appliances business' Global Manufacturing Strategy.

The above balances have been committed in relation to future expenditure on capital projects. Amounts already spent have been included as work in progress in the current year results.

(b) Lease commitments
(i) Operating leases
These relate mainly to building occupancy leases under non-cancellable operating leases expiring within ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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36. Commitments (continued)

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases:				
Within one year	**22,986**	19,864	**–**	–
Between one and two years	**16,947**	16,169	**–**	–
Between two and three years	**11,898**	12,347	**–**	–
Between three and four years	**10,039**	9,423	**–**	–
Between four and five years	**9,108**	8,519	**–**	–
Over five years	**12,533**	19,728	**–**	–
	83,511	86,050	**–**	–

(ii) Finance leases

The Appliances business leases various plant & equipment with a carrying amount of $2.3 million (2008 $3.1 million) under finance leases expiring within one to four years. Under the finance leases, the Appliances business has the right of renewal or the option to purchase the leased items at the expiry of the lease.

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Commitments for minimum lease payments in relation to finance leases:				
Within one year	**776**	3,341	**–**	–
Between one and two years	**407**	557	**–**	–
Between two and three years	**22**	293	**–**	–
Between three and four years	**3**	16	**–**	–
	1,208	4,207	**–**	–

The weighted average interest rate implicit in the finance leases is 5.9% (2008 6.4%).

(c) Undrawn lending commitments (Finance business)

Undrawn lending commitments include unutilised credit card and fixed instalment limits, which can be unconditionally cancelled by the Finance business at any time.

	CONSOLIDATED	
	31 March 2009 $'000	31 March 2008 $'000
Undrawn lending commitments	**2,188,968**	2,367,145

37. Business combinations

(a) Acquisition of Maytag Mexico Appliance products, S. de R.L. de C.V. and refrigeration plant & equipment
On 17 April 2008, the Appliances business acquired 100% of the equity of Maytag Mexico Appliance Products, S. de R.L. de C.V. (since renamed Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.) and also refrigeration manufacturing assets located at Reynosa, Mexico from subsidiaries of Whirlpool Corporation Inc. The initial purchase consideration was US$33.4 million to be paid in four equal annual instalments. Subsequently, a completion working capital adjustment was made reducing total acquisition costs by US$1.9 million to US$31.5 million. This reduction was reflected in the first instalment – refer Cash Flow Statement.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	NZ$'000	US$'000
Purchase consideration		
Cash paid as at 31 March 2009	**18,933**	14,957
Deferred cash consideration	**20,886**	16,500
Total purchase consideration	**39,819**	31,457
Fair value of net identifiable assets acquired	**38,417**	30,348
Goodwill	**1,402**	1,109

Goodwill is attributable to the North American manufacturing cash generating unit.

The assets and liabilities arising from the acquisition are as follows as at 17 April 2008:

	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	Fair value
	NZ$'000	NZ$'000	US$'000	US$'000
Current assets	**3,779**	**3,779**	2,985	2,985
Deferred assets	**112**	**112**	88	88
Land & buildings	**19,949**	**19,949**	15,760	15,760
Plant & equipment	**21,823**	**21,823**	17,240	17,240
Current liabilities	**(5,843)**	**(5,778)**	(4,616)	(4,565)
Deferred tax liabilities	**–**	**(1,468)**	–	(1,160)
Net identifiable assets acquired	**39,820**	**38,417**	31,457	30,348

Amounts in the table above are shown as at acquisition date when the applicable exchange rate was NZ$1 to US$0.7900.

Contribution to Group Operating profit for the period from 17 April 2008 to 31 March 2009 was $1.7 million. The operating profit from 1 April to 16 April 2008 was immaterial.

Revenue for the period from 17 April 2008 to 31 March 2009 was $2.9 million. The revenue for the period 1 April to 16 April 2008 was immaterial.

Fair value adjustments largely relate to a deferred tax liability arising on deductions claimed for property, plant & equipment during the transition to a new tax regime in Mexico.

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38. Investments in subsidiaries

The Parent Company's investment in subsidiaries comprises shares at cost plus share-based payments expensed by the Finance business. The assets and liabilities attributed to Fisher & Paykel Appliances Holdings Limited are owned by the following subsidiaries:

Name of entity	Country of incorporation	Primary activity	2009 %	2008 %
AF Investments Limited	New Zealand	Non-trading holding company	**100**	100
Appliances business				
Fisher & Paykel Appliances Limited*	New Zealand	Manufacture & distribution of appliances	**100**	100
Fisher & Paykel Production Machinery Limited*	New Zealand	Machinery manufacturer	**100**	100
New Zealand Export Corporation Limited*	New Zealand	Contract manufacture of appliances	**100**	100
Fisher & Paykel Employee Share Purchase Trustee Limited	New Zealand	Employee share purchase scheme	**100**	100
Allied Industries Limited	New Zealand	Non-trading holding company	**100**	100
Fisher & Paykel Australia Holdings Limited*	Australia	Non-trading holding company	**100**	100
Fisher & Paykel Australia Pty Limited*	Australia	Distribution of appliances	**100**	100
Fisher & Paykel Manufacturing Pty Limited*	Australia	Manufacture of appliances	**100**	100
Fisher & Paykel Customer Services Pty Limited*	Australia	Servicing of appliances	**100**	100
Fisher & Paykel Appliances (USA) Holdings Inc*	USA	Non-trading holding company	**100**	100
Fisher & Paykel Appliances Inc*	USA	Distribution of appliances	**100**	100
Dynamic Cooking Systems Inc*	USA	Manufacture of appliances	**100**	100
Fisher & Paykel Laundry Manufacturing Inc*	USA	Manufacture of appliances	**100**	100
Fisher & Paykel Appliances Canada Inc*	Canada	Distribution of appliances	**100**	100
Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.*	Mexico	Contract manufacture of appliances	**100**	–
Fisher & Paykel Appliances Limited*	UK	Distribution of appliances	**100**	100
Fisher & Paykel Appliances Italy Holdings S.r.l.*	Italy	Non-trading holding company	**100**	100
Fisher & Paykel Appliances Italy S.p.A. (formerly Elba S.p.A.)*	Italy	Manufacture & distribution of appliances	**100**	100
Fisher & Paykel (Singapore) Pte Limited*	Singapore	Distribution of appliances	**100**	100
Fisher & Paykel Appliances (Thailand) Co. Ltd*	Thailand	Manufacture of appliances	**100**	100
Finance business				
Fisher & Paykel Finance Holdings Limited	New Zealand	Non-trading holding company	**100**	100
Fisher & Paykel Finance Limited	New Zealand	Consumer & bulk finance	**100**	100
Fisher & Paykel Financial Services Limited	New Zealand	Securitisation services	**100**	100
Consumer Finance Limited	New Zealand	Consumer finance	**100**	100
Consumer Insurance Services Limited	New Zealand	Consumer insurance & extended warranty	**100**	100
Equipment Finance Limited	New Zealand	Equipment finance	**100**	100
Retail Financial Services Limited	New Zealand	Consumer finance	**100**	100

Fisher & Paykel Appliances Holdings Limited together with the companies above marked with an asterisk were the major companies in the Negative Pledge Deed, however refer to Note 4 for details of restructured banking facilities entered into since 31 March 2009.

All subsidiaries have a balance date of 31 March, except for Fisher & Paykel Appliances Italy Holdings S.r.l. and Fisher & Paykel Appliances Mexico, S. de R.L. de C.V., which have a balance date of 31 December to comply with local regulations.

The activities of Retail Financial Services Limited are funded through a master trust securitisation structure established on 8 May 2006. This structure allows for the creation of multiple, separate, standalone trusts. The first trust created under the master trust structure was the RFS Trust 2006-1 (the Trust). Fisher & Paykel Financial Services Limited is the residual income and capital beneficiary of the Trust. The financial statements of the Trust have been consolidated in the Group's financial statements.

Fisher & Paykel Appliances (Thailand) Co. Ltd's immediate parent is Fisher & Paykel (Singapore) Pte Limited (486,198 ordinary shares). Thai law requires a minimum of three shareholders, therefore in accordance with normal practice, two ordinary shares are also held individually by Company executives.

On 1 October 2007, Fisher & Paykel Finance Limited ceased to be a direct subsidiary of AF Investments Limited and became a direct subsidiary of Fisher & Paykel Finance Holdings Limited.

On 31 January 2008, Prime Distributors Limited was amalgamated into Fisher & Paykel Appliances Limited, with Fisher & Paykel Appliances Limited continuing as the amalgamated company.

On 13 March 2008, Fisher & Paykel Appliances Canada Inc was incorporated and its immediate parent is Fisher & Paykel Appliances Inc.

On 17 April 2008, the Group acquired Maytag Mexico Appliance Products, S. de R.L. de C.V., since renamed Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.

On 1 November 2008, Credit & General Insurance Limited was amalgamated into Consumer Insurance Services Limited, with Consumer Insurance Services Limited continuing as the amalgamated company.

39. Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
(Loss)/profit for the year after income tax	**(95,254)**	54,212	**47,514**	28,982
Add/(deduct) non-cash items:				
Depreciation of property, plant & equipment to recoverable amount	**39,620**	35,356	**–**	–
Impairment loss on property, plant & equipment	**14,395**	1,026	**–**	–
Impairment loss on intangible assets	**69,688**	–	**–**	–
Amortisation of intangible assets	**18,869**	14,967	**–**	–
(Gain) on sale of non-current assets	**(8,216)**	(4,952)	**–**	–
Finance business bad debts written off	**21,608**	15,874	**–**	–
Movement in accrued interest	**(1,533)**	337	**–**	–
Net (increase) in loans and advances to customers	**(23,096)**	(63,650)	**–**	–
Movement in provisions	**20,685**	5,190	**–**	–
Movement in tax	**(36,789)**	(7,484)	**1,723**	1,275
Movement in payables and accruals	**16,303**	(8,032)	**–**	–
Movement in debtors and other current assets	**(12,244)**	32,269	**2**	6
Movement in inventories	**(80,414)**	(43,705)	**–**	–
Fair value adjustment/reclassification of derivative financial instruments	**11,141**	(566)	**–**	–
Fair value adjustments to other financial assets	**1,327**	–	**–**	–
Non-cash share-based payments expense	**30**	532	**22**	503
Internal cash flow from financing activities	**–**	–	**(1,067)**	(1,166)
Foreign currency exchange translation	**30,164**	(11,352)	**–**	–
Net cash (outflow)/inflow from operating activities	**(13,716)**	20,022	**48,194**	29,600

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40. Related party transactions

(a) Key management personnel compensation
The key management personnel are all the Directors of the Company and the Executive teams of both the Appliances and Finance businesses.

Compensation of key management personnel for the years ended 31 March 2009 and 31 March 2008 was as follows:

	Short-term benefits	Post-employment benefits	Other long-term benefits	Share-based payments	Total
	$	$	$	$	$
Year ended 31 March 2009	**12,678,487**	**680,613**	**496,206**	**5,146**	**13,860,452**
Year ended 31 March 2008	9,599,750	516,507	134,757	340,195	10,591,209

The cost of short-term benefits increased in 2008/09 due to currency effects ($1.5 million), bonuses paid in 2008/09 year that related to 2007/08 and Executive employee changes detailed below.

Mr A Paykel was appointed Chief Operating Officer, Asia on 25 September 2008, prior to which he was General Manager of Fisher & Paykel Appliances (Thailand) Co. Ltd. Amounts shown above for the year ended 31 March 2009 include Mr Paykel's remuneration from 1 October 2008.

Mr A Pilati was appointed Chief Operating Officer, Europe on 1 November 2007, prior to which he was Managing Director of Fisher & Paykel Appliances Italy S.p.A. Amounts shown above for the year ended 31 March 2008 include Mr Pilati's remuneration from 1 November 2007.

Key management personnel received no termination benefits.

(b) Other transactions with key management personnel or entities related to them
Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

(i) Other transactions and balances
Key management personnel invested cash in debenture stock issued by the Finance business during the period. The debenture stock was acquired on the same terms & conditions that applied to other investors at the time the investments were made.

During the year the company sold household appliances to key management personnel on the same terms and conditions as available to all staff.

A Director, Mr John Gilks, is a director and shareholder of Receivables Management (NZ) Limited, a company which provides debt collection services to the Finance business. The services were provided on normal commercial terms and conditions.

A Director, Mr Norman Geary, is a director of ANZ National Bank Limited, a registered bank that provides credit facilities to the Group on normal commercial terms and conditions.

A Director, Mr Ralph Waters, is a director of Westpac New Zealand Limited, a registered bank that provides credit facilities to the Group on normal commercial terms & conditions.

(c) Subsidiaries
Interests in subsidiaries are set out in Note 38.

(d) Parent Company
As at 31 March 2009, the Parent company had advanced funds to Group companies of $446.9 million (2008 $428.1 million). These intra-Group advances are interest free and repayable on demand.

(e) Separation from Fisher & Paykel Industries Limited
On separation from Fisher & Paykel Industries Limited in November 2001, the Appliances and Finance businesses were acquired at a valuation of $309 million, which was $27.5 million below book value (net of $15 million deferred tax). This was substantially allocated to fixed assets and lowered the amount of depreciation charged over a seven year period ended 31 March 2008.

41. Share-based payments

(a) Share Option Plan

The Group has an established Share Option Plan (the Plan) for executives, managers and selected employees. Under the Plan, the Board may make annual grants of options to Plan participants to subscribe for ordinary shares in the Company. For options granted in August 2002, the exercise price per share was equal to the market value of a share at or around the date of option grant. This Plan has now expired. For options granted in August 2004, the exercise price per share was recalculated on each anniversary of the grant date and is equal to the higher of the base price at grant date or the recalculated base price.

One third of the options granted pursuant to the Plan on a particular grant date became exercisable after each of the second, third and fourth anniversaries of the grant date and all unexercised options expire on the fifth anniversary of the grant date.

Options also become exercisable if a person (or group of persons acting in concert) acquires more than half of the ordinary shares on issue. On leaving employment due to death, serious illness, accident, permanent disablement, redundancy or in other circumstances determined by the Board, the participant (or participant's executor) will have one month to exercise all outstanding options.

Options granted under the Plan carry no dividend or voting rights.

In the year ended 31 March 2009, the Board granted no options to acquire shares under the Plan (2008 No options granted).

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year	Exercised during the year	Lapsed/forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number
31 March 2009							
31/08/04	**31/08/09**	**$4.933***	**5,290,000**	**–**	**(85,000)**	**5,205,000**	**5,205,000**
Total			**5,290,000**	**–**	**(85,000)**	**5,205,000**	**5,205,000**
31 March 2008							
26/08/02	26/08/07	$2.525	1,432,011	(1,432,011)	–	–	–
31/08/04	31/08/09	$4.775*	5,410,000	–	(120,000)	5,290,000	3,526,667
Total			6,842,011	(1,432,011)	(120,000)	5,290,000	3,526,667

*Represents the weighted average exercise price of those options exercisable at Balance Date.

The weighted average share price during the year ended 31 March 2009 was $1.60 (2008 $3.59).

The weighted average remaining contractual life of share options outstanding at Balance Date was 0.4 years (2008 1.4 years).

Fair value of options granted

The assessed fair value of options granted in August 2004 was 37.0 cents per option, which was recognised over the vesting period.

The recalculated base price of the August 2004 Plan uses a binomial model and was calculated by multiplying the last base price by a percentage determined by the Board to represent the Group's cost of capital and reducing the resulting figure by the amount of any net cash dividends paid by the Group.

(a) weighted average exercise price: $4.933 (2008 $4.775)

(b) grant date: 31 August 2004

(c) expiry date: 31 August 2009

(d) share price at grant date: $4.190

(e) expected dividend yield: 9.6%

(f) risk-free interest rate: 6.83%

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41. Share-based payments (continued)

(b) Executive Long Term Performance Incentive

Effective 1 July 2007, the Board introduced an executive long-term performance incentive scheme (the Scheme) for selected senior managers to link their remuneration with shareholder returns and encourage those employees to hold and retain shares in the Company. Payment of any benefit is dependent on remaining employed during the vesting period and also on the Group's total shareholder return exceeding the 75th percentile of the total shareholder return (including imputation credits) of a comparative group of companies over a three year vesting period.

Entitlements are granted under the Scheme for no consideration. At the end of the vesting period, the Group will pay a cash bonus to the participating employees equivalent to half their allocated entitlement, which must be used to buy shares in the Company on-market (subject to Insider Trading rules) unless the employee's personal shareholding (calculated at current market values) is greater than 50% of their annual fixed remuneration. To the extent performance targets have been met, up to half of the allocated entitlement will also be paid as a cash bonus to the participating employee and this must be used to buy shares on-market (subject to Insider Trading rules) unless the employee's personal shareholding (calculated at current market values) is greater than 50% of their annual fixed remuneration.

If employment ceases prior to the vesting date due to death, serious illness, accident, permanent disablement or redundancy, the Board will make a pro-rata payment or other such payment as may be determined at their sole discretion.

Set out below is a summary of movements in the number of shares attached to cash benefits granted under the Scheme:

Grant date	Expiry date	Balance at start of the year	Granted during the year	Lapsed/forfeited during the year	Balance at end of the year
		Number	Number	Number	Number
31 March 2009					
01/10/08	**30/09/11**	**–**	**1,030,000**	**(10,000)**	**1,020,000**
01/07/07	**30/06/10**	**472,000**	**–**	**(5,000)**	**467,000**
Total		**472,000**	**1,030,000**	**(15,000)**	**1,487,000**
31 March 2008					
01/07/07	30/06/10		477,000	(5,000)	472,000
Total			477,000	(5,000)	472,000

Fair value of the Scheme

The assessed fair value of the Schemes as at 31 March 2009 was $215,779 (2008 $266,312). This fair value was derived using a Monte Carlo simulation model that takes into account the vesting criteria, the share price at grant date and the volatility of the returns on Group shares and shares of a comparative Group of companies.

(a) entitlements are granted for no consideration, vesting three years after grant date
(b) grant date: 1 July 2007/1 October 2008
(c) expiry date: 30 June 2010/30 September 2011
(d) share price at grant date: $3.45/$1.66
(e) correlation coefficient to NZSX50 returns: 0.20
(f) expected dividend yield: Nil%
(g) risk-free interest rate: 3.38%

(c) Employee Share Scheme

No employee share offers were in operation during the year ended 31 March 2009 or the year ended 31 March 2008.

As at 31 March 2009 202,444 shares (2008 202,444) were held by the Trustee, being 0.07% (2008 0.07%) of the Group's issued and paid up capital. No shares are allocated to employees (2008 Nil) as there is no current offer under the Scheme. All shares are allocated to employees at the time of issue, on the condition that should they leave the company before the qualifying period ends, their shares will be repurchased by the Trustees at the lesser of market price and the price at which the shares were originally allocated to the employee, subject to the repayment of the original loan. Any such repurchased shares are held by the Trustees for allocation to future issues under the Scheme.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Expenses in relation to Group Share Option Plan	**80**	267	**61**	237
Expenses in relation to Long-Term Incentive Scheme	**(50)**	266	**(50)**	266
	30	533	**11**	503

After fair value adjustments to the Long-Term Incentive Schemes at Balance Date, there was a net credit to the Income Statement of $50,000 in the year ended 31 March 2009 (2008 expense of $266,000).

42. Government grants

The Appliances business receives funding for selected research & development activities from the Foundation for Research, Science and Technology, a Crown Agent that invests in such activities on behalf of the New Zealand government. The detailed nature and extent of this funding is commercially sensitive. $2.1 million was recognised in the financial statements for the year ended 31 March 2009 (2008 $1.6 million).

Fisher & Paykel Appliances Limited has entered into the New Zealand Government's nine day working fortnight scheme covering its refrigeration assembly workforce. This is a temporary 35 hour working week arrangement running from April 2009 through until September 2009. Under the agreement employees work a 35 hour week, supplemented with an additional 3.5 hours pay shared equally between the Government and the company. There was no effect on the Income Statement in the year ended 31 March 2009.

Fisher & Paykel Appliances (Singapore) Pte Limited participates in the Jobs Credit Scheme introduced in the 2009 Singapore Budget as an incentive for employers to retain existing workers and where warranted, to employ new ones. The Job Credit is automatically granted to employers who have made Central Provident Fund (CPF) contributions for the employees (Singaporeans and Permanent Residents only). This scheme is calculated based on 12% of the first S$2,500 of the derived wage cost for each eligible employee on the employer's CPF payroll. S$35,560 income was received during the year ended 31 March 2009.

On occasion the Group also receives local government assistance, e.g. rates relief, both within and outside New Zealand.

43. Events occurring after the Balance Sheet date

(a) Debt Restructuring

Refer to Note 4.

(b) Final dividend for the year ended 31 March 2009

Under the terms of the restructured banking facilities detailed in Note 4, the Company is not permitted to pay a dividend until the Amortising Facility is repaid. Accordingly, the Directors have not declared a final dividend for the year ended 31 March 2009.

Historical financial statements

44. Employee remuneration

The Group operates in a number of countries where remuneration market levels differ widely. During the year, the number of employees, not being Directors of Fisher & Paykel Appliances Holdings Limited, who received remuneration and the value of other benefits exceeding $100,000 was as follows:

Remuneration $	2009 Overseas	2009 New Zealand	2008 Overseas	2008 New Zealand	Remuneration $	2009 Overseas	2009 New Zealand	2008 Overseas	2008 New Zealand
100,001 – 110,000	**65**	**44**	48	23	350,001 – 360,000	**1**	**–**	2	1
110,001 – 120,000	**48**	**28**	33	46	370,001 – 380,000	**2**	**–**	–	1
120,001 – 130,000	**32**	**25**	25	28	380,001 – 390,000	**3**	**2**	–	1
130,001 – 140,000	**37**	**11**	17	12	400,001 – 410,000	**–**	**–**	1	1
140,001 – 150,000	**23**	**8**	9	8	410,001 – 420,000	**1**	**–**	–	1
150,001 – 160,000	**21**	**1**	8	10	430,001 – 440,000	**1**	**1**	1	–
160,001 – 170,000	**13**	**7**	8	5	450,001 – 460,000	**–**	**1**	–	–
170,001 – 180,000	**15**	**10**	5	3	460,001 – 470,000	**–**	**–**	1	–
180,001 – 190,000	**17**	**–**	2	6	470,001 – 480,000	**1**	**–**	–	–
190,001 – 200,000	**10**	**4**	2	4	480,001 – 490,000	**1**	**1**	–	–
200,001 – 210,000	**6**	**1**	2	1	490,001 – 500,000	**–**	**–**	1	1
210,001 – 220,000	**4**	**1**	4	4	520,001 – 530,000	**–**	**1**	–	–
220,001 – 230,000	**2**	**3**	7	–	530,001 – 540,000	**–**	**1**	–	–
230,001 – 240,000	**6**	**–**	3	–	550,001 – 560,000	**–**	**–**	1	–
240,001 – 250,000	**3**	**1**	2	1	560,001 – 570,000	**1**	**–**	–	–
250,001 – 260,000	**2**	**–**	1	–	570,001 – 580,000	**1**	**–**	–	–
260,001 – 270,000	**6**	**2**	–	2	580,001 – 590,000	**–**	**1**	–	–
270,001 – 280,000	**2**	**–**	1	1	590,001 – 600,000	**–**	**–**	1	–
280,001 – 290,000	**1**	**1**	2	–	630,001 – 640,000	**–**	**–**	1	–
290,001 – 300,000	**1**	**1**	1	1	700,001 – 710,000	**1**	**–**	–	–
300,001 – 310,000	**2**	**–**	–	1	740,001 – 750,000	**1**	**–**	–	–
310,001 – 320,000	**–**	**1**	1	1	810,001 – 820,000	**1**	**–**	–	–
320,001 – 330,000	**–**	**2**	–	–	830,001 – 840,000	**1**	**–**	–	–
330,001 – 340,000	**1**	**1**	–	–	1,040,001 – 1,050,000	**–**	**–**	1	–
340,001 – 350,000	**3**	**–**	2	–	1,130,001 – 1,140,000	**1**	**–**	–	–

45. Foreign currency exchange rates

	31 March 2009	31 March 2008
NZ$1.00 =		
Australian dollar	**0.8259**	0.8646
United States dollar	**0.5686**	0.7931
Euro	**0.4289**	0.5019
British pound	**0.3972**	0.3976
Thai baht	**20.2400**	25.0100
Mexican pesos	**8.1308**	–

The above foreign currency exchange rates have been applied at each balance date.

A II

Prospective financial statements

Prospective financial statements

Introduction and Basis of Preparation

The prospective financial statements included in this section are the consolidated group position of Fisher & Paykel Appliances Holdings Limited and its subsidiaries (the "Group") and includes a prospective consolidated income statement, statement of financial position, statement of total recognised income and expense and cash flow statement, prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS-42). Also included are assumptions for the prospective financial information, accounting policies and sensitivity analysis.

The prospective financial statements including the assumptions on which they are based, are the responsibility of, and have been prepared, by the Directors. The Directors have given due care and attention to the preparation of the prospective financial statements, including the underlying assumptions.

The prospective financial statements do not take into account the potential impact of the recently announced partnership with the Company's new substantial shareholder, Haier. At this point in time, Haier and the Company have only very recently entered into an agreement as to how the companies may work together to access the identified potential opportunities. Further work is required to develop these potential opportunities into business plans. As a consequence, the impact and timing of the partnership can not be reliably forecasted for inclusion within the Company's forecasts.

However, forecasts by their nature are inherently uncertain. They are predictions of future events which cannot be assured. They involve risks and uncertainties many of which are beyond the control of the Company. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. The likelihood of these occurrences is accentuated by the current very volatile global economic environment. Furthermore, various risk factors and the management of those risks (see Section 8 "Investment Statement Information – Answers to Important Questions" of this Offer Document) may influence the success of the Group's business. Accordingly, actual results will vary from the prospective financial information, and these variations may be significantly more or less favourable. Therefore, the Directors cannot and do not guarantee the achievement of their financial forecasts.

The prospective financial statements were prepared and authorised by the Directors as at 27 May 2009 for use in this Offer Document and not for any other purpose. The prospective financial statements cover the period from 1 April 2009 to 31 March 2010.

There is no present intention to update the prospective financial statements or to publish prospective financial statements in the future. Investors must consider the assumptions in order to fully understand the prospective financial statements. The Group will report actual financial results against the prospective financial statements in accordance with generally accepted accounting principles in the 31 March 2010 financial statements and will provide that information to Shareholders on request under section 54B of the Securities Act and regulation 23A of the Securities Regulations.

Prospective Income Statement
For the year ending 31 March 2010

	CONSOLIDATED
	$'000
Revenue	
Operating revenue	1,353,595
Other income	4,033
Total revenue and other income	1,357,628
Items affecting comparability:	
Costs associated with execution of Global Manufacturing Strategy	(12,691)
Redundancy costs	(4,038)
Debt restructuring costs	(9,084)
EBITDA	**123,809**
Depreciation expense	(38,768)
Amortisation expense	(19,963)
Operating Profit	**65,078**
External interest expense*	(31,015)
Profit before income tax	**34,063**
Income tax expense	(22,394)
Profit for the year	**11,669**

* Finance operating interest income and expenses are included in Operating Profit

Prospective Statement of Recognised Income and Expense
For the year ending 31 March 2010

	CONSOLIDATED
	$'000
Exchange differences on translation of overseas operations	43,306
Cash flow hedges taken to equity, net of tax	93
Interest rate hedges taken to equity, net of tax	–
Commodity hedges taken to equity, net of tax	–
Net Income and expense recognised directly in equity	**43,399**
Profit for the year	11,669
Total recognised income and expense for the year	**55,068**

Prospective financial statements

Prospective Statement of Financial Position
As at 31 March 2010

	CONSOLIDATED $'000	APPLIANCES BUSINESS $'000	FINANCE BUSINESS $'000
Assets			
Current assets			
Cash and cash equivalents	86,112	44,663	41,449
Trade receivables and other current assets	193,114	185,914	7,200
Finance receivables	379,699		379,699
Inventories	272,000	272,000	–
Derivative financial instruments	1,106	924	182
Current tax receivables	1,256	1,256	–
Total current assets	**933,287**	**504,757**	**428,530**
Non-current assets			
Property, plant and equipment	325,273	322,575	2,698
Investment in subsidiary			
Investment in Finance business		195,301	
Other non-current assets	15,496	12,430	3,066
Finance receivables	131,027	–	131,027
Intangible assets	294,864	170,431	124,433
Deferred taxation	61,972	61,972	–
Total non-current assets	**828,632**	**762,709**	**261,224**
Total assets	**1,761,919**	**1,267,466**	**689,754**
Liabilities			
Current liabilities			
Current finance leases	864	864	–
Trade creditors	134,758	134,758	–
Provisions	22,466	22,466	–
Finance borrowings	423,537		423,537
Derivative financial instruments	3,459	2,828	631
Current tax liabilities	1,328	468	860
Other current liabilities	82,501	61,014	21,487
Total current liabilities	**668,913**	**222,398**	**446,515**
Non-current liabilities			
Non-current borrowings	197,822	197,822	
Non-current finance leases	484	484	
Finance borrowings	27,833	–	27,833
Deferred taxation	31,144	11,496	19,648
Other non-current liabilities	17,351	17,351	–
Provisions	18,952	18,495	457
Total non-current liabilities	**293,586**	**245,648**	**47,938**
Total liabilities	**962,499**	**468,046**	**494,453**
Shareholders' equity			
Contributed equity	830,310	830,310	
Retained earnings	(104,971)	(104,971)	
Reserves	74,081	74,081	
Investment in Finance business			195,301
Total shareholders' equity	**799,420**	**799,420**	**195,301**
Total liabilities and shareholders' equity	**1,761,919**	**1,267,466**	**689,754**

Prospective Cash Flow Statement
For the year ending 31 March 2010

	CONSOLIDATED $'000
Cash flows from operating activities	
Receipts from customers	1,215,669
Financing interest and fee receipts	117,102
Payments to suppliers and employees	(1,126,107)
Income taxes paid	(8,784)
Net interest paid	(71,798)
	126,082
Principal on loans repaid by Finance customers	601,700
New loans to Finance customers	(546,900)
Net cash inflow from operating activities	**180,882**
Cash flows from investing activities	
Sale of property, plant and equipment	105,606
Purchase of property, plant and equipment	(39,924)
Net cash inflow from investing activities	**65,682**
Cash flows from financing activities	
New Appliance borrowings	549,762
New Finance borrowings	33,100
Repayment of existing Appliances' borrowings	(547,873)
Repayment of Appliances' new Amortising Facility	(235,000)
Repayment of Appliances' new Long Term Facility	(113,291)
Repayment of Finance borrowings	(123,300)
Lease liability payments	(864)
Issue of share capital (net of issue costs)	178,800
Net cash outflow from financing activities	**(258,666)**
Net decrease in cash and cash equivalents	**(12,102)**
Cash and cash equivalents at the beginning of year	95,395
Effects of foreign exchange rate changes on cash and cash equivalents	2,819
Cash and cash equivalents at end of year	**86,112**

Prospective financial statements

Assumptions

The principal assumptions upon which the prospective financial statements are based are summarised below, and should be read in conjunction with the information set out in this Offer Document under the heading "What are my risks?" on pages 61 to 68.

The prospective financial statements cover the year ending 31 March 2010 (the **Prospective Period** or **FY2010**) and are based on events and conditions existing at the date of this Offer Document, as well as taking into consideration the Board approved budget for the FY2010 period (**FY2010 Budget**). Comparisons to the prior year refer to the results of the Group for the year ended 31 March 2009 (**FY2009**) as presented elsewhere in this Offer Document.

The prospective financial statements comply with the requirements of FRS-42 and assume the following:

a) General assumptions

1. Reporting Entity
The prospective financial statements are for the economic entity comprising Fisher & Paykel Appliances Holdings Limited and its wholly owned subsidiaries for the year ending 31 March 2010.

2. Economic Environment
There will be no material change in the general economic environments of the countries in which Appliances operates. It is expected that the current adverse global economic conditions will continue during the Prospective Period.

Finance's lending volumes and bad debt write-offs are driven by retail demand and general economic conditions in New Zealand. The Directors believe the difficult retail and general economic conditions will continue in the Prospective Period.

3. Legislative and Regulatory Environment
There will be no material change in the legislative or regulatory environments in which Appliances operates and there will be no litigation that would adversely affect the Group's financial position.

In respect of Finance, The Reserve Bank of New Zealand Amendment Act (No. 3) (the **RBNZ Act**) was passed on 3 September 2008 for the purposes of promoting sound governance, effective risk management and as a means for investors to identify high from low risk investments in the finance sector. Under the RBNZ Act, Non-Bank Deposit Takers (**NBDTs**), including Finance, will be subject to the following:

- Requirement to obtain and disclose a credit rating from an approved agency by 1 March 2010. Finance has assumed that a BB credit rating is obtained by 1 March 2010.
- Minimum capital requirements. Based on the Reserve Bank of New Zealand's (**RBNZ**) proposed capital adequacy framework to apply to NBDTs, additional Tier 1 capital of up to $30 million will be required based on the current structure of the Finance business. This additional Tier 1 capital is expected to consist of:
  - $15 million in relation to the conversion to equity of the existing intercompany subordinated loan on or before 1 March 2010. Under the Group's banking facilities the capitalisation of the subordinated loan is not permitted whilst the Amortising Loan is outstanding; and
  - a capital injection of $15 million by the Group into Finance on or before 1 March 2010.
- Related party exposure restrictions. Finance does not undertake related party lending activities. However, exemptions have been sought and obtained from the RBNZ in relation to related party transactions which occur in the ordinary course of business (i.e. internal cost allocations, dividends, interest on intercompany funding to Finance).
- Increased and more stringent corporate governance regulations. The proposed changes include the requirement for at least two independent directors on the Board, a chairperson who is neither an employee nor a related person, and preparation of a formal risk management programme which must be approved by the trustee and which the trustee may require to be audited. Finance is well positioned to meet these requirements with no material impact expected.

In the February 2009 trading update the Company announced that Finance would be likely to require $50 million of additional equity capital sometime in early 2010. This was predicated on the assumption that Farmers Finance and F&P Finance were to be consolidated into a single entity. This consolidation has been indefinitely deferred.

On 12 October 2008, the New Zealand Government introduced the Crown Retail Deposit Guarantee Scheme. The Crown Retail Deposit Guarantee Scheme is effective for an initial period up to 12 October 2010.

Fisher & Paykel Finance Limited (**FPFL**), a public issuer (in the form of retail debentures under a registered prospectus), applied and was accepted as a participant into the Crown Retail Deposit Guarantee Scheme on 20 November 2008. Under the Crown Retail Deposit Guarantee Scheme, a fee of 300 basis points per annum is charged monthly to NBDTs that are unrated (on the cumulative growth in the retail debenture book since 12 October 2008). At present Finance is unrated, however, it is assumed Finance obtains a credit rating by 1 March 2010. Obtaining a minimum credit rating of BB is expected to result in a 200 basis point per annum reduction in the guarantee fee (a $2.3 million impact on

Operating Profit Before Interest and Tax). The prospective financial statements assume that upon obtaining a minimum BB credit rating Finance would become entitled to a rebate (to the reduced fee level) of fees already paid.

4. Industry Conditions and Political Environment
Other than the legislative and regulatory environment changes noted above, no other material changes are assumed. General industry conditions and the political environment, and the employee and independent contractor environments in the markets in which the Group operates, are expected to remain materially unchanged.

5. Competitive Environment
There will be no material change to the competitive markets in which the Group operates, nor any material change in competitor activity. No new entrants will materially change the competitive environment.

6. Taxation
There will be no change to the New Zealand corporate tax rate of 30%, or the corporate or other local tax rates that affect the Group in other jurisdictions. There will be no material changes to corporate taxation laws that would affect the Group. It is noted that the Government recently extended the CFC regime to 31 March 2010.

7. Technology
There will be no significant technical problems that would cause interruptions to the Group's activities during the Prospective Period.

8. Key Directors, Personnel and Consultants
During the Prospective Period, key Directors, personnel and consultants will remain in the employment of, or be available as required to, the Group and management resources will be sufficient for the Group's requirements.

9. Key Customers and Suppliers
Existing contractual, business, factoring and operational relationships with key customers and suppliers are assumed to continue throughout the Prospective Period or will be replaced by other parties on similar contractual terms.

10. Disruptions to Operations
There will be no significant disruption to operations, including natural disasters, fires or explosions and normal hazards associated with operating the Group's business. There will be no adverse changes to the business from the Equity Raising, including any disruptions to or effects on customers, suppliers and employees. There will be no prolonged industrial action at any of the Group's manufacturing sites. The Global Manufacturing Strategy will be completed in accordance with the assumed timelines and within budget.

b) Specific assumptions in relation to the Group

11. Accounting Policies
The Group's accounting policies will remain consistent throughout the period covered by the prospective financial statements. It is also assumed there will be no material change in NZ GAAP during this period. The Group's existing accounting policies are set out in the historical financial statements for the period to 31 March 2009 included in this Offer Document.

12. Subscribed Funds and Capital
The prospective financial statements include the following capital raising assumptions:

- The Group completes the proposed $189.3 million Equity Raising in June 2009.
- The Equity Raising is fully underwritten.
- The Group will pay costs directly attributable to the Offer of approximately $10.5 million and this will be accounted for as a reduction in equity.

Share issues will only be made in accordance with the relevant provisions of the Companies Act, Securities Act and Listing Rules.

13. Dividends
No dividends are assumed to be paid during the Prospective Period.

14. Exchange differences on translation of overseas operations
As required by NZ IFRS, the balance sheets of Appliances' overseas operations will be translated at the closing exchange rates as at 31 March 2010 and an exchange difference will arise. The assumed closing rate exchange rates utilised are discussed in paragraph 17.

Prospective financial statements

15. Income tax expense, current tax receivable balance and deferred tax asset and liability balances

Appliances

The tax expense reflects current and deferred tax charges over the Prospective Period. The cash tax position assumed for each key region for FY2010 is as follows:

- New Zealand: Appliances is assumed to have carried forward losses from FY2009 and is not expected to be in a cash tax paying position for the Prospective Period.
- Australia: Appliances is assumed to be paying tax at the company tax rate of 30%.
- USA: Appliances is assumed to have tax credits carried forward from FY2009 sufficient to offset federal tax payable.
- Italy: cash tax in Italy is calculated under the regional IRAP (3.9%) and federal IRES (27.5%) regimes.
- Thailand: Appliances is assumed to continue benefiting from a tax-free period in Thailand, however under the New Zealand CFC regime tax will be payable in New Zealand at the New Zealand company tax rate on the profits from Thailand.
- Mexico: cash tax is assumed to be paid at a tax rate of 28.5%.

The FY2010 assumed effective rate of taxation appears high as $21.9m of abnormal costs have been treated as non deductible for tax purposes. Additionally, non resident withholding tax of $2.0m has been forfeited and CFC income of $3.4m is not sheltered by foreign tax credits due to New Zealand being in a tax loss position. Once the tax effect of these are removed the normalised tax expenses is approximately 35% of Net Profit Before Tax.

To the extent that the deferred tax balances disclosed represent losses in New Zealand, the assumption is that the equity raising will not result in a change in ownership continuity causing the losses to be forfeited because it is expected that there will be at least 49% continuity of ownership.

Deferred tax provides for both the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the value of tax losses.

16. Combined segment analysis

For the year ending 31 March 2010	CONSOLIDATED $'000	APPLIANCES BUSINESS $'000	FINANCE BUSINESS $'000
External operating revenue	1,353,595	1,229,737	123,858
Other income	4,033	3,972	61
Total revenue and other income	1,357,628	1,233,709	123,919
Cost of goods sold		(886,353)	
Gross margin		347,356	
Operating expenses		(301,711)	
Impairment charge for credit losses			(20,406)
Interest expenses and similar charges			(34,693)
Other finance business expenses			(49,389)
Operating profit	**65,078**	**45,645**	**19,433**
Add back:			
Depreciation expense	38,768	38,038	730
Amortisation expense	19,963	12,452	7,511
EBITDA	**123,809**	**96,135**	**27,674**
Included in operating profit:			
One-off costs of implementing Appliances' Global Manufacturing Strategy	(12,691)	(12,691)	–
Redundancy costs	(4,038)	(4,038)	–
Debt restructuring costs	(9,084)	(9,084)	–
Included in other income:			
Gain on disposal of property, plant and equipment	3,165	3,165	–
Total assets	1,761,919	1,072,165	689,754
Total liabilities	962,499	468,046	494,453
Capital expenditure	39,924	36,282	3,642

Prospective financial statements

Reconciliation of Group Reported Profit/(Loss) to Group Normalised Profit

	FY2010 $'000	FY2009 $'000
Operating Profit/(Loss) before Interest and Tax		
Appliances	45,645	(85,522)
Finance	19,433	21,086
Group Operating Profit/(Loss) before Interest and Tax	**65,078**	**(64,436)**
One-offs affecting Group Operating Profit/(Loss) before Interest and Tax		
Costs of implementing Appliances' Global Manufacturing Strategy	(12,691)	(66,615)
Redundancy costs	(4,038)	(2,737)
Debt restructuring costs	(9,084)	(2,467)
Impairment losses	–	(69,688)
Fair valuation of non-current assets held for resale	–	(6,725)
Gain on disposal of property, plant and equipment	3,165	7,140
	(22,648)	**(141,092)**
Normalised Group Operating Profit before Interest and Tax	**87,726**	**76,656**
Comprised of :		
Appliances	68,293	55,570
Finance	19,433	21,086
	87,726	**76,656**
Depreciation and Amortisation	58,731	58,489
Normalised Group EBITDA	**146,457**	**135,145**
Comprised of:		
Appliances	118,783	106,195
Finance	27,674	28,950
Normalised Group EBITDA	**146,457**	**135,145**
Group Operating Profit/(Loss) After Tax	**11,669**	**(95,254)**
One-offs affecting Group Operating Profit/(Loss) After Tax (tax effected)	21,171	129,035
Normalised Group Operating Profit After Tax	**32,840**	**33,781**

c) Specific assumptions in relation to Appliances (comprising Fisher & Paykel Appliances Limited and its subsidiaries, as well as, for the purposes of the prospective financial statements, Fisher & Paykel Appliances Holdings Limited and AF Investments Limited)

Appliances Profit and Loss Assumptions

In order to explain the key assumptions supporting Appliances Normalised Operating Profit before Interest and Tax movement from FY2009 to FY2010 the movements of each of the income statement categories are set out below:

	$'000
FY2009 Normalised Operating Profit before Interest and Tax	**55,570**
Revenue increase (excluding gains on disposal of property, plant and equipment)	3,162
Costs of goods sold decrease	11,817
Operating expenses increase	(2,256)
FY2010 Normalised Operating Profit before Interest and Tax	**68,293**
One-off costs of implementing Appliances' Global Manufacturing Strategy	(12,691)
Redundancy costs	(4,038)
Debt restructuring costs	(9,084)
Gain on disposal of property, plant and equipment	3,165
FY2010 Operating Profit before Interest and Tax	**45,645**

Overriding each of these categories is the foreign currency assumption set out in the detailed descriptions below.

17. Foreign Currency

The prospective financial statements have been prepared in New Zealand dollars, however a significant portion of Appliances' income and expenses are derived in foreign currencies.

The following exchange rates have been assumed, based on the approximate spot rates at the time the budgeting process for FY2010 began, as the exchange rates for transactions during FY2010 and the closing exchange rate as at 31 March 2010. The table also presents comparative average actual rates for the12 months to 25 May 2009 and the actual rates as at 25 May 2009.

		SPOT	
Currency	**FY2010 Budget assumption**	**Average last 12 months to 25 May 2009**	**25 May 2009**
USD	0.51	0.62	0.62
AUD	0.78	0.82	0.79
EUR	0.39	0.45	0.44
GBP	0.39	0.38	0.39
SGD	0.79	0.90	0.89
THB	18.5	21.6	21.6

Source: Reserve Bank of New Zealand, www.oanda.com, Bloomberg

It has been assumed that exchange rates will remain constant for the Prospective Period due to the inherent difficulties relating to forecasting currency rates.

The Company has purchased a number of forward foreign exchange contracts in line with its foreign currency hedging policy and as at 25 May 2009 61% to 70% of the net payments over the first half of FY2010 (for currencies where the Company is a net payer) and 40% to 75% of net receipts over FY2010 (for currencies where the Company is a net receiver) have been hedged at rates higher than the assumed rates described above. In effect, any potential variability in the above rates will have less significant impact on the profitability than on the closing balance sheet.

Appliances' has a significant net cash outflow of US dollars and a significant net cash inflow of Australian dollars. Therefore a strengthening New Zealand dollar against the US dollar is a net benefit to Appliances' trading profitability and a weakening New Zealand dollar against the Australian dollar is a net benefit to Appliances' trading performance. Refer to pages 187 to 191 for a sensitivity analysis.

Prospective financial statements

18. Operating Revenue

The following table sets out the impact of changes in volume, price, mix and other, and exchange rates on the changes in revenue from FY2009 to FY2010 for each market:

	NEW ZEALAND DOLLARS					LOCAL CURRENCY	
	FY2009 Actual revenue	Impact of change in exchange rates	Impact of change in volume	Impact of change in price, mix and other	FY2010 Prospective revenue	FY2009 Revenue(*)	FY2010 Prospective revenue
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
New Zealand (NZD)	215,067	n/a	(30,352)	1,692	186,407	215,067	186,407
Australia (AUD)	459,418	21,188	(51,853)	14,705	443,458	376,327	345,894
North America (USD)	362,811	86,835	(59,750)	2,681	392,577	237,599	200,216
Europe (EUR)	109,709	5,217	(19,415)	6,925	102,436	45,188	39,950
Asia (SGP)	16,626	2,905	(190)	94	19,435	15,443	15,354
Rest of World (USD)**	55,824	13,533	979	(4,964)	65,372	35,903	33,340
PML	3,158	–	–	16,894	20,052	3,153	20,052
Total operating revenue	**1,222,613**	**129,678**	**(160,581)**	**38,027**	**1,229,737**		
Other income	3,693			(2,886)	807		
Gain on sale of PP&E – one-off	7,140			(3,975)	3,165		
Gain on sale of PP&E – other	1,076			(1,076)	–		
Total operating revenues and income	**1,234,522**	**129,678**	**(160,581)**	**30,091**	**1,233,709**		

*The above local currency revenues for FY2009 are based on average exchange rates for that period. The classifications differ slightly from those disclosed in Section 6.2 due to different categories being presented.

**Sales in Rest Of World are in a number of different currencies, however, are presented on a combined basis in US dollars for the purposes of this table.

Volume assumptions

The business experienced a significant step down in volumes in the second half of FY2009 and has assumed in all territories in FY2010 that the volumes remain consistent with these lower levels on a seasonally adjusted basis. This assumption is based on the Directors' view that the market demand will remain flat from the second half of FY2009 and through FY2010, which is supported by feedback from industry sources and external retail spending forecasts. Sales into the North American market include component manufacturing.

Price assumptions

Pricing in the market is dynamic and, for the purposes of budgeting the net price, changes are based on current prices with marginal average price increases due to product mix changes.

It is assumed that in aggregate customer and product mix changes do not have a material impact in the Prospective Period.

Fisher & Paykel Production Machinery Limited (PML) revenues

The FY2010 revenues are based on contracts that have already commenced.

Other income

Other income largely comprises a gain of $3.2 million on the sale of land and buildings, which reflects the excess of the assumed selling price of the Cleveland land and buildings over the book value at the date of the assumed sale. See paragraph 31 for further discussion.

Finance is assumed to make dividend payments totalling $8.4 million to Appliances in FY2010. This is eliminated on consolidation.

19. Cost of Goods Sold

	FY2010 $'000	FY2009 $'000
Total revenue and other income	**1,233,709**	**1,234,522**
Cost of goods sold	(886,353)	(898,170)
Gross margin	**347,356**	**336,352**
Gross margin percentage	**28.2%**	**27.2%**

Costs of goods sold primarily include raw materials, factory overheads, direct labour, freight, warranty costs and warehouse costs. There are expected to be significant movements in the drivers of costs of goods sold, principally the favourable impact of the reduction in conversion costs (factory overheads and direct labour costs), largely offset by the assumed depreciation of the New Zealand dollar from FY2009 to FY2010.

Raw materials
Costs are estimated based on current contracted prices for materials and components (contracts are generally for periods from one month to one year ahead), which are lower than average prices in FY2009 due to recent reductions in commodity prices. An assumed depreciation in the New Zealand dollar from FY2009 to FY2010 will have an unfavourable impact on the cost of raw materials, which are predominately denominated in US dollars. Localisation of sourcing of raw materials for new factory locations is also assumed to lower raw material costs.

Conversion costs (including direct labour costs and factory overheads)
Factory overheads are assumed to reduce due to the factory relocations and closures (Brisbane and Dunedin in March and April 2009, respectively) and movement of some operations to existing facilities in low labour cost countries (Thailand and Mexico) and cost out activities. The factory overheads are based on the current costs of operating the factories, assumed and known changes in factory costs and estimates of costs in Thailand based on existing operations and knowledge of manufacturing similar products in Australia.

Direct labour costs are assumed to reduce due to decreases in average direct labour costs per employee as a result of the change in labour mix to low cost wages in Thailand and Mexico. Average direct labour headcount is assumed to reduce in FY2010, with increases in Thailand and Mexico more than offset by reductions in New Zealand and Australia following the closures of the Dunedin and Brisbane plants.

Freight costs
Freight costs are assumed to reduce by $3.9 million in FY2010, which takes into account unfavourable foreign currency movements, changes in manufacturing locations and current negotiated freight rates.

Warranty costs
Warranty costs are assumed to reduce by $10.5 million in FY2010. This primarily results from an assumed reduction in warranty costs in the USA following a reduction in the warranty period on products sold from two years to one year completed in April 2009. The assumed warranty costs for the one year period are based on Appliances' experience regarding the timing of warranty claims.

20. Operating expenses

	FY2010 $'000	FY2009 $'000
Operating expenses	**301,711**	**421,874**
Less one-off items:		
One-off costs of implementing Appliances' Global Manufacturing Strategy	(12,691)	(66,615)
Redundancy costs	(4,038)	(2,737)
Debt restructuring costs	(9,084)	(2,467)
Intangible impairment losses		(69,688)
Fair valuation of non-current assets held for sale		(6,725)
	(25,813)	(148,232)
Normalised operating expenses	**275,898**	**273,642**

Prospective financial statements

Salaries and other fixed labour

Fixed labour costs are assumed to reduce by $4.1 million in FY2010, net of an unfavourable foreign currency impact of $10.8 million, as a result of headcount reduction, decreased bonuses and an assumed 5% decrease in salary for all fixed salary staff via rostered leave, which has already been implemented.

Group and Fixed Overheads

Group and fixed overheads are assumed to reduce by $4.7 million in FY2010, net of an unfavourable foreign currency impact of $11.3 million.

Promotion and advertising expenses

Promotion and advertising comprises elements of direct support for product sales and brand development expenditure. Sales support expenditure is forecast to reduce from FY2009 levels consistent with lower forecast sales. Brand development expenditure has been reduced more significantly reflecting market conditions.

New Zealand Foundation for Research, Science and Technology

Appliances will receive an investment from the Foundation for Research Science and Technology of $4.4 million in the Prospective Period, which is included in operating expenses. This investment will assist the Company to extend the scope and scale of its Learning First initiative. Learning First is about managing technical knowledge to improve the effectiveness of research and development efforts.

21. One off costs

A further $25.8 million of one-off costs are assumed in FY2010 relating to further retrenchment which has already been announced ($4.0 million), decommissioning and relocation costs associated with the Global Manufacturing Strategy ($12.7 million), and financial, legal and other professional fees associated with the refinancing of Appliances' debt facilities ($9.1 million).

One-off costs exclude the assumed costs associated with the equity raising ($10.5 million) which are accounted for as a reduction in equity.

The cash flow impact of these costs in FY2010 is assumed to be $47.1 million, due to carry over of some costs accrued for (but not paid) during FY2009. This also excludes the assumed costs associated with the equity raising.

Redundancy costs

Employee reductions are all identified and announced. The assumed cost per redundancy is based on similar terms to the redundancies that have occurred to date.

22. Depreciation and amortisation expenses

Depreciation and amortisation rates are consistent with the Group's accounting policies and the depreciation charge reflects the capital expenditure assumed for the Prospective Period, including the depreciation on idle assets which are expected to return to production as demand increases.

Appliances Balance Sheet Assumptions

23. Cash Balances

The loan repayment requirements of the Amortising Facility are expected to be met in advance of the due dates in the Prospective Period, and further voluntary payments are assumed to be made during the Prospective Period to repay part of the Term Loan.

All surplus cash generated from inventory reductions and the sale of property is applied against the Amortising Loan facility until it is repaid, which causes the repayments requirements to be met ahead of the scheduled repayment dates. Further voluntary payments are assumed to be made to partly repay the Term Loan.

24. Receivables

Debtor terms are assumed to remain similar to current terms, and the prospective financial statements assume no change to the existing level of bad debts.

Debtor days for the Prospective Period are assumed to increase from 43 days at 31 March 2009 to 45 days at 31 March 2010.

25. Inventory

The prospective financial statements assume that the finished goods inventory stock build will be largely utilised by October 2009. The utilisation in April 2009 was marginally ahead of that anticipated, with $21.7 million utilised in April 2009 (as compared to an assumed utilisation of $16.6 million).

In addition to selling down the inventory stock build, it is assumed that underlying levels of inventory will reduce by approximately $38 million in FY2010 mainly due to a utilisation of surplus raw materials accumulated in the last quarter of FY2009.

26. Property, plant and equipment and capital expenditure

Capital expenditure is assumed to be $36.3 million in FY2010, including $17.2 million of further capital expenditure in relation to the relocation of the Brisbane refrigeration plant to Thailand.

Underlying capital expenditure of approximately $19.1 million compared to approximately $30–40 million historically is driven partly by the deferral of non-essential capital expenditure in FY2010 but also as a result of relatively low capital requirements of the new and near-new facilities in Thailand and Mexico respectively.

27. Investment in the Finance business

Capital injection by Appliances into Finance

It is assumed that Finance will require an equity injection from Appliances of $15 million to meet the increased capital adequacy requirements as a result of the new RBNZ Act in respect of NBDTs.

In addition to this equity injection, it is assumed that Appliances would convert the Appliances subordinated loan to Finance to equity by 1 March 2010. The capitalisation of this loan is only possible once the Amortising Facility has been repaid.

28. Acquisitions

There are no acquisitions of any businesses or business assets assumed in the Prospective Period.

29. Other non-current assets

The other non-current assets consist of balances arising from barter transactions arising in North America, which will be utilised after 12 months. No material change is expected to this balance.

30. Goodwill and other intangibles

It is assumed that there will be no impairment to the carrying value of Appliances' goodwill or other intangibles in the Prospective Period.

31. Properties Held For Sale

It has been assumed that property assets held for sale will be sold during the Prospective Period. Details of Appliances' assets held for sale are set out in the historical financial statements for the period to 31 March 2009 included in this Offer Document.

The property sales are expected to deliver approximately $105.6 million of cash proceeds in FY2010, consisting of the East Tamaki (New Zealand) surplus land of $9.3 million (achieved in April 2009), and a total of approximately $96.3 million assumed from the sale of surplus land and buildings at at Cleveland (Australia) and the East Tamaki site, based on indicative market prices.

32. Trade creditors

There is no material change in the terms of business with trade creditors or the overall creditor days outstanding.

33. Current provisions

Provisions are assumed to decrease in total by $27.3 million due to payment of retrenchment costs accrued in FY2009, a decrease in the holiday pay accrual as staff are encouraged to use their holiday entitlements and the payment of accrued debt refinancing costs.

34. Other current liabilities

Other current liabilities comprise employee entitlements (for employee leave entitlements, wage & salary withholdings and wages & salaries payable) and the Whirlpool deferred settlement loan.

No payments are assumed (nor due) under the deferred settlement loan from Whirlpool in respect of the acquisition of the Mexican factory. A payment of US$9.3 million which had been due for payment in April 2009 was paid prior to 31 March 2009. The next instalment of US$9.0 million is due in April 2010 and as such will be transferred to the current liabilities balance from the non-current balance during FY2010.

35. Debt facilities

Facilities

Appliances has recently completed a re-financing exercise and put in place funding facilities for the Prospective Period. This includes the following secured facilities:

- Term Loan Facility (expires 30 April 2012) comprises a NZ$ tranche of $77.5 million, a US$ tranche of US$60 million, a Euro tranche of Euro 26 million and a Thai Baht tranche of THB 900 million;
- Amortising Facility (expires 30 April 2010) comprises an A$ amortising tranche of A$40 million and a NZ$ amortising tranche of $183 million;
- Working Capital Facility (expires 30 April 2011) comprises an A$10 million advance facility and approximately a NZ$37 million multi-currency facility; and
- Letters of Credit Facility (expires 5 May 2011).

Repayment

Proceeds from the assumed sale of property assets, surplus inventory and the proceeds from the equity capital raising (net of fees and costs) are to be applied first in reduction of the Amortising Facility.

The Amortising Facility is to be repaid in accordance with the following schedule:

- 30 September 2009: $25 million
- 31 December 2009: $135 million
- 30 April 2010: $75 million

Prospective financial statements

The debt facilities contain a number of covenants which are described in note 4 of the financial statements in Appendix I. It is assumed that none of these covenants will be breached in the Prospective Period.

The prospective financial statements assume that the Amortising Facility is repaid progressively during the year and is fully repaid before 31 March 2010. This will enable Appliances to capitalise the $15 million subordinated loan advanced to Finance.

Finance costs

Existing facilities
The interest expense for April and May 2009 is based on variable base rates plus a margin in accordance with the existing facilities. The existing facilities are assumed to be replaced by the new facilities at the end of May.

New facilities
It is assumed that interest payable, under the new facilities discussed above, will be incurred from the end of May.

The Company has estimated the interest rates that will be payable on its facilities during the period ending 31 March 2010 including establishment and other fees. These interest rates are based on the Company's estimated base rates plus a known interest rate margin.

- The estimated interest rates (including both a base rate and margin) for the Amortising Facility are 9.00% in respect of the NZ$184 million tranche and 9.33% in respect of the A$40 million tranche (assuming at least NZ$100 million in new equity is raised within six months, otherwise an additional 2.00% will apply to each tranche).
- The weighted average interest rate on the other facilities (excluding the Letters of Credit Facility), including establishment and other fees, for the year ending 31 March 2010 is estimated to be 6.81%, excluding the effects of interest rate derivatives and their fair valuation.

Finance costs:
The nature of interest rate swaps gives rise to a derivative financial instrument net liability ($3.5 million at 31 March 2010), which is disclosed in the consolidated balance sheet. This balance is assumed to be revalued at 31 March 2010 (to reflect the interest profile under the swap agreements) and the corresponding revaluation expense ($5.2 million) is incorporated within finance costs as a non-cash financing credit as the ineffective hedges are unwound over the life of the derivatives. The swaps also give rise to an interest receivable asset ($1.1 million) at 31 March 2010 which is disclosed within current assets in the consolidated balance sheet. It is assumed that the swaps are not closed out before the end of their terms.

36. Non-current provisions
The non-current provisions balance includes the provisions for both vested and unvested long service leave accruing to employees and warranty costs that are not expected to be paid out within the next 12 months. The balance is assumed to decrease by approximately $8.1m due to warranty reductions.

37. Other non-current liabilities
The other non-current liabilities balance is assumed to decrease as a portion of the amount owed to Whirlpool is reclassified as a current liability during the Prospective Period, as described above.

d) Specific assumptions in relation to Finance

In order to explain the key assumptions supporting Finances' Operating Profit before Interest and Taxation movement from FY2009 to FY2010 the Directors believe there are several key categories that need to be considered, i.e. interest income (including levels of new business), interest expense (including level of borrowings), and bad debts expense. The movement and components of each of these categories is set out below:

	$'000
FY2009 Operating Profit before Interest and Taxation	**21,086**
Decrease in external operating income	(13,060)
Decrease in other income	(1,064)
Decrease in interest expenses and similar charges	18,533
Increase in bad debt expense	(389)
Increase in operating costs	(5,673)
FY2010 Operating Profit before Interest and Taxation	**19,433**

38. Subscribed Funds and Capital

The prospective financial statements include the following assumptions regarding the equity position of Finance:

- The Group completes the proposed $189 million (minimum) Equity Raising in July 2009 of which $15 million is available to be provided to Finance on or before 1 March 2010; and
- An intercompany subordinated loan of $15 million will be converted into share capital on or before 1 March 2010.

External Operating Revenue	FY2010 $'000	FY2009 $'000	$'000 Movement
Interest income on Finance Receivables	98,083	111,076	(12,993)
Interest on Bank and Short Term Deposits	919	2,691	(1,772)
Insurance related revenues	13,035	10,010	3,025
Other fee income	11,821	13,141	(1,320)
External Operating Revenue	**123,858**	**136,918**	**(13,060)**

39. Lending Volumes

New business lending volumes are forecast to decline by $77.3 million (12.4%) in comparison to the levels achieved in FY2009. This is driven by Finance's view that the difficult retail and general economic conditions experienced during FY2009 will continue over FY2010. In particular Finance has noticed a decline in new business lending volumes in two of its *Q Card®* finance products since February 2009. Finance has not assumed any recovery in new business lending volumes in FY2010.

40. Interest Income

Interest income is based on the forecast closing monthly balance of the receivables book using forecast interest rates on the various products financed. Finance is assuming a reduction in standard card rates for both the *Farmers Finance Card™* and *Q Card®*.

The net receivables balance as at 31 March 2010 is assumed to decline by $76.7 million (13%) based on lower lending volumes due to weaker economic conditions in conjunction with more stringent origination criteria.

Finance is assuming that the proportion of *Q Card®* flexi and EFTPOS receivables converting to the standard card interest rate will increase in FY2010. At 31 March 2009, the percentage of receivables earning interest at the standard card rate was 48%, and Finance is assuming this will increase to 61% by 31 March 2010.

Overall net interest margin (before fair value adjustments) is forecast to improve from 9.07% in FY2009 to 10.49% for FY2010 as reductions in base interest rates (and therefore funding costs – refer below) exceed forecast reductions in lending rates. In addition, Finance has assumed an increase in the proportion of its book converting to standard card rates (above).

The assumed net interest margin improvement also factors in expected increases in fees and margins charged by the Banks under committed funding facilities.

Interest income derived from cash balances is based on interest base rates derived from the average of five commercial banks forecasts.

41. Insurance related revenue

Insurance related revenues are forecast to increase by $3.0 million (30.0%) over the Prospective Period due principally to:

- Increased gross written premium ($3.7 million) associated with Finances' extended warranty product. During FY2009, Finance changed its extended warranty business model for Fisher & Paykel Finance Limited, moving from a model where Finance earned commission (recognised over the life of the agreement) as a third party administrator on extended warranty policies underwritten by Lumley General Insurance (NZ) Limited, to a model where Finance now underwrites this business itself. For NZIFRS purposes the gross written premium is recognised within income with the movement in the unearned premium reserve recognised within Other Finance business expenses. Finance has historically underwritten extended warranty insurance in relation to its *Farmers Finance Card™* and has significant experience in this area.
- Underlying the increase in gross extended warranty income, the actual levels of extended warranty business being written is forecast to decrease due to lower business lending volumes and a change in customer buying patterns away from larger ticket item purchases.

42. Other fee income

Other fee income is assumed to decrease by $1.3 million (10.0%) over the Prospective Period due principally due to lower *Q Card®* account arrears fee income due to a greater level of customer rehabilitation to assist qualifying customers to meet their ongoing repayment requirements, combined with lower merchant service fees, direct marketing commissions, and account fees correlated to the reduction in new business lending volumes.

Prospective financial statements

43. Funding Costs

Operating interest expenses and similar charges	FY2010 $'000	FY2009 $'000	$'000 Movement
Interest expense (including fair value derivatives)	34,693	53,226	18,533

Interest expense (including the impact of the fair value of derivatives recognised in the profit and loss) has been calculated based on the forecast borrowing requirements of Finance. Interest expense is assumed to decrease from $53.2 million in FY2009 to $34.7 million in FY2010 due to the combination of a reduction in the overall level of borrowings, reduction in base rates driven by the reduction in the Official Cash Rate ("OCR"), partially offset by increases in the facility fees and margins charged by Banks to Finance under committed funding facilities, and increased margins on retail debentures (including the Crown Guarantee fee).

As at 31 March 2010, the prospective financial statements assume the following debt levels:

- Syndicated Facility $52.4 million (31 March 2009, $122.3 million);
- Securitisation Programme $197.0 million (31 March 2009, $216.9 million);
- Retail Debentures $199.7 million (31 March 2009, $202.6 million);
- Parent debt loan $87.8 million (31 March 2009, $87.8 million); and
- Intercompany subordinated loan $Nil (31 March 2009, $15 million).

As noted previously, Finance has assumed that the intercompany subordinated loan will be capitalised on or before 1 March 2010.

The prospective financial statements assume the following increases are applied to the existing facility fees and existing margins currently charged to Finance by its lenders (with the exception of retail debentures (discussed below)):

- 1.0% increase (50 bps facility fee, 50 bps margin) in relation to the Syndicated Facilities from 1 September 2009;
- 0.45% increase (25 bps facility fee and 20 bps margin) in relation to the Securitisation Programme from 1 May 2009; and
- 3.45% increase in the margin charged on the parent company debt from 1 April 2009.

In relation to the costs of funding the retail debenture programme, the Prospective Period assumes that Finance obtains a credit rating of BB or higher by 1 March 2010, which results in a reduction in the guarantee fee to 1% and a rebate of fees paid to this level since the date that participation in the Crown Retail Deposit Guarantee Scheme was granted. In the event that a credit rating of at least BB is not obtained, Finance will not be entitled to a rebate from the Crown. The financial impact of obtaining a credit rating of lower than BB would reduce Operating Profit before Interest and Taxation by $2.3 million in FY2010. However, should this occur Finance has the ability to manage its funding sources to reduce its reliance on retail debentures.

Interest base rates are based on an average of the interest rate projections from five major commercial banks and are used to calculate funding rates.

44. Bad Debts

Net write-off costs (including movements in the provision for doubtful debts, actual write-offs, and bad debts recovered) are forecast to increase by $0.4 million (2.0%) to $20.4 million in FY2010 when compared to FY2009. Bad debt expense as a percentage of average gross finance receivables was 3.3% for the year to 31 March 2009. For the twelve month period to 31 March 2010, the bad debt expense ratio is assumed to increase to an average 3.6% per annum of the expected closing monthly balance of gross finance receivables.

From 1 April 2009, Finance no longer accrues interest on *Q Card*® accounts once a certain arrears profile is reached. The impact of this over FY2010 is assumed to reduce *Q Card*® interest income by $2.8 million and reduce bad debt expense by $2.1 million.

Finance has a small legacy personal loan book (having discontinued personal loan activity in 2006) of $4 million as at 31 March 2009. The prospective financial statements assume that the individual loans in this book are collected or written off by 31 March 2010.

Other Finance business expenses	FY2010 $'000	FY2009 $'000	$'000 Movement
Operating expenses	33,423	32,540	807
Insurance related costs	7,726	3,310	4,416
Amortisation	7,510	7,158	352
Depreciation	730	706	24
Total other Finance business expenses	**49,389**	**43,714**	**5,673**

45. Operating expenses

Operating expenses for FY2009 were $32.5 million. Finance is assuming a 25% ($0.8 million) increase in operating costs to $33.4 million in FY2010 driven by increased computer related costs and staff costs.

46. Insurance related costs

Insurance related costs are assumed to increase by $4.4m in FY2010 including movements in unearned premium reserves, claims paid, and insurance commissions paid to merchants. The key driver of the overall increase is the assumed increase in the unearned premium reserves in relation to the extended warranty insurance written through Fisher & Paykel Finance Limited and since 1 November 2008 is fully underwritten and administered by Finance. In relation to the insurance products offered, Finance has applied claims loss ratios based on historical experience with allowance made for deterioration in the ratios due to the current difficult economic conditions.

The prospective financial statements also assume an increase in the insurance warranty claims provision held on the balance sheet to reflect the increase in business being underwritten by Finance and deterioration in the claims ratios.

47. Amortisation

Amortisation costs are forecast to be broadly in line with FY2009 and relate primarily to amortisation of licenses.

48. Income Tax Expense and Balances

Finance calculates and pays tax as a standalone entity based on the New Zealand corporate tax rate of 30%. Finance is currently investigating the potential to utilise available Group tax losses, however it is assumed that in the Prospective Period Finance does not utilise any available tax loss offsets from elsewhere in the Group.

49. Receivables Book

The closing gross finance receivables balance is forecast to reduce by $72.5 million (11.9%) in FY2010 in comparison to FY2009. The key assumptions driving changes in the receivables book relate to lending volumes, lending mix, expected cash collections and the impact of bad debt write-offs:

- Lending volumes are assumed to decrease due to continuing weaker economic conditions in conjunction with more stringent origination criteria including improved fraud detection.
- The lending mix assumes a reduction in customers purchasing “big-ticket” items which drives a reduction year on year across *Q Card®* Fixed and Flexi products and the *Farmers Finance Card™* Fixed Instalment product. As a result *Q Card®* EFTPOS and the *Farmers Finance Card™*, while experiencing a decline from FY2009 levels, are expected to make up an increasing proportion of the receivables book.
- Cash collections assumed are based on a combination of customer contractual commitments (related to fixed instalment products) and historic collection performance of *Farmers Finance Card™* and *Q Card®* receivables on revolving credit adjusted for the increase in bad debt expense.
- Bad debt provisions are assumed to increase from the levels experienced in FY2009 due principally to the difficult retail and general economic conditions which are assumed to continue in FY2010.

These lower customer credit card limits, reduced new lending and overall weaker economic conditions drive a $51.8 million (20.4%) decline in *Q Card®* receivables in FY2010.

Prospective financial statements

50. Debt facilities

Finance sources its funding from a variety of sources, including wholesale bank facilities, retail debentures and a securitisation programme and existing intercompany loan advances. It is assumed that there will be adequate financing facilities in place and available to Finance during the Prospective Period.

Wholesale bank funding through existing bank facilities at 31 March 2009 was drawn to $123.0 million based on available facilities of up to $355.0 million. Syndicated bank funding is expected to decrease to $52.4 million by 31 March 2010, although a facility of up to $230.0 million is assumed to remain in place to provide liquidity cover. This includes:

- Tranche A: $20 million (expires 25 September 2009), however, it is assumed that this facility is rolled over for the remainder of the Prospective Period.
- Tranche C: $105 million (expires 25 September 2010).
- Tranche D: $105 million (expires 25 September 2011).

Total borrowings drawn from the Syndicated Facility are assumed to be $52.4 million at 31 March 2010. The prospective financial statements assume that the reliance on the syndicated facility will reduce and retail debenture funding will remain broadly consistent with current levels.

If Finance sought to extend the maturity dates of one or both of Tranches A or B and such extension was not agreed to by the banks (or Finance did not seek an extension of one or both of Tranches A or B), the amounts drawn under those tranches will need to be refinanced from the tranches maturing in September 2010 and/or September 2011 thereby reducing the funds available under this facility.

The following wholesale facilities are forecast to be repaid during the Prospective Period:

- Tranche B ($105 million) fully drawn at 31 March 2009 is assumed only to be available to be drawn on up to its current maturity date of September 2009.
- A $20 million facility from CBA drawn to $18 million at 31 March 2009 matured on 9 April 2009 and has been repaid in full.

In the event that Finance has not obtained an investment grade credit rating by 31 August 2009 a pricing event of review of the syndicated facility will be triggered. The prospective financial statements assume that a BB credit rating is secured on or before 1 March 2010. To address this timing issue, Finance has assumed a 50 bpts increase in the bank lending margin and a further 50 bpts facility fee increase from 1 September 2009.

Retail debenture funding is forecast to decrease from $202.6 million at 31 March 2009 to $199.7 million by 31 March 2010 and Finance remains in compliance with the requirements of the Guarantee Scheme.

Reinvestment rates were 76% for the month of April 2009, and are assumed to be 75% over the period May 2009 to September 2009, and 65% for the remaining months of FY2010 (October 2009 to March 2010). The prospective financial statements assume that the Crown Retail Deposit Guarantee Scheme is not removed prior to 12 October 2010 (the current expiry date).

As part of its existing diversified funding, Finance has a securitisation programme backed by standby liquidity facilities of $250 million and a $20 million working capital facility. At 31 March 2009, $216.9 million was drawn under the securitisation programme and this is assumed to decrease to $197.0 million by 31 March 2010. The existing standby liquidity facility has been extended to 30 April 2010.

As part of the discussions to extend the securitisation facility, it is assumed that the $20 million working capital facility will not be required and will be cancelled from 31 May 2010.

Appliances has extended Finance a subordinated debt facility of $15 million at 31 March 2009. It is assumed that this facility is capitalised on or before 1 March 2010 subject to Appliances repaying its Amortising Facility in full. Finance pays interest to Appliances on this facility at a rate of 150 basis points over BKBM. The subordinated loan or capital, and related interest or dividend payments are eliminated on consolidation at Group level.

AF Investments Limited, the parent company of Finance, advanced funds to Finance to acquire Farmers Finance. As at 31 March 2009 the outstanding balance of this loan was $87.8 million and no repayments are assumed over the Prospective Period. Finance pays interest to AF Investments Limited on this facility at an assumed rate of 495 basis points over OCR. However, these interest payments are eliminated on consolidation at Group level.

The diversified debt facilities outlined above have a variety of financial and non-financial covenants. The prospective financial statements assume that none of these covenants will be breached during the Prospective Period.

51. Goodwill and Intangibles
The prospective financial statements assume no impairment to the carrying value of Finance goodwill or intangibles. Goodwill is tested annually for impairment and fixed life intangibles are amortised over their useful life.

52. Working capital
The prospective financial statements assume creditors and other accounts payable will continue to be paid on a similar basis to the terms of trade currently in place. Other working capital items including employee entitlements and accruals are assumed to be broadly similar levels to 31 March 2009.

53. Deferred tax
Deferred tax provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The prospective financial statements assume that Finances' deferred tax liability reduces due principally to the reversal of timing differences relating to the amortisation of licenses arising from the acquisition of the Farmers Finance business in November 2003.

54. Cash Flows
Apart from the assumptions highlighted earlier, Finance has assumed no changes in the timing and patterns of cash inflows and outflows.

55. Cash balances
It has been assumed that free cash flow is utilised to reduce bank borrowings throughout the Prospective Period.

56. Derivative financial instruments
Derivative financial instruments have been valued on the assumed forward interest rates at the prospective reporting date.

e) Sensitivity Analysis

The prospective financial statements for FY2010 are sensitive to variations in certain assumptions used in their preparation. A summary of the likely effect variations to certain assumptions may have on the prospective financial statements is detailed below. The sensitivities for each assumption, with respect to both Appliances and Finance below, are not intended to be indicative or predictive of the possible range of outcomes.

Care should be taken in interpreting the information set out below. Each movement in an assumption is treated in isolation from possible movements in other assumptions, which is not likely to be the case. Movements in one assumption may have offsetting or compounding effects on other variables, the impact of which is not reflected in the prospective financial statements. In addition, it is possible that more than one assumption may move at any point in time, giving rise to cumulative effects, which is not reflected in the prospective financial information.

The factors that Appliances considers have the most significant impact on projected financial performance are price, volume and currency movements against the New Zealand dollar.

The factors that Finance considers have the most significant impact on projected financial performance are new business volumes, pricing of finance receivables, bad debt default rates and cost of funding.

Prospective financial statements

Appliances sensitivities

APPLIANCES					
NZ$ millions	**Impact on Normalised Operating Profit before Interest and Taxation of a change relative to the prospective financial statements**				
A. Prices	+5%	+2.5%	n/c	-2.5%	-5%
	$58.1	**$29.1**	**–**	**($30.2)**	**($60.5)**
B. Volumes	+5%	+2.5%	n/c	-2.5%	-5%
	$19.1	**$9.6**	**–**	**($9.9)**	**($19.8)**
C (i). US$/NZ$ exchange rate	0.47	0.49	n/c (0.51)	0.53	0.55
	($18.4)	**($8.8)**	**–**	**$8.0**	**$15.2**
C (ii). A$/NZ$ exchange rate	0.74	0.76	n/c (0.78)	0.80	0.82
	$11.1	**$5.5**	**–**	**($5.3)**	**($10.3)**
C (iii). Other currencies/NZ$ exchange rate	+5%	+2.5%	n/c	-2.5%	-5%
	($0.5)	**($0.2)**	**–**	**$0.3**	**$0.5**

n/c = no change

A. Price

This shows the estimated impact on normalised operating profit before interest and taxation of a +/- 2.5% and 5% change in selling price of products. This sensitivity assumes a change in average price across all regions and all product categories within each region. Changes in price have a material impact on normalised operating profit before interest and taxation with the movement flowing straight through to margins.

B. Volume

This shows the estimated impact on normalised operating profit before interest and taxation of a +/- 2.5% and 5% change in sales volumes over a one year period. This sensitivity assumes a change in volume across all regions and all product categories within each region. For sensitivity purposes, raw materials, warranty costs and freight costs are assumed variable and are reduced to hold these costs flat as a % of revenue. All other costs are assumed fixed over the one year horizon.

C. Currency

The currency sensitivities are calculated in relation to the unhedged cash flows, based on the hedges held at 30 April 2009. In practice the Company will consider its hedging position if there are changes in exchange rates and as current hedging contracts expire.

(i) US$/NZ$ exchange rate

This shows the estimated impact of a +/- 4 cent and 2 cent change in the US$/NZ$ exchange rate during the Prospective Period. Appliances exposure to US$ arises from:

(a). the cost base of Appliances being predominantly in US$ (approximately 85% of raw materials costs, and all sea freight).

(b). the USA, Mexico and Thailand business units predominant trading currency is US$.

(c). foreign currency translation effects arising from the translation of the North American business' earnings into New Zealand dollars.

Appliances has a net US$ exposure due to (i) and (ii) above. Note: the normalised operating profit before interest and tax impact of movements up or down in the value of the NZ$ is not symmetrical due to the exchange rate in the budget model being quoted on the conventional indirect basis (e.g. NZ$1 = US$0.51). A 5% increase is therefore not equal to a 5% decrease due to the non-linear inverse relationship between the indirect and direct exchange rates.

(ii) A$/NZ$ exchange rate

This shows the estimated impact of a +/- 4 cent and 2 cent change the A$/NZ$ exchange rate during the Prospective Period. Appliances is assumed to be a net earner of A$ in the Prospective Period due to:

(a) Australia being Appliances' largest market in terms of revenue; and

(b) the closure of the Brisbane manufacturing plant at the end of March 2009 reducing the A$ cost base (all product sales into the Australian market are manufactured offshore).

(iii) All other currencies/NZD exchange rate

This shows the estimated impact of +/- 2.5% and 5% change in the NZ$ against all other currencies in which Appliances has revenues or costs. Such currencies include:

(a) Thai Baht (THB) (Appliances is a net purchaser of Thai Baht);

(b) Euros (Appliances is a net purchaser of Euros);

(c) Great British Pounds (GBP) (Appliances is a net earner of GBP);

(d) Singapore dollars (SGD) (Appliances is a net earner of SGD);

(e) Japanese Yen (JPY) (Appliances is a net earner of JPY);

(f) Canadian dollars (CAD) (Appliances is a net earner of CAD);

(g) Mexican pesos (MXN) (Appliances is a net purchaser of MXN); and

(h) Swedish krona (SEK) (Appliances is a net earner of SEK).

Prospective financial statements

Finance sensitivities

FINANCE					
NZ$ millions	**Impact on Normalised Operating Profit before Interest and Taxation of a change relative to the prospective financial statements**				
A. New business volumes	+5%	+2.5%	n/c	-2.5%	-5%
	$0.9	**$0.4**	**n/c**	**($0.4)**	**($0.9)**
B. Pricing of finance receivables	+100 bps	+50 bps	n/c	-50 bps	-100 bps
	$2.7	**$1.4**	**n/c**	**($1.4)**	**($2.7)**
C. Bad debt expenses (% of the gross receivables by product)	+8%	+4%	n/c	-4%	-8%
	($1.4)	**($0.7)**	**n/c**	**$0.7**	**$1.4**
D. Funding costs	+50 bps	+25 bps	n/c	-25 bps	-50 bps
	($0.1)	**($0.0)**	**n/c**	**$0.0**	**$0.1**

n/c = no change

A. New business volume

This shows the estimated impact on normalised operating profit before interest and taxation of an increase or decrease in new business lending volumes across all finance products, including the impact on Finance's insurance related activities which are a function of its lending activities (i.e. a certain proportion of customers to whom Finance extends finance will also elect to take on income and/or extended warranty insurance coverage in relation to their purchase). The sensitivity assumes a change in new business volumes from 1 June 2009, as actual new business volumes for April have been reflected in the prospective financial statements and the mid month results for May 2009 do not indicate a further reduction in new business volumes from the level forecast.

B. Price of new business

The prospective financial statements prepared by Finance already assume a reduction in standard card rates for both *Farmers Finance Card*™ and *Q Card*® during FY2010. The sensitivity presented shows the estimated impact on normalised operating profit before interest and taxation of further increases or decreases in rates charged to customers over a one year period (including those customers on start-up periods).

The sensitivities assume that the rate changes are implemented and effective from 1 July 2009. Finance assumes 1 July 2009 is the earliest date a rate change could realistically be communicated to customers and rolled out.

These sensitivities are illustrative only. Other than the reduction in standard card rates for both *Farmers Finance Card*™ and *Q Card*® which have already been factored into the prospective financial statements, Finance do not assume any further rate decreases during FY2010.

C. Bad debt expenses

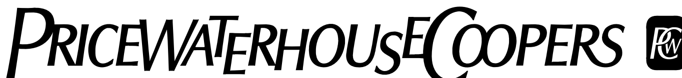
This shows the estimated impact on normalised operating profit before interest and taxation of an increase or decrease in the forecast bad debt ratio (as compared to the assumed rate for each Finance product in FY2010). The bad debt ratio is applied to the expected closing monthly balance of the gross finance receivables book. Changes in bad debt experience have a material impact on normalised operating profit before interest and taxation.

The sensitivity factor applied to the bad debt expense ratio for each finance product has been based on a 0.25% increase/decrease and 0.50% increase/decrease in the bad debt expense ratio for *Q Card*® products (as a percentage of the gross *Q Card*® receivables). This equates to a 4% and 8% movement in the bad debt expense percentage and this factor has been applied to all finance products (with the exception of the Smiths City bulk funding arrangement). These sensitivities are illustrative only. Finance has already factored in deterioration in the bad debt ratios of the various finance products over FY2010 to reflect the current difficult market conditions.

D. Cost of funding

This shows the estimated impact on normalised operating profit before interest and taxation of an increase or decrease in the assumed cost of funds. The adjustment to the cost of funds has been applied to the underlying base rate (OCR or BKBM as specified in the terms of the individual facilities) with facility fees and margins assumed to be fixed (other than where price increases have been factored into facilities during the Prospective Period). Retail debentures are priced based upon the underlying base rate plus a fixed margin (which will vary depending on the term of the debenture investment). Given the diversified funding base of Finance, the sensitivity assumes that the change in funding costs is applied to all external funding facilities.

The impact of the assumed movement in base rates under the various sensitivities is partially offset by the fact that a significant proportion of Finance's borrowings are assumed to be fixed (i.e. existing retail debentures) along with the fair value movement on assumed hedging arrangements.



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The Directors
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27 May 2009

Independent Accountants' report for inclusion in the Investment Statement and Short Form Prospectus

Dear Directors

We have prepared this report for inclusion in an investment statement and short form prospectus to be dated 27 May 2009.

Directors' responsibilities

The Directors of Fisher & Paykel Appliances Holdings Limited ("the Company") are responsible for the preparation and presentation of the prospective financial information of Fisher & Paykel Appliances Holdings Limited and its subsidiaries ("the Group") for the year ending 31 March 2010, including the assumptions on which they are based.

Independent Accountants' responsibilities

We are responsible for expressing an independent opinion on the prospective financial information of the Group for the year ending 31 March 2010 presented by the Directors and reporting our opinion.

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

Basis of opinion on the prospective financial information

To meet our reporting responsibilities we have examined the prospective financial information for the year ending 31 March 2010 in Appendix II (pages 167 to 191) to confirm that, so far as the accounting policies and calculations are concerned, the prospective financial information has been properly compiled on the footing of the assumptions made or adopted by the Directors as set out on pages 168 and 172 to 187 of this prospectus and are presented on a basis consistent with the accounting policies normally adopted by the Company.

Unqualified opinion on the prospective financial information

In our opinion, the prospective financial information for the year ending 31 March 2010 in Appendix II (pages 167 to 191) so far as the accounting policies and calculations are concerned, have been properly compiled in the footing of the assumptions made or adopted by the Directors of the Company as set out on pages 168 and 172 to 187 of this prospectus and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Actual results are likely to be different from the prospective financial information since anticipated events frequently do not occur as expected and the variation could be material. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants
Auckland

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John William Gilks
John Herbert Bongard
Norman Michael Thomas Geary
William Lindsay Gillanders
Peter David Lucas
Ralph Graham Waters

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