
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

FISHER & PAYKEL INDUSTRIES LIMITED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW ZEALAND
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

3841
(PRIMARY STANDARD INDUSTRIAL
CLASSIFICATION CODE NUMBER)

NOT APPLICABLE
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

**15 MAURICE PAYKEL PLACE
EAST TAMAKI
AUCKLAND, NEW ZEALAND
011 64 9 574 0100**
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

**JUSTIN P. CALLAHAN
22982 ALCALDE DRIVE, SUITE 101
LAGUNA HILLS, CALIFORNIA 92653
(949) 470-3900**
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL AGENT FOR SERVICE)

WITH COPIES TO:

ALAN H. PALEY, ESQ.
DEBEVOISE & PLIMPTON
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
(212) 909-6000

ALAN F. DENENBERG, ESQ.
DAVIS POLK & WARDWELL
1600 EL CAMINO REAL
MENLO PARK, CALIFORNIA 94025
(650) 752-2000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. []

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Ordinary shares, no par value(1).....	20,240,000	\$4.75	\$96,140,000	\$24,035

(1) Includes (i) ordinary shares that are to be offered in the form of American Depositary Shares, (ii) ordinary shares that the Underwriters may purchase in the form of American Depositary Shares to cover over-allotments, if any, and (iii) ordinary shares that are to be offered and sold to persons outside the United States but that may be resold from time to time in the United States. The ordinary shares are not being registered hereby for purposes of sale outside the United States. The American Depositary Shares (each representing four ordinary shares) evidenced by American Depositary Receipts upon deposit of the ordinary shares registered hereby are being registered under a separate registration statement on Form F-6.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933. THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS DECLARED EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED SEPTEMBER 13, 2001

**FISHER & PAYKEL INDUSTRIES LIMITED
TO BE RENAMED
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
4,400,000 AMERICAN DEPOSITARY SHARES**

REPRESENTING 17,600,000 ORDINARY SHARES

This is the initial public offering of Fisher & Paykel Industries Limited, which will change its name to Fisher & Paykel Healthcare Corporation Limited prior to the closing of this offering. Fisher & Paykel Appliances Holdings Limited, the selling shareholder, is offering 4,400,000 of our American Depositary Shares, or ADSs. Each ADS represents four of our ordinary shares. We are not offering any ADSs or ordinary shares in this offering. We anticipate that the initial public offering price will be between \$17.00 and \$19.00 per ADS. We will not receive any proceeds from the sale of ADSs in this offering by the selling shareholder.

We intend to apply to have the ADSs quoted on the Nasdaq National Market under the symbol "FPHC." Our ordinary shares will be listed on the New Zealand Stock Exchange under the symbol "FPH."

INVESTING IN THE AMERICAN DEPOSITARY SHARES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 8.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PER ADS	TOTAL
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to Fisher & Paykel Appliances Holdings Limited	\$	\$

Fisher & Paykel Appliances Holdings Limited has granted the underwriters the right to purchase up to 660,000 additional American Depositary Shares to cover over-allotments.

DEUTSCHE BANC ALEX. BROWN

**BANC OF AMERICA SECURITIES LLC
U.S. BANCORP PIPER JAFFRAY**

THE DATE OF THIS PROSPECTUS IS, 2001.

[FISHER & PAYKEL ARTWORK ON INSIDE FRONT COVER]

PROSPECTUS SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our ADSs. You should carefully read the entire prospectus, including the section entitled "Risk Factors" and the financial statements and related notes, before making an investment decision.

This offering is part of a reorganization of Fisher & Paykel Industries, pursuant to which Fisher & Paykel Industries will transfer its appliances and finance businesses to a wholly-owned subsidiary which, upon completion of the reorganization, will be owned by Fisher & Paykel Industries' existing shareholders. As a result of the reorganization, the existing healthcare business will be Fisher & Paykel Industries' only remaining business. Fisher & Paykel Industries will change its name to Fisher & Paykel Healthcare Corporation Limited prior to the closing of this offering. For additional information regarding the reorganization, see "The Reorganization" and "Related Party Transactions."

OUR COMPANY

We believe we are the leading designer, manufacturer and marketer of heated humidification products and systems for use in respiratory care and the treatment of obstructive sleep apnea. We offer a broad range of products and systems, including consumable items which account for a significant proportion of our revenue. We also produce a range of patient warming devices and neonatal care products. We sell our products through an international network of distributors and have established our own sales offices in the U.S., the United Kingdom, France, Germany, Australia and New Zealand that sell to hospitals, home healthcare dealers, distributors and other manufacturers of medical devices. In the fiscal year ended March 31, 2001, we had, on a pro forma basis, operating revenue of US\$84.4 million and operating profit of US\$34.9 million, representing increases of approximately 13% and 35%, respectively, from the prior year. Our products are sold in over 90 countries worldwide and, for the fiscal year ended March 31, 2001, we derived approximately 45% of our operating revenue from sales in North America, our fastest growing market.

Over the past 30 years, we have developed proprietary technologies and expertise in heated humidification. Humidity, which is water vapor contained in a gas, is essential to protect delicate airway and lung tissue and to optimize the exchange of gases that occurs in the lungs during respiration. Saturated air at core body temperature is considered optimal for the proper functioning of the respiratory system. However, the normal humidifying function of the nose and upper airways may be compromised or bypassed altogether when respiration is assisted during the treatment of various respiratory conditions. This may result in drying of the nasal passages or airways, which may lead to other adverse side effects, such as the increased risk of infection. We have designed and developed products and systems for use in ventilation, oxygen therapy and continuous positive airway pressure therapy specifically to address these side effects.

OUR PRODUCTS

We are organized in three product groups: respiratory humidification, obstructive sleep apnea, and patient warming and neonatal care. Each product group focuses on its own technologies, markets and customers. Our two primary product groups are:

- Respiratory humidification. We offer a broad range of heated humidification products and systems for use during the treatment of respiratory conditions by ventilation or oxygen therapy. Our products include respiratory humidifiers, single-use and reusable chambers and breathing circuits and accessories. Incorporating patented and other proprietary

technologies, our products are designed to overcome many of the challenges of effectively creating, controlling and delivering gases to a patient's airway at close to physiologically normal levels of temperature and humidity. Our products incorporate technologies designed to reduce the level of required caregiver intervention in the humidification process, and we believe may decrease the risk of infection, improve patient recovery rates and reduce patient care costs.

- Obstructive sleep apnea. We offer continuous positive airway pressure, or CPAP, therapy products and systems for the treatment of obstructive sleep apnea, a disorder which disrupts a person's breathing during sleep. Our products include integrated flow generator-humidifiers, heated humidifiers for use with flow generators produced by other manufacturers, chambers, masks and other accessories. Our humidifier products utilize our core expertise in heated humidification and are designed to alleviate the side effects often associated with CPAP therapy. We believe that our products improve patient comfort and acceptance of CPAP therapy, contributing to an increase in its overall effectiveness.

In addition, we offer patient warming and neonatal care products, including patient warmers designed to help maintain normal body temperature, infant resuscitators and CPAP systems designed to improve infant respiratory function. We also distribute in New Zealand and Australia complementary medical products that are manufactured by other companies.

OUR STRATEGY

Our objective is to utilize our expertise and leading position in heated humidification to improve our market position in the respiratory care, obstructive sleep apnea and related markets. The key elements of our strategy include:

- Maintain our focus on research and development. We have approximately 120 employees, representing nearly 20% of our workforce, principally engaged in clinical research and product and process development.
- Continue to improve existing product lines. We seek to continue to introduce new features and advancements that enhance the performance of our existing product lines. For example, we developed an advanced version of our breathing circuit, incorporating a patented spiral heated wire, which significantly improves the ability of our systems to deliver gases at a constant temperature and humidity.
- Develop innovative, complementary product offerings. We intend to continue to develop and introduce new products and systems that will complement our existing product offerings and take advantage of our existing market positions, customer bases and distribution channels. For example, we recently expanded our CPAP product range by introducing our first nasal mask.
- Target new medical applications for our technologies. We believe that our heated humidification technologies may be useful in the treatment of a variety of respiratory disorders and other medical conditions, such as chronic obstructive pulmonary disease, and we are actively investigating these potential new applications.
- Increase our international presence. We intend to expand our international sales efforts by increasing the size of our sales operations and the number of employees who support our customer, distributor and original equipment manufacturer relationships.

RECENT DEVELOPMENTS

For the fiscal quarter ended June 30, 2001, we had operating revenue of \$21.7 million and operating profit of \$8.8 million, representing an operating margin of 41%. Our operating revenue from sales of our respiratory humidification, CPAP and patient warming and neonatal care products was \$11.3 million, \$8.0 million, and \$1.1 million, respectively. Our total operating costs for the fiscal quarter ended June 30, 2001 were \$12.9 million, comprising cost of sales of \$6.2 million, research and development expenses of \$1.0 million and selling, general and administrative expenses of \$5.7 million.

RISK FACTORS

An investment in the ADSs involves a high degree of risk. You should carefully consider the risks relating to our business, the reorganization and this offering before making an investment decision. See "Risk Factors" immediately following this summary for a discussion of these risks.

Fisher & Paykel Industries Limited was incorporated under the laws of New Zealand on July 27, 1954. Our principal executive offices are located at 15 Maurice Paykel Place, East Tamaki, Auckland, New Zealand. Our phone number is 011 64 9 574-0100. Our agent for service in the United States is Justin Callahan, 22982 Alcalde Drive, Suite 101, Laguna Hills, California, 92653. Our agent's phone number is (949) 470-3900. Our website is located at www.fphcare.com. The information on our website is not incorporated into and is not intended to be part of this prospectus. Our website address is included in this prospectus as an inactive textual reference only.

EXPLANATORY NOTE

In this prospectus, except where otherwise indicated, references to "\$," "US\$" or "U.S. dollars" are to the lawful currency of the United States, and references to "NZ\$" or "NZ dollars" are to the lawful currency of New Zealand.

In this prospectus, when we refer to "Fisher & Paykel Industries", we are referring to the holding company Fisher & Paykel Industries Limited as it existed before the separation of its appliances, finance and healthcare businesses as part of the reorganization. See "The Reorganization."

When we refer to "Fisher & Paykel Healthcare," "we," "us" or ourselves generally, with respect to periods prior to the reorganization, we are referring to only the healthcare business of Fisher & Paykel Industries and, with respect to periods after the reorganization, we are referring to Fisher & Paykel Industries whose only remaining business, after giving effect to the reorganization, will be its existing healthcare business. Fisher & Paykel Industries Limited will change its name to Fisher & Paykel Healthcare Corporation Limited prior to the closing of this offering and is the issuer of the ordinary shares to be sold by the selling shareholder in the form of ADSs in this offering, as well as any ordinary shares that may be sold if the underwriters exercise their over-allotment option.

When we refer to "Fisher & Paykel Appliances," we are referring to Fisher & Paykel Appliances Holdings Limited. Pursuant to the reorganization, Fisher & Paykel Industries will transfer its appliances and finance businesses to a new company which is a wholly-owned subsidiary of Fisher & Paykel Appliances. As a result of the reorganization, Fisher & Paykel Appliances will be owned by the existing shareholders of Fisher & Paykel Industries. Fisher & Paykel Appliances is the selling shareholder in this offering.

CosyCot(TM) and Neopuff(TM) are registered trademarks of Fisher & Paykel Healthcare Limited. We have filed an application for a trademark with the U.S. Patents and Trademark Office for Aclaim(TM).

THE OFFERING

ADs offered by the selling shareholder...	4,400,000 ADs
ADs per ordinary share.....	Each AD represents four of our ordinary shares.
Over-allotment option.....	660,000 ADs granted by Fisher & Paykel Appliances to the underwriters. We have agreed to issue and sell to Fisher & Paykel Appliances the number of ordinary shares represented by the ADs it sells to the underwriters pursuant to the over-allotment option at the per share equivalent of the initial public offering price of the ADs less underwriting discounts and commissions.
Ordinary shares to be outstanding after this offering.....	99,911,137 ordinary shares, based on the number of shares outstanding as of April 30, 2001 after giving effect to the reorganization of Fisher & Paykel Industries and this offering. Approximately 17.6% of the ordinary shares to be outstanding following this offering will be represented by the ADs sold in this offering, 62.5% will be held by existing shareholders and 19.9% will be held by Fisher & Paykel Appliances. See "The Reorganization," "Unaudited Pro Forma Financial Statements" and "Capitalization."
Use of proceeds.....	We will not receive any proceeds from the sale of the ADs in this offering by the selling shareholder. If the underwriters exercise their over-allotment option in full, we would expect to receive net proceeds from the sale of our ordinary shares to Fisher & Paykel Appliances of approximately \$11.0 million, which we intend to use for working capital and other general corporate purposes.
Dividend policy.....	We currently intend to distribute approximately 60% of our profit as dividends to holders of our ordinary shares and the ADs. The payment and amount of any future dividends will be at the discretion of our board after taking into account various factors the board deems relevant. Under New Zealand law, we are not required to obtain shareholder approval for the declaration or payment of dividends. We generally expect to pay supplementary dividends to holders of ADs who are non-residents of New Zealand to reduce or eliminate the economic impact of the New Zealand statutory withholding tax. See "Dividend Policy," "Description of Share Capital -- Distributions and Dividends" and "Taxation -- United States Federal Tax Considerations."
Taxation.....	Any cash dividends paid in New Zealand dollars to holders of ADs who are non-residents of New Zealand will generally be subject to New Zealand statutory withholding taxes. Pursuant to the New Zealand foreign investor tax credit regime, we generally expect to pay supplementary dividends to those holders, the net effect of which will be that, in most instances, the economic burden of New Zealand withholding taxes will be reduced or eliminated. See "Taxation -- United States Federal Tax Considerations," "Description of Share Capital -- Distributions and Dividends" and "Description of American Depositary Shares -- Dividends."
Proposed Nasdaq National Market symbol....	FPHC for the ADs
Proposed New Zealand Stock Exchange symbol.....	FPH for the ordinary shares

Unless otherwise indicated, the information in this prospectus:

- assumes that the underwriters do not exercise their over-allotment option; and
- excludes up to 1,600,000 ordinary shares that will be issuable upon the exercise of options that will be granted to employees as part of the reorganization immediately prior to the closing of this offering at an exercise price per ordinary share equal to the NZ dollar per share equivalent of the initial public offering price of the ADSs and up to 150,000 ordinary shares to be offered to employees under employee share purchase plans to be adopted as part of the reorganization.

SUMMARY UNAUDITED PRO FORMA FINANCIAL DATA

This offering is part of a reorganization of Fisher & Paykel Industries. Pursuant to the reorganization, Fisher & Paykel Industries will transfer its appliances and finance businesses to a wholly owned subsidiary which, upon completion of the reorganization, will be owned by the existing shareholders of Fisher & Paykel Industries, and Fisher & Paykel Industries will repurchase 18.2 million of its ordinary shares. As a result of the reorganization, the existing healthcare business will be Fisher & Paykel Industries' only remaining business. Fisher & Paykel Industries will change its name to Fisher & Paykel Healthcare prior to the closing of this offering. See "The Reorganization" for a more detailed discussion.

We have prepared unaudited pro forma financial statements of Fisher & Paykel Healthcare to provide investors with information about the effect of the proposed reorganization.

The unaudited pro forma financial statements are derived from the historical audited consolidated financial statements of Fisher & Paykel Industries included in Appendix A to this prospectus. The unaudited pro forma statements of financial performance for the fiscal years ended March 31, 1999, 2000 and 2001 reflect the appliances and finance businesses as discontinued operations. The unaudited pro forma statement of financial position as of March 31, 2001 reflects the appliances and finance businesses as discontinued operations and gives pro forma effect to the reorganization of Fisher & Paykel Industries as if the reorganization had occurred on March 31, 2001. You should read this summary unaudited pro forma financial data in conjunction with the notes to "Unaudited Pro Forma Financial Statements" for an explanation of the pro forma adjustments.

The summary unaudited pro forma information is presented for illustrative purposes only and does not purport to represent what the actual financial performance of the healthcare business of Fisher & Paykel Industries would have been if the reorganization had occurred at an earlier date. We expect that the reorganization will take effect in November 2001, and it will, in any event, take effect prior to the closing of this offering. The pro forma adjustments are based upon currently available information and estimates and assumptions. Actual adjustments may differ from the pro forma adjustments. The future operating results of Fisher & Paykel Healthcare may differ materially from the unaudited pro forma information reflected below due to various factors, including those described under "Risk Factors" and elsewhere in this prospectus.

You should read the summary unaudited pro forma financial data in conjunction with the other financial information appearing elsewhere in this prospectus, including "Capitalization," "Unaudited Pro Forma Financial Statements" and "Management's Discussion and Analysis of Unaudited Pro Forma Financial Position and Financial Performance." For historical financial information relating to Fisher & Paykel Industries, see "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Historical Financial Position and Financial Performance" and "Consolidated Financial Statements of Fisher & Paykel Industries Limited" included in Appendix A to this prospectus.

The financial statements of Fisher & Paykel Industries included in this prospectus have been prepared in accordance with generally accepted accounting practices in New Zealand and are denominated in U.S. dollars. Fisher & Paykel Industries' fiscal year ends on March 31 of each year. For a discussion of the principal differences between generally accepted accounting practices in New Zealand and U.S. GAAP, and a reconciliation to U.S. GAAP of group profit and shareholders' equity, see note 30 to "Consolidated Financial Statements of Fisher & Paykel Industries Limited" included in Appendix A to this prospectus.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

SUMMARY UNAUDITED PRO FORMA FINANCIAL DATA

	FISCAL YEAR ENDED MARCH 31,		
	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE DATA)		
PRO FORMA STATEMENT OF FINANCIAL PERFORMANCE DATA:			
NEW ZEALAND GAAP			
Operating revenue from continuing operations.....	\$ 62,366	\$ 74,588	\$ 84,380
Operating expenses from continuing operations.....	40,910	48,687	49,457
	-----	-----	-----
Operating profit from continuing operations before abnormal items.....	21,456	25,901	34,923
Abnormal items.....	(2,472)	--	--
	-----	-----	-----
Operating profit from continuing operations after abnormal items.....	18,984	25,901	34,923
Interest.....	(709)	(636)	(946)
Foreign currency exchange profit (loss).....	190	693	(26,619)
	-----	-----	-----
Profit from continuing operations before taxation.....	18,465	25,958	7,358
Taxation.....	(7,160)	(9,194)	(3,111)
	-----	-----	-----
Profit from continuing operations after taxation.....	\$ 11,305	\$ 16,764	\$ 4,247
	=====	=====	=====
Basic and diluted earnings per share from continuing operations.....	\$ 0.11	\$ 0.17	\$ 0.04
Basic and diluted earnings per ADS from continuing operations(1).....	\$ 0.46	\$ 0.67	\$ 0.17
Basic and diluted weighted average number of shares outstanding.....	99,349,237	99,442,887	99,911,137
Basic and diluted weighted average number of ADSs(1).....	24,837,309	24,860,722	24,977,784
U.S. GAAP			
Operating profit from continuing operations.....		\$ 25,964	\$ 34,884
Profit from continuing operations.....		\$ 14,781	\$ 5,862
Basic and diluted earnings per share from continuing operations.....		\$ 0.15	\$ 0.06
Basic and diluted earnings per ADS from continuing operations(1).....		\$ 0.59	\$ 0.23
Basic and diluted weighted average number of shares outstanding.....		99,442,887	99,911,137
Basic and diluted weighted average number of ADSs(1).....		24,860,722	24,977,784

AS OF MARCH 31, 2001

(IN THOUSANDS OF U.S. DOLLARS)

PRO FORMA STATEMENT OF FINANCIAL POSITION DATA:	
NEW ZEALAND GAAP	
Cash and bank balances.....	\$ 11,185
Fixed assets.....	23,742
Total assets.....	65,392
Total current liabilities.....	25,268
Term borrowings.....	686
Total liabilities.....	34,089
Total shareholders' equity.....	31,303
Total liabilities and shareholders' equity.....	65,392
U.S. GAAP	
Shareholders' equity.....	\$ 27,316

(1) Assumes four outstanding ordinary shares are equal to one ADS.

RISK FACTORS

An investment in the ADSs involves a high degree of risk. You should carefully consider the risks described below and other information in this prospectus before making an investment decision. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, may also become important factors that affect us. If any of the following events actually occur, our business, financial condition or financial performance could be materially adversely affected. In that event, the trading price of the ADSs could decline and you could lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

THE HISTORICAL FINANCIAL INFORMATION INCLUDED IN THIS PROSPECTUS DOES NOT REFLECT WHAT OUR RESULTS OF OPERATION, FINANCIAL POSITION AND CASH FLOWS WILL BE IN THE FUTURE, OR WHAT OUR FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS WOULD HAVE BEEN HAD WE BEEN A SEPARATE, STAND-ALONE COMPANY DURING THE PERIODS PRESENTED.

The financial information presented in this prospectus includes the historical audited consolidated financial statements of Fisher & Paykel Industries. This historical financial information does not reflect many significant changes that will occur in our financial position and operations as a result of the separation of the appliances and finance businesses of Fisher & Paykel Industries from its healthcare business and this offering. In addition, the historical consolidated financial statements include assets, liabilities, revenue and expenses associated with the appliances and finance businesses that will be transferred to Fisher & Paykel Appliances as part of the reorganization and will not be reflected in our financial statements in the future. As a result, the historical financial statements included in this prospectus should not be used as a basis for evaluating our past financial performance or forecasting our future financial performance. For additional information regarding the reorganization and its anticipated effects on our financial performance, see the sections entitled "The Reorganization," "Unaudited Pro Forma Financial Statements," and "Management's Discussion and Analysis of Unaudited Pro Forma Financial Position and Financial Performance" elsewhere in this prospectus.

WE MAY INCUR LOSSES AS A RESULT OF FOREIGN CURRENCY FLUCTUATIONS.

We are exposed to fluctuations in foreign currencies because our revenue, costs, and liabilities are denominated in multiple currencies. A substantial portion of our costs are denominated in NZ dollars, but our revenue is primarily denominated in U.S. dollars and euros. Any appreciation in the value of the NZ dollar relative to the U.S. dollar or the euro could increase our costs, and may materially adversely affect our operating margins. Fluctuations in foreign currencies may also make period-to-period comparisons of our financial performance difficult.

In the fiscal year ended March 31, 2001, we incurred a foreign currency loss of US\$26.6 million due to the depreciation of the NZ dollar against the U.S. dollar which resulted in significant exposure under foreign currency exchange instruments entered into by Fisher & Paykel Industries related to our business. The loss included a realized loss of US\$5.9 million on foreign currency exchange instruments that expired during the fiscal year ended March 31, 2001 and an unrealized loss of US\$20.7 million on foreign currency exchange instruments that will expire at various times through December 26, 2002. Following the reorganization, we will remain liable for these foreign currency exchange instruments until they expire and we may incur additional losses. If the value of the NZ dollar falls below US\$0.403 at the time any of these instruments expire, we will realize additional losses on the expiring contracts. In addition, we are required to mark the value of any unexpired contracts to market at the end of each accounting period. If the value of the NZ dollar falls below US\$0.403 at the end of any accounting period, we will be required to increase the provision for losses for any unexpired

foreign currency exchange instruments. As of September 30, 2001, we expect to have total obligations to deliver US\$66.5 million under these instruments. For each one cent decline below US\$0.403 in the value of the NZ dollar against the U.S. dollar, we would be required to increase our provision for loss by approximately US\$1.6 million. The noon buying rate in New York City for cable transfers in effect on September 6, 2001 was NZ\$1.00=US\$0.4355. Losses on these foreign exchange instruments could materially adversely affect our profitability and could harm our business. See "Management's Discussion and Analysis of Unaudited Pro Forma Financial Position and Financial Performance."

OUR MANAGEMENT'S LACK OF EXPERIENCE IN OPERATING THE HEALTHCARE BUSINESS AS A STAND-ALONE COMPANY MAY MAKE IT DIFFICULT FOR YOU TO EVALUATE OUR PERFORMANCE.

Our management has previously operated our business as the healthcare division of Fisher & Paykel Industries, a larger New Zealand public company, which provided us with management and administrative assistance. After this offering, we will continue to be managed by the individuals who managed the healthcare division of Fisher & Paykel Industries, but we will operate as a separate company from the appliances and finance divisions. Generally, neither Fisher & Paykel Appliances nor any of its finance subsidiaries will have any obligation to provide financial, management or other assistance to us. If we are not successful in managing our business as a stand-alone company, our business could be harmed.

WE COMPETE AGAINST SUBSTANTIALLY LARGER, MORE WELL ESTABLISHED COMPANIES AND THE MARKETS FOR OUR PRODUCTS ARE HIGHLY COMPETITIVE.

Competition among medical device companies is intense. We believe the principal competitive factors in our markets are product features, reliability and price. We compete against a number of companies, many of which have greater financial, research and development, manufacturing and marketing resources than us and may be in a better position than we would be to withstand the adverse effect on gross margins and profitability caused by price decreases. Some of our competitors sell additional lines of products, and therefore can more effectively bundle products to offer higher discounts, or offer rebates or other incentive programs to gain a competitive advantage. Our inability to compete effectively with existing or future competitors may prevent us from retaining our existing customers or from attracting new customers and could limit our potential for future growth.

A CHANGE IN THE TECHNOLOGY RELATING TO OUR PRODUCTS MAY RESULT IN SOME OF OUR PRODUCTS BECOMING OBSOLETE OR COULD CAUSE US TO INCUR SUBSTANTIAL COSTS TO IMPLEMENT NEW TECHNOLOGIES. WE COULD LOSE CUSTOMERS IF OUR COMPETITORS IMPLEMENT NEW TECHNOLOGIES BEFORE WE DO.

The market for our products is characterized by frequent product improvements, evolving technology and changing medical treatments. Our revenue and profitability could be adversely affected by technological change. For example, the development of a new or innovative continuous positive airway pressure, or CPAP, product technology by another company or the discovery of alternative treatments or a cure for obstructive sleep apnea could result in our CPAP products becoming obsolete or non-competitive, which would cause our revenue to decline significantly.

To compete effectively, we must anticipate and adapt to technological changes and offer, on a timely basis, competitively priced products with new and improved features that meet evolving industry standards and customer preferences. We may choose new technologies that prove to be ineffective, do not gain market acceptance or are incompatible with technologies of our customers. As new technologies develop, we may be forced to implement these new technologies at a substantial cost to remain competitive. In addition, competitors may implement new technologies which allow them to offer lower-priced or superior quality products

which render our products obsolete or uncompetitive. This could have a material adverse effect on our business.

WE HAVE EXPERIENCED SOME VARIATION IN OUR FINANCIAL RESULTS IN THE PAST AND EXPECT THAT OUR FUTURE FINANCIAL RESULTS MAY ALSO FLUCTUATE, WHICH COULD CAUSE THE PRICE OF THE ADSS TO DECLINE.

Our financial results, including our revenue and gross margins, have from time to time fluctuated on a quarterly basis and may be subject to similar fluctuations in the future. These fluctuations have resulted from factors including:

- the timing of orders by distributors and other customers;
- the effect of foreign currency translation gains or losses;
- competitive actions, such as price reductions by our competitors;
- the introduction of new products by us or our competitors;
- the cost and effect of promotional and marketing programs; and
- a decrease in the demand for our products during the summer months in the northern hemisphere.

In addition, our financial performance could be adversely affected by changes in tax laws in the various countries in which we conduct our business. Due to these and other factors, we believe that quarter-to-quarter comparisons of our financial performance may not be meaningful. You should not rely on our financial performance for one quarter as an indication of our future performance.

OUR SUCCESS DEPENDS IN PART ON OUR PROPRIETARY TECHNOLOGIES AND IF WE ARE UNABLE TO SUCCESSFULLY ENFORCE OUR INTELLECTUAL PROPERTY RIGHTS, OUR COMPETITIVE POSITION MAY BE HARMED.

Our success depends in part upon our ability to develop, maintain and protect our proprietary technologies and intellectual property rights both in the U.S. and in other countries. Our inability to do so could harm our competitive position.

As of March 31, 2001, we had 26 issued patents and 18 patent applications pending in the U.S. and 48 issued non-U.S. patents and 78 non-U.S. patent applications pending. We rely on our patent portfolio to protect a large part of our intellectual property and our competitive position. We cannot assure you that our currently pending or future patent filings will issue as patents, or that any existing or future patents issued to us will be upheld if challenged, or that the protections afforded by those patents will be sufficiently broad to prevent third parties from producing competing products similar in design to ours. In addition, protection afforded by foreign patents may be more limited than that provided under U.S. patents and intellectual property laws. We cannot assure you that our patents will not be infringed upon or that we would have adequate remedies for any infringement. We may need to use litigation to enforce our patents or to protect our other proprietary rights, which may be costly and divert the attention of our personnel.

We also rely on trade secrets, trademarks and copyrights to protect our proprietary technologies, intellectual property rights, know-how and reputation. We generally enter into confidentiality agreements with our employees, consultants and our collaborative partners when they commence a relationship with us in order to protect our trade secrets and other confidential information. However, we cannot assure you that these agreements will not be breached, that they provide meaningful protection against the unauthorized use or disclosure of our trade secrets or other confidential information, that our trade secrets will not otherwise

become known to or independently developed by competitors or that adequate remedies exist if unauthorized use or disclosure of our trade secrets were to occur.

Our inability to maintain the proprietary nature of our technologies would impair our competitive advantages, could force us to reduce the prices of our products and could have a material adverse effect on our profitability and future growth prospects.

IF WE INFRINGE THE PATENTS OR PROPRIETARY RIGHTS OF OTHER PARTIES, WE MAY INCUR SIGNIFICANT COSTS AND OUR BUSINESS MAY BE HARMED.

Litigation over patents and other intellectual property is common in the medical device industry. We cannot assure you that we will not be the subject of patent or other litigation in the future. From time to time, we have received, and may again receive, letters from third parties drawing our attention to their patent rights. Although we do not believe that we infringe any rights of third parties which have been brought to our attention, we cannot assure you that we do not infringe other proprietary rights of third parties of which we are presently unaware.

Defending intellectual property lawsuits and related legal and administrative proceedings could result in substantial expense to us and significant diversion of effort of our personnel. An adverse determination in a patent suit or in any other proceeding to which we may be a party could subject us to significant liabilities. An adverse determination could require us to seek licenses from third parties. If licenses were not available on commercially reasonable terms or at all, our business could be harmed.

OUR CONTINUED SUCCESS DEPENDS ON THE ABILITY OF PATIENTS TO BE REIMBURSED BY THIRD-PARTY PAYORS.

The cost of medical care is funded, in substantial part, by government insurance programs, such as Medicare and Medicaid in the U.S., and private and corporate health insurance plans. Our success depends on the ability of patients who are prescribed CPAP therapy to obtain adequate reimbursement from these third-party payors for purchasing our CPAP products. In some of our major markets, such as Australia, the United Kingdom and Japan, there is currently limited reimbursement for devices that treat obstructive sleep apnea. We cannot assure you that our products will be considered cost-effective by third-party payors, that reimbursement will be available or, if currently available, will continue to be available, or that changes in payors' reimbursement policies will not adversely affect our ability to sell our products on a profitable basis, if at all. Third-party payors may deny reimbursement if they determine that the prescribed device has not received appropriate clearance from the U.S. Food and Drug Administration, known as the FDA, or other governmental regulatory clearances, is not used in accordance with cost-effective treatment methods as determined by the payor, or is experimental, unnecessary or inappropriate.

Furthermore, third-party payors are increasingly challenging the prices charged for medical products and services. Also, the trend towards managed healthcare in the U.S. and the concurrent growth of health maintenance organizations, which could control or significantly influence the purchase of healthcare services and products, as well as legislative proposals to reform healthcare, may all result in lower prices for our products. The cost containment measures that healthcare providers are instituting in the face of the uncertainty and the ultimate effect of any healthcare reform could have an adverse effect on our ability to sell our products and harm our business.

WE DEPEND ON SINGLE-SOURCE SUPPLIERS FOR SOME KEY COMPONENTS OF OUR PRODUCTS.

We purchase a limited number of components for our products from a single-source supplier. Although we believe that we could locate an alternative supplier or other satisfactory alternatives for these components, if required, we cannot assure you that we would be able to

do so in a timely manner or at reasonable prices, if at all, or that we could obtain adequate quantities to meet our production needs during a prolonged interruption of supply. We have historically purchased selected components from a single-source supplier where we are able to generate cost savings without compromising quality. We do not have long-term supply contracts for the raw materials we require. A reduction or stoppage in supply, or our inability to develop alternate supply sources, if required, would limit our ability to manufacture some of our products and therefore would harm our business.

WE MANUFACTURE OUR PRODUCTS AT A SINGLE FACILITY IN NEW ZEALAND.

We manufacture our products at a single facility located in Auckland, New Zealand. Although we maintain stores of inventory at leased warehouses in several countries around the world, our inability to continue to manufacture our products at our facility as a result of, for example, a prolonged power shortage, fire or other natural disaster, would prevent us from supplying products to our customers, and could harm our business.

COMPLYING WITH EXTENSIVE GOVERNMENT REGULATION RELATING TO MEDICAL DEVICES IS AN EXPENSIVE AND TIME-CONSUMING PROCESS AND OUR FAILURE TO COMPLY MAY RESULT IN SUBSTANTIAL PENALTIES.

The development, manufacture and marketing of our products are subject to extensive and rigorous regulation by governmental agencies in the countries in which we sell our products, including the FDA in the U.S. The process of obtaining and maintaining the required regulatory approvals for medical devices in the markets in which we sell products, particularly the U.S., Europe and Japan, can be lengthy and is expensive, and the outcome is often unpredictable. We cannot assure you that our current market clearances can be maintained or that approvals in the U.S. will be granted for our future products on the basis of Section 510(k) clearances from the FDA. The regulatory process may delay us in marketing new products for lengthy periods, result in us incurring substantial additional costs and provide an advantage to our competitors.

We are subject to FDA Good Manufacturing Practices and extensive record keeping and reporting requirements for sales in the U.S. Our manufacturing facilities are subject to periodic inspections by U.S. federal agencies and may be subject to similar inspections by corresponding agencies in other countries. Our new manufacturing facilities in New Zealand have not yet been inspected by the FDA. Failure to comply with applicable regulatory requirements can result in, among other things, import detentions, fines, civil penalties, suspensions or losses of approvals, recalls or seizures of products, operating restrictions and criminal prosecutions.

Changes in existing regulations or the manner in which they are implemented or the adoption of new regulations could prevent us from obtaining, or delay the timing of, future regulatory approvals. We cannot assure you that new legislation or regulations, changes in the interpretation or enforcement of existing regulations, or other regulatory factors will not adversely affect our ability to obtain regulatory approvals, and our potential for future growth.

A PRODUCT RECALL MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Governmental authorities in the countries in which we sell our products, including the FDA in the U.S., have the authority to require us to recall products in the event of material deficiencies or defects in design or manufacture. We have on occasion either voluntarily decided, or been required as a result of communications with regulators, to recall limited numbers of our products. A government mandated or voluntary product recall by us could occur as a result of component failures, manufacturing errors or design defects in our products. A significant recall of products could be costly and have a material adverse effect on our reputation and our ability to retain existing customers and attract new customers.

WE MAY BE SUBJECT TO PRODUCT LIABILITY CLAIMS.

We have in the past and may in the future be subject to product liability claims as a result of the design, manufacture and marketing of our medical devices. Claims alleging product liability may involve large potential damages, significant defense costs and associated adverse publicity. We cannot assure you that our insurance coverage will be adequate to cover any significant future claims. Insurance varies in cost, can be difficult to obtain and may not be available in the future in an amount or on terms acceptable to us, or at all. A successful claim against us in excess of our insurance coverage could have a material adverse effect on our reputation and our business.

WE DEPEND ON KEY MEMBERS OF OUR SENIOR MANAGEMENT. ANY DIFFICULTY IN RETAINING OUR CURRENT SENIOR MANAGEMENT OR IN HIRING NEW EMPLOYEES WOULD ADVERSELY AFFECT OUR ABILITY TO OPERATE OUR BUSINESS.

Our business is managed by a small number of key senior managers. The loss of any of these individuals could materially affect our business. Our success depends on our ability to continue to attract, recruit and retain sufficient qualified scientific, technical, sales and marketing, managerial and administrative personnel as we grow. Competition for qualified personnel in the countries we operate in is strong, and there is generally a limited number of persons with the requisite experience in the sectors in which we operate. We cannot assure you that we will be able to retain senior management, integrate new managers or recruit qualified personnel in the future.

A RELATIVELY LARGE PORTION OF OUR SALES ARE MADE THROUGH DISTRIBUTORS WITH WHOM WE GENERALLY DO NOT HAVE LONG-TERM CONTRACTS, AND THE LOSS OF THESE DISTRIBUTORS COULD THEREFORE REDUCE OUR SALES AND MARKET SHARE.

We have a network of approximately 100 distributors in over 90 countries worldwide. A significant portion of our revenue for the fiscal year ended March 31, 2001 was attributable to sales to these distributors. Our two largest distributors, Allegiance Corporation, which distributes our products in the U.S., Canada, Italy and Spain and Tokibo Co. Ltd., which distributes our products in Japan and China, accounted for approximately 14% and 7% of our revenue, respectively, during that fiscal year. Our contracts with our distributors are generally for only a one-year period. The loss of one of these, or several of our other significant distributors, could reduce our sales and market share.

THE INTERNATIONAL SCOPE OF OUR OPERATIONS EXPOSES US TO OPERATIONAL, POLITICAL AND OTHER RISKS THAT MAY HARM OUR BUSINESS.

We sell our products in over 90 countries worldwide. Sales outside of New Zealand and North America accounted for approximately 50% of our revenue in the fiscal year ended March 31, 2001. We expect that sales outside of New Zealand and North America will continue to account for a significant portion of our revenue in the future.

We may face risks because we conduct an international business, including:

- fluctuations in foreign currencies;
- regulatory restrictions or prohibitions on the distribution of our products;
- tariffs and other trade barriers;
- longer payment cycles;
- problems in collecting accounts receivable;
- international monetary conditions and political risks; and
- potentially adverse tax consequences of operating in multiple jurisdictions.

RISK RELATED TO THE REORGANIZATION

WE MAY BE LIABLE FOR SOME LIABILITIES OF THE APPLIANCES AND FINANCE BUSINESSES OF FISHER & PAYKEL INDUSTRIES FOLLOWING THE REORGANIZATION, WHICH COULD HARM OUR FINANCIAL RESULTS AND CASH FLOWS.

Pursuant to the reorganization, it is intended that Fisher & Paykel Appliances will become the direct or indirect legal and beneficial owner of the assets and assume the liabilities related to the appliances and finance businesses of Fisher & Paykel Industries, and we will remain the direct or indirect legal and beneficial owner of the assets and assume the liabilities related to the healthcare business. However, we may continue to be exposed to some of the liabilities of the appliances or finance businesses. The types of liabilities to which we could continue to be subject include liability under contracts relating to either the appliances or finance business to which Fisher & Paykel Industries is a party and which will continue after the reorganization.

As part of the reorganization, Fisher & Paykel Appliances and Fisher & Paykel Healthcare have entered into a separation arrangement agreement under which any asset or liability held by us after the effective date of the reorganization that is properly attributable to the appliances or finance businesses, or any asset or liability held by Fisher & Paykel Appliances that is properly attributable to the healthcare business, is to be transferred and assigned or novated to Fisher & Paykel Appliances or us, as the case may be. Until the transfer and assignment or novation occurs, the asset or liability is to be held on behalf of, and with the appropriate accountability to and indemnification from, Fisher & Paykel Appliances or us, as appropriate. Assets or liabilities for which no proper attribution can be determined will be attributed to each of Fisher & Paykel Appliances and us pro rata, in proportion to the respective values attributed to Fisher & Paykel Appliances and us as of the date of the separation arrangement agreement, unless we each agree to a different allocation.

After the reorganization, any claims made against us that are properly attributable, in accordance with the separation arrangement agreement, to either the appliances or finance business would require us to exercise our rights under the separation arrangement agreement to obtain payment from Fisher & Paykel Appliances. We are exposed to the risk that, in these circumstances, Fisher & Paykel Appliances cannot, or will not, make the required payment. If this were to occur, our business and financial position could be harmed. See "Related Party Transactions."

RISKS RELATED TO THIS OFFERING

THE ABSENCE OF A PRIOR PUBLIC MARKET FOR THE ADSS REPRESENTING ORDINARY SHARES OF THE HEALTHCARE BUSINESS OF FISHER & PAYKEL INDUSTRIES CREATES UNCERTAINTY IN MARKET PRICE.

Although the ordinary shares of Fisher & Paykel Industries have been listed on the New Zealand Stock Exchange since 1979, during this period Fisher & Paykel Industries owned and operated the appliances, finance and healthcare businesses as a combined entity. Following the reorganization and this offering, our ordinary shares will represent an interest in only the healthcare business of Fisher & Paykel Industries. Although our ordinary shares will continue to be listed on the New Zealand Stock Exchange, and we intend to apply to have the ADSs quoted on the Nasdaq National Market, an active public market for the ordinary shares or ADSs may not develop or be sustained after the offering. The market price of Fisher & Paykel Healthcare ordinary shares may be lower than the market price of Fisher & Paykel Industries ordinary shares prior to the reorganization, and may not follow the past trading patterns of Fisher & Paykel Industries ordinary shares. Even if a market does develop for the ordinary shares and ADSs, the market price of the ADSs may decline below the initial public offering price. After the

offering, the market price of the ADSs may fluctuate significantly in response to a number of factors, some of which are beyond our control, including:

- quarterly variations in our operating results;
- changes in financial estimates by securities analysts;
- changes in market valuations of healthcare companies;
- announcements by us, or our competitors, of new products or technological innovations, developments with patent or other regulatory applications, litigation, acquisitions, strategic partnerships, joint ventures or business combinations;
- loss of a major customer;
- additions or departures of key personnel; and
- sales of ordinary shares or ADSs.

THE POSSIBLE VOLATILITY OF THE STOCK MARKET COULD ADVERSELY AFFECT THE PRICE OF OUR ORDINARY SHARES OR THE ADSs.

Historically, the market prices for securities of companies in the healthcare industry have been highly volatile. In addition, the stock market has experienced volatility that has affected the market prices of equity securities of many companies and often that volatility has been unrelated to the operating performance of those companies. These broad market fluctuations may adversely affect the market price of our ordinary shares or the ADSs, regardless of our operating performance. Furthermore, following periods of volatility in the market price of a company's securities, shareholders of the company have often instituted securities class action litigation against that company. Any similar litigation against us could result in substantial costs and a diversion of management's attention and resources, which could delay our ability to expand our business in accordance with our strategy.

SALES OF SUBSTANTIAL NUMBERS OF ORDINARY SHARES AFTER THIS OFFERING COULD DECREASE THE TRADING PRICE OF THE ADSs.

Following this offering, we will have 99,911,137 ordinary shares outstanding, slightly less than 20% of which will be held by Fisher & Paykel Appliances and approximately 60% of which will be held by the existing shareholders of Fisher & Paykel Industries. The ordinary shares held by existing shareholders, other than our affiliates, will be freely tradable. Fisher & Paykel Appliances and our directors and continuing members of our senior management have agreed, subject to specified exceptions, not to sell or otherwise dispose of any ordinary shares for a period of 180 days after the date of the final prospectus relating to this offering without the prior written consent of Deutsche Banc Alex. Brown. Following this 180-day period, they may sell their ordinary shares as permitted by U.S. securities laws and other applicable laws, including the laws of New Zealand. In addition, immediately following the offering, we will have up to 1,600,000 ordinary shares issuable upon the exercise of outstanding options. Sales of a large number of our ordinary shares after the closing of this offering or the expiration of the 180-day period, or the perception that these sales could occur, could cause a decrease in the market price of our ordinary shares and the ADSs. See "Shares Eligible for Future Sale."

WE CANNOT ASSURE YOU THAT HOLDERS OF ADRs WILL RECEIVE VOTING MATERIALS IN TIME TO INSTRUCT THE DEPOSITARY TO VOTE, AND IT IS POSSIBLE THAT YOU WILL NOT HAVE THE OPPORTUNITY TO EXERCISE A RIGHT TO VOTE.

Holders of ADRs may instruct the depositary how to exercise the voting rights for the ordinary shares represented by your ADSs. The depositary will notify ADR holders of any shareholder meeting or solicitation of consents or proxies. This notice will describe how you

may instruct the depositary to exercise the voting rights for the ordinary shares represented by your ADSs. For the instructions to be valid, the depositary must receive them on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the ordinary shares, to vote or to have its agents vote the ordinary shares represented by your ADSs as you instruct. The depositary will only vote or attempt to vote as you instruct. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, the manner in which any vote is cast or the effect of any vote.

We cannot assure you that you will receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

HOLDERS OF ADRS WILL BE CHARGED CUSTOMARY FEES BY THE DEPOSITARY THAT HOLDERS OF ORDINARY SHARES WILL NOT BE CHARGED.

ADR holders will be charged a fee for each issuance of ADSs, including issuances resulting from distributions of ordinary shares, rights and other property, and for each surrender of ADSs in exchange for deposited ordinary shares. The fee in each case is \$5.00 for each 100 ADSs issued or surrendered. Various additional charges may be incurred by ADR holders, by any party depositing or withdrawing ordinary shares or by any party surrendering ADRs or to whom ADRs are issued including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADRs or the deposited ordinary shares or a distribution of ADRs. See "Description of American Depositary Receipts--Fees and Expenses."

IT MAY BE DIFFICULT FOR YOU TO EFFECT SERVICE OF PROCESS UPON, OR ENFORCE U.S.

JUDGMENTS AGAINST US, FISHER & PAYKEL APPLIANCES, AS THE SELLING SHAREHOLDER, OR MEMBERS OF THEIR BOARDS OR SENIOR MANAGEMENT, OR EXPERTS NAMED IN THIS PROSPECTUS.

Fisher & Paykel Industries and the selling shareholder are organized under the laws of New Zealand. In addition, all members of our board, all of our senior management and some of the experts named in this prospectus and all members of the board of Fisher & Paykel Appliances, the selling shareholder, are residents of countries other than the U.S. A substantial portion of our assets, the assets of these non-resident persons and the assets of the selling shareholder are located outside the U.S. As a result, it may not be possible for you to:

- effect service of process within the U.S. upon us or these persons; or
- enforce against us or these persons in U.S. courts judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the U.S.

There is doubt as to whether the courts of New Zealand would recognize jurisdiction of the U.S. courts in connection with judgments obtained in U.S. courts in actions against us, the selling shareholder or these directors and officers, as well as some of the experts named in this prospectus, and as to whether New Zealand courts would enforce judgments of U.S. courts predicated upon the civil liability provisions of the U.S. federal or state securities laws. There is also doubt as to whether New Zealand courts would admit original actions brought under the U.S. securities laws. In addition, some remedies available under the U.S. federal or state laws may not be admitted or enforced by New Zealand courts on the basis of being contrary to New Zealand's public policy. We cannot assure you that you will be able to enforce any judgment against us, the selling shareholder, members of our board or the selling shareholder's board, our senior management or some of the experts named in this prospectus, including judgments under the U.S. securities laws.

FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that relate to future events or our future financial performance. These statements are found principally in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Unaudited Pro Forma Financial Position and Financial Performance," "Management's Discussion and Analysis of Historical Financial Position and Financial Performance," "Business" and elsewhere in this prospectus. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "project," "should" or "will" or the negative of these terms or other comparable terminology. These statements involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among other things, those listed under "Risk Factors" as well as those included elsewhere in this prospectus.

These forward-looking statements include, but are not limited to, statements relating to:

- our expectations about growth in demand for our products;
- our ability to successfully manage our healthcare business as a separate company;
- our plans to achieve growth by offering new products;
- our anticipated capital expenditures for the planned expansion of our business;
- our ability to fund our future operations through borrowing or otherwise;
- industry trends;
- our expectations about regulatory changes that may affect our business;
- our ability to adjust to technological change; and
- our ability to effectively compete in a highly competitive environment.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee our future results, levels of activity, performance or achievements. Although we will become a reporting company after the offering and will have disclosure obligations under the U.S. federal securities laws, we are not undertaking to publicly update or revise any forward-looking statements in this prospectus.

Information regarding market and industry statistics or medical studies contained in this prospectus is based on information available to us that we believe is accurate. It is generally based on academic and other publications or medical studies that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources and cannot assure you of the accuracy of the market and industry data we have included or the medical studies to which we have referred.

THE REORGANIZATION

Fisher & Paykel Industries is a New Zealand company with its ordinary shares listed on the New Zealand Stock Exchange. Fisher & Paykel commenced business in New Zealand in 1934 as an importer of refrigerators and washing machines. At the time of the reorganization described in this prospectus, the business of Fisher & Paykel Industries will comprise an appliances business that designs, manufactures and markets automatic washing machines, refrigerators, dishwashers, dryers, freezers and cooking products, and a related finance business, as well as the healthcare business described in this prospectus. In December 2000, the board of directors of Fisher & Paykel Industries announced its intention to separate its three businesses into two separate companies.

Pursuant to New Zealand law, the reorganization must be approved by the New Zealand High Court and the shareholders of Fisher & Paykel Industries. These approvals will have been obtained prior to the commencement of this offering. An order of the New Zealand High Court is required to ensure the participation of all existing shareholders and to ensure the acquisition by Fisher & Paykel Appliances of the exact number of ordinary shares of Fisher & Paykel Industries from existing shareholders that is required to effect the reorganization.

The reorganization steps described below will be completed immediately prior to the sale of the ADSs in this offering. The closing of this offering is conditioned on the consummation of the reorganization.

The reorganization comprises the following steps:

- Pursuant to the reorganization, as approved by the New Zealand High Court, Fisher & Paykel Appliances will automatically, without further action on the part of shareholders, acquire from the existing shareholders of Fisher & Paykel Industries on a pro rata basis 55.6 million ordinary shares of Fisher & Paykel Industries, representing approximately 47.1% of the ordinary shares outstanding, in exchange for a combination of ordinary shares of Fisher & Paykel Appliances and cash. Until the exchange, Fisher & Paykel Appliances will be a wholly-owned subsidiary of Fisher & Paykel Industries. Following the exchange, the ordinary shares of Fisher & Paykel Appliances held by Fisher & Paykel Industries will be canceled and, as a result, Fisher & Paykel Appliances will be 100% owned by the existing shareholders of Fisher & Paykel Industries.
- Following the exchange, Fisher & Paykel Industries will repurchase from Fisher & Paykel Appliances 18.2 million of the ordinary shares acquired by Fisher & Paykel Appliances in the exchange, representing approximately 15.4% of the ordinary shares outstanding prior to the repurchase, for cash in the amount of \$85.4 million. The repurchased ordinary shares of Fisher & Paykel Industries will be canceled.
- Following the repurchase, Fisher & Paykel Industries will transfer its appliances and finance businesses to a wholly-owned subsidiary of Fisher & Paykel Appliances for cash in the amount of \$124.5 million. Consequently, the existing healthcare business will be Fisher & Paykel Industries' only remaining business, and as part of the reorganization Fisher & Paykel Industries will change its name to Fisher & Paykel Healthcare Corporation Limited.
- Fisher & Paykel Appliances will sell 17.6 million ordinary shares of Fisher & Paykel Healthcare, formerly Fisher & Paykel Industries, representing approximately 17.6% of the ordinary shares outstanding, in the form of ADSs in this offering. Following the reorganization and this offering, Fisher & Paykel Appliances will own slightly less than 20% of the outstanding ordinary shares of Fisher & Paykel Healthcare. Fisher & Paykel Healthcare's ordinary shares will continue to be listed on the New Zealand Stock Exchange and Fisher & Paykel Healthcare intends to apply to have the ADSs quoted on the Nasdaq National Market. Fisher & Paykel Healthcare has applied to have its ordinary shares listed on the Australian Stock Exchange.

In connection with the reorganization, the board of directors of Fisher & Paykel Industries has obtained an opinion of Deloitte Touche Tohmatsu to the effect that the reorganization is fair and reasonable to the holders of ordinary shares of Fisher & Paykel Industries. The complete text of the opinion is included in this prospectus as Appendix B.

On September 7, 2001, the board of directors of Fisher & Paykel Industries declared a regular dividend of NZ\$0.20 per ordinary share and a special dividend of NZ\$0.25 per ordinary share. The regular dividend is the interim dividend for the current fiscal year ending March 31, 2002. Both the regular and special dividends will be paid on September 28, 2001. Accordingly, you will not receive either of these regular or special dividends. See "Dividend Policy."

The following charts illustrate the ownership of Fisher & Paykel Industries and its appliances, finance and healthcare businesses prior to and upon completion of the reorganization:

OWNERSHIP OF FISHER & PAYKEL INDUSTRIES PRIOR TO THE REORGANIZATION

[FISHER & PAYKEL INDUSTRIES]

**OWNERSHIP OF FISHER & PAYKEL HEALTHCARE
(FORMERLY FISHER & PAYKEL INDUSTRIES)**

UPON COMPLETION OF THE REORGANIZATION

[FISHER & PAYKEL HEALTHCARE]

The board of directors of Fisher & Paykel Industries determined to undertake the reorganization for a number of reasons, including the following:

- Each of Fisher & Paykel Healthcare and Fisher & Paykel Appliances is expected to have increased visibility within the financial markets, enhancing the likelihood that each company will achieve appropriate recognition by potential investors who have a specific understanding of and interest in its respective industry.
- Existing shareholders of Fisher & Paykel Industries will enjoy significantly increased flexibility and control over their desired investment exposure by being able to separately trade ordinary shares in Fisher & Paykel Appliances and Fisher & Paykel Healthcare.
- The quotation of the ADRs on the Nasdaq National Market will facilitate the investment of U.S. investors and encourage coverage by U.S. analysts specializing in medical device companies.
- Each of Fisher & Paykel Healthcare and Fisher & Paykel Appliances will have its own separate and independent board of directors and management, which will allow each company to better focus on its respective core business. In addition, the management of each company will be able to be more effectively incentivized by the introduction of management compensation programs that align more closely with the performance of the specific business for which it is responsible.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the ADSs in this offering by Fisher & Paykel Appliances, the selling shareholder. If the underwriters exercise their over-allotment option, we have agreed to issue and sell to Fisher & Paykel Appliances the number of ordinary shares represented by the additional ADSs it sells to the underwriters pursuant to the over-allotment option at the per share equivalent of the initial public offering price of the ADSs less underwriting discounts and commissions. We expect that if the underwriters exercise their over-allotment option in full, our net proceeds from the issuance and sale of these additional ordinary shares will be approximately \$11.0 million, assuming an initial public offering price of \$18.0 per ADS. We intend to use any net proceeds from the exercise of the over-allotment option for working capital and other general corporate purposes.

DIVIDEND POLICY

We currently intend to distribute approximately 60% of our profit from continuing operations after taxation as dividends to holders of our ordinary shares and the ADSs in June and November of each year. We expect to pay the first dividend in June 2002, which will be the final dividend for the fiscal year ended March 31, 2002. The payment and amount of any future dividends will be at the discretion of our board after taking into account various factors the board deems relevant. These factors may include our financial condition, operating results, current and anticipated cash needs, plans for expansion and debt covenants. Under New Zealand law, we are not required to obtain shareholder approval for the declaration or payment of dividends. The distribution of dividends is subject to satisfaction of various requirements applicable under New Zealand law, including a solvency test.

After adjustment for the number of ordinary shares represented by each ADS, holders of ADSs will receive the same dividends as holders of our ordinary shares, less any fees and expenses payable under the deposit agreement. We will pay cash dividends on our ordinary shares in New Zealand dollars. The depositary will convert cash dividends into U.S. dollars before making payments to holders of ADSs. Any cash dividends payable to holders of ADSs who are non-residents of New Zealand will generally be subject to New Zealand statutory withholding taxes. Imputation credits that attach to dividends that may be used by New Zealand resident holders of our ordinary shares to offset income tax liability with respect to those dividends cannot be used by holders of ADSs who are non-residents of New Zealand to offset against that withholding tax liability. We generally expect to pay supplementary dividends to holders of ADSs who are non-residents of New Zealand pursuant to the New Zealand foreign investor tax credit regime to reduce or eliminate the economic impact of the New Zealand statutory withholding taxes.

For further information regarding dividends, see the sections entitled "Description of Share Capital -- Distributions and Dividends," "Description of American Depositary Shares -- Dividends," "Taxation -- United States Federal Tax Considerations" and "-- New Zealand Tax Considerations" in this prospectus.

CAPITALIZATION

The following table sets forth the short-term debt and capitalization of Fisher & Paykel Industries as of July 31, 2001:

- on a historical basis; and

- on a pro forma basis giving effect to the reorganization, including the repurchase of 18.2 million ordinary shares and the separation of the appliances and finance businesses from the healthcare business.

We will not receive any proceeds from the sale of the ADSs by Fisher & Paykel Appliances, the selling shareholder in this offering. If the underwriters exercise their over-allotment option, we have agreed to issue and sell to Fisher & Paykel Appliances the number of ordinary shares represented by the additional ADSs it sells to the underwriters pursuant to the over-allotment option at the per share equivalent of the initial public offering price of the ADSs less underwriting discounts and commissions. Accordingly, our capitalization will not be affected by this offering, unless the underwriters exercise their over-allotment option. The information below assumes that the underwriters do not exercise their over-allotment option.

You should read this table in conjunction with "Unaudited Pro Forma Financial Statements" and "Management's Discussion and Analysis of Unaudited Pro Forma Financial Position and Financial Performance," and the historical consolidated financial statements of Fisher & Paykel Industries and related notes and other financial information appearing in Appendix A to this prospectus, including "Management's Discussion and Analysis of Historical Financial Position and Financial Performance" and "Consolidated Financial Statements of Fisher & Paykel Industries Limited."

	AS OF JULY 31, 2001	
	ACTUAL	PRO FORMA
	(UNAUDITED)	
	(IN THOUSANDS OF U.S. DOLLARS)	
Cash and cash equivalents.....	\$ 5,535	\$18,549
	=====	=====
Short-term debt.....	\$ 90,566	\$19,729
Long-term debt.....	69,712	--
Total shareholders' equity.....	161,340	35,128
Ordinary shares, 118,111,137 shares issued and outstanding at July 31, 2001; 99,911,137 shares issued and outstanding pro forma(1).....		
	-----	-----
Total capitalization.....	\$321,618	\$54,857
	=====	=====

(1) If the underwriters exercise their over-allotment option in full, and all of the ordinary shares issuable upon exercise of options that will be granted to management as part of the reorganization had been issued, the number of ordinary shares outstanding on a pro forma basis would have been 104,151,137 and shareholders' equity attributable to the outstanding ordinary shares would have been \$53.4 million.

DILUTION

As of March 31, 2001, the net tangible book value of Fisher & Paykel Industries was approximately \$5.17 per ADS. Net tangible book value per ADS represents the amount of our total tangible assets less total liabilities, divided by the number of ADSs that would have been outstanding had all ordinary shares outstanding been represented by ADSs. On a pro forma basis, after giving effect to the reorganization as if it had occurred on March 31, 2001, Fisher & Paykel Industries' net tangible book value would have been approximately \$30.1 million and the number of ordinary shares outstanding would have been 99,911,137.

Accordingly, its pro forma net tangible book value as of March 31, 2001 would have been approximately \$1.21 per ADS. No change in pro forma net tangible book value will result from the sale of the ADSs by Fisher & Paykel Appliances, the selling shareholder in this offering. Accordingly, dilution in pro forma net tangible book value per ADS to new investors is equal to the difference between the pro forma net tangible book value per ADS after adjustment for the reorganization and the amount per ADS paid by new investors.

The following table illustrates this dilution:

Assumed initial public offering price per ADS.....	\$18.00
Net tangible book value per ADS as of March 31, 2001.....	\$5.17
Pro forma net tangible book value per ADS after adjustment for the reorganization.....	1.21

Dilution in pro forma net tangible book value per ADS to new investors.....	\$16.79
	=====

The above computations assume that the underwriters do not exercise their over-allotment option. Following the offering, there will be outstanding options to purchase an aggregate of up to 1,600,000 ordinary shares at an exercise price of the NZ dollar per share equivalent of the initial public offering price of the ADSs. If all of these options had been exercised as of March 31, 2001 at an exercise price of NZ\$11.17, the pro forma net tangible book value after giving effect to the reorganization would have been \$1.47 per ADS. This would represent an increase in pro forma net tangible book value to new investors of \$0.26 per ADS.

The following table summarizes the number of ordinary shares issued by Fisher & Paykel Industries to its directors, senior management or other affiliates during the five-year period ended March 31, 2001, the total consideration paid and the average price paid per ordinary share, the number of ordinary shares in the form of ADSs sold by Fisher & Paykel Appliances, the selling shareholder in this offering, the total consideration paid by new investors and the average price per ADS paid by new investors, assuming an initial public offering price of \$18.00 per ADS, and before deducting underwriting discounts and commissions.

	SHARES PURCHASED	TOTAL CONSIDERATION	AVERAGE PRICE PER ORDINARY SHARE	AVERAGE PRICE PER ADS
	-----	-----	-----	-----
Directors, senior management, affiliates.....	580,350	\$ 1,205,256	\$2.08	\$ 8.32
New investors.....	17,600,000	79,200,000	\$4.50	\$18.00
	-----	-----		
Total.....	18,180,350	\$80,405,256		
	=====	=====		

EXCHANGE RATE INFORMATION

The historical audited consolidated financial statements and the unaudited pro forma financial statements included in this prospectus have been prepared in accordance with generally accepted accounting practices in New Zealand and are denominated in U.S. dollars.

Fluctuations in exchange rates between the NZ dollar and the U.S. dollar will affect the U.S. dollar equivalent of the NZ dollar price of our ordinary shares on the New Zealand Stock Exchange and are likely to affect the U.S. dollar price of the ADSs on the Nasdaq National Market. These fluctuations will also affect the U.S. dollar proceeds that holders of ADSs will receive from the conversion of any cash dividends paid in NZ dollars on our ordinary shares. The NZ dollar is convertible into other currencies at freely floating rates and there are no New Zealand restrictions on the flow of New Zealand currency across borders. There are no governmental controls on the exchange rate of the NZ dollar.

The following table sets forth:

- the high and low rates of exchange for the NZ dollar, expressed in U.S. dollars, for each of the fiscal year periods indicated;
- the average rate of exchange based on the last day of each month during each of these periods; and
- the high and low rates of exchange for each of the months indicated;

in each case based on the noon buying rate in New York City for cable transfers in NZ dollars as certified for customs purposes by the Federal Reserve Bank of New York.

FISCAL YEAR ENDED MARCH 31, -----	HIGH -----	LOW -----	AVERAGE -----
	(US\$ PER NZ\$)		
2001.....	0.5033	0.3920	0.4353
2000.....	0.5635	0.4810	0.5174
1999.....	0.5597	0.4838	0.5249
1998.....	0.6973	0.5524	0.6276
1997.....	0.7148	0.6678	0.6942

PERIOD -----	HIGH -----	LOW -----
	(US\$ PER NZ\$)	
August 2001.....	0.4438	0.4150
July 2001.....	0.4130	0.4036
June 2001.....	0.4221	0.4047
May 2001.....	0.4270	0.4083
April 2001.....	0.4158	0.3993
March 2001.....	0.4375	0.4033

The noon buying rate in New York City for cable transfers in effect on September 6, 2001 was NZ\$1.00 = US\$0.4355.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This offering is part of a reorganization of Fisher & Paykel Industries. Pursuant to the reorganization, Fisher & Paykel Industries will transfer its appliances and finance businesses to a wholly owned subsidiary which, upon completion of the reorganization, will be owned by the existing shareholders of Fisher Paykel Industries, and Fisher & Paykel Industries will repurchase 18.2 million of its ordinary shares. As a result of the reorganization, the existing healthcare business will be Fisher & Paykel Industries' only remaining business. Fisher & Paykel Industries will change its name to Fisher & Paykel Healthcare Corporation Limited prior to the closing of this offering. See "The Reorganization" for a more detailed discussion.

We have prepared unaudited pro forma financial statements of Fisher & Paykel Industries to provide investors with information about the effect of the proposed reorganization.

The unaudited pro forma financial statements are derived from the historical audited consolidated financial statements of Fisher & Paykel Industries included in Appendix A to this prospectus. The unaudited pro forma statements of financial performance for the fiscal years ended March 31, 1999, 2000 and 2001 reflect the appliances and finance businesses as discontinued operations. The unaudited pro forma statement of financial position as of March 31, 2001 reflects the appliances and finance businesses as discontinued operations and gives pro forma effect to the reorganization of Fisher & Paykel Industries as if the reorganization had occurred on March 31, 2001.

The unaudited pro forma information is presented for illustrative purposes only and does not purport to represent what the actual financial performance of the healthcare business of Fisher & Paykel Industries would have been if the reorganization had occurred at an earlier date. We expect that the reorganization will take effect in November 2001, and it will, in any event, take effect prior to the closing of this offering. The pro forma adjustments are based upon currently available information and estimates and assumptions. Actual adjustments may differ from the pro forma adjustments. The future operating results of Fisher & Paykel Healthcare may differ materially from the unaudited pro forma information reflected below due to various factors, including those described under "Risk Factors" and elsewhere in this prospectus.

You should read the unaudited pro forma financial data in conjunction with the other financial information appearing elsewhere in this prospectus, including "Capitalization" and "Management's Discussion and Analysis of Unaudited Pro Forma Financial Position and Financial Performance." For historical financial information relating to Fisher & Paykel Industries, see "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Historical Financial Position and Financial Performance" and "Consolidated Financial Statements of Fisher & Paykel Industries Limited" included in Appendix A to this prospectus.

The financial statements of Fisher & Paykel Industries included in this prospectus have been prepared in accordance with generally accepted accounting practices in New Zealand and are denominated in U.S. dollars. Fisher & Paykel Industries' fiscal year ends on March 31 of each year. For a discussion of the principal differences between generally accepted accounting practices in New Zealand and U.S. GAAP, and a reconciliation to U.S. GAAP of group profit and shareholders' equity, see note 30 to "Consolidated Financial Statements of Fisher & Paykel Industries Limited" included in Appendix A to this prospectus.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

**UNAUDITED PRO FORMA STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FISCAL YEAR ENDED MARCH 31,**

	1999			2000		
	FISHER & PAYKEL INDUSTRIES CONTINUING OPERATIONS AS REPORTED	DISCONTINUED APPLIANCES AND FINANCE OPERATIONS (NOTE 2)	PRO FORMA FISHER & PAYKEL HEALTHCARE	FISHER & PAYKEL INDUSTRIES CONTINUING OPERATIONS AS REPORTED	DISCONTINUED APPLIANCES AND FINANCE OPERATIONS (NOTE 2)	PRO FORMA FISHER & PAYKEL HEALTHCARE
	(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE DATA)					
Operating revenue from continuing operations.....	\$ 358,152	\$295,786	\$ 62,366	\$ 415,570	\$340,982	\$ 74,588
Operating expenses from continuing operations.....	325,993	285,083	40,910	367,550	318,863	48,687
	-----	-----	-----	-----	-----	-----
Operating profit from continuing operations before abnormal items.....	32,159	10,703	21,456	48,020	22,119	25,901
Abnormal items.....	(16,378)	(13,906)	(2,472)	--	--	--
	-----	-----	-----	-----	-----	-----
Operating profit from continuing operations after abnormal items.....	15,781	(3,203)	18,984	48,020	22,119	25,901
Interest.....	(5,387)	(4,678)	(709)	(5,387)	(4,751)	(636)
Foreign currency exchange profit (loss).....	4,911	4,721	190	1,997	1,304	693
	-----	-----	-----	-----	-----	-----
Profit from continuing operations before taxation.....	15,305	(3,160)	18,465	44,630	18,672	25,958
Taxation (Note 3(d)).....	(6,001)	1,159	(7,160)	(15,578)	(6,384)	(9,194)
	-----	-----	-----	-----	-----	-----
Profit from continuing operations after taxation.....	\$ 9,304	\$ (2,001)	\$ 11,305	\$ 29,052	\$ 12,288	\$ 16,764
	=====	=====	=====	=====	=====	=====
Basic and diluted earnings per share from continuing operations.....	\$ 0.08		\$ 0.11	\$ 0.25		\$ 0.17
Basic and diluted earnings per ADS from continuing operations(1).....	\$ 0.32		\$ 0.46	\$ 0.99		\$ 0.67
Basic and diluted weighted average number of shares outstanding (Note 3(e))...	117,549,237		99,349,237	117,642,887		99,442,887
Basic and diluted weighted average number of ADSs(1).....	29,387,309		24,837,309	29,410,722		24,860,722

(1) Assumes four outstanding ordinary shares are equal to one ADS.

See accompanying notes to Unaudited Pro Forma Financial Statements.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

**UNAUDITED PRO FORMA STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FISCAL YEAR ENDED MARCH 31, 2001**

	FISHER & PAYKEL INDUSTRIES CONTINUING OPERATIONS AS REPORTED	DISCONTINUED APPLIANCES AND FINANCE OPERATIONS (NOTE 2)	PRO FORMA FISHER & PAYKEL HEALTHCARE
	-----	-----	-----
	(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE DATA)		
Operating revenue from continuing operations.....	\$ 403,713	\$319,333	\$ 84,380
Operating expenses from continuing operations.....	346,792	297,335	49,457
	-----	-----	-----
Operating profit from continuing operations before abnormal items.....	56,921	21,998	34,923
Abnormal items.....	(4,459)	(4,459)	--
	-----	-----	-----
Operating profit from continuing operations after abnormal items.....	52,462	17,539	34,923
Interest (Note 3(c)).....	(5,149)	(4,203)	(946)
Foreign currency exchange profit (loss).....	(40,885)	(14,266)	(26,619)
	-----	-----	-----
Profit from continuing operations before taxation.....	6,428	(930)	7,358
Taxation (Note 3(d)).....	(2,917)	194	(3,111)
	-----	-----	-----
Profit from continuing operations after taxation.....	\$ 3,511	\$ (736)	\$ 4,247
	=====	=====	=====
Basic and diluted earnings per share from continuing operations.....	\$ 0.03		\$ 0.04
Basic and diluted earnings per ADS from continuing operations(1).....	\$ 0.12		\$ 0.17
Basic and diluted weighted average number of shares outstanding (Note 3(e)).....	118,111,137		99,911,137
Basic and diluted weighted average number of ADS(1).....	29,527,784		24,977,784

(1) Assumes four outstanding ordinary shares are equal to one ADS.

See accompanying notes to Unaudited Pro Forma Financial Statements.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2001

	FISHER & PAYKEL INDUSTRIES OPERATIONS AS REPORTED	DISCONTINUED APPLIANCES AND FINANCE OPERATIONS (NOTE 2)	FISHER & PAYKEL HEALTHCARE	PRO FORMA ADJUSTMENTS FOR THE REORGANIZATION (NOTE 3)	PRO FORMA FISHER & PAYKEL HEALTHCARE AFTER THE REORGANIZATION
	-----	-----	-----	-----	-----
(IN THOUSANDS OF U.S. DOLLARS)					
ASSETS					
Current assets:					
Cash and bank balances (Note 3(a)).....	\$ 3,093	\$ 1,008	\$ 2,085	\$124,500 (85,400) (30,000)	\$ 11,185
Debtors and prepayments.....	47,456	33,715	13,741		13,741
Finance receivables.....	68,254	68,254	--		--
Inventories.....	65,309	57,946	7,363		7,363
Taxation.....	2,850	(613)	3,463		3,463
Intergroup advances (Note 3(b)).....	--	(83,799)	83,799	(83,799)	--
	-----	-----	-----	-----	-----
Total current assets.....	186,962	76,511	110,451	(74,699)	35,752
Long-term assets:					
Fixed assets.....	145,092	121,350	23,742		23,742
Employee share ownership plans loans.....	4,554	--	4,554		4,554
Other assets.....	380	380	--		--
Goodwill on consolidation.....	1,191	--	1,191		1,191
Finance receivables.....	41,014	41,014	--		--
Deferred taxation.....	5,066	4,913	153		153
	-----	-----	-----	-----	-----
Total assets.....	\$384,259	\$244,168	\$140,091	\$(74,699)	\$ 65,392
	=====	=====	=====	=====	=====
LIABILITIES					
Current liabilities:					
Bank overdrafts.....	\$ 1,398	\$ 847	\$ 551		\$ 551
Call borrowings.....	1,008	1,008	--		--
Trade creditors.....	19,238	15,815	3,423		3,423
Provisions.....	28,387	17,203	11,184		11,184
Finance borrowings.....	70,296	70,296	--		--
Term borrowings, current portion.....	5,748	2,839	2,909		2,909
Taxation.....	2,127	(3,134)	5,261		5,261
Other liabilities.....	15,533	13,593	1,940		1,940
	-----	-----	-----	-----	-----
Total current liabilities.....	143,735	118,467	25,268		25,268
Long-term liabilities:					
Term borrowings (Note 3(a)).....	44,208	43,522	686		686
Finance borrowings.....	29,630	29,630	--		--
Provisions.....	12,742	4,607	8,135		8,135
	-----	-----	-----	-----	-----
Total liabilities.....	230,315	196,226	34,089		34,089
	-----	-----	-----	-----	-----
Total shareholders' equity.....	153,944	47,942	106,002	124,500 (85,400) (83,799) (30,000)	31,303
	-----	-----	-----	-----	-----
Total liabilities and shareholders' equity.....	\$384,259	\$244,168	\$140,091	\$(74,699)	\$ 65,392
	=====	=====	=====	=====	=====

See accompanying notes to Unaudited Pro Forma Financial Statements.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
UNAUDITED PRO FORMA FINANCIAL STATEMENTS
NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The unaudited pro forma financial statements have been prepared in accordance with generally accepted accounting principles in New Zealand, or NZ GAAP, and are presented in U.S. dollars. NZ GAAP differs in some respects from U.S. GAAP, as they relate to us. For a description of the differences between NZ GAAP and U.S. GAAP and the related effect on the unaudited pro forma financial statements, see note 4 below.

2. REORGANIZATION

Pursuant to the reorganization, Fisher & Paykel Industries will transfer its appliances and finance businesses to a wholly-owned subsidiary of Fisher & Paykel Appliances, which is a wholly-owned subsidiary of Fisher & Paykel Industries. As a result of the reorganization, the healthcare business will be Fisher & Paykel Industries' only remaining business, and it will change its name to Fisher & Paykel Healthcare Corporation Limited. The pro forma statement of financial position as of March 31, 2001 and the pro forma statements of financial performance for the years ended March 31, 1999, 2000 and 2001 include adjustments to reflect the assets, liabilities and results of operations of the appliances and finance businesses as discontinued operations.

The discontinued appliances and finance businesses reflect the direct third party borrowings, term debt and related funding costs of these businesses. The pro forma statement of financial position and pro forma statements of financial performance of the continuing healthcare business reflect the borrowings, term debt and related funding costs of the healthcare business. All term borrowings and related interest were directly attributable to either the healthcare business or to the discontinued operations.

3. PRO FORMA ADJUSTMENTS

(a) Cash, Term Debt and Equity

To effect the reorganization, Fisher & Paykel Appliances will acquire 55.6 million or 47.1% of the outstanding ordinary shares of Fisher & Paykel Industries from existing shareholders in exchange for a combination of ordinary shares of Fisher & Paykel Appliances and cash. The exchange will be made on a pro rata basis. Approximately 18.2 million of the Fisher & Paykel Industries ordinary shares acquired by Fisher & Paykel Appliances in the exchange will be repurchased by Fisher & Paykel Industries for cash of \$85.4 million. The 18.2 million repurchased ordinary shares of Fisher & Paykel Industries will then be canceled. Fisher & Paykel Industries will transfer the assets and liabilities of the appliances and finance businesses to Fisher & Paykel Appliances for \$124.5 million in cash. At the completion of these transactions, but prior to the offering, the existing Fisher & Paykel Industries shareholders will own directly 100% of the ordinary shares of Fisher & Paykel Appliances and 63% of Fisher & Paykel Industries Limited and, through Fisher & Paykel Appliances, indirectly own the remaining 37% of Fisher & Paykel Industries.

Under NZ GAAP, these transactions, together with adjustment (b) below, are accounted for at an amount equal to the consideration received resulting in an estimated one time net loss of \$7.2 million which has not been included in the pro forma statement of financial performance for the year ended March 31, 2001 because non-recurring items are excluded in preparing pro forma financial statements pursuant to the requirements of Article 11 of Regulation S-X. Under U.S. GAAP, the above transactions are accounted for at book value since the exchange

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

**UNAUDITED PRO FORMA FINANCIAL STATEMENTS
NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS – (CONTINUED)**

and the transfer of the assets and liabilities of the appliances and finance businesses occurred between Fisher & Paykel Industries and its existing shareholders, on a pro rata basis, and Fisher & Paykel Appliances, an entity under common control, respectively. Under U.S. GAAP the difference between the amounts received and the amount transferred at book value of \$7.2 million is recorded against shareholders' equity. Accordingly, the \$7.2 million net loss to be recorded under NZ GAAP at the time the reorganization occurs will be reversed for U.S. GAAP purposes.

Upon completion of these transactions, Fisher & Paykel Appliances will sell in this offering 17.6 million ordinary shares, or approximately 18% of Fisher & Paykel Industries, in the form of ADSs. The offering will not have an impact on the financial statements of Fisher & Paykel Healthcare Corporation Limited unless the underwriters exercise their over-allotment option.

As a result of the reorganization, we will receive net proceeds of approximately \$39.1 million. The net proceeds will be generated as follows:

	(IN THOUSANDS OF U.S. DOLLARS)

Cash to be received from the transfer of the appliances and finance businesses to Fisher & Paykel Appliances.....	\$124,500
Cash to be used to repurchase 18.2 million ordinary shares of Fisher & Paykel Industries from Fisher & Paykel Appliances.....	(85,400)

Net proceeds.....	\$ 39,100
	=====

(b) Intergroup Advances

The advances made to the appliances and finance businesses by Fisher & Paykel Industries will not be paid and will be recognized in earnings together with the gain on the transfer of the appliances and finance businesses in adjustment (a) above. Under U.S. GAAP, the advances will be reversed against shareholders' equity.

(c) Interest

The pro forma statement of financial performance for the year ended March 31, 2001 does not reflect an after tax adjustment of \$471 to remove the interest expense relating to term borrowings made during the year ended March 31, 2000 that, if the reorganization had occurred as of April 1, 2000, would have been funded with cash received from the reorganization.

This adjustment does not impact the pro forma balance sheet as of March 31, 2001, since these term borrowings were repaid during the year.

(d) Taxation

Taxation has been determined on a separate return basis.

(e) Earnings Per Share

As a result of the reorganization, Fisher & Paykel Industries will repurchase approximately 18.2 million of its ordinary shares. For the purposes of calculating pro forma earnings per share,

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

**UNAUDITED PRO FORMA FINANCIAL STATEMENTS
NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS – (CONTINUED)**

the reduction in the outstanding ordinary shares has been reflected as if the share repurchase had occurred as of the beginning of the earliest period presented. The pro forma basic and diluted weighted average number of shares outstanding does not include the exercise of the underwriters' over-allotment option.

(f) Stock Option Plan

Fisher & Paykel Industries intends to establish the 2001 Share Option Plan, effective prior to the reorganization and this offering, for selected executives, managers and other selected employees working in the healthcare business. Immediately prior to this offering, it is expected that options to purchase up to 1,600,000 ordinary shares under the plan will be granted to employees of the healthcare business at an exercise price per ordinary share equal to the New Zealand dollar per share equivalent of the initial public offering price of the ADSs. The issuance of the options does not impact the calculation of pro forma diluted earnings per share for the years ended March 31, 1999, 2000 and 2001 since the exercise price of the options is equal to the New Zealand dollar per share equivalent of the initial public offering price of the ADSs.

(g) Dividends

The pro forma statement of financial position as of March 31, 2001 includes an adjustment to reduce cash and bank balances and shareholders' equity by \$30.0 million equal to the aggregate June 2001 dividend of \$8.6 million, the September 2001 interim dividend of \$9.5 million and the special dividend of \$11.9 million.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

UNAUDITED PRO FORMA FINANCIAL STATEMENTS NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS – (CONTINUED)

4. U.S. GAAP RECONCILIATION

The unaudited pro forma financial statements have been prepared in accordance with NZ GAAP. NZ GAAP differs in certain respects from U.S. GAAP, as they relate to Fisher & Paykel Industries. These differences, and the approximate effect of the adjustments necessary to present our unaudited pro forma total shareholders' equity and unaudited pro forma profit from continuing operations after taxation in accordance with U.S. GAAP as of March 31, 2000 and 2001 and for the years ended March 31, 2000 and 2001, are detailed below.

EARNINGS

	YEAR ENDED MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE DATA)	
Pro forma profit from continuing operations in accordance with NZ GAAP.....	\$ 16,764	\$ 4,247
U.S. GAAP adjustments:		
(a) Stock compensation.....	(23)	(35)
(b) Capitalization and amortization of interest relating to fixed assets.....	471	(18)
(c) Pension benefit.....	86	14
(d) Unrealized (loss) gain on foreign currency instruments.....	(3,478)	2,467
(e) Deferred income tax.....	961	(813)
Total U.S. GAAP adjustments on continuing operations.....	(1,983)	1,615
Pro forma profit from continuing operations in accordance with U.S. GAAP.....	\$ 14,781	\$ 5,862
Pro forma basic and diluted earnings per share from continuing operations in accordance with U.S. GAAP..	\$ 0.15	\$ 0.06
Pro forma basic and diluted earnings per ADS from continuing operations in accordance with U.S. GAAP(1).....	\$ 0.59	\$ 0.23
Pro forma basic and diluted weighted average number of shares outstanding.....	99,442,887	99,911,137
Pro forma basic and diluted weighted average number of ADSs(1).....	24,860,722	24,977,784

(1) Assumes four outstanding ordinary shares are equal to one ADS.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

UNAUDITED PRO FORMA FINANCIAL STATEMENTS NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS – (CONTINUED)

EQUITY

	AS OF MARCH 31, 2001 ----- (IN THOUSANDS OF U.S. DOLLARS)
Pro forma shareholders' equity in accordance with NZ GAAP...	\$31,303
U.S. GAAP adjustments:	
(b) Capitalization of interest relating to fixed assets...	537
(c) Prepaid pension expense.....	573
(d) Unrealized loss of foreign currency instruments.....	(425)
(e) Deferred income taxes.....	(226)
(f) Employee share ownership plan loans.....	(4,554)

Total U.S. GAAP adjustments.....	(4,095)
Cumulative translation adjustment on U.S. GAAP adjustments.....	108

Pro forma shareholders' equity in accordance with U.S. GAAP.....	\$27,316 =====

(a) Stock Compensation

Fisher & Paykel Industries issues shares to employees and executives under its employee share ownership plans. These shares are granted at a discount to market value and vest over either a three or eight year period. Fisher & Paykel Industries has elected to account for the plans in accordance with APB 25 "Accounting for Stock Issued to Employees" (APB 25) for U.S. GAAP purposes. Under APB 25, the discount on the shares awarded to employees should be recognized as compensation over the period to which the employees' service relates. Compensation cost is measured as the difference between the market price of the stock at the grant date and the price paid by the employee. Under NZ GAAP, no compensation costs are recognized in the financial statements for shares granted to employees. The reconciliations include adjustments to recognize compensation cost over the vesting periods and to reflect the unearned compensation cost as a reduction of shareholders' equity for the employees of the healthcare business.

(b) Capitalization and Amortization of Interest Relating to Fixed Assets

Under U.S. GAAP, interest costs are capitalized as part of the cost of acquiring an asset over the period required to prepare the asset for its intended use. Through March 31, 2000 Fisher & Paykel Industries did not capitalize interest costs to fixed assets for NZ GAAP purposes. Effective April 1, 2000, Fisher & Paykel Industries changed its accounting policy to capitalize interest on self-constructed assets. The reconciliations include adjustments to reflect the capitalization of interest on fixed assets for periods prior to April 1, 2000 and the amortization of such capitalized interest.

(c) Pension

Under NZ GAAP, pension expense is recognized at the time contributions are made to the pension plan. Under U.S. GAAP, SFAS 87 "Employers' Accounting for Pensions" requires pension expense to be recognized on an accrual basis over the service period of the employees. Pension expense is determined using actuarial assumptions and includes service costs, interest costs and expected return on plan assets. The difference between the cumulative pension expense recognized in prior periods and the contributions made by Fisher & Paykel Industries is

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

UNAUDITED PRO FORMA FINANCIAL STATEMENTS NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS – (CONTINUED)

reflected as either a prepaid asset or liability in the statement of financial position. For U.S. GAAP purposes, the company adopted the provisions of SFAS 87 effective April 1, 1999, the beginning of the first period for which U.S. GAAP financial information has been presented. It was not feasible for Fisher & Paykel Industries to adopt SFAS 87 at April 1, 1989, the standard's effective date for Fisher & Paykel Industries. On April 1, 1999, the company recognized a transition asset of \$0.9 million with a corresponding adjustment to shareholders' equity. The remaining unrecognized transition asset will be recognized during the next five years. The reconciliations include adjustments to reflect the prepaid pension assets, to recognize pension benefits in earnings in accordance with U.S. GAAP and to reverse the pension expense recorded under NZ GAAP.

(d) Forward and Participating Forward Foreign Currency Contracts

The healthcare business has entered into forward and participating forward foreign currency contracts to manage foreign currency risk on a portion of its anticipated, but not firmly committed, foreign currency sales and purchases over the next two years.

A forward foreign currency contract is an agreement to sell or purchase a foreign currency at a set price in the future. A participating forward foreign currency contract is a combination of a purchased option and a written option for different amounts of a foreign currency at the same strike price and option premiums.

Under NZ GAAP, realized and unrealized gains and losses on forward and participating forward foreign currency contracts that are effective as hedges of anticipated, but not firmly committed transactions, are deferred and included in the measurement of the subsequent transaction. On March 31, 2001, the healthcare business discontinued the use of hedge accounting and marked to market through the statement of financial performance its forward and participating forward foreign currency contracts resulting in the recognition of a net unrealized loss of \$20.7 million. All realized gains and losses were previously recognized with the underlying transactions.

Under U.S. GAAP, the deferral of realized or unrealized gains and losses arising from forward and participating forward foreign currency contracts, used to hedge anticipated, but not firmly committed, foreign currency transactions is not permitted. Realized and unrealized gains and losses are recognized in earnings. Gains and losses on speculative forward foreign currency contracts are computed by multiplying the currency amount of the forward contract by the difference between the forward rate at the statement of financial position date and the forward rate at the date of inception of the contract or the forward rate last used to measure a gain or loss. Unrealized gains and losses on speculative participating forward contracts are recognized based on the market value of the purchased and written options. Realized gains and losses are recorded at the settlement amount.

The U.S. GAAP reconciliation of pro forma profit from continuing operations for the year ended March 31, 2000, includes an adjustment to recognize unrealized losses of \$3.5 million on the forward and participating forward foreign currency contracts. The U.S. GAAP reconciliations of pro forma profit from continuing operations and pro forma shareholders' equity as of and for the year ended March 31, 2001, include adjustments for the difference between the change in the net unrealized loss on the forward and participating forward foreign currency contracts during the year under U.S. GAAP and the unrealized loss of \$20.7 million recognized during the year under NZ GAAP.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

**UNAUDITED PRO FORMA FINANCIAL STATEMENTS
NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS – (CONTINUED)**

(e) Deferred Income Taxes

Under Fisher & Paykel Industries' accounting policies, tax assets, to the extent they exceed related deferred tax liabilities, are not recognized unless recovery is considered certain and expected. This criteria is more stringent than SFAS 109 "Accounting for Income Taxes." Other than the tax impact of the GAAP differences noted, there are no other adjustments for income taxes included in the reconciliations of unaudited pro forma group profit and unaudited pro forma shareholders' equity.

(f) Employee Share Ownership Plans' Loans

Under NZ GAAP, loans to employees and executives to purchase shares under the employee share ownership plans are recorded as assets in the statement of financial position. Under U.S. GAAP, loans provided to purchase a company's own shares are recorded as part of shareholders' equity. The reconciliations include adjustments to reclassify the loans to shareholders' equity.

(g) Stock Option Plan

Under U.S. GAAP, the options to be granted to senior management and other employees prior to the offering, at an exercise price per ordinary share equal to the New Zealand dollar per share equivalent of the initial public offering price of the ADSs, would be accounted for as a variable plan since the exercise price of the options is not fixed as of the grant date. The options would be accounted for as a fixed plan after the closing of the offering. The pro forma reconciliation to U.S. GAAP does not include an adjustment for compensation expense as the adjustment would be non-recurring.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF UNAUDITED PRO FORMA FINANCIAL POSITION AND FINANCIAL PERFORMANCE

The following discussion and analysis of the financial position and financial performance of the healthcare business of Fisher & Paykel Industries on a pro forma basis should be read in conjunction with the unaudited pro forma financial statements included in this prospectus. This discussion and analysis contains forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results may differ materially from the results described in or implied by the forward-looking statements contained in this prospectus as a result of many factors, including those described under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We design, manufacture and market in over 90 countries heated humidification products and systems for use in respiratory care and the treatment of obstructive sleep apnea, as well as patient warming and neonatal care products. We began manufacturing heated humidification products over 30 years ago. Sales of respiratory humidification products represented approximately 53% of our pro forma operating revenue for the fiscal year ended March 31, 2001. Sales of continuous positive airway pressure, or CPAP, products for the obstructive sleep apnea market, which we entered in 1992, represented approximately 33% of our pro forma operating revenue for the fiscal year ended March 31, 2001. Sales of consumable products, including chambers, breathing circuits and accessories, accounted for over 40% of our pro forma operating revenue for the fiscal year ended March 31, 2001. Our pro forma operating revenue from respiratory humidification, CPAP and patient warming and neonatal care products has grown at a compound annual growth rate of approximately 22% from March 31, 1999 to March 31, 2001, as we have introduced new products and the markets for these products have expanded. Our pro forma operating profit and operating margin have steadily increased over the past three years, from \$19.0 million and approximately 30%, respectively, for the fiscal year ended March 31, 1999 to \$34.9 million and approximately 41%, respectively, for the fiscal year ended March 31, 2001.

In addition to the healthcare business, the historical consolidated financial statements of Fisher & Paykel Industries contained in this prospectus include the assets and liabilities and financial performance associated with the appliances and finance businesses of Fisher & Paykel Industries, which, after the reorganization, will be reflected in the financial statements of Fisher & Paykel Healthcare as discontinued operations. Accordingly, the information contained in the sections "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Historical Financial Position and Financial Performance" included in Appendix A to this prospectus reflect the pre-reorganization company as a whole and are not indicative of the assets and liabilities and financial performance of Fisher & Paykel Healthcare as a stand-alone entity. As a result, the historical consolidated financial statements of Fisher & Paykel Industries included in Appendix A to this prospectus should not be used as a basis for evaluating our past financial performance or forecasting our future financial performance.

The following discussion is based upon the unaudited pro forma financial statements of Fisher & Paykel Healthcare included in this prospectus, which have been prepared in accordance with generally accepted accounting practices in New Zealand and are denominated in U.S. dollars. See note 30 to "Consolidated Financial Statements of Fisher & Paykel Industries Limited" included in Appendix A to this prospectus for an explanation of the differences between generally accepted accounting practices in New Zealand and U.S. GAAP. The unaudited pro forma statements of financial performance for the fiscal years ended March 31, 1999, 2000 and 2001 reflect the appliances and finance businesses as discontinued operations. The unaudited pro forma statement of financial position as of March 31, 2001 reflects the appliances and finance businesses as discontinued operations and gives pro forma

effect to the reorganization of Fisher & Paykel Industries as if the reorganization had occurred on March 31, 2001.

CURRENCY TRANSLATIONS AND HEDGING

Our reported financial performance may be affected by the impact of currency translations, which may make it difficult for you to discern the underlying results of or trends in our business. We incur almost half of our operating expenses in NZ dollars. We sell our products in a variety of currencies, predominantly the U.S. dollar and the euro. Since our unaudited pro forma financial statements have been denominated in U.S. dollars, fluctuations in the value of the U.S. dollar relative to the NZ dollar and the other currencies in which we do business will affect the reported amount of expenses incurred and sales invoiced in other currencies. For example, if an expense we incurred in NZ dollars were to increase by 5% during a period when the NZ dollar depreciated by 7% relative to the U.S. dollar, as a result of the translation of NZ dollar expenses into U.S. dollars for financial statement reporting purposes, we would report a decline in these expenses. Accordingly, our financial performance from period to period must be analyzed in light of any fluctuations in the relative values of the principal currencies in which we do business.

Approximately 60%, 59% and 65% of our pro forma operating revenue in the fiscal years ended March 31, 1999, 2000 and 2001, respectively, was denominated in U.S. dollars. We make a significant proportion of U.S. dollar sales to customers outside the U.S. Other significant currencies in which we invoice customers include the euro and the British pound, each of which has represented approximately 10% of our operating revenue over the past three fiscal years.

As a result of the effect of currency translations in preparing U.S. dollar denominated financial statements, sales in markets where our products are not invoiced in U.S. dollars were deflated due to the appreciation of the U.S. dollar compared to the other currencies in which we do business. We estimate that the reduction in our pro forma operating revenue due to these currency effects in the fiscal year ended March 31, 2001 was approximately \$4.0 million after recalculating operating revenue for that fiscal year on the basis of exchange rates prevailing during the fiscal year ended March 31, 2000. Currency translations did not have a material effect on our pro forma operating revenue in the fiscal year ended March 31, 2000 compared to the prior year.

Fisher & Paykel Industries has regularly entered into foreign currency exchange instruments to hedge against foreign currency fluctuations that would adversely affect its financial performance due to the substantial amount of foreign currency revenues generated by both the appliances and healthcare businesses. Due to the significant decline in the value of the NZ dollar relative to the U.S. dollar during the fiscal year ended March 31, 2001, Fisher & Paykel Industries incurred realized and unrealized losses of \$40.9 million with respect to these foreign currency exchange instruments, of which \$26.6 million related to our business. At March 31, 2001, we had total obligations to deliver US\$94.0 million under these foreign currency exchange instruments, which expire at various times between March 31, 2001 and December 2002. The obligations under these instruments have generally been matched with our forecast U.S. dollar receipts in New Zealand. We estimate that by November 2002 we will have delivered all the U.S. dollars required under these instruments. The following table sets forth our estimate of the balance of our obligations under these instruments at six month intervals from March 31, 2001 to March 31, 2003 and the remaining provision for unrealized loss under these instruments based on the exchange rate at March 31, 2001. The table also sets forth our estimate of the effects on our earnings of hypothetical two cent movements in the U.S. dollar exchange rate against the NZ dollar from NZ\$1.00 = US\$0.403, the exchange rate at which we marked these instruments to market and provisioned losses.

REMAINING BALANCE AS OF					
	MARCH 31, 2001	SEPTEMBER 30, 2001	MARCH 31, 2002	SEPTEMBER 30, 2002	MARCH 31, 2003
(IN MILLIONS OF U.S. DOLLARS)					
U.S. foreign exchange instruments.....	94.0	66.5	39.9	10.9	0.0
Provision for unrealized loss on foreign currency instruments.....	19.1	13.5	8.1	2.2	0.0

INCREASE (DECREASE) IN PROVISION AS OF					
US\$ PER NZ\$ EXCHANGE RATE	MARCH 31, 2001	SEPTEMBER 30, 2001	MARCH 31, 2002	SEPTEMBER 30, 2002	MARCH 31, 2003
(IN MILLIONS OF U.S. DOLLARS)					
0.323	18.5	13.1	7.9	2.1	0.0
0.343	13.9	9.8	5.9	1.6	0.0
0.363	9.2	6.5	3.9	1.1	0.0
0.383	4.5	3.2	1.9	0.5	0.0
0.403	0.0	0.0	0.0	0.0	0.0
0.423	(4.8)	(3.4)	(2.0)	(0.6)	0.0
0.443	(9.5)	(6.7)	(4.0)	(1.1)	0.0
0.463	(14.2)	(10.0)	(6.0)	(1.6)	0.0
0.483	(18.8)	(13.3)	(8.0)	(2.2)	0.0

Any change in the value of the NZ dollar against the U.S. dollar which results in an increase or decrease in the provision will also result in an opposite change in the reported amount of our NZ dollar denominated revenues and expenses, which change may be more or less than the increase or decrease in the provision.

As a result of the adverse impact of these hedging arrangements, the board of directors of Fisher & Paykel Industries recently adopted a new hedging policy designed to avoid future losses of the magnitude incurred during the fiscal year ended March 31, 2001. Under this new hedging policy, we only plan to enter into forward foreign currency exchange contracts that expire within one year or less from the date on which they were executed and for amounts that approximate our anticipated net foreign currency exposure. With respect to periods beyond one year, we plan only to buy appropriate foreign currency exchange options which we have no obligation to exercise.

GEOGRAPHIC DATA

Our products are sold in over 90 countries worldwide. The following table sets forth pro forma operating revenue from continuing operations for each of our primary geographic markets for the fiscal years ended March 31, 1999, 2000 and 2001:

FISCAL YEAR ENDED MARCH 31,			
	1999	2000	2001
(IN MILLIONS OF U.S. DOLLARS)			
North America.....	\$21.7	\$29.4	\$37.9
Europe.....	18.0	21.2	23.7
Asia Pacific.....	20.1	21.3	19.5
Other.....	2.6	2.7	3.3
Total.....	\$62.4	\$74.6	\$84.4
	=====	=====	=====

PRO FORMA FINANCIAL PERFORMANCE

The following table sets forth supplemental financial data relating to our pro forma operating revenue and operating expenses from continuing operations for the fiscal years ended March 31, 1999, 2000 and 2001:

	FISCAL YEAR ENDED MARCH 31,		
	1999	2000	2001
	(IN MILLIONS OF U.S. DOLLARS, EXCEPT PERCENTAGES)		
Operating revenue.....	\$62.4	\$74.6	\$84.4
Operating expenses:			
Cost of sales.....	22.2	25.3	25.3
Research and development expenses.....	2.9	3.5	3.8
Selling, general and administrative expenses.....	18.3	19.9	20.4
Total operating expenses.....	43.4	48.7	49.5
Operating profit.....	\$19.0	\$25.9	\$34.9
Operating margin.....	30%	35%	41%
Gross profit.....	\$40.2	\$49.3	\$59.1
Gross margin.....	64%	66%	70%

YEAR ENDED MARCH 31, 2001 COMPARED TO YEAR ENDED MARCH 31, 2000

Operating Revenue from Continuing Operations

Operating revenue from continuing operations consists of revenue from sales of our respiratory humidification, CPAP and patient warming and neonatal care products, as well as sales of distributed products. Our pro forma operating revenue from continuing operations increased by approximately 13% to \$84.4 million for the fiscal year ended March 31, 2001 from \$74.6 million for the fiscal year ended March 31, 2000. The increase was principally due to a significant increase in sales volume of our CPAP products and, to a lesser extent, an increase in sales volume of our respiratory humidification products. It also reflects a shift in our product mix toward higher priced products across all product groups.

The following table sets forth our sales by product group for the fiscal years ended March 31, 2000 and 2001:

	FISCAL YEAR ENDED MARCH 31,		
	2000	2001	PERCENTAGE VARIATION
	(IN MILLIONS OF U.S. DOLLARS)		
PRODUCT GROUP:			
Respiratory humidification products.....	\$40.3	\$44.7	+11%
CPAP products.....	19.8	27.8	+40%
Patient warming and neonatal care products....	3.2	4.4	+38%
Sub-total.....	\$63.3	\$76.9	+21%
Mobility products.....	2.4	0.5	-79%
Distributed products.....	8.9	7.0	-21%
Total.....	\$74.6	\$84.4	+13%

Sales of respiratory humidification products increased by approximately 11% in the fiscal year ended March 31, 2001 from sales in the prior year. We estimate that excluding the effects of currency translations, sales of respiratory humidification products increased by approximately

18% in the fiscal year ended March 31, 2001. We attribute the increase in part to an increase in sales of our MR850 humidifier system, which was available for a full fiscal year in our major markets, and to the introduction of our expanded range of breathing circuits.

Sales of CPAP products increased by approximately 40% in the fiscal year ended March 31, 2001 from sales in the prior year. We estimate that excluding the effects of currency translations, sales of CPAP products increased by approximately 43% in the fiscal year ended March 31, 2001. Growth in sales of our HC200 series integrated flow generator-humidifier accounted for more than 60% of the total CPAP product group sales growth. We attribute the increase in sales of CPAP products in part to increasing market awareness of the benefits of humidification in combination with CPAP therapy in the treatment of obstructive sleep apnea.

Sales of patient warming and neonatal care products increased by approximately 38% in the fiscal year ended March 31, 2001 from sales in the prior year. We estimate that excluding the effects of currency translations, sales of patient warming and neonatal care products increased by approximately 47% in the fiscal year ended March 31, 2001. This increase was due primarily to our strengthened distribution capabilities in key markets.

In March 2000, we sold our mobility scooter business. The sale had no material effect on our operating profit.

Sales of distributed products decreased by approximately 21% in the fiscal year ended March 31, 2001 from sales in the prior year primarily because we decided to cease distributing a number of these products. We estimate that excluding the effects of currency translations, sales of distributed products decreased by approximately 6% in the fiscal year ended March 31, 2001. In addition, we have given notice of termination, effective as of December 9, 2001, of a distribution relationship that accounted for approximately \$2.9 million of our operating revenue in the fiscal year ended March 31, 2001, due to the failure to agree on mutually acceptable terms with the manufacturer.

Operating Expenses from Continuing Operations

Operating expenses consist of cost of sales, research and development expenses and selling, general and administrative expenses. Pro forma operating expenses from continuing operations increased by approximately 2% to \$49.5 million for the fiscal year ended March 31, 2001 from \$48.7 million for the fiscal year ended March 31, 2000. Pro forma operating expenses as a percentage of sales decreased to approximately 59% in the fiscal year ended March 31, 2001 compared to approximately 65% in the prior year. We estimate that excluding the effects of currency translations, pro forma operating expenses increased by approximately 18% in the fiscal year ended March 31, 2001.

Cost of sales and gross profit. Our cost of sales consists of manufacturing costs, primarily raw materials and labor, costs of distributed products, an allocation of the overhead costs of our New Zealand facility and freight costs. Cost of sales remained constant for the fiscal year ended March 31, 2001 at \$25.3 million. We estimate that excluding the effects of currency translations, cost of sales increased by approximately 17% in the fiscal year ended March 31, 2001.

We define gross profit as our operating revenue from continuing operations minus our costs of sales. Our gross profit increased to \$59.1 million, or approximately 70% of sales, in the fiscal year ended March 31, 2001 from \$49.3 million, or approximately 66% of sales, in the fiscal year ended March 31, 2000. Gross margin increased due in part to the positive effect of currency translation on our New Zealand-based manufacturing costs as a result of the strengthening of the U.S. dollar against the NZ dollar, an increase in the proportion of direct sales, which increases the average price we receive for our products, as well as a reduction in sales of other manufacturers' products we distribute, on which we have a lower gross margin.

Research and development expenses. Our research and development expenses consist primarily of personnel costs, an allocation of the overhead costs of our New Zealand facility, costs of materials and clinical study costs. Our research and development activities are primarily conducted in New Zealand.

Research and development expenses increased by approximately 9% to \$3.8 million in the fiscal year ended March 31, 2001 from \$3.5 million in the fiscal year ended March 31, 2000. We estimate that excluding the effects of currency translations, research and development expenses increased by approximately 30% in the fiscal year ended March 31, 2001. The increase was attributable to increases in research and development personnel in connection with the expansion of our product development activities for our respiratory humidification, CPAP and patient warming and neonatal care product groups. Research and development expenses represented approximately 5% of operating revenue for these product groups for the fiscal year ended March 31, 2001.

We expect research and development expenses to continue to grow as we broaden our product range and the application of our products.

Selling, general and administrative expenses. Our selling, general and administrative expenses consist primarily of payroll and benefits for sales and marketing and administrative personnel, travel expenses, marketing and promotional material, facilities expenses, depreciation and general administrative expenses.

Selling, general and administrative expenses increased by approximately 3% to \$20.4 million in the fiscal year ended March 31, 2001 from \$19.9 million in the fiscal year ended March 31, 2000. Approximately 62% of our selling, general and administrative expenses were denominated in currencies which depreciated relative to the U.S. dollar during the fiscal year ended March 31, 2001. We estimate that excluding the effects of currency translations, selling, general and administrative expenses increased by approximately 14% in the fiscal year ended March 31, 2001. This increase was primarily attributable to an increase in personnel and related expenses to support our growth.

Operating Profit

Pro forma operating profit from continuing operations after abnormal items increased by approximately 35% to \$34.9 million in the fiscal year ended March 31, 2001 from \$25.9 million in the fiscal year ended March 31, 2000.

Foreign Currency Exchange Profit (Loss)

Foreign currency exchange profit (loss) consists of net foreign exchange movements on all foreign currency instruments. We incurred a pro forma foreign currency loss of \$26.6 million in the fiscal year ended March 31, 2001 and a pro forma foreign currency profit of \$0.7 million in the fiscal year ended March 31, 2000.

Because Fisher & Paykel Industries' export sales are denominated in currencies other than the NZ dollar, Fisher & Paykel Industries entered into hedging arrangements intended to reduce the effects of foreign currency fluctuations. During the fiscal year ended March 31, 2001, the NZ dollar depreciated by approximately 19% against the U.S. dollar, resulting in significant exposure under these instruments. As a result of this decline, the healthcare business of Fisher & Paykel Industries incurred a realized loss of \$5.9 million with respect to these hedging arrangements during the fiscal year ended March 31, 2001. In addition, these foreign exchange instruments no longer qualified for treatment as hedging instruments under applicable accounting rules because, due to the significant depreciation in the NZ dollar exchange rate during the year ended March 31, 2001, the foreign currency cash flows from our operations ceased to correlate with our liabilities with respect to the foreign currency exchange

instruments. As a result, the foreign currency exchange instruments were no longer effective as hedges and were revalued as of March 31, 2001 at the then applicable exchange rates. As a result of this revaluation, the healthcare business of Fisher & Paykel Industries recognized an unrealized loss of \$20.7 million on these instruments. We will continue to mark these instruments to market values in future periods and, if the NZ dollar falls below the rate of NZ\$1.00 = US\$0.403, may incur additional losses and be required to increase the provision for unrealized losses under these or other instruments. The noon buying rate in New York City for cable transfers in effect on September 6, 2001 was NZ\$1.00 = US\$0.4355.

As a result of the adverse impact of these hedging arrangements, the board of directors of Fisher & Paykel Industries recently adopted a new hedging policy designed to avoid future losses of the magnitude incurred during the fiscal year ended March 31, 2001. Under this new hedging policy, we only plan to enter into forward foreign currency exchange contracts that expire within one year or less from the date on which they were executed and for amounts that approximate our anticipated net foreign currency exposure. With respect to periods beyond one year, we plan only to buy appropriate foreign currency exchange options which we have no obligation to exercise.

Taxation

Pro forma taxation expense decreased by approximately 66% to \$3.1 million in the fiscal year ended March 31, 2001 from \$9.2 million in the fiscal year ended March 31, 2000. The decrease was primarily attributable to the foreign currency exchange loss recorded in the year ended March 31, 2001.

YEAR ENDED MARCH 31, 2000 COMPARED TO YEAR ENDED MARCH 31, 1999

Operating Revenue from Continuing Operations

Our pro forma operating revenue from continuing operations increased by approximately 20% to \$74.6 million for the fiscal year ended March 31, 2000 from \$62.4 million for the fiscal year ended March 31, 1999. The increase was primarily due to a significant increase in sales volumes, particularly of CPAP products.

The following table sets forth our sales by product group for the fiscal years ended March 31, 1999 and 2000:

	FISCAL YEAR ENDED MARCH 31,		PERCENTAGE VARIATION
	1999	2000	
	(IN MILLIONS OF U.S. DOLLARS)		
PRODUCT GROUP			
Respiratory humidification products.....	\$38.1	\$40.3	+6%
CPAP products.....	11.4	19.8	+74%
Patient warming and neonatal care products....	2.5	3.2	+28%
	----	----	
Sub-total.....	\$52.0	\$63.3	+22%
Mobility products.....	2.1	2.4	+14%
Distributed products.....	8.3	8.9	+7%
	----	----	
Total.....	\$62.4	\$74.6	+20%

Sales of respiratory humidification products increased by approximately 6% in the fiscal year ended March 31, 2000 from sales in the prior year due to continuing strong sales across our product line.

Sales of CPAP products increased by approximately 74% in the fiscal year ended March 31, 2000 from sales in the prior year. The increase was primarily attributable to the launch of our

first integrated flow generator-humidifier, the HC200 series, in the U.S. in April 1999. In addition, sales of our stand-alone humidifier for the OSA market, the HC100, also increased in the fiscal year ended March 31, 2000.

Sales of distributed products increased by approximately 7% in the fiscal year ended March 31, 2000 from sales in the prior year due primarily to increases in sales volume.

Operating Expenses from Continuing Operations

Pro forma operating expenses from continuing operations increased by approximately 12% to \$48.7 million for the fiscal year ended March 31, 2000 from \$43.4 million for the fiscal year ended March 31, 1999. Pro forma operating expenses as a percentage of sales decreased to approximately 65% in the fiscal year ended March 31, 2000 compared to approximately 70% in the prior year.

Cost of sales and gross profit. Cost of sales increased by approximately 14% to \$25.3 million for the fiscal year ended March 31, 2000 from \$22.2 million in the fiscal year ended March 31, 1999.

Our gross profit increased to \$49.3 million, or approximately 66% of sales, in the fiscal year ended March 31, 2000 from \$40.2 million, or approximately 64% of sales, in the fiscal year ended March 31, 1999. Gross margin increased due to a reduction in the proportion of sales of distributed products, on which we have a lower gross margin, the introduction in the U.S. of the HC200 integrated flow generator-humidifier, and an increase in the proportion of direct sales, increasing the average price we receive for our products. These factors were partially offset by an increase in prices of electronic components that we purchased on the spot market as a result of shortages in our regular supply due to increased demand related to Y2K buying.

Research and development expenses. Research and development expenses increased by approximately 21% to \$3.5 million in the fiscal year ended March 31, 2000 from \$2.9 million in the fiscal year ended March 31, 1999. The increase reflected an increase in research and development personnel and other expenses in connection with product improvements and technology development. Research and development expenses represented approximately 6% of operating revenue for our respiratory humidification, CPAP and patient warming and neonatal care product groups for the fiscal year ended March 31, 2000.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by approximately 9% to \$19.9 million in the fiscal year ended March 31, 2000 from \$18.3 million in the fiscal year ended March 31, 1999. The increase was primarily attributable to an increase in personnel and related expenses to support our growth. The abnormal expense incurred in the fiscal year ended March 31, 1999 related to losses on the sale of our previous premises.

Operating Profit

Pro forma operating profit from continuing operations after abnormal items increased by approximately 36% to \$25.9 million in the fiscal year ended March 31, 2000 from \$19.0 million in the fiscal year ended March 31, 1999.

Taxation

Pro forma taxation expense increased by approximately 28% to \$9.2 million in the fiscal year ended March 31, 2000 from \$7.2 million in the fiscal year ended March 31, 1999. The increase in taxation expense was primarily attributable to the increase in our operating profit.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have generated positive operating cash flow after allowing for working capital requirements. We believe that our future cash flows from operations and borrowing capacity will be sufficient to fund our planned capital expenditures and investment, debt maturities and working capital requirements through at least the end of the fiscal year ending March 31, 2003.

Net cash generated by operating activities totalled \$20.1 million for the fiscal year ended March 31, 2001. The amount of cash that we generated was reduced by increases in accounts receivable and inventories, reflecting our growth in sales and lengthening of the collection period, which was partially offset by increases in accounts payable.

To date, our investing activities have consisted mainly of purchases of real property and equipment. Capital expenditures excluding real property totalled \$2.1 million, \$2.1 million and \$3.1 million for the fiscal years ended March 31, 1999, 2000 and 2001, respectively. We have financed our ongoing capital expenditures through normal operating cash flow. Capital expenditures for real property totalled \$2.2 million, \$12.3 million and \$3.3 million for the fiscal years ended March 31, 1999, 2000 and 2001, respectively. Expenditures in relation to the construction of our facility, most of which we incurred in the fiscal year ended March 31, 2000, were funded by cash generated by operations and short-term borrowings. We expect to make capital expenditures in line with our anticipated growth in operations, infrastructure and personnel.

Net cash used in financing activities was \$20.0 million, \$13.8 million and \$14.0 million for the fiscal years ended March 31, 1999, 2000 and 2001, respectively. Traditionally, the most significant outflow has been the payment of dividends. The full dividend paid by Fisher & Paykel Industries, which totalled \$20.3 million, \$29.9 million and \$6.2 million for the fiscal years ended March 31, 1999, 2000, and 2001, respectively, was attributed to us. The reduction in dividends paid in the fiscal year ended March 31, 2001 was the result of moving the final dividend payment to the month of June, whereas in preceding years it was paid in March. In addition, the dividend payments in the fiscal years ended March 31, 1999 and 2000 both included special dividends of NZ\$0.15 per share. The dividends, if any, that we pay following the reorganization and this offering will be determined by our board of directors and may be different, although we currently expect to pay dividends. See "Dividend Policy" elsewhere in this prospectus. These outflows were partially offset by the repayment of employee loans in connection with the employee share purchase schemes.

As of March 31, 2001, we had, prior to giving effect to the reorganization, on a pro forma basis, \$2.1 million in cash and \$4.1 million of borrowings. All our borrowings are held outside New Zealand and are denominated in currencies other than the NZ dollar. The borrowings are held as balance sheet currency hedges for NZ dollar reporting purposes. Prior to the reorganization we have not maintained any lines of credit in New Zealand independent of Fisher & Paykel Industries. We intend to put in place our own credit facilities which will be available from the effective date of the reorganization. The credit facilities will permit us to borrow up to a total of the equivalent of approximately US\$18 million, denominated primarily in NZ dollars and U.S. dollars, and will each be for a term of 12 months, renewable annually. As of the effective date of the reorganization, we expect to have drawn a total of approximately US\$3.6 million under the facilities.

As of March 31, 2001, we had, after giving effect to the reorganization and payments of dividends, on a pro forma basis, \$11.2 million in cash and bank balances. The actual cash balance will also reflect the cash from operations from March 31, 2001 through the closing of the offering.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks associated with changes in foreign currency exchange rates, changes in interest rates and credit risks from customer trade receivables. Management of these risks is regularly reported to the board of directors. When considered appropriate, derivative financial instruments are used to hedge against foreign currency exchange risks and interest rate risks. The financial impact of these derivative instruments is usually offset by corresponding changes in the underlying exposures being hedged. We do not enter into or issue derivative financial instruments for trading purposes.

Foreign Currency Exchange Risks

We are exposed to foreign currency exchange rate risks as a result of our importing and exporting activities and from the activities of our foreign subsidiaries. Our primary functional currency is the NZ dollar. Our reporting currency is the U.S. dollar. As a result, we are exposed to risk from changes in foreign currency exchange rates against the NZ dollar and from changes in the foreign exchange rate between the NZ dollar and the U.S. dollar. We have entered into foreign currency forward exchange contracts and participating forward foreign currency contracts to hedge against current and anticipated future foreign currency trade cash flows. As of March 31, 2001, a hypothetical 10% adverse change in foreign currencies exchange rates against the NZ dollar would have a negative impact of an estimated \$10.1 million on our earnings. In addition, as of March 31, 2001, a hypothetical 10% adverse change in the exchange rate between the NZ dollar and the U.S. dollar would have a negative impact of an estimated \$9.2 million on our operating profit. These amounts are determined by considering the impact of the hypothetical change in foreign currencies on our financial instruments that are exposed to changes in foreign currencies as of March 31, 2001 and the foreign currency forward exchange contracts and participating forward foreign exchange contracts used to hedge our foreign currency exposures.

The substantial depreciation of the NZ dollar against the U.S. dollar during the fiscal year ended March 31, 2001, caused a change in the correlation between our future cash flows and the cash flows from our foreign currency instruments. As a result, the financial instruments no longer qualified for hedge accounting and were marked to market in our financial statements resulting in an unrealized loss of \$20.7 million.

Interest Rate Risks

We are not subject to significant interest rate risks as our borrowings are not significant.

Credit Risks

In the normal course of business, we incur credit risk from the trade debtors, which we manage with our credit policy. We monitor this exposure on a regular basis. Our credit risk from our trade debtors is limited due to the number and broad geographic spread in our trade debtors.

BUSINESS

OVERVIEW

We believe we are the leading designer, manufacturer and marketer of heated humidification products and systems for use in respiratory care and the treatment of obstructive sleep apnea. Our products and systems are sold in over 90 countries worldwide. We sell our products through an international network of distributors and have established our own sales offices in the U.S., the United Kingdom, France, Germany, Australia and New Zealand that sell to hospitals, home healthcare providers, distributors and other manufacturers of medical devices.

We are organized in three product groups: respiratory humidification, obstructive sleep apnea, and patient warming and neonatal care. Our two primary product groups are:

- Respiratory humidification. We offer respiratory humidifiers, single-use and reusable chambers and breathing circuits and accessories that are designed to humidify the gases that a patient receives during mechanical ventilation, oxygen therapy or non-invasive ventilation.

- Obstructive sleep apnea. We offer continuous positive airway pressure, or CPAP, therapy products which are used in the treatment of obstructive sleep apnea to prevent temporary airway closure during sleep. Our products, including our integrated flow generator-humidifiers, are designed to deliver humidified airflow to patients during CPAP therapy.

In addition, we offer patient warming and neonatal care products, including warming products designed to help maintain normal body temperature, and infant resuscitators and CPAP systems designed to improve infant respiratory function.

HUMIDITY

In human respiration, air is inhaled through the nose and mouth, passing through the airways to the lungs. The lungs facilitate the absorption of oxygen from the inhaled air into the bloodstream, and transfer carbon dioxide, a waste product of respiration, back into the air that is then exhaled. Humidity, which is water vapor contained in a gas, is essential to protect delicate airway and lung tissue and to optimize the exchange of gases that occurs in the lungs during respiration. Humidity prevents nasal passages and airways from drying and aids in the functioning of the body's mucociliary transport system, which helps to filter and remove foreign matter from the airways and the lungs.

The amount of humidity a gas can contain is affected by the temperature of the gas. For example, room air of 70 degrees Fahrenheit typically contains less than a quarter of the water vapor normally contained in air in the lungs at the human core body temperature of 98.6 degrees Fahrenheit. At core body temperature, air can hold 44 milligrams of water per liter, which is the level of saturation, and is unable to hold more water vapor without producing condensation. Saturated air at core body temperature is considered optimal for the proper functioning of the respiratory system. To achieve this level of temperature and humidity, the nose and upper airways normally release heat and moisture into inspired air, and recapture heat and moisture from expired air to help condition the next inspired breath.

However, the normal humidifying function of the nose and upper airways may be compromised or bypassed altogether when respiration is assisted. Respiration may be assisted by the use of a ventilator to provide breathing support, the delivery of supplemental oxygen, or in CPAP therapy in the treatment of obstructive sleep apnea. Under these conditions, the body may not be able to humidify the inhaled air to ideal conditions. As a result, nasal passages and airways may become dry, and patients may experience a range of adverse side effects.

Heated humidification improves patient care in the treatment of a variety of medical conditions which interfere with normal respiration. Warming and moistening the gases delivered through ventilation, oxygen therapy and CPAP therapy helps to reproduce the normal functioning of the nose and airways and reduces airway moisture loss and the occurrence of adverse side effects. We have developed a core expertise in heated humidification and have designed and developed products and systems that address many of the side effects caused by a lack of humidification in the treatment of various respiratory conditions.

RESPIRATORY HUMIDIFICATION

We offer a variety of products and systems to provide humidification in the treatment of respiratory conditions which require the use of mechanical ventilation, oxygen therapy or non-invasive ventilation.

Mechanical Ventilation

A patient may require breathing assistance from a mechanical ventilator when the normal functioning of the patient's lungs is impaired by various diseases, severe trauma or premature birth. During mechanical ventilation, a tube from the ventilator is inserted into the patient's trachea to connect the ventilator as directly as possible to the patient's lower airways and lungs. This is referred to as intubation. The U.S. Centers for Disease Control and Prevention reported that over 1.5 million patients required intubation and mechanical ventilation in the U.S. in 1997.

The use of a tracheal tube bypasses the upper respiratory tract where most of the conditioning and filtering of inspired air normally occur and, as a result, the body's ability to warm and humidify inspired air and to filter foreign particles by the operation of the mucociliary transport system is impaired. The gas conditioning functions normally performed by the nose and upper airways are forced to occur lower in the patient's respiratory system, in areas not normally required to supply heat and moisture. Due to the exposure to drier gases, this normally moist and warm area will gradually become cooler and drier. Cilia, or small hair-like protrusions lining the respiratory tract, normally transport contaminants trapped in the mucus out of the respiratory system by their beating action. Under cooler and drier conditions, cilia beat more slowly because the mucus becomes thicker and more difficult to move. As a result, the mucociliary transport system operates less effectively. When this happens, mucus and secretions may begin to pool in the airways and may:

- obstruct airways or the tracheal tube;
- increase the risk of bacterial infection;
- lead to increased resistance to airflow, which increases the effort required to breathe; and
- prevent effective gas exchange in the lungs.

Minimizing the risks associated with a lack of humidity during mechanical ventilation is critical to patient care and to reducing the length of the hospital stay and the cost of treatment. As a result, the use of humidification during mechanical ventilation has become a standard of care. Heated humidifiers and heat and moisture exchangers, or HMEs, are used to provide humidity to gases delivered to mechanically ventilated patients. HMEs operate by capturing some of the moisture from an exhaled breath and then recirculating the moisture during inhalation. However, HMEs have a variety of limitations. HMEs are unable to deliver gases at close to core body temperature and saturation because not all of the expired moisture is captured in the HME and not all of the captured moisture is recirculated to the patient. HMEs also increase the breathing effort required from patients, many of whom are critically ill, and are not recommended for use with some patient groups, including patients who have thick mucus

secretions, require large breath volumes or have a low core body temperature. We believe that, in contrast to HMEs, heated humidifiers can provide the optimal level of humidity to gases delivered to mechanically ventilated patients.

Oxygen Therapy and Non-Invasive Ventilation

Oxygen therapy, in which oxygen is delivered through a facial mask or nasal tubes, is prescribed for patients who require supplemental oxygen as a result of conditions that impair oxygen exchange in the lungs, such as chronic obstructive pulmonary disease. In 1997 over 250,000 patients hospitalized in the U.S. received oxygen therapy, and over 700,000 used oxygen therapy in the home. Non-invasive ventilation, in which the patient is connected to a ventilator by a mask rather than a tracheal tube, is used for patients who have impaired lung function but require less breathing assistance than is provided by mechanical ventilation.

A patient who is prescribed oxygen therapy or non-invasive ventilation may suffer from a variety of side effects as a result of receiving gases at a higher flow or lower humidity than normal. These side effects include drying of the nose, throat and airways, nosebleeds, chest discomfort and headaches. Studies have demonstrated that warming and moistening these gases helps to reduce airway moisture loss and the occurrence of these side effects. Several devices, including cold passover devices and nebulizers, are used to provide some humidity during non-invasive respiratory care. Cold passover devices operate by passing gases over a container of unheated water. However, this method provides only low levels of additional humidity. A nebulizer is a device that converts water into aerosol particles. Nebulizers also have a number of limitations. Nebulized water particles are large enough for bacteria, viruses and other contaminants to adhere to, exposing the patient to an increased risk of infection. In addition, as a result of their relatively large size, the water particles from a nebulizer are not transported deeply enough into the patient's respiratory tract to provide optimal relief from drying of the airways and may condense and lead to excessive water in the airways.

Our Heated Humidification Solution

Heated humidifiers overcome many of the limitations of HMEs, cold passover devices and nebulizers and can provide desired levels of humidity. Heated humidifiers produce water vapor molecules that are too small to transport bacteria, viruses and pathogens. Due to the relatively small size of the water molecules, water vapor is able to penetrate deeply into the respiratory tract, delivering moisture where it is needed in the lower airways. In addition, the use of heated humidification does not require additional breathing effort by the patient.

Due to the physical properties of humidity, however, it is difficult to effectively create, control and deliver gases at optimal temperatures and humidity. For example, variations in the temperature and flow rates of gases passing through the humidifier require constant monitoring and appropriate adjustment of the humidifier to ensure that the desired humidity level is achieved. Once the desired humidity level is created, it is also difficult to deliver the gases several feet from the humidifier to the patient without the gases cooling, resulting in condensation and a loss of humidity.

We manufacture a range of products and systems designed to meet these challenges, including heated humidification devices and complementary single-use and reusable chambers and breathing circuits. Our products overcome many of the limitations of alternative humidification devices, and offer many advanced features and benefits, including the ability to:

- Create optimal humidity. Our products are designed to create the optimal levels of temperature and humidity. In addition, our most advanced products feature proprietary technology to electronically monitor the temperature and flow of gases passing through the humidifier and automatically adjust the heating element to create the desired humidity level.

- Deliver constant humidity. Once the optimal level of humidity is created, our products are designed to deliver a constant level of humidity to the patient's airways. For example, we offer single-use breathing circuits incorporating a patented spiral heated wire designed to maintain a constant gas temperature and level of humidity and reduce condensation in the circuit.

- Reduce caregiver intervention. Our more advanced products are designed to reduce the amount of intervention required by the caregiver by decreasing the need to drain condensation from the circuits and open the chamber to replenish the water supply used to create the humidity. We believe this can reduce the risk of infection, improve patient recovery rates and reduce patient care costs.

OBSTRUCTIVE SLEEP APNEA

Obstructive sleep apnea, or OSA, is a breathing disorder in which a person continuously experiences a cycle of temporary relaxation and partial or total closure of the upper airway during sleep. This total closure of the upper airway, called an apnea, prevents normal breathing and results in either subconscious arousal to lighter levels of sleep or total awakening and can be repeated as many as several hundred times during a night of sleep. These disruptions can greatly impair the quality of sleep, although the person is often not aware of them. The loss of sustained deeper levels of sleep can have several adverse effects on the individual, including excessive daytime sleepiness, reduced cognitive function and work-related difficulties. Studies have also linked OSA to increased occurrences of traffic and workplace accidents. OSA has also been associated with an increased risk of hypertension and may also increase the risk of cardiovascular morbidity and mortality due to angina, stroke and heart attack. OSA is considered to be one of the most common sleep disorders, and is estimated by the U.S. National Institutes of Health to affect approximately 12 million people in the U.S. alone. Despite its prevalence, there is a general lack of awareness about OSA among both the medical community and the general public, which has led to relatively low levels of diagnosis. The American Sleep Apnea Association estimates that 10 million people in the U.S. alone remain untreated for this disorder.

Continuous Positive Airway Pressure Therapy

Continuous positive airway pressure, or CPAP, therapy is generally acknowledged as the most effective and least invasive treatment currently available for OSA. Although not a medical cure for OSA, CPAP therapy assists airway functioning and facilitates more normal sleep patterns. During CPAP therapy, a patient sleeps with a nasal or facial mask connected by a tube to a small portable airflow generator that delivers room air at a predetermined continuous positive pressure. The continuous air pressure acts as a pneumatic splint to keep the patient's upper airway open and unobstructed. As a result, the cycle of apneas which leads to the disruption of sleep and other symptoms that characterize OSA is prevented. Theta Reports, an independent research organization, projected that 500,000 CPAP flow generators will be sold in the U.S. during 2001.

Limitations of CPAP Therapy

The effectiveness of CPAP therapy depends on the patient using the treatment consistently and for a sufficient duration. However, CPAP therapy often produces side effects that make many patients unwilling to use the treatment each night, or for the requisite time each night. When a patient using a nasal mask opens his or her mouth while asleep, the airflow delivered from the CPAP flow generator is likely to be expelled through the mouth, which is the path of least resistance. This occurrence is known as a mouth leak. Mouth leaks contribute to nasal drying because the warm, humid air that normally helps to moisten the nasal passages is now exhaled through the mouth, bypassing the nasal passages. As a result, the nasal passages and

upper airways become increasingly dry and irritated, nasal airway resistance increases and patients frequently complain of a sore, dry nose and throat. In addition, the nasal passages and upper airways are generally exposed to increased airflow during CPAP therapy, which can also cause drying, irritation and discomfort.

Our Heated Humidification Solution

Clinical studies, some of which we have supported with equipment or funding, have demonstrated that heated humidification increases the likelihood that patients will continue with CPAP therapy. One of these studies found that mouth leak resulted in nasal congestion and, accordingly, increased nasal airway resistance, which could largely be prevented by the use of heated humidification. In addition, another of these studies found that more patients abandoned CPAP therapy when it was used without heated humidification than when it was used with heated humidification, and patients on average used CPAP therapy for a longer period each night when it was used with heated humidification.

Despite the benefits of heated humidification, we estimate that most patients who are prescribed CPAP therapy currently do not use heated humidification. We believe that heated humidification is the best available humidification solution for the side effects associated with CPAP therapy and that an increasing proportion of patients will use heated humidification with CPAP therapy in the future as a result of its potential to improve patient comfort and acceptance, and therefore the effectiveness of the treatment.

We have over 30 years of experience in respiratory humidification and have utilized our proprietary technologies and expertise to develop a range of heated humidification devices, systems and complementary products specifically designed for use in CPAP therapy and the treatment of OSA. We believe that our CPAP products and expertise in heated humidification will enable us to take advantage of the opportunity for growth in this market. We provide a range of benefits for the OSA market, including:

- Broad product line. We offer a range of integrated flow generator-humidifiers and heated humidifiers as well as chambers, tubes and masks. Our integrated flow generator-humidifiers do not require assembly, have fewer connections and are lighter and more compact than flow generators manufactured by competitors that offer an optional add-on humidifier. Our heated humidifiers are compatible with most brands of stand-alone flow generators.
- Delivery of controlled humidity. Our patented ambient tracking technology enables our products to electronically monitor variations in room temperature and automatically adjust the heating element to offer controlled humidity with minimal condensation.
- Improved patient comfort. Our CPAP products are designed to improve patient comfort. For example, our recently released Aclaim nasal mask incorporates proprietary comfort-enhancing features including a sliding attachment, hinged forehead rest and soft contoured nose piece and our Oracle oral mask, which rests between the patient's lips and teeth, requires no headgear or straps for attachment.

BUSINESS STRATEGY

Our objective is to utilize our expertise and leading position in heated humidification to improve our market position in the respiratory care, obstructive sleep apnea and related markets. The key elements of our strategy include:

Maintain our focus on research and development. We intend to continue to commit significant resources to our research and development efforts. We have approximately 120 employees, representing nearly 20% of our workforce as of March 31, 2001, principally

engaged in clinical research and product and process development. We believe that continuing to invest in our research and development efforts is critical to our long-term success.

Continue to improve existing product lines. We seek to continue to improve our current product offerings by introducing new features and advancements that enhance the performance of our existing product lines. For example, we developed an advanced version of our breathing circuit, incorporating a patented spiral heated wire, which significantly improves the ability of our systems to deliver gases at a constant temperature and humidity. In addition, we have recently begun to market our next generation CPAP integrated flow generator-humidifiers and CPAP humidifiers that incorporate our patented ambient tracking technologies, which we believe will enable our products to deliver higher humidity levels with reduced condensation.

Develop innovative, complementary product offerings. We intend to continue to develop and introduce new products and systems that will complement our existing product and system offerings and take advantage of our existing market positions, customer bases and distribution channels. For example, we recently expanded our CPAP product range by introducing our first nasal mask. We believe that the Aclaim nasal mask enhances patient comfort with its sliding attachment to reduce air leaks, bias flow silencer to reduce noise and contoured nose piece and hinged forehead rest to improve fit.

Target new medical applications for our technologies. We intend to continue to focus on developing new applications for our heated humidification technologies. We believe that our technologies may be useful in the treatment of a variety of respiratory disorders and other medical conditions. For example, we are investigating the use of heated humidification in the treatment of chronic obstructive pulmonary disease. Recent studies suggest that heated humidification may not only help alleviate the drying effects of oxygen therapy that is often prescribed as a treatment for chronic obstructive pulmonary disease, but may also assist to increase oxygen and decrease carbon dioxide levels in the blood.

Increase our international presence. We intend to expand our international sales efforts by increasing the size of our sales operations and the number of employees who support our customer, distributor and original equipment manufacturer relationships. We believe that our additional sales presence and support for distributors and original equipment manufacturers who sell our products will increase the focus on our products and may result in greater sales. We may also consider possible strategic alliances, acquisitions, business combinations or similar transactions with a view to expanding our international presence and enhancing our product range and competitive position.

PRODUCTS

We are organized in three product groups: respiratory humidification, obstructive sleep apnea, and patient warming and neonatal care.

Respiratory Humidification

Our respiratory care products and systems are designed to produce and deliver optimally humidified gases to patients requiring ventilation or oxygen therapy in both hospitals and the home. Our range of products and systems includes:

- Humidifiers. Heated humidifiers are portable, electronic devices designed to create water vapor through the controlled heating of a heater plate located beneath a chamber containing water. Our humidifiers are designed to supply a constant level of humidity, and our most advanced models feature electronic monitoring and advanced algorithms to facilitate automatic adjustment and avoid unnecessary alarms.
- Chambers. Chambers are removable, plastic water vessels with a metal base, designed to fit on the top of our humidifiers. We manufacture single-use and reusable

chambers in a variety of sizes. Our most advanced chambers include a patented dual-float automatic filling mechanism designed to reduce the risk of contamination associated with manual filling.

- Breathing circuits. Breathing circuits are lightweight, corrugated, plastic tubes which connect the patient to the humidifier and chamber and deliver the humidified gas. We manufacture both single-use and reusable circuits. Our single-use circuits feature a patented spiral heated wire inside the tube which is designed to maintain a constant gas temperature to prevent condensation in the tube, reducing the risk of transporting pathogens and liquid water to the patient.

- Accessories. We also manufacture a wide range of accessories for use with our humidifiers, including mounting brackets, temperature probes, water bag poles, heater wire adapters and other components.

Our principal respiratory care products are:

PRODUCT -----	DESCRIPTION -----	YEAR OF INITIAL RELEASE -----
Mechanical Ventilation		
MR850 Respiratory Humidifier System.....	Integrated clinical humidifier system, featuring electronic monitoring and automatic adjustment, pre-programmed operation, incorporating single-use chambers and heated breathing circuits	1999
MR730 Respiratory Humidifier.....	Clinical humidifier, featuring dual independent heating systems for temperature and humidity control, electronic monitoring and alarms, compatible with a wide range of heated and unheated breathing circuits	1992
HC500 Home Care Respiratory Humidifier....	Humidifier specially designed for home care, with single-dial setting and alarm system, compatible with heated and unheated circuits	1994
Oxygen Therapy and Non-Invasive Ventilation		
MR410 Respiratory Humidifier.....	Clinical humidifier, featuring electronic thermostat and simple controls	1992
Single-Use Products		
MR200 Series Single-Use Chambers.....	Manual and automatic-filling water chambers	1990
RT100 Series Single-Use Breathing Circuits.....	Plastic tubing incorporating patented spiral heated wire technology	1998

Obstructive Sleep Apnea

Our CPAP products are designed to deliver a warm, humidified airflow to patients undergoing CPAP therapy for the treatment of OSA with the objective of increasing patient comfort and acceptance of the treatment. Our products can be used in the home and clinical settings and include:

- CPAP integrated flow generator-humidifiers. Our integrated flow generator-humidifiers are fully integrated electronic devices that are designed to deliver to the patient humidified airflow at a constant level of pressure. Our integrated flow generator-humidifiers do not require assembly, have fewer connections and are lighter and more compact than stand-alone flow generators with a separate humidifier.

- CPAP humidifiers. Our CPAP humidifiers are portable, electronic devices designed to humidify the airflow generated by CPAP flow generators. Our CPAP humidifiers are designed to be used with other manufacturers' stand-alone flow generators.

- Chambers, masks & accessories. We also manufacture specially designed chambers, breathing tubes, masks and attaching headgear.

Our principal CPAP products are:

PRODUCT -----	DESCRIPTION -----	YEAR OF INITIAL RELEASE -----
HC220 Series Integrated Flow Generator-Humidifier.....	Compact integrated unit, featuring patented ambient tracking system, flow measurement technologies and automatic adjustment, warm-up mode and meter for patient compliance monitoring	Expected to be released in 2001
HC200 Series Integrated Flow Generator-Humidifier.....	Compact integrated unit, featuring warm-up mode and hour meter	1999
HC150 CPAP Heated Humidifier.....	Heated humidifier, featuring patented ambient tracking system, electronic temperature monitoring and automatic adjustment, suitable for use with most CPAP flow generators	2001
HC100 CPAP Heated Humidifier.....	Heated humidifier, featuring simple-to-use settings, suitable for use with most CPAP flow generators	1992
900HC105 Starter Kit.....	Cold passover humidifier system, incorporating portable, folding tray for stability, suitable for use with most CPAP flow generators	1993
Aclaim Nasal Mask.....	Nasal mask, featuring sliding attachment to headgear to reduce air leaks, bias flow silencer to reduce noise and hinged forehead rest to increase comfort and reduce need for adjustment	2001

PRODUCT -----	DESCRIPTION -----	YEAR OF INITIAL RELEASE -----
Oracle Oral Mask.....	Oral mask, for use with CPAP or bi-level ventilation, requires no headgear, straps or custom fitting, avoids nasal symptoms and mask leaks associated with nasal masks.	Expected to be released in 2001
HC300 Series Single-Use Chambers.....	Water chambers for use with our humidifiers and integrated flow-generator humidifiers	1992

Patient Warming & Neonatal Care

We also manufacture a line of patient warming and neonatal care products. Medical Data International, Inc., an independent research organization, estimates that of the approximately four million births that occur in the U.S. each year, over 10% are pre-term births and over 7% are infants with low birth weight. Many of these infants require special medical care in the first months of life, including warming to help maintain a constant body temperature or breathing assistance for proper respiratory functioning. We manufacture and market patient warmers incorporating a patented technology designed to efficiently increase and maintain the patient's temperature while minimizing heat loss to the surrounding environment. We also offer products designed to improve infant respiratory function. Optimally humidified air is especially important for infants because many newborns have difficulty managing the increased breathing effort that may be associated with the thickening of mucus in the airways during mechanical ventilation. Our patient warming and neonatal care products are primarily used in clinical settings.

Our principal patient warming and neonatal products are:

PRODUCT -----	DESCRIPTION -----	YEAR OF INITIAL RELEASE -----
IW930 CosyCot Infant Warmer.....	Integrated neonatal intensive care workstation, incorporating radiant warmer and optional resuscitation, suction and phototherapy devices	1997
IW910 Mobile Infant Warmer.....	Portable infant warming device	1997
RD900 Neopuff Infant Resuscitator.....	Device for infant resuscitation	1999
PW810 Radiant Patient Warmer.....	Portable adult warming device, designed to prevent and treat hypothermia	1999
Infant CPAP System.....	Infant CPAP therapy system, incorporating heated humidifier and water bubbling mechanism to create oscillating air pressure in the lungs	2001

Distributed Products

In addition, we market in New Zealand and Australia selected complementary medical products that are manufactured by other companies. Distributed products provide us with a broader range of products for sale by our direct sales force in New Zealand and Australia. Sales from distributed products represented almost 60% of operating revenue in this region, and approximately 8% of our total operating revenue, in the fiscal year ended March 31, 2001. However, we have given notice of termination, effective as of December 9, 2001, of a distribution relationship that accounted for approximately \$2.9 million of our operating revenue

in the fiscal year ended March 31, 2001, due to the failure to agree on mutually acceptable terms with the manufacturer.

RESEARCH AND DEVELOPMENT

We believe that product development and clinical research is critical to our success. As of March 31, 2001, we employed approximately 120 engineers, scientists and physiologists principally engaged in clinical research and product and process development. This represented approximately 20% of our total workforce. We believe that the location of our operations in New Zealand, where employment costs are very competitive compared to the U.S. and Europe, enables us to devote substantial effort to research and development. Our research and development expenditures for the fiscal years ended March 31, 1999, 2000 and 2001 were approximately \$2.9 million, \$3.5 million and \$3.8 million, respectively.

Each of our three primary product groups focuses on its own technologies at the research and development level and its own markets and customers at the sales and marketing level. We believe that this structure enhances efficiency and generates superior products. We strive for a seamless progression from concept to market by incorporating technical, manufacturing, operations, sales and marketing, and clinical expertise within each product team. Our research and development teams work with healthcare providers to develop an in-depth understanding of, and to be responsive to, product applications and clinical needs, and work with our sales and marketing teams to better understand industry trends.

We believe that we are able to reduce the risks associated with new product introductions by utilizing our in-house manufacturing capabilities to rapidly produce quantities of prototype products suitable for trial use and sale. In New Zealand we are able to test clinical efficacy of these prototypes in a hospital environment, investigate patient responses and test the reliability of the product before we seek U.S. and European regulatory approvals, commit to high volume manufacturing, and commence worldwide distribution. We are also able to make modifications to our prototypes in response to these processes, and commence the next cycle of testing, within a relatively short period of time.

In addition to our strong in-house research and development capabilities, we have close working associations with a number of hospitals and clinicians, particularly in New Zealand and the U.S. These associations offer us valuable opportunities to test emerging technologies and access to world class medical expertise.

SALES AND MARKETING

Our customers are located in over 90 countries worldwide. For the fiscal year ended March 31, 2001, approximately 45% of our operating revenue was generated in North America, approximately 28% in Europe, predominantly in the United Kingdom, Germany and France, and approximately 23% in Asia Pacific. We employ multiple distribution channels to reach our customers:

- Direct. We sell directly to hospitals, long-term care facilities and home healthcare dealers, and to dealers who then sell to these customers, through our direct sales offices in the U.S., the United Kingdom, France, Germany, New Zealand and Australia. In North America alone, we market and sell our products directly to home healthcare dealers that have over 4,500 locations. For the fiscal year ended March 31, 2001, direct sales to hospitals, dealers and home healthcare dealers accounted for approximately half of our operating revenue. More than 25% of operating revenue was generated from direct sales in North America.

- Distributors. We sell to distributors who in turn sell to hospitals, home healthcare dealers and other manufacturers of medical products. We have a network of

approximately 100 distributors in over 90 countries worldwide, the largest of which are Allegiance Corporation, which sells our products in the U.S., Canada, Italy and Spain, and Tokibo Co. Ltd., which sells our products in Japan and China. Allegiance and Tokibo accounted for approximately 14% and 7%, respectively, of our total operating revenue for the fiscal year ended March 31, 2001. We support our distributors through various sales and marketing efforts. For example, we have ten clinical humidifier specialists that support Allegiance's hospital sales efforts in the U.S. by helping to educate hospitals on the benefits of heated humidification and our products and systems. We manage our distributors through sales managers based in New Zealand, our direct sales offices or, in many countries, our regional sales managers. We currently have regional sales managers located in Argentina, the Netherlands, India and Spain. We expect to appoint new regional sales managers in Japan and China by the end of 2001.

- Original equipment manufacturers. We sell to manufacturers of medical products and their distributors, who in turn sell to hospitals and home healthcare dealers. We supply humidification products to most of the leading mechanical ventilator manufacturers worldwide, which they sell with their own manufactured equipment. We also supply heated humidifiers to several leading manufacturers of CPAP products, which they sell with their own CPAP flow generators.

We believe that we can increase sales of our products by marketing through a focused, highly trained sales team with a detailed understanding of our products and customer requirements. Since the countries in which we market our products have varying physician referral patterns, customer and patient preferences and third-party reimbursement arrangements, we believe that it is important to have an in-depth understanding of each market. Our sales and marketing strategy involves a variety of initiatives to increase our penetration of target markets, including participation in trade shows, attendance at scientific meetings, and developing and distributing educational and marketing materials describing the benefits of our products and heated humidification.

MANUFACTURING

We manufacture, assemble and test our complete range of products in our facility in New Zealand. In July 2000, we relocated to a new, custom-built, 240,000 square foot facility in Auckland. The facility was specially designed to provide greater opportunity for research and development and sales and marketing teams for each of our three product groups to work directly with their counterpart manufacturing team. Our facility incorporates a Class 100,000 controlled working environment, which is an environment containing less than a prescribed number and size of airborne particles for the volume of air, for the manufacture and assembly of our single-use products, including chambers and breathing circuits.

We manufacture and assemble many of the components for our products in-house. We believe that this improves our ability to manage quality and helps us to rapidly develop products and manufacturing processes. Our manufacturing processes include plastic injection molding and assembly of components on printed circuit boards.

Our quality control team monitors production output on a daily basis. Our electronic products are operated and tested for between 6 and 24 hours before packaging. Our manufacturing and design processes comply with the requirements of ISO9001, an international standard for quality management systems. We also comply with the requirements of the European medical device quality standard EN46001. These standards each consist of twenty elements associated with the design, manufacture and distribution of products and services, aimed primarily at achieving customer satisfaction by preventing non-conformity during these

processes. Our compliance with these standards, when certified by an accredited third party regulatory agency, demonstrates that we adhere to documented quality management systems.

We have an integrated requirements planning system which we use for forecasting, scheduling manufacturing, ordering components, managing inventory and processing orders. This system is currently installed in New Zealand and Australia, and we expect to progressively extend its use to our international sales offices over the next three years. In addition, we are committed to further automating our manufacturing and assembly processes where this is efficient to reduce costs, enhance production capabilities and improve the quality and consistency of our products.

We manufacture our products from a wide variety of raw materials, most of which are readily available in quantity from a range of sources. We purchase a limited number of components from a single-source supplier. Although we believe that we could locate an alternative supplier for these components if required, we cannot assure you that we would be able to do so in a timely manner, or at all, or at reasonable prices. We have historically purchased selected components from a single-source supplier where we are able to generate cost savings without compromising quality. We do not have long-term supply contracts for the raw materials we require.

INTELLECTUAL PROPERTY

We seek patent protection for inventions that we believe give our products a competitive advantage. We file for patents in the jurisdictions which we believe together represent the majority of the potential market for a particular product. As of March 31, 2001, we held 26 issued patents in the U.S. and had 18 U.S. patent applications pending. We also apply for patents in other jurisdictions where we believe it is appropriate, which generally includes Australia, the United Kingdom, Germany, France, Italy and Japan. As of March 31, 2001, we had 48 issued patents outside the U.S. and 78 patent applications pending. We file New Zealand provisional patent applications to cover current research and development activities. As of March 31, 2001, we had filed 24 of these provisional applications.

Some of our patents relate to significant technologies that are utilized in our respiratory care, CPAP and other products, including our humidifiers, breathing circuits, chambers and warmers. Although our patents are important, we do not consider that our business is dependent upon the protection of any one patent, or that the loss of any one patent would have a material adverse effect on our business. We believe that our success is more dependent upon continuing technological advances and product innovation than it is on patents.

Our ongoing success will also depend in part on our ability to maintain our patents, obtain new patents, and develop new products and applications without infringing the patent and other proprietary rights of third parties. We cannot assure you that any of our patents will not be circumvented or challenged, that the rights granted by our patents will provide competitive advantages or that any of our pending or future patent applications will be issued with claims of the scope that we seek, if at all. If challenged, we cannot assure you that our patents will be held valid or enforceable. We cannot assure you that our products or proprietary rights do not infringe the rights of third parties. If an infringement were established, we could be required to pay damages, enter into royalty or licensing agreements on onerous terms and/or be enjoined from making, using or selling the infringing product. Any of these outcomes could have a material adverse effect on our business.

GOVERNMENT REGULATION

Our products are subject to extensive regulation, particularly as to safety, effectiveness and adherence to Good Manufacturing Practice and related manufacturing standards. Medical devices are subject to regulation by the U.S. Food and Drug Administration, or FDA, other

governmental agency regulations in the U.S. and regulation by governmental agencies in other jurisdictions. Regulation in the U.S. is quite rigorous and the trend in New Zealand, Australia, Europe and Japan is toward increasing surveillance and regulation of the design, manufacture and distribution of medical devices. We cannot predict the extent to which future legislative or regulatory developments relating to our practices and products may affect us.

There are four main categories of governmental regulation applicable to our products and operations:

- Quality System Regulation (U.S.);
- Medical Devices Directive 93/42 EEC (Europe);
- Good Manufacturing Practice Regulation (Japan); and
- Good Manufacturing Practice Regulation (Australia and New Zealand).

Governmental authorities in the countries in which we sell our products, including the FDA in the U.S., have the authority to require us to recall products in the event of material deficiencies or defects in design or manufacture. In addition, we may voluntarily decide to recall products if, for example, they present a risk to patient safety or of impairment of product performance. We have on occasion either voluntarily decided, or been required as a result of communications with regulators, to recall limited numbers of our products.

United States. The FDA regulates the introduction, manufacture, advertising, labeling, packaging, marketing, distribution and record keeping of medical products in order to ensure that products distributed in the U.S. are safe and effective for their intended use. In addition, the FDA is authorized to establish special controls to provide reasonable assurance of the safety and effectiveness of most devices. If we do not comply with applicable requirements, we may suffer penalties, including:

- import detentions, fines or civil penalties;
- injunctions or suspensions or losses of regulatory approvals;
- a forced recall or seizure of products;
- operating restrictions; and
- criminal prosecution.

The FDA requires that a manufacturer introducing a new non-exempt medical device or a new indication for use of an existing medical device obtain either a

Section 510(k) pre-market notification clearance or a pre-market approval, called a PMA, prior to it being introduced into the market. We have received 510(k) pre-marketing clearance for each of the products we currently market in the U.S. The PMA process, which is reserved for new devices that are not substantially equivalent to any predicate device and for high risk devices or devices that are used to support or sustain human life, may take several years and would require us to submit extensive performance and clinical information. We have not sought PMA for any of our products.

The process of obtaining Section 510(k) clearance generally requires us to submit performance data and possibly clinical data, which in some cases can be extensive, to demonstrate that the device is "substantially equivalent" to a device that was legally marketed prior to 1976, a device that the FDA has found to be "substantially equivalent" to a pre-1976 device or has specifically exempted, or a device that has obtained Section 510(k) clearance. To demonstrate substantial equivalence, we are required to show that the device is as safe and effective and has the same intended use as one of these devices. We have received Section 510(k) clearance for a total of 37 products, over a period of approximately 19 years. We currently have one Section 510(k) application pending approval with the FDA and are in the process of preparing an additional four applications for submission. FDA clearance may take a considerable length of time and may, in some cases, involve additional review by an advisory panel, which can further lengthen the process. We generally expect the FDA to approve our

applications within 180 days, although we have experienced approval periods of over 600 days in the past.

As a medical device manufacturer, we are subject to inspection on a routine basis by the FDA for compliance with the FDA's current regulations. FDA regulations impose procedural and documentary requirements regarding the safety and effectiveness of our manufacturing and quality control processes. For example, we are required to maintain detailed records of customer complaints and records of product distribution to enable us to trace defective products and effect an orderly product recall if necessary. We were inspected by the FDA in August 1996 and no Good Manufacturing Practice deficiencies were observed. We have not been subject to an FDA inspection since we relocated to our new premises in July 2000. The increasingly stringent regulation of medical device manufacturers by the FDA in recent years has led to a reduction in the number of new products and improvements to existing products that have been cleared and increases in enforcement actions.

Europe. The European Union Community, or EUC, is made up of 15 countries which collectively represent our second largest market after North America. Medical devices are regulated within the EUC by the Medical Devices Directive 93/42/EEC which has been adopted into national law by all member states. This directive provides a number of options for products to gain acceptance for distribution in the EUC, including product approval, type testing or quality management system. Most manufacturers of medical devices, including us, have chosen to adopt the quality management system option, under which we are required to demonstrate that our devices are designed, manufactured and distributed in accordance with the appropriate annex of the directive. By demonstrating this, we are entitled to certification as complying with the directive under a number of European standards, including ISO9001 and EN46001.

Our facility is subject to annual inspections by TUV Product Service, our European notified body, which is accredited by the EUC to certify our compliance with the directive and to authorize us to place the CE mark on our products. The CE mark indicates to purchasers of our products in the EUC that our medical devices are designed and manufactured under controlled conditions in compliance with the medical devices directive. We were most recently inspected in April 2001 and our certification to the medical devices directive was confirmed. We are also required to register our manufacturing facility with the European regulator. We have appointed our United Kingdom sales company as our European authorized representative, which implements product traceability systems, responds to any product complaints and maintains records of any adverse product incidents.

New Zealand. The manufacture, sale and supply of medical devices and related products in New Zealand is regulated under the Medicines Act 1981 and its regulations which, among other things, requires us to accurately describe our products to purchasers, including when advertising and labeling them. If we do not comply with any of the applicable standards, or if the New Zealand Ministry of Health considers any of our medical devices to be unsafe, we may be required to withdraw from sale, and destroy, the offending devices. From time to time, the New Zealand Ministry of Health's therapeutics section may inspect our facility. We were most recently visited in 1996 and were found to be in compliance with applicable standards.

Australia. The sale of medical devices in Australia is regulated by the Therapeutic Goods Act 1989, which requires that a medical device be included in the Australian Register of Therapeutic Goods. To be listed on this register, medical devices must comply with manufacturing, labeling and quality standards established and assessed by the Conformity Assessment Branch of the Therapeutic Goods Administration.

As a manufacturer of medical devices, we must either supply the Therapeutic Goods Administration with an acceptable form of evidence of Good Manufacturing Practice or be audited by its Good Manufacturing Practice and Licensing Section. We most recently provided evidence of compliance with Good Manufacturing Practice in 1993 and were found to be in compliance with all applicable standards. We must also comply with prescribed reporting and

record keeping responsibilities, including the requirement to report any serious incidents arising from the use of our medical devices. If we do not comply with the standards of safety and manufacture provided for by the Therapeutic Goods Act, we could suffer a number of penalties, including our registration being cancelled and being required to recall the relevant medical device.

Japan. Although we are required to comply with government regulations in Japan, our experience has been that our compliance with the more rigorous U.S. and European standards has enabled us to meet the applicable standards.

THIRD-PARTY REIMBURSEMENT

The cost of medical care in many countries is funded substantially by government and private insurance programs. Although we do not generally receive payment for our products directly from these payors, our continued success is dependent upon the ability of patients or our other customers to obtain adequate reimbursement for our products. In most major markets, our products are purchased primarily by hospitals and home healthcare dealers, which are generally either government funded or invoice third-party payors directly, or otherwise invoice patients, who then seek reimbursement from third-party payors. Our remaining sales are to distributors and manufacturers of other medical products, who then sell to these customers.

In the U.S., third-party payors include Medicare, Medicaid and private health insurance providers. These payors may deny reimbursement if they determine that a device has not received appropriate FDA clearance, is not used in accordance with cost-effective treatment methods, or is experimental, unnecessary or inappropriate. Third-party payors are also increasingly challenging prices charged for medical products and services, and certain private insurers have initiated reimbursement systems designed to reduce healthcare costs. The trend towards managed healthcare and the growth of health maintenance organizations, or HMOs, which control and significantly influence the purchase of healthcare services and products, as well as ongoing legislative proposals to reform healthcare, may all result in lower prices for our products. We cannot assure you that our products will be considered cost-effective by third-party payors, that reimbursement will be available or continue to be available, or that payors' reimbursement policies will not adversely affect our ability to sell our products on a profitable basis, if at all. In some of our major markets, for example Australia, the United Kingdom and Japan, there is currently limited reimbursement for devices that treat OSA. In addition, we have not yet completed the process of obtaining approval status for some of our CPAP products that would enable reimbursement for these devices in Germany.

COMPETITION

The markets for our products are highly competitive. We believe that the principal competitive factors in all of our markets are product features, reliability and price. Reputation and efficient distribution are also important factors. Patent protection could also become an important issue in the future. If we fail to offer products which incorporate features similar to or more desirable than those incorporated in products offered by our competitors, fail to offer products which are perceived as reliable by consumers, or are unable or unwilling to meet the prices offered by our competitors, our business could be adversely affected.

We compete on a market-by-market basis with various companies, many of which have greater financial, research and development, manufacturing and marketing resources than us. In North America, our largest market, our principal competitors in respiratory humidification include Hudson Respiratory Care Inc., Vital Signs, Inc., Smiths Industries plc and Pall Biomedical, Inc., a subsidiary of Pall Corporation. Our principal competitors in the OSA market include Respironics, Inc., ResMed Inc. and Tyco International Ltd. We also compete with ResMed Inc., Tyco and Respironics, Inc. and regional European manufacturers in the European OSA market. Our principal competitors in the infant warming market include the Datex-Ohmeda Division of Instrumentarium Corporation and Hillenbrand Industries, Inc.

Any product that we develop for which we obtain regulatory approval will have to compete for market acceptance and market share. An important factor in this competition may be our timing in introducing competitive products. Accordingly, the relative speed with which we can develop prototypes, complete clinical testing, obtain regulatory approval and patent protection, if appropriate, and supply commercial quantities of the product will be important competitive factors.

PRODUCT LIABILITY INSURANCE

Our business is exposed to potential product liability risks that are inherent in the design, manufacture and marketing of medical devices. Claims alleging product liability may involve large potential damages, significant defense costs and damage to our reputation. Although we currently maintain product liability insurance intended to cover these claims with coverage limits that we consider adequate, we cannot assure you that all claims will be covered by our insurance. In addition, our insurance policies must be renewed annually. While we have been able to obtain product liability insurance in the past, insurance varies in cost, can be difficult to obtain and may not be available in the future at all, or on terms acceptable to us. A successful claim against us in excess of the available insurance coverage could have a material adverse effect on our business.

EMPLOYEES

As of March 31, 2001, we employed approximately 620 people worldwide, including approximately 210 in manufacturing, 120 in research, development and engineering, 110 in sales and marketing and 180 in management, administration and operations. As of March 31, 2000 and March 31, 1999, we employed approximately 525 and 470 people, respectively. Substantially all of our employees are employed on a full-time basis. As of March 31, 2001 we had approximately 477 employees located in New Zealand, 46 in North America, 34 in Australia, 26 in Germany and Austria, 21 in the United Kingdom and Ireland and 16 in France, Belgium and the Netherlands. As of March 31, 2001, approximately 230 of our employees were represented by a labor union and were covered by a collective bargaining agreement which expires each year in July. We believe that relations with our employees are good.

PROPERTIES

We own approximately 100 acres of land in Auckland on which our 240,000 square feet headquarters and manufacturing facility is located. Our facility, which was completed in July 2000, contains approximately 90,000 square feet of manufacturing space, 95,000 square feet of combined research and development, sales and marketing and administration space and 55,000 square feet of warehouse space. We also lease warehouse and office space for our international sales offices in the vicinity of the following cities:

LOCATION -----	SIZE (SQUARE FEET) -----
Los Angeles, United States.....	19,000
London, United Kingdom.....	10,000
Paris, France.....	7,000
Stuttgart, Germany.....	8,000
Melbourne, Australia.....	10,000

Our aggregate rent expense was approximately \$500,000 for the fiscal year ended March 31, 2001.

LEGAL PROCEEDINGS

We are, from time to time, a party to litigation that arises in the normal course of our business operations, including product liability claims. We are not presently a party to any litigation that we believe would reasonably be expected to have a material adverse effect on our business.

SUBSIDIARIES

The following table sets forth the significant subsidiaries of Fisher & Paykel Industries and indicates the subsidiaries which, following the reorganization and this offering, will be subsidiaries of Fisher & Paykel Healthcare. All of the subsidiaries are directly or indirectly wholly owned by Fisher & Paykel Industries.

NAME OF SUBSIDIARY	JURISDICTION
Fisher & Paykel Limited.....	New Zealand
Fisher & Paykel Finance Limited.....	New Zealand
Fisher & Paykel Healthcare Limited(1).....	New Zealand
Fisher & Paykel Healthcare Properties Limited(1).....	New Zealand
Fisher & Paykel Holdings, Inc. (USA)(1).....	U.S.
Fisher & Paykel (Singapore) Pte Limited.....	Singapore
Fisher & Paykel Production Machinery Limited.....	New Zealand
Fisher & Paykel Healthcare Limited(1).....	United Kingdom
Fisher & Paykel Healthcare Pty Limited(1).....	Australia
Consumer Finance Limited.....	New Zealand
Equipment Finance Limited.....	New Zealand
Fisher & Paykel Appliances, Inc.....	U.S.
Fisher & Paykel Healthcare, Inc.(1).....	U.S.
Fisher & Paykel Healthcare SAS(1).....	France
Fisher & Paykel Healthcare GmbH & Co KG(1).....	Germany
Fisher & Paykel Australia Holdings Limited.....	Australia
Fisher & Paykel Australia Pty Limited.....	Australia
Fisher & Paykel Manufacturing Pty Limited.....	Australia

(1) Following the reorganization and this offering will be a subsidiary of Fisher & Paykel Healthcare Corporation Limited.

MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

We have set forth below information as of May 31, 2001 with respect to the individuals who will serve as our directors and senior management upon completion of the reorganization and this offering, as well as the directors and senior management of Fisher & Paykel Industries prior to the reorganization.

Directors and Senior Management Upon Completion of the Reorganization:

NAME	AGE	POSITION
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DIRECTORS		
Gary A. Paykel.....	59	Director, Chairman
P. Michael Smith.....	55	Director, Deputy Chairman
Michael G. Daniell.....	44	Director, Managing Director & Chief Executive Officer
Adrienne E. Clarke.....	63	Director
Nigel T. Evans.....	60	Director
W. Lindsay Gillanders.....	51	Director
Sir Colin J. Maiden.....	67	Director
SENIOR MANAGEMENT		
Lewis G. Gradon.....	40	Senior Vice President -- Research and Development
Paul N. Shearer.....	42	Senior Vice President -- Sales & Marketing
Antony G. Barclay.....	36	Chief Financial Officer

Gary A. Paykel will become Chairman upon completion of the reorganization. Mr. Paykel has served as a director since August 1979 and Chief Executive Officer since December 1989 and Managing Director since April 1987. He has served on the remuneration committee since April 1989, and as a trustee of the Fisher & Paykel Industries employee share purchase scheme since March 1989 and its staff superannuation scheme since May 1989. Mr. Paykel joined Fisher & Paykel Industries in 1960 and, prior to his appointment to the position of sales director in 1985, held a variety of positions in the manufacturing, engineering, purchasing and sales departments. Mr. Paykel has also served as Chairman of Panprint Limited since September 1984, and as a director of Panprint Limited since May 1975 and of Sports Drinks Limited since October 1994. Mr. Paykel is the son of Mr. Maurice Paykel. Mr. Paykel is a Companion of the New Zealand Order of Merit.

P. Michael Smith will become Deputy Chairman upon completion of the reorganization. Mr. Smith has served as a director of Lion Nathan Limited from August 1986 to May 2001. Mr. Smith has been Chairman of RD1.COM since July 2000, a director of Global Dairy Company Limited since May 2001, New Zealand Co-operative Dairy Company Limited since January 2001, Taylors Group Limited since August 2000, Tru-Test Limited since July 2000, United Networks Limited since May 1999 and Auckland International Airport Limited since June 1998. Mr. Smith received his Master of Commerce degree from the University of Auckland, New Zealand, and is a graduate of the PMD Business Course at the Harvard Business School.

Michael G. Daniell will become Managing Director and our Chief Executive Officer upon completion of the reorganization. Mr. Daniell has served as the General Manager of Fisher & Paykel Industries' healthcare business since May 1990. From 1979 until May 1990, Mr. Daniell held various positions in the healthcare business, including product design engineer and technical manager. Mr. Daniell has more than 20 years of international healthcare business experience and has been instrumental in the establishment of many of our international distributor and original equipment manufacturer relationships. Mr. Daniell received his Bachelor

of Engineering degree in electrical engineering with honors from the University of Auckland, New Zealand.

Adrienne E. Clarke will become a director upon completion of the reorganization. Professor Clarke is a Laureate Professor at the University of Melbourne, a Foreign Member of the American Academy of Arts and Sciences and a Fellow of the Australian Academy of Science. Professor Clarke has served as a director of WMC Limited since July 1996, Woolworths Limited since July 1994, Tridan Limited from June 1988 and Hexima Limited from February 1998. She was Chairman of the CSIRO from December 1991 to December 1996. Professor Clarke is an Officer of the General Division of the Order of Australia, served as the Lieutenant Governor of Victoria and currently holds a variety of Australian governmental appointed positions. Professor Clarke received a Bachelor of Science degree and a doctoral degree from the University of Melbourne.

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

W. Lindsay Gillanders has served as a director since May 1992, and as Company Secretary since April 1987. He has also served as a trustee of Fisher & Paykel Industries' employee share purchase scheme since March 1996, and its staff superannuation scheme since December 1993. He has been the Chairman of the staff superannuation scheme since March 1996. Mr. Gillanders has held various positions in Fisher & Paykel Industries' legal department since 1977. Since 1992, Mr. Gillanders has been responsible for Fisher & Paykel Industries' legal, regulatory, compliance and intellectual property rights, and has worked on major commercial agreements including acquisitions and divestments by both the appliances and healthcare businesses. Mr. Gillanders received his Bachelor of Laws degree with honors from the University of Auckland, New Zealand.

Sir Colin J. Maiden has served as a director since August 1979 and as Chairman since 1989. He has served as a member of the remuneration committee since April 1989 and has also served as a trustee of Fisher & Paykel Industries' executive share purchase scheme since December 1983. Sir Colin served as the Vice Chancellor of the University of Auckland from January 1971 to November 1994, and has also served as Chairman of each of Tower Insurance Limited since September 1998 and Marsh New Zealand Advisory Board since April 1998. Sir Colin has also served as a director of DB Group Limited and its subsidiaries since May 1994, New Zealand Refining Company Limited since April 1991, Foodland Associated Limited since March 2000, Tower Limited, Tower Holdings Limited and Tower Financial Services Group Limited since May 1999, Transpower New Zealand Limited since May 1994 and Independent Newspapers Limited since July 1989. He has also held a number of managerial positions with General Motors Corporation in the U.S. and was a senior lecturer in civil engineering at the University of Auckland, New Zealand. Sir Colin received his undergraduate degrees in engineering from the University of New Zealand, a doctoral degree from Oxford University and an honorary LL.D. from the University of Auckland, New Zealand.

Lewis G. Gradon will become our Senior Vice President -- Research and Development upon completion of the reorganization. Mr. Gradon has served as the General Manager -- Research and Development of Fisher & Paykel Industries' healthcare business since September 1996, and as research and development manager since May 1990. Since January 1994, Mr. Gradon has been a member of the International Standards Organization technical committee 121 -- Anesthesia and Breathing Machines. Mr. Gradon has also held various engineering positions with Fisher & Paykel Industries' healthcare business, including product design engineer, since

1985. Mr. Gradon has overseen the development of our complete healthcare product range. Mr. Gradon received his Bachelor of Science degree in physics from the University of Auckland, New Zealand.

Paul N. Shearer will become our Senior Vice President -- Sales & Marketing upon completion of the reorganization. Mr. Shearer has served as the General Manager -- Sales and Marketing of Fisher & Paykel Industries' healthcare business since September 1996. Mr. Shearer was located in France from June 1998 to October 1998 to establish our French sales company; in the U.S. from January 1996 to May 1998 to establish Fisher & Paykel Healthcare Inc. and in the UK from February 1994 to October 1994 to establish our UK sales company. Mr. Shearer also served as general manager of international operations from April 1993 until June 1995; as general manager of our Australian sales company from April 1991 to March 1993; and as manager of our New Zealand healthcare sales business from March 1990 to March 1991. Mr. Shearer has also held various positions with Computercorp Ltd, a computer systems integrator, and ICL Ltd., a large multinational computer systems company. Mr. Shearer received his Bachelor of Commerce degree in marketing from the University of Canterbury, New Zealand.

Antony G. Barclay will become our Chief Financial Officer upon completion of the reorganization. Mr. Barclay has served as the financial controller of Fisher & Paykel Industries' healthcare business since July 1996. Mr. Barclay served as a management accountant for Arnotts Biscuits (NZ) from February 1995 to July 1996 and as financial accountant from December 1993 to January 1995, and as a senior associate and manager with Price Waterhouse in New Zealand and Papua New Guinea from September 1990 to November 1993. Prior to 1990, Mr. Barclay held a variety of positions with Price Waterhouse in New Zealand. Mr. Barclay has been a Chartered Accountant in New Zealand since May 1990. Mr. Barclay received his Bachelor of Commerce degree in accounting and finance from the University of Otago, New Zealand.

Directors and Senior Management Prior to the Reorganization:

NAME	AGE	POSITION
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DIRECTORS		
Maurice Paykel(1)(3)(5).....	86	Director, Founder President
Sir Colin J. Maiden(2)(3)(4).....	67	Director, Chairman
John W. Gilks(1)(2)(3)(5).....	59	Director, Deputy Chairman
Gary A. Paykel(2)(4).....	59	Managing Director, Chief Executive Officer
Norman M.T. Geary(1)(2)(3)(5).....	62	Director
W. Lindsay Gillanders(4).....	51	Executive Director, Company Secretary
David B. Henry(5).....	49	Finance Director
Donald D. Rowlands(3)(5).....	74	Director
J. Julian A. Williams(5).....	64	Technical Director
SENIOR MANAGEMENT		
Richard D. Blundell(7).....	54	General Manager, Corporate Affairs
John H. Bongard(7).....	47	General Manager, Appliances Business
Malcolm Clark(7).....	59	Treasurer
Michael G. Daniell(6).....	44	General Manager, Healthcare Business
Alastair A. Macfarlane(7).....	48	General Manager, Finance Business

(1) Member of audit committee

(2) Member of remuneration committee

(3) Non-executive director

(4) Continuing director

(5) Non-continuing director

(6) Continuing senior management

(7) Non-continuing senior management

Maurice Paykel has served as a director since July 1954 and as Founder President since July 1986. Mr. Paykel has also held a variety of positions with Fisher & Paykel Industries since founding the company in January 1934 in partnership with the late Sir Woolf Fisher, including Chairman from 1975 to 1986, Managing Director from 1975 to 1979 and Joint Managing Director from 1963 to 1975. He has also served as a member of the audit committee since April 1989. Mr. Paykel has also served as Chairman of Allied Industries Limited and as a director of Henderson & Pollard Limited. Mr. Paykel holds a CBE and an honorary LL.D. from the University of Auckland, New Zealand. Mr. Paykel is the father of Mr. Gary Paykel.

John W. Gilks has served as a director since May 1986, and as Deputy Chairman since June 1989. He has served as a member of the audit committee and the remuneration committee since April 1989. He has also served as a trustee of Fisher & Paykel Industries' executive share purchase scheme since June 1989. Mr. Gilks has served as deputy chairman of Port Otago Limited since October 1988. Mr. Gilks has been a director of Chalmers Properties Limited since September 1998, Dublin Bay Investments Limited since August 1991, and St. Andrews Group Limited since May 1996. Mr. Gilks served as Managing Director of St. Andrews Group since 1996. From September 1971 to October 1996, he was Founding Managing Director of Motor Trade Finances. Mr. Gilks was a chartered accountant from 1970 to 1993 and is currently a Fellow of the Chartered Accountants in New Zealand and a Fellow of the Institute of Directors in New Zealand.

Norman M.T. Geary has served as a director since December 1990. He has been a member of the audit committee since June 1992 and the remuneration committee since May 1993. He has also served as Chairman of Auckland Packaging Company Limited since July 1999, Budget Rent-A-Car Limited (New Zealand) since September 1989, Gough Gough & Hamer Limited since March 1988, Owens Group Limited since July 1996, PA Consulting Group New Zealand Advisory Board since March 1990 and Rangatira Limited since October 1989. In addition, he has served as a director of Cedenco Foods Limited since August 1994, Comalco New Zealand Limited since October 1989, Foodland Associated Limited since March 2000, National Bank of New Zealand Limited since September 1995 and Heath Lambert New Zealand Advisory Board since March 2001 and as a board member of the New Zealand Institute of Economic Research since September 2000. Mr. Geary has held a variety of positions with BP Oil in New Zealand, was the Chief Executive of Air New Zealand and was president of the Institute of Directors (New Zealand). Mr. Geary received his Bachelor of Commerce degree from the University of Otago, New Zealand and holds a CBE.

David B. Henry has served as Finance Director since May 1992. Previously, he served as Chief Financial Officer from April 1987. Mr. Henry has held a variety of positions in Fisher & Paykel Industries' finance business and the appliances customer services company and Fisher & Paykel Industries since 1974. Since 1992, Mr. Henry has managed a number of key projects including Y2K compliance, and both internal and external restructurings for the appliances and healthcare businesses. Mr. Henry received his Bachelor of Commerce degree from the University of Auckland, New Zealand and is a Chartered Accountant and a Cost and Management Accountant.

Donald D. Rowlands has served as a director since August 1979. Mr. Rowlands served as Managing Director of Fisher & Paykel Industries from January 1979 until April 1989. He held a variety of production and factory management positions, and has also served as General Manager of Fisher & Paykel Industries and the managing director of Champion Spark Plugs NZ Limited, which was an associate company of the Fisher & Paykel group, since joining Fisher & Paykel Industries in 1953. Mr. Rowlands has also served as Chairman of Mainfreight Transport Limited since April 1982, and as a director of CWF Hamilton Limited since March 1987. He has also served as a director of Nestle New Zealand Limited, Progressive Enterprises Limited and Henderson & Pollard Limited. Mr. Rowlands holds a CBE.

J. Julian A. Williams has served as a director since July 1985 and as Technical Director since April 1987. Since 1960, Mr. Williams has held a variety of engineering and management positions, as well as management positions in appliances manufacturing. As technical director, he was instrumental in the development of Fisher & Paykel Industries' electronics and ECM motor technology which is now used in the appliances and healthcare businesses. Mr. Williams received his Bachelor of Engineering degree from the University of Auckland, New Zealand.

Richard D. Blundell has served as General Manager, Corporate Affairs since May 1987. Mr. Blundell has held a variety of positions in domestic and international sales and product training, as well as management positions in marketing. He has had 15 years experience in working with international investors, media and government departments in his current role.

John H. Bongard has served as General Manager, Appliances since August 1998. Mr. Bongard has held a variety of management positions in the purchasing and marketing departments of the appliances business of Fisher & Paykel Industries since 1973 and served as Appliances Marketing Manager from September 1987 to July 1998. Mr. Bongard has 15 years experience in marketing appliances around the world and in establishing new sales companies in Australia and the U.S. He received his Bachelor of Commerce degree in marketing from the University of Auckland, New Zealand.

Malcolm Clark has served as Treasurer of Fisher & Paykel Industries since May 1992. Mr. Clark has held a variety of positions in group accounting since 1961 including being responsible for the treasury operation of Fisher & Paykel Industries since March 1985. He has been involved with the finance business of Fisher & Paykel Industries since its inception in 1972 and has managed the treasury function in the deregulated New Zealand and international finance markets. Mr. Clark is a Chartered Accountant, Cost and Management Accountant and Certified Treasury Professional.

Alastair A. Macfarlane has served as General Manager, Finance since November 1988. Previously, Mr. Macfarlane held management positions in corporate and investment banking with Citibank. He has also served as a manager for KPMG. He has overseen the growth of Fisher & Paykel Industries' finance business since his appointment. Mr. Macfarlane received his Bachelor of Commerce degree from the University of Auckland, New Zealand, and is a Chartered Accountant.

BOARD OF DIRECTORS

Our constitution provides that our board of directors must consist of not less than four and not more than nine directors. Directors are elected at an annual meeting of shareholders. Our board may also appoint directors to fill vacancies that occur between meetings of shareholders or to add additional persons to our board up to the maximum number prescribed by our constitution. At each annual meeting of the shareholders, all directors appointed by our board must retire. In addition, at least one third of our other directors, other than any managing director, must retire from office. The directors who retire are those directors who have held office longest since their last election. A retiring director is generally eligible for re-election, except where precluded by disqualification, and a director may serve any number of consecutive terms. Although our constitution provides that each director must retire at the end of the annual shareholders' meeting occurring after he or she attains the age of 70 years, unless his or her appointment is otherwise approved by the shareholders, this requirement may be unenforceable under New Zealand law. Following the reorganization, our board will be comprised of seven directors. Mr. Gary Paykel, Mr. Gillanders and Sir Colin Maiden are currently directors of Fisher & Paykel Industries and will continue as directors of Fisher & Paykel Healthcare. The additional directors following the reorganization will be appointed by the existing board to fill vacancies and, except Mr. Daniell who will be managing director and chief executive officer, will

be required to retire and offer themselves for re-election by shareholders at our 2002 annual meeting.

While our constitution does not specify nationality or shareholding qualifications for directors, it does require that at least two directors be ordinarily resident in New Zealand. Directors may be removed by ordinary resolution, with or without cause, at any shareholders' meeting called for the purpose of, or which includes as one of its purposes, the removal of directors. The board of directors may elect the chairperson from among its members.

Under New Zealand law, our directors owe statutory duties to the company. The directors must exercise their powers and perform their duties in good faith and in what they consider to be in the best interests of the company. This duty applies in relation to all transactions we propose to enter into, including those with affiliated parties. Our board of directors has the ultimate responsibility for, and wide powers to perform, all acts necessary for managing, and for directing and supervising the management of, our business and affairs. Our board of directors manages all affairs in connection with the conduct of our business other than affairs for which New Zealand law or our constitution requires shareholder approval. Our board is responsible for our internal financial control and will establish operating procedures and a management structure that defines lines of reporting responsibility. Our management will prepare annual budgets and longer term strategic plans that will be subject to the approval of the board. Our management intends to prepare monthly financial reports to enable the board to progressively monitor management's performance against budget objectives. The board will develop a framework for capital expenditure within prescribed levels with an emphasis on specified investment objectives. The board delegates the day to day management of our business to our chief executive officer.

Our constitution does not contain any provisions limiting the borrowing power of our board of directors, except to the extent that borrowings would constitute entry into a major transaction, as defined in the New Zealand Companies Act 1993, or a material transaction with a related party, as defined in the NZSE listing rules. Our constitution provides that, except in limited circumstances, our board may not, without the prior approval of shareholders:

- enter into transactions with related parties;
- buy or sell assets the value of which exceeds 50% of the lesser of our average market capitalization or the total gross value of our assets;
- enter into transactions which will change the essential nature of our business;
- issue or buy back shares; or
- provide financial assistance in connection with the acquisition of our shares.

Upon completion of the reorganization, we will be party to a negative pledge agreement which will contain covenants for the benefit of financial institutions that lend to us which will govern our ability to borrow and charge our assets. In addition, under the New Zealand Companies Act 1993, "major transactions" must be approved by a special resolution of our shareholders.

The quorum of our board is four directors, and a resolution can be passed by a majority vote. Under our constitution, any director who has an interest in a transaction that is the subject of a resolution must disclose to the board the nature and, if possible, value of that interest. Except in limited circumstances, interested directors are not counted for purposes of a quorum and cannot exercise their voting rights in connection with that resolution.

We may indemnify our directors and employees from time to time for some limited liabilities or costs incurred in connection with the performance of their duties, or purchase insurance against liabilities and costs incurred by our directors and employees.

COMMITTEES OF THE BOARD OF DIRECTORS

The board of Fisher & Paykel Industries established an audit committee in 1979. The audit committee of Fisher & Paykel Industries, which presently consists of Mr. Gilks, Mr. Geary and Mr. Maurice Paykel, is responsible for overseeing financial, accounting and audit activities of Fisher & Paykel Industries. This includes reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, and reviewing and making recommendations on the financial statements and financial and accounting policies.

The remuneration committee of the board of Fisher & Paykel Industries presently consists of Sir Colin Maiden, Mr. Gilks, Mr. Geary and Mr. Gary Paykel. The remuneration committee reviews and recommends to the board the remuneration packages for all senior executives, and is responsible for reviewing general policies relating to compensation of, and benefits for, employees.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Under New Zealand law, executive directors are members of the board who are also employed by the company as officers and receive a salary for services provided in that capacity. Executive directors do not receive remuneration for services provided as a director. Non-executive directors are not officers and therefore only receive remuneration for services provided as a director. Non-executive directors received director's fees for the fiscal year ended March 31, 2001. The board has recommended that the payment of directors fees of up to NZ\$400,000 per year be approved by shareholders at the 2001 annual meeting. Members of the board are also reimbursed for their reasonable out-of-pocket expenses incurred in connection with attending board meetings. Additionally, directors' and officers' liability insurance is maintained and each director is a party to a deed of indemnity to ensure that directors will not incur monetary loss in connection with actions undertaken as directors, subject to some limited exceptions.

The following table sets forth information concerning compensation paid and benefits granted to the directors and senior management of Fisher & Paykel Industries for services in all capacities during the fiscal year ended March 31, 2001:

NAME AND POSITION	ANNUAL COMPENSATION		
	SALARY(1)	BONUS(1)	OTHER ANNUAL COMPENSATION(1)(2)

DIRECTORS			
Norman M.T. Geary.....	\$ 14,105	\$ --	\$ --
Non-executive Director			
John W. Gilks.....	21,158	--	--
Non-executive Director			
Sir Colin J. Maiden.....	28,210	--	--
Non-executive Director			
Maurice Paykel.....	14,105	--	--
Non-executive Director			
Donald D. Rowlands.....	14,105	--	--
Non-executive Director			
W. Lindsay Gillanders.....	123,154	3,410	47,815
Executive Director			
David B. Henry.....	126,771	3,410	42,924
Executive Director			
Gary A. Paykel.....	239,223	6,075	45,497
Executive Director			
J. Julian A. Williams.....	152,219	3,878	41,763
Executive Director			

NAME AND POSITION -----	ANNUAL COMPENSATION -----		
	SALARY(1) -----	BONUS(1) -----	OTHER ANNUAL COMPENSATION(1)(2) -----
SENIOR MANAGEMENT			
Richard D. Blundell.....	70,953	1,936	31,204
General Manager, Corporate Affairs			
John H. Bongard.....	112,250	2,966	26,083
General Manager, Appliances Business			
Malcolm Clark.....	68,825	1,826	23,927
Treasurer			
Michael G. Daniell.....	116,862	3,040	33,876
General Manager, Healthcare Business			
Alastair A. Macfarlane.....	87,756	2,272	20,608
General Manager, Finance Business			

(1) Compensation expense is recorded in NZ dollars. The U.S. dollar amounts shown were calculated using an exchange rate of NZ\$1.00 = US\$0.403, the exchange rate in effect as of March 31, 2001.

(2) Consists of general business expenses, including car and travel expenses, and contributions under a health plan and under a defined contribution pension plan.

Under our constitution we are permitted to make a payment to a non-executive director or former director by way of lump sum on or in connection with the retirement or cessation of office of that director provided that the total amount of the payment does not exceed the total remuneration of the director in his or her capacity as a director in any three years chosen by the board, or the payment is authorized by ordinary resolution of the shareholders.

In connection with the reorganization, Messrs. Gilks, Geary, Maurice Paykel and Rowlands will retire from the board of directors of Fisher & Paykel Industries. As provided for by our constitution, Fisher & Paykel Industries has agreed to pay Mr. Gilks NZ\$127,500 and each of the other retiring directors NZ\$85,000 as a retirement benefit, which is the equivalent of the last three years' directors fees for each of them.

Sir Colin Maiden has agreed to continue as a director of Fisher & Paykel Healthcare for a period of three years following the reorganization until our 2004 annual shareholders' meeting. As provided for by the constitution, Fisher & Paykel Industries has agreed to pay Sir Colin Maiden a retirement benefit of NZ\$170,000, which is the equivalent of three years' directors fees on his retirement or cessation from office from the board of directors on or before our 2004 annual shareholders' meeting.

Fisher & Paykel Healthcare will be responsible for making these payments.

In addition, Fisher & Paykel Industries has agreed, upon completion of the reorganization, to retain some key members of its senior management as consultants to Fisher & Paykel Healthcare or Fisher & Paykel Appliances or both of them. Mr. Henry will serve as a consultant to us and Fisher & Paykel Appliances for a period of two years for 52 days per year per company for annual compensation of NZ\$75,000 per company. Mr. Gillanders will serve as a consultant to us and Fisher & Paykel Appliances for a period of three years for 2.5 days per week per company for annual compensation of NZ\$200,000 per company.

Prior to the closing of this offering, Michael G. Daniell will become Managing Director and our Chief Executive Officer, and our new senior management will comprise Lewis G. Gradon, Paul N. Shearer and Antony G. Barclay. The annual compensation for each of these executives will be determined by the remuneration committee.

STOCK OPTION PLAN

Fisher & Paykel Industries established a Share Option Plan, effective September 7, 2001, for selected executives, managers and other selected employees working in the healthcare business. Under the plan, the board of directors has discretion, subject to limitations set forth in

the New Zealand Stock Exchange listing rules, to make grants of options not exceeding one percent of our share capital over any twelve month period to plan participants to purchase ordinary shares at an exercise price per share equal to the fair market value of a share on the date of option grant.

Options granted pursuant to the Share Option Plan become exercisable in three equal annual installments commencing on the second anniversary of the grant date and all unexercised options expire on the fifth anniversary of the grant date. Options also become exercisable if a person, or a group of persons acting in concert, acquires more than half of our outstanding ordinary shares. On leaving employment due to death, serious illness, accident, permanent disablement, redundancy or other circumstances as determined by our board, the participant or, if applicable, the participant's executor, will have one month to exercise all outstanding options. On a termination of employment for any other reason all outstanding vested and unvested options will lapse.

We intend to make an initial grant of options, shortly prior to the reorganization and this offering, to employees of the healthcare business on the basis that those options will be cancelled if the reorganization and this offering do not occur. The per share exercise price of these options initially granted will be equal to the New Zealand dollar per share equivalent of the initial public offering price of the ADSs. Under this initial grant, we expect to grant options to purchase ordinary shares pursuant to the stock option plan to each of Messrs. Daniell, Gradon, Shearer and Barclay, as follows:

NAME	ORDINARY SHARES UNDERLYING OPTIONS
----	-----
Michael G. Daniell.....	250,000
Lewis G. Gradon.....	175,000
Paul N. Shearer.....	175,000
Antony G. Barclay.....	60,000

Total.....	660,000
	=====

The number of ordinary shares subject to the initial grant of options, together with the number of ordinary shares initially allocated to the employee share purchase plans to be established as part of the reorganization, will not exceed 2% of the number of our ordinary shares outstanding following the reorganization.

EMPLOYEE SHARE PURCHASE PLANS

Employee Share Plans Prior to the Reorganization

Fisher & Paykel Industries has three share purchase plans for employees. No additional shares will be issued under these existing plans. Pursuant to the reorganization, participants in the plans will, through the relevant trustees, receive ordinary shares of Fisher & Paykel Appliances and cash in the same way as other shareholders of Fisher & Paykel Industries. These ordinary shares will be treated under the plans in the same way as the ordinary shares of Fisher & Paykel Industries. The cash will be applied towards repaying outstanding loans or purchasing ordinary shares in Fisher & Paykel Appliances and Fisher & Paykel Healthcare in the proportions as under the reorganization. The existing plans are as follows:

New Zealand Employee Share Purchase Plan. Under the trust deed for the New Zealand employee share purchase plan, dated as of October 15, 1979, full-time New Zealand employees of the Fisher & Paykel group were eligible to purchase ordinary shares of Fisher & Paykel Industries at a 20% discount to market value. Eligible employees receive interest-free loans from us to cover the purchase price of the ordinary shares for which they subscribe. The loan is repaid through periodic deductions from salary. The plan is administered by trustees, who subscribe for ordinary shares and hold them in trust for each employee participant. The

participating employee's entitlement to the ordinary shares vests three years from the date of acquisition by the trustees. Employee participants are not permitted to transfer their plan ordinary shares to third parties. Dividends are paid to employees in respect of ordinary shares purchased under the plan.

Once vested, an employee participant may elect to transfer the ordinary shares into his or her own name, after which they will be freely transferable, or for the trustees to repurchase the ordinary shares at the lesser of market price and the price at which the trustees acquired the ordinary shares. If an employee participant ceases to be employed by the Fisher & Paykel group before the ordinary shares vest due to death, accident, sickness, redundancy or retirement at the normal retirement age, the employee or his or her personal representative may elect to transfer the ordinary shares into his or her own name or for the trustees to repurchase the ordinary shares at the lesser of market price and the price at which the trustees acquired the ordinary shares, subject to repaying any outstanding loans. Employee participants who cease to be employed by the Fisher & Paykel group before the ordinary shares vest for any other reason, or who elect to withdraw from the ordinary share purchase plan on three months' notice, must sell their ordinary shares back to the trustees at the lesser of market price or the trustees' acquisition price, and repay any outstanding loans.

Australian Employee Share Purchase Plan. Australian residents who are full-time or part-time employees of our Australian subsidiaries may participate in our Australia employee share purchase plan dated as of August 1, 1996 after they have worked for us continuously for three months. The plan has substantially similar terms to the New Zealand plan, except that ordinary shares of employee participants who cease to be employed by the Fisher & Paykel group in certain circumstances will remain in the plan for the remainder of the vesting period, after which the participant may have the ordinary shares transferred to his or her own name or have the ordinary shares sold by the trustees.

Executive Share Purchase Plan. Executive employees and executive directors of the Fisher & Paykel group companies were eligible to participate in an executive share purchase plan, dated as of December 2, 1983, under which eligible participants may receive interest-bearing loans from us to acquire ordinary shares of Fisher & Paykel Industries. Under the terms of the plan, the ordinary shares may be purchased at a discount to the market value. Ordinary shares for which participants subscribe are held in trust by trustees, and ownership generally vests in the employee participant eight years from March 31 following purchase. The terms of the plan relating to the effect of a participant ceasing to be employed by the Fisher & Paykel group before the ordinary shares vest are substantially the same as the New Zealand employee share purchase plan. Dividends paid in respect of ordinary shares purchased under the scheme may be paid to the participant or applied in repayment of the loan, at the election of Fisher & Paykel Industries.

Employee Share Plans Following the Reorganization

As part of the reorganization, Fisher & Paykel Healthcare has established and proposes to establish the following new share purchase plans for employees:

2001 Employee Stock Purchase Plan (IRC sec. 423 Plan). Fisher & Paykel Industries adopted the Employee Stock Purchase Plan effective September 7, 2001. Under this plan, United States employees will have the opportunity to purchase our ordinary shares at a discount through the use of payroll deductions over specified periods of time. The plan is intended to comply with the requirements of and to provide participants with tax benefits pursuant to Section 423 of the Internal Revenue Code.

The Employee Stock Purchase Plan will be administered by our board of directors. The board of directors may make rules and regulations and establish procedures for the administration of the employee stock purchase plan, as it deems appropriate.

At the discretion of the board of directors, we expect to offer each eligible employee the opportunity to purchase our ordinary shares through regular payroll deductions using the employee's after tax pay. Under the employee stock purchase plan, the fair market value of the ordinary shares that may be purchased by any employee during the calendar year may not exceed \$25,000.

Participating employees will be able to purchase ordinary shares at a purchase price equal to the lesser of:

- 85% of the fair market value of an ordinary share on the offering date; and
- 85% of the fair market value of an ordinary share on the applicable purchase date.

The right to purchase ordinary shares granted to a participant under the employee stock purchase plan is transferable only by will or the laws of descent and distribution, and is exercisable during the participant's lifetime only by the participant.

2001 Universal Share Purchase Plans in New Zealand and Australia. Fisher & Paykel Industries proposes to adopt share purchase plans for the employees of the healthcare business prior to this offering. The plans will be available to all employees in New Zealand and Australia. These plans will be substantially identical to the existing New Zealand employee share purchase plan and Australian employee share purchase plan, respectively.

RETIREMENT PLAN (STAFF SUPERANNUATION SCHEME)

Employees of Fisher & Paykel Industries currently participate in the Fisher & Paykel Super Plan. This plan is a defined benefit superannuation scheme, meaning that the benefits and member contributions are determined by reference to formulae defined in the plan, and employers are required to contribute any additional amount required to fund the benefits. The plan is registered under the New Zealand Superannuation Schemes Act 1989. Based on actuarial assumptions, the plan's actuary has estimated that the plan has an excess of assets over the present value of accrued liabilities, known as an actuarial surplus. The plan has recently been amended to provide for a defined contribution option. Existing members may convert to this option, which will apply to all new members. The principal sponsoring company in the plan is Fisher & Paykel Limited. Following the reorganization, Fisher & Paykel Limited will continue to be the principal sponsoring company of the existing plan and employees of Fisher & Paykel Appliances and its subsidiaries will continue to participate in the plan.

Within approximately three months of the reorganization we intend to establish a new defined contribution registered superannuation scheme to mirror the defined contribution option available under the existing Fisher & Paykel Super Plan. Fisher & Paykel Healthcare will be the principal sponsoring company in the new plan. Employees of Fisher & Paykel Healthcare who participate in the existing plan will be asked to transfer to the new plan. Those employees who choose to transfer will have their accrued benefits transferred to the new plan. A pro rata amount of any actuarial surplus of the existing plan will be transferred to our new plan and will be applied towards the payment of our contributions under our new plan. Those who do not choose to transfer will remain participants in the existing Fisher & Paykel Super Plan that, following the reorganization, will be operated by Fisher & Paykel Limited. Following the reorganization, employees of Fisher & Paykel Healthcare who do not choose to transfer to the new plan who converted to the defined contribution option will not be entitled to any further employer contributions. Employees of Fisher & Paykel Healthcare who did not convert to the defined contribution option will continue to be entitled to benefits under the existing Fisher & Paykel Super Plan. Fisher & Paykel Healthcare will be required to contribute to the Fisher & Paykel Super Plan in respect of these employees.

Fisher & Paykel Australia Pty Limited has established a plan within the AMP Superannuation Savings Trust, a defined contribution master trust operated by AMP, for employees of our Australian subsidiaries. The plan will continue in its current form after the reorganization.

RELATED PARTY TRANSACTIONS

The following discussion describes transactions and agreements since April 1, 1998 through the date of this prospectus between Fisher & Paykel Industries or any member of its consolidated group and the directors, senior management and shareholders of Fisher & Paykel Industries that own more than 10% of the outstanding ordinary shares of Fisher & Paykel Industries and, in each case, the companies with whom they are affiliated. The discussion also describes transactions between Fisher & Paykel Industries or any member of its consolidated group and companies in which the consolidated group owns a 10% or greater equity interest.

RELATED PARTY TRANSACTIONS PRIOR TO THE REORGANIZATION

Fisher & Paykel Industries holds approximately 49% of the outstanding shares of Hill & Stewart Appliances Limited, a privately held appliance retailer which sells appliances, including appliances manufactured by the appliances business of Fisher & Paykel Industries, throughout New Zealand. In addition, in connection with the investment:

- a subsidiary of Fisher & Paykel Industries, Fisher & Paykel Limited, loaned an associated trust, The Employee Number 2 Trust, approximately NZ\$270,000, without interest, for the purposes of it purchasing approximately 27% of the outstanding shares of Hill & Stewart, which are subject to a voting direction held by Fisher & Paykel Industries; and

- Fisher & Paykel Finance Limited, a subsidiary of Fisher & Paykel Industries, loaned Hill & Stewart NZ\$9.3 million, bearing interest at the rate of 8.5% per annum, for the purposes of funding Hill & Stewart's normal working capital requirements.

As of March 31, 2001, the amounts outstanding under the loans to The Employee Number 2 Trust and Hill & Stewart were NZ\$270,000 and NZ\$9.3 million, respectively. See note 23 to "Consolidated Financial Statements of Fisher & Paykel Industries Limited" included in Appendix A to this prospectus for more information about the investment.

A subsidiary of Fisher & Paykel Industries, Lifestyle Finance Limited, has made NZ dollar loans to executive directors and senior management of Fisher & Paykel Industries. Following the reorganization, Lifestyle Finance Limited will become a subsidiary of Fisher & Paykel Appliances. The following table sets forth for each loan the recipient, the original principal amount and the amount outstanding as of May 31, 2001, in each case in NZ dollars and in U.S. dollars, based on an exchange rate of NZ\$1.00 = US\$0.4083, the noon buying rate in New York City for cable transfers in effect on May 31, 2001:

NAME -----	ORIGINAL PRINCIPAL AMOUNT		AMOUNT OUTSTANDING AS OF MAY 31, 2001	
	(IN NZ DOLLARS)	(IN U.S. DOLLARS)	(IN NZ DOLLARS)	(IN U.S. DOLLARS)
W. Lindsay Gillanders.....	\$ 25,000	\$ 10,207	\$ 25,000	10,207
David B. Henry.....	25,000	10,207	25,000	10,207
Gary A. Paykel.....	25,000	10,207	25,000	10,207
J. Julian A. Williams.....	25,000	10,207	25,000	10,207
Richard D. Blundell.....	10,000	4,083	10,000	4,083
John H. Bongard.....	10,000	4,083	10,000	4,083
Malcolm Clark.....	25,000	10,207	25,000	10,207
Alastair A. Macfarlane.....	25,000	10,207	25,000	10,207
	-----	-----	-----	-----
Total.....	\$170,000	\$ 69,408	\$170,000	\$ 69,408
	=====	=====	=====	=====

These loans are repayable in full upon the recipient ceasing to be employed by the Fisher & Paykel group. Interest on each loan is payable at a rate of 2.5% per annum.

RELATED PARTY TRANSACTIONS FOLLOWING THE REORGANIZATION

In connection with the reorganization, on August 23, 2001 we entered into a separation arrangement agreement with Fisher & Paykel Appliances, which will own slightly less than 20% of our ordinary shares following the reorganization and this offering. The separation arrangement agreement provides, among other things, that:

- any asset or liability held by us after the effective date of the reorganization that is properly attributable to the appliances or finance businesses, other than the borrowings we agreed to assume as part of the reorganization or any asset or liability held by Fisher & Paykel Appliances or its subsidiaries that is properly attributable to the healthcare business, is to be transferred and assigned or novated to Fisher & Paykel Appliances or us, as the case may be. Until the transfer and assignment or novation occurs, the asset or liability is to be held on behalf of, and with the appropriate accountability to and indemnification from, Fisher & Paykel Appliances or us, as appropriate;
- assets or liabilities for which no proper attribution can be determined will be attributed to each of Fisher & Paykel Appliances and us pro rata, in proportion to the respective values attributed to Fisher & Paykel Appliances and us as of the date of the separation arrangement agreement, unless we each agree to a different allocation;
- we and Fisher & Paykel Appliances have agreed to ongoing sharing and co-operation arrangements concerning matters including the use of the name "Fisher & Paykel," land owned by us to which Fisher & Paykel Appliances requires limited access, joint procurement, including product liability insurance arrangements, the sharing of technological developments in prescribed circumstances, the use of the domain names "fisherpaykel.com" and "fisher&paykel.com," our continuing to administer loans under existing employee share schemes, two patents owned by Fisher & Paykel Appliances that we may use in our business, the retention of records and access to corporate information;
- we and Fisher & Paykel Appliances will use our best endeavors to distinguish our respective businesses from each other; and
- we will indemnify Fisher & Paykel Appliances and its subsidiaries for all losses, damages, liabilities, claims, costs and expenses that may be incurred by it and any of its subsidiaries after the effective date of the reorganization relating to the healthcare business as carried on by Fisher & Paykel Industries prior to the effective date of the reorganization and by us after the effective date of the reorganization, and Fisher & Paykel Appliances will similarly indemnify us and our subsidiaries in relation to the operation of the appliances and finance businesses.

After the reorganization, any claims made against us that are properly attributable, in accordance with the separation arrangement agreement, to either the appliances or finance business would require us to exercise our rights under the separation arrangement agreement to obtain payment or indemnification from Fisher & Paykel Appliances. We are exposed to the risk that, in these circumstances, Fisher & Paykel Appliances cannot, or will not, make the required payment or indemnify us. If this were to occur, our business could be harmed. See the sections entitled "Risk Factors -- Risks Related to the Reorganization" and "The Reorganization" in this prospectus.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of the ordinary shares of Fisher & Paykel Industries as of April 30, 2001, and as adjusted to reflect the reorganization and this offering, including the repurchase of 18.2 million ordinary shares and the sale of 17.6 million ordinary shares, in the form of ADSs, by the selling shareholder, by:

- each person known by us to beneficially own 5% or more of the outstanding ordinary shares of Fisher & Paykel Industries as of April 30, 2001;
- the selling shareholder; and
- each of the directors and senior management of Fisher & Paykel Industries.

All information with respect to beneficial ownership has been furnished to us by shareholders of Fisher & Paykel Industries. The percentage beneficial ownership for each shareholder prior to the offering is based on 118,111,137 ordinary shares outstanding as of April 30, 2001 and for each shareholder after the offering is based on 99,911,137 ordinary shares outstanding after the reorganization and this offering and assumes that the underwriters do not exercise their over-allotment option.

BENEFICIAL OWNER -----	BENEFICIAL OWNERSHIP PRIOR TO OFFERING		SHARES TO BE SOLD	BENEFICIAL OWNERSHIP AFTER REORGANIZATION AND OFFERING	
	NUMBER -----	PERCENTAGE -----		NUMBER -----	PERCENTAGE -----
The Capital Group Companies, Inc.....	9,034,050	7.6	--	4,769,978	4.8
AMP Asset Management New Zealand Limited.....	8,354,564	7.1	--	4,411,210	4.4
AXA Asia Pacific Holdings Limited.....	7,215,679	6.1	--	3,809,879	3.8
SELLING SHAREHOLDER					
Fisher & Paykel Appliances Holdings Limited.....					19.9
DIRECTORS AND SENIOR MANAGEMENT					
Antony G. Barclay.....	5,450	*	--	2,878	*
Richard D. Blundell(1).....	170,899	*	--	90,235	*
John H. Bongard.....	91,226	*	--	48,188	*
Malcolm Clark.....	92,055	*	--	48,605	*
Adrienne E. Clarke(2).....	--	*	--	--	*
Michael G. Daniell(2)(3).....	57,780	*	--	30,508	*
Nigel T. Evans(2)(4).....	1,344,823	1.1	--	710,067	0.7
Norman M.T. Geary(5).....	4,611	*	--	2,435	*
John W. Gilks(5)(6).....	3,968,536	3.3	--	2,095,387	2.1
W. Lindsay Gillanders(7).....	728,541	*	--	384,670	*
Lewis G. Gradon.....	31,954	*	--	16,877	*
David B. Henry(5).....	163,051	*	--	86,090	*
Alastair A. Macfarlane.....	106,846	*	--	56,415	*
Colin J. Maiden(8).....	3,960,567	3.3	--	2,091,179	2.1
Gary A. Paykel(9).....	1,495,004	1.3	--	789,362	0.8
Maurice Paykel(5)(10).....	2,634,891	2.5	--	1,391,222	1.4
Donald D. Rowlands(5).....	265,000	*	--	139,920	*
Paul N. Shearer.....	57,450	*	--	30,334	*
P. Michael Smith(2).....	--	*	--	--	*
J. Julian A. Williams.....	419,478	*	--	221,484	*

* Owns less than one percent of the outstanding ordinary shares.

- (1) Includes 50,105 shares held jointly as a trustee of a family trust and 9,500 shares held by Blundell Holdings Limited. The shares of Blundell Holdings Limited are held by various trusts under which Mr. Blundell is a beneficiary.
- (2) Director to be appointed in connection with the reorganization.
- (3) Includes 6,500 shares held jointly by Mr. Daniell with his spouse.
- (4) Includes 1,341,823 shares held jointly as a trustee of the Woolf Fisher Charitable Trust. Mr. Evans disclaims beneficial ownership of those shares. Also includes 3,000 shares held jointly by Mr. Evans with his spouse.
- (5) Director to retire in connection with the reorganization.
- (6) Includes 3,940,000 shares held jointly as a trustee of the New Zealand Executive Share Purchase Plan. Mr. Gilks disclaims beneficial ownership of those shares.
- (7) Includes 577,400 shares held jointly as a trustee of the New Zealand Employee Share Purchase Plan. Mr. Gillanders disclaims beneficial ownership of those shares. Also includes 2,591 shares jointly held as a trustee of a family trust under which Mr. Gillanders is also a beneficiary.
- (8) Includes 3,940,000 shares held jointly as a trustee of the New Zealand Executive Share Purchase Plan. Sir Colin Maiden disclaims beneficial ownership of those shares. Also includes 15,567 shares jointly held as a trustee of a family trust under which Sir Colin Maiden is also a beneficiary. Also includes 5,000 shares held jointly by Sir Colin Maiden with his spouse.
- (9) Includes 577,400 shares held jointly as a trustee of the New Zealand Employee Share Purchase Plan and 62,591 shares held jointly as a trustee of various family trusts. Mr. Paykel disclaims beneficial ownership of those shares. Also includes 704,563 shares jointly held as a trustee of a family trust under which Mr. Paykel is also beneficiary.
- (10) Includes (i) 74,742 shares held jointly as a trustee of the Maurice Paykel Charitable Trust, (ii) 1,341,823 shares held jointly as a trustee of the Woolf Fisher Charitable Trust, and (iii) 765,342 shares held jointly as a trustee of various family trusts under which Mr. Paykel is not a beneficiary. Mr. Paykel disclaims beneficial ownership of those shares.

From January 1, 1998 through September 1999, AMP Asset Management New Zealand Limited sold an aggregate of 3,449,898 ordinary shares of Fisher & Paykel Industries. From September 10, 1998 through August 16, 1999, it purchased an aggregate of 1,202,278 ordinary shares and from August 17, 1999 through September 6, 2000, it sold an aggregate of 1,225,710 ordinary shares.

As of May 10, 2000, AXA Asia Pacific Holdings Limited had purchased an aggregate of 5,917,812 ordinary shares of Fisher & Paykel Industries and from May 10, 2000 through September 15, 2000, it purchased an additional 1,297,867 ordinary shares.

As of September 17, 1999, The Capital Group Companies, Inc. had purchased an aggregate of 5,974,871 ordinary shares. From September 17, 1999 through January 24, 2000, it purchased an aggregate of 1,665,129 ordinary shares of Fisher & Paykel Industries and from January 24, 2000 through October 30, 2000, it purchased an aggregate of 1,394,050 ordinary shares.

Each of our principal shareholders has the same voting rights as the other holders of our ordinary shares. As of April 30, 2001, approximately 0.31% of the outstanding ordinary shares of Fisher & Paykel Industries were held by shareholders in the U.S., and there were 26 record holders of the ordinary shares of Fisher & Paykel Industries in the U.S.

Fisher & Paykel Appliances Holdings Limited, the selling shareholder, has its principal executive offices at 78 Springs Road, East Tamaki, Auckland, New Zealand. Fisher & Paykel Appliances is a wholly-owned subsidiary of Fisher & Paykel Industries and, following the reorganization, will be owned by Fisher & Paykel Industries' existing shareholders.

DESCRIPTION OF SHARE CAPITAL

The following description is a summary of information concerning our ordinary shares and the material provisions of our constitution, the New Zealand Companies Act 1993, the listing rules of the New Zealand Stock Exchange, or the NZSE, and the New Zealand Takeovers Code that will affect us after giving effect to the reorganization and this offering. This summary contains only that information we consider to be most important to your decision to invest in the ADSs. You should read our constitution which is filed as an exhibit to the registration statement that includes this prospectus for a more complete description of these matters. See "Where You Can Find More Information" for information on how to obtain a copy of our constitution.

GENERAL

Fisher & Paykel Industries had 118,111,137 ordinary shares outstanding as of April 30, 2001. Upon completion of the reorganization and this offering, we will have 99,911,137 shares outstanding. New Zealand law does not recognize the concept of nominal value or par value, nor does it permit us to have authorized but unissued share capital.

In January 2000, Fisher & Paykel Industries issued a total of 561,900 shares to the trustees of each of the New Zealand and Australia employee share purchase schemes for an aggregate purchase price of NZ\$2,882,547, which was loaned to the trustees by Fisher & Paykel Industries. To the extent these shares have been allocated to employees, Fisher & Paykel Industries has made loans to the employees to fund the subscription price of the shares. See "Management--Employee Share Purchase Plans." 990,429 shares were issued to Fisher & Paykel Industries' shareholders in lieu of a cash dividend in December 1997. Also in December 1997, 1,674,602 shares were issued to the trustees of the executive share purchase plan for an aggregate purchase price of NZ\$5,827,615, which was loaned to the trustees by Fisher & Paykel Industries. To the extent these shares have been allocated to employees, Fisher & Paykel Industries has made loans to the employees to fund the subscription price of the shares. See "Management--Employee Share Purchase Plans." An earlier issuance of 1,152,889 shares, in August 1997, was made for the benefit of Fisher & Paykel Industries' shareholders in lieu of the final dividend for the fiscal year ended March 31, 1997.

CONSTITUTION

Our organizational document is our constitution. Our constitution, in conjunction with the Companies Act 1993 and the NZSE listing rules, governs our administration and operation, including the method of appointment, powers and duties of directors, the rights and obligations of shareholders and other procedural matters such as the convening and conduct of shareholder meetings, the issue of new shares and the transfer of existing shares.

Fisher & Paykel Industries is a company with limited liability, meaning that each shareholder's liability to third parties for its debts is equal to the amount, if any, unpaid on the shares held by that shareholder.

For so long as we are listed on the NZSE, we must comply with the NZSE listing rules as in effect from time to time, subject to any exemption or waiver granted by the NZSE. If we fail to comply with the NZSE listing rules, we may be delisted or be subject to enforcement action by the NZSE or by our shareholders. We may obtain NZSE waivers authorizing any act or omission which would otherwise contravene the NZSE listing rules, except in instances where our constitution provides otherwise.

SHAREHOLDER MEETINGS

We are required to hold an annual meeting of our shareholders in each calendar year not later than six months after our fiscal year end, which is March 31, and within 15 months of the

date of the preceding annual meeting. We are required to send a notice of annual meeting to our shareholders at least 10 business days before the meeting, and a copy of our annual report at least 20 business days before the meeting. Our annual report must include information required by the Companies Act 1993 and the NZSE listing rules, including our statutory consolidated financial statements and a report by our board on any changes in our business which would have a material impact on the state of affairs of us and our subsidiaries as a group.

Our board may convene a special meeting of shareholders at any time. Our board must convene a special meeting of shareholders upon receipt of a written request from shareholders who hold shares representing not less than 5% of the voting rights entitled to be exercised in respect of the matter for which the meeting is called. We are required to send a notice of a special meeting to our shareholders at least 10 business days before the meeting.

The quorum for a meeting of shareholders is six or more shareholders present in person or by proxy, attorney or representative. The quorum for an interest group meeting is members of the interest group holding 5% or more of the total number of securities held by all members of that group having the right to vote at the meeting. An "interest group" is a group of shareholders, who may hold securities of the same or different classes, whose affected rights are identical and whose rights are affected by an action or proposal in the same way.

If a quorum is not present within 30 minutes of the time appointed for the meeting, the meeting, if called at the request of shareholders, is dissolved, or, if called at the request of the board, is adjourned to the same time and place in the next week or any other date, time and place chosen by the directors. If in any adjourned meeting a quorum is not present within 30 minutes of the time appointed for the meeting, those shareholders present will constitute a quorum.

VOTING RIGHTS

At shareholder meetings, each shareholder may vote on resolutions by a show of hands or, at the chairperson's discretion, by voice, unless a poll is duly demanded. Each shareholder who is present in person or by proxy, attorney or representative has one vote on a show of hands and one vote for each fully paid share held on a poll. A poll may be called by:

- the chairperson of the meeting;
- not less than five shareholders entitled to vote at the meeting;
- one or more shareholders having the right to exercise not less than 10% of the total votes entitled to be exercised on the business to be transacted at the meeting; and
- one or more shareholders holding shares conferring the right to vote at the meeting which are paid up to an aggregate amount of not less than 10% of the total amount paid up on all shares conferring the right to vote at the meeting.

Under the deposit agreement, the chairperson of a shareholders' meeting is required to call a poll upon the request of the depositary for the ADRs. The depositary has agreed, for the benefit of the ADR holders, to request that a poll be called on all resolutions other than those dealing with procedural or administrative matters. However, we cannot assure you that the depositary will be able to enforce its right to call a poll, either directly or through a request to the chairperson of the meeting, if the depositary represents holders of ADRs with the right to exercise less than 10% of the total votes entitled to be exercised on the business to be transacted at the meeting.

Under the Companies Act, the affirmative vote of shareholders holding not less than a majority of the votes entitled to vote and voting is required to approve an ordinary resolution and the affirmative vote of not less than 75% of the votes entitled to vote and voting is required to approve a special resolution. The election and removal of directors, some issuances

of new shares, the appointment of auditors and other general matters must be approved by ordinary resolution. Amendments to our constitution, any transaction involving us acquiring or disposing of assets or incurring liabilities, the value of which is more than half the value of our assets prior to the transaction, our amalgamation with another company outside our group and our voluntary liquidation must be approved by special resolution.

The NZSE listing rules may prohibit a shareholder from voting in favor of resolutions regarding non-pro rata issues of shares to, or buybacks of shares from, or transactions with or benefiting, the shareholder or an associated person of that shareholder. They also may prohibit a shareholder who is a director or associated person of a company in the Fisher & Paykel group from voting in circumstances where they may receive greater benefit than other shareholders if the resolution is approved.

CAPITAL INCREASES

Our constitution and the NZSE listing rules limit the issuance of new shares. Our board may issue additional shares with shareholder approval by ordinary resolution of each class of securities whose rights could be affected by the new issuance. Our board may also issue new shares without shareholder approval:

- to existing shareholders in proportion to the number of shares already held by them;
- to unrelated parties, provided the number of shares issued does not exceed in any 12 month period 10% of the total number of securities of the relevant class outstanding; and
- to employees who are not directors or their associates, provided the number of shares issued does not exceed in any 12 month period 2%, or in any 5 year period 5%, of the total number of securities of the relevant class outstanding.

Before issuing any shares the board must resolve that in its opinion the terms of the issuance are fair and reasonable to us and to all existing shareholders. If we issue shares other than for cash, the board must resolve that in its opinion the cash value of the consideration provided is not less than the amount to be credited for the issue of the shares.

DISTRIBUTIONS AND DIVIDENDS

Under the Companies Act, a "distribution" is any money or property, other than our own shares, that is directly or indirectly transferred to or for the benefit of a shareholder, or a debt that is incurred by us to or for the benefit of a shareholder, in each case in relation to shares held by the shareholder. The term "distribution" includes a dividend.

Our board may authorize distributions to shareholders from time to time provided it is satisfied on reasonable grounds that we will immediately after the distribution be able to pay our debts as they become due in the normal course of business, and the value of our assets is greater than the value of our liabilities, including any contingent liabilities. Under New Zealand law, this is known as the solvency test. We are not required to obtain shareholder approval for the declaration or payment of any distribution.

Our board may not differentiate between shareholders in a class in respect of the payment or amount of a dividend unless it reflects differing liabilities of those shareholders to us or the distribution is a supplementary dividend to non-resident shareholders who qualify for the supplementary dividend provided for under the New Zealand Income Tax Act 1994. We will calculate the amount of any supplementary dividend in accordance with the applicable provisions of the Income Tax Act 1994.

Only shareholders who are included on our share register on the record date set by our board for the relevant distribution will be eligible to receive that distribution.

Under our constitution, we may invest unclaimed distributions for our benefit. Title to unclaimed distributions passes to us after five years, although any shareholder presenting proper evidence of entitlement to a forfeited distribution may have the forfeiture annulled at any time provided we pass the solvency test.

See "Dividend Policy" for a discussion of the circumstances under which we expect to pay dividends.

ALTERATION OF RIGHTS

We are not permitted to take any action that affects the rights attached to quoted equity securities unless that action has been approved by a special resolution of each affected interest group, except as expressly described in our constitution. The issuance of shares that conforms to the procedures described in our constitution does not constitute a modification of the rights of our shareholders.

LIQUIDATION RIGHTS

If we are liquidated, our assets will first be applied to satisfy our liabilities. After payment of liabilities, and after provision for any shares having a preference on liquidation, each shareholder will receive a portion of the remaining assets in proportion to the number of shares held by it, and the amount paid up on any shares that are not fully paid-up on issuance.

TAKEOVER PROVISIONS

The New Zealand Takeovers Code, which came into force on July 1, 2001, applies to us. The Code prevents a person from increasing percentage voting rights in a company to which the Code applies above a 20% threshold unless that increase occurs in one of several permitted ways, called "compliance options." The effect of the Code is that:

- a person who holds or controls less than 20% of the voting rights in a company to which the Code applies may not, except through a compliance option, become the holder or controller of more than 20% of the voting rights; and
- a person who already holds or controls 20% or more of the voting rights in a company to which the Code applies may not, except through a compliance option, become the holder or controller of an increased percentage of the voting rights.

A person who holds or controls 90% or more of the voting rights in a company to which the Code applies may increase their holding without restriction in accordance with the provisions of the Code. Compliance options by which a person may otherwise increase their holdings include:

- an offer for all the voting securities of the target company, extended to all holders of equity securities, whether voting or non-voting;
- a partial offer extended to all holders of voting securities in the target company for a specific percentage of each holder's securities which will result in the person holding more than 50% of the voting rights;
- a specific purchase or issue of equity securities approved by the shareholders of the target company in a shareholders meeting where interested parties cannot vote on the resolution to approve the purchase or issue; and
- where a person holds or controls more than 50% but less than 90% of the voting rights in the target company, an increase in their holding by up to 5% of the total voting rights in the target company in any twelve month period.

An offer must be made on the same terms and offer the same consideration for all securities in a class and contain the information prescribed by the Code. Where a person holds or controls less than 50% of the voting rights in the target company, the offer must be conditional on the person obtaining acceptances which will bring the person's total holding to more than 50%.

LIMITATION ON FOREIGN OWNERSHIP

Any person or entity not a New Zealand citizen and not ordinarily a resident of or not incorporated in New Zealand, or owned 25% or more by a non-New Zealand person or entity, must comply with New Zealand's Overseas Investment Regulations. Under these regulations, an overseas person must obtain the consent of the Overseas Investment Commission if that person's holding would beneficially entitle that person to an interest in 25% or more of our ordinary shares or the ability to appoint 25% or more of our directors. These restrictions apply to nominees of our shareholders as well.

In addition, under New Zealand law, persons who hold a relevant interest in 5% or more of our voting securities, whether or not a resident of New Zealand, must notify, and report subsequent changes in, their interests in writing to us and to the NZSE.

TRANSFER OF SHARES

Shares are transferred when we or our share registrar enters the name of the transferee on our share register. Our board may refuse or delay registration of a transfer if:

- the transfer is not accompanied by documentation establishing entitlement to the transfer;
- registration of the transfer would result in the proposed transferee holding less than the minimum holding set by the NZSE; or
- we have a lien on the shares to be transferred.

We may sell shares held by a holder with less than the minimum holding set by the NZSE after giving not less than three months written notice to the shareholder. We pay the proceeds from the sale to the shareholder after we have deducted reasonable sale expenses and the amount of any unpaid calls on the shares.

American Depositary Shares are transferred in accordance with the terms of the deposit agreement. See "Description of the American Depositary Shares -- Transfer of ADSs" for a description of the terms relating to a transfer of ADSs.

The share registrar for our shares is Computershare Registry Services Limited, Private Bag 92119, Auckland, 1020, New Zealand.

MINORITY BUY-OUT RIGHTS

If shareholders by special resolution approve proposals pursuant to which we may take action that affects the rights attaching to shares, any shareholder which casts all of its votes against the resolution is entitled to require us to purchase, or arrange to have a third party purchase, those shares for a fair and reasonable price. We will initially determine the price at which shares will be purchased. If the shareholder objects, the price will be determined by arbitration. In limited circumstances, we may be able to obtain a court order exempting us from the requirement to purchase the shares.

COMPULSORY ACQUISITION

Under the Takeovers Code, a person or group of persons acting in concert, called a "dominant owner" under the Code, who holds or controls 90% or more of the voting rights of a company has the right to acquire all of the voting rights not already held by the dominant owner, and holders of these voting rights have the right to sell to the dominant owner. The price at which the dominant owner acquires these voting rights will either be the price paid by the dominant owner for the voting rights previously purchased under an offer prescribed by the Code and which resulted in the dominant owner holding 90% or more of the voting rights, or a price certified as fair and reasonable by an independent expert.

FINANCIAL ASSISTANCE

We may from time to time provide financial assistance to third parties in connection with their purchase of our ordinary shares. We may provide financial assistance in the form of loans, guarantees or the provision of security. In most cases, this financial assistance must be approved by an ordinary resolution of shareholders and is also subject to the requirements of the Companies Act, including us passing the solvency test, and the NZSE listing rules. See "Management -- Employee Share Purchase Plans."

DESCRIPTION OF AMERICAN DEPOSITARY RECEIPTS

AMERICAN DEPOSITARY RECEIPTS

Morgan Guaranty Trust Company of New York, as depositary, will issue the ADSs which you will be entitled to receive in the offering. Each ADS will represent an ownership interest in four ordinary shares which we will deposit with , the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but not distributed by it directly to you. Your ADSs will be evidenced by what are known as American depositary receipts, or ADRs.

The depositary's office is located at 60 Wall Street, New York, NY 10260.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of your broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Because the depositary's nominee will actually be the registered owner of the ordinary shares, you must rely on it to exercise the rights of an ordinary shareholder on your behalf. The obligations of the depositary and its agents are set out in the deposit agreement. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement, which is filed as an exhibit to the registration statement of which this prospectus forms a part. You may also obtain a copy of the deposit agreement at the Commission's Public Reference Room which is located at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-732-0330.

SHARE DIVIDENDS AND OTHER DISTRIBUTIONS

How will I receive dividends and other distributions on the ordinary shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed to pay to you the cash dividends it or the custodian receives on ordinary shares. It has also agreed to pay you any other distribution it or the custodian receives on ordinary shares or other deposited securities, after deducting its expenses. You will receive these distributions in proportion to the number of underlying ordinary shares that your ADSs represent.

Except as stated below, to the extent the depositary is legally permitted it will deliver any distributions to ADR holders in proportion to their interests in the following manner:

Cash. The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof, to the extent applicable, on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) the distribution being impermissible or impracticable with respect to certain registered holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by any means as the depositary may determine to the extent that it

determines that the transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for the conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.

Ordinary shares. In the case of a distribution in ordinary shares, the depositary will issue additional ADRs to evidence the number of ADSs representing those ordinary shares. Only whole ADSs will be issued. Any ordinary shares which would result in fractional ADSs will be sold and the net proceeds will be distributed to the ADR holders entitled to the ordinary shares.

Rights to receive additional ordinary shares. In the case of a distribution of rights to subscribe for additional ordinary shares or other rights, if we provide satisfactory evidence that the depositary may lawfully distribute the rights, the depositary may arrange for ADR holders to instruct the depositary as to the exercise of the rights. However, if we do not furnish satisfactory evidence or if the depositary determines it is not practical to distribute such rights, the depositary may:

- sell the rights if practicable and distribute the net proceeds as cash; or
- allow the rights to lapse, in which case ADR holders will receive nothing.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

Other Distributions. In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute the securities or property in any manner it deems equitable and practicable, (ii) to the extent the depositary deems distribution of the securities or property not to be equitable and practicable, sell the securities or property and distribute any net proceeds in the same way it distributes cash, or (iii) hold the distributed property in which case the ADSs will also represent the distributed property.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability for interest and added to future cash distributions.

The depositary may choose any practical method of distribution for any specific ADR holder, including the distribution of foreign currency, securities or property, or it may retain foreign currency, securities or property, without paying interest on or investing them, on behalf of the ADR holder as deposited securities.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

We cannot assure you that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, ordinary shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

DEPOSIT, WITHDRAWAL AND CANCELLATION

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit ordinary shares or evidence of rights to receive ordinary shares with the custodian. In the case of the ADSs to be sold by Fisher & Paykel Appliances under this prospectus, we will arrange with the underwriters named herein to deposit the underlying ordinary shares.

Ordinary shares deposited in the future with the custodian must be accompanied by certain documents, including instruments showing that the ordinary shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made.

The custodian will hold all deposited ordinary shares (including those being deposited by us or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADR holders thus have no direct ownership interest in the ordinary shares and only have the rights contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited ordinary shares. The deposited ordinary shares and any such additional items are referred to as "deposited securities."

Upon each deposit of ordinary shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name of the person entitled to the ADSs evidencing the number of ADSs to which that person is entitled. Certificated ADRs will be delivered at the depositary's principal New York office or any other location that it may designate as its transfer office.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADS at the depositary's office, the depositary will, upon payment of certain applicable fees, charges and taxes, and upon receipt of proper instructions, deliver the underlying ordinary shares at the custodian's office. At your risk, expense and request, the depositary may deliver deposited securities at any other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of ordinary shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

VOTING RIGHTS

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the ordinary shares which underlie your ADSs. After receiving voting materials from us, the depositary will notify the ADR holders of any shareholder meeting or solicitation of consents or proxies. This notice will describe how you may instruct the depositary to exercise the voting rights for the ordinary shares which underlie your ADSs. For instructions to be valid, the depositary must receive them on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying ordinary shares or other deposited securities, to vote or to have its agents vote the ordinary shares or other deposited securities as you instruct. Under the deposit agreement, the chairperson of a shareholders' meeting is required to call a poll upon the request of the depositary for the ADRs. The depositary has agreed, for the benefit of the ADR holders, to request that a poll be called on all resolutions other than those dealing with procedural or administrative matters. However, we cannot assure you that the depositary

will be able to enforce its right to call a poll, either directly or through a request to the chairperson of the meeting, if the depositary represents holders of ADRs with the right to exercise less than 10% of the total votes entitled to be exercised on the business to be transacted at the meeting. The depositary will only vote or attempt to vote as you instruct. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote.

There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

RECORD DATES

The depositary may fix record dates for the determination of the ADR holders who will be entitled:

- to receive a dividend, distribution or rights, or
 - to give instructions for the exercise of voting rights at a meeting of holders of ordinary shares or other deposited securities,
- all subject to the provisions of the deposit agreement.

REPORTS AND OTHER COMMUNICATIONS

Will I be able to view the company's reports?

The depositary will make available for inspection by ADR holders any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our ordinary shares, including the depositary or the custodian, and the depositary or the custodian actually receive those written communications, the depositary will mail copies of them, or, at its option, summaries of them to ADR holders.

FEES AND EXPENSES

What fees and expenses will I be responsible for paying?

Except in connection with the initial issuance of ADSs in the offering, ADR holders will be charged a fee for each issuance of ADSs, including issuances resulting from distributions of ordinary shares, rights and other property, and for each surrender of ADSs in exchange for deposited securities. The fee in each case is \$5.00 for each 100 ADSs (or any portion thereof) issued or surrendered.

The following additional charges will be incurred by the ADR holders, by any party depositing or withdrawing ordinary shares or by any party surrendering ADRs or to whom ADRs are issued, including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the ADRs or the deposited securities or a distribution of ADRs, whichever is applicable:

- to the extent not prohibited by the rules of any stock exchange or interdealer quotation system upon which the ADSs are traded, a fee of \$1.50 per ADR or ADRs for transfers of certificated ADRs made;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request;

- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars; and
- fees and expenses incurred by the depositary in delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation.

We will pay all other charges and expenses of the depositary and any agent of the depositary, except the custodian, pursuant to agreements from time to time between us and the depositary. The fees described above may be amended from time to time.

PAYMENT OF TAXES

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount of the tax or charge from any cash distributions, or (ii) sell deposited securities and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities, except under limited circumstances mandated by securities regulations. If any tax or governmental charge is required to be withheld on any non-cash distribution, the depositary may sell the distributed property or securities to pay the taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

RECLASSIFICATIONS, RECAPITALIZATIONS AND MERGERS

If we take certain actions that affect the deposited securities, including (i) any split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

- amend the form of ADR;
- distribute additional or amended ADRs;
- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received and distribute the proceeds as cash; or
- none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in that property.

AMENDMENT AND TERMINATION

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days notice of any amendment that imposes or increases any fees or charges, other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses, or affects any substantial existing

right of ADR holders. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to the amendment. Notwithstanding the foregoing, an amendment can become effective before notice is given if this is necessary to ensure compliance with a new law, rule or regulation.

No amendment will impair your right to surrender your ADSs and receive the underlying securities. If a governmental body adopts new laws or rules which require the deposit agreement or the ADS to be amended, we and the depositary may make the necessary amendments, which could take effect before you receive notice of the amendments.

How may the deposit agreement be terminated?

The depositary may terminate the deposit agreement by giving the ADR holders at least sixty days prior notice, and it must do so at our request. The deposit agreement will be terminated on the removal of the depositary for any reason. After termination, the depositary's only responsibility will be (i) to deliver deposited securities to ADR holders who surrender their ADRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of the sales, without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making such sale, the depositary shall have no obligations except to account for the proceeds of the sale and other cash. The depositary will not be required to invest the proceeds or pay interest on them.

LIMITATIONS ON OBLIGATIONS AND LIABILITY TO ADR HOLDERS

Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any agent will be liable if:

- any law, regulation, the provisions of or governing any deposited securities, act of God, war or other circumstance beyond its control shall prevent, delay or subject to any civil or criminal penalty any act which the deposit agreement or the ADRs provide shall be done or performed by it;
- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations without gross negligence or bad faith;
- it takes any action or inaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting ordinary shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents will only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense, including fees and disbursements of counsel, and indemnity is furnished as often as we require.

The depositary will not be responsible for failing to carry out instructions to vote the deposited securities or for the manner in which the deposited securities are voted or the effect of the vote.

The depositary may own and deal in deposited securities and in ADSs.

DISCLOSURE OF INTEREST IN ADSS

From time to time we may request you and other holders and beneficial owners of ADSs to provide information as to:

- the capacity in which you and other holders and beneficial owners own or owned ADSs;
- the identity of any other persons then or previously interested in such ADSs; and
- the nature of such interest and various other matters.

You agree to provide any information requested by us or the depositary pursuant to the deposit agreement. The depositary has agreed to use reasonable efforts to comply with written instructions received from us requesting that it forward any such requests to you and other holders and beneficial owners and to forward to us any responses to such requests to the extent permitted by applicable law.

REQUIREMENTS FOR DEPOSITARY ACTIONS

We, the depositary or the custodian may refuse to

- issue, register or transfer an ADR or ADRs;
- effect a split-up or combination of ADRs;
- deliver distributions on any ADRs; or
- permit the withdrawal of deposited securities, unless the deposit agreement provides otherwise, until the following conditions have been met:
 - the holder has paid all taxes, governmental charges, and fees and expenses as required in the deposit agreement;
 - the holder has provided the depositary with any information it may deem necessary or proper, including, without limitation, proof of identity and the genuineness of any signature; and
 - the holder has complied with any regulations the depositary may establish under the deposit agreement.

The depositary may also suspend the issuance of ADSs, the deposit of ordinary shares, the registration, transfer, split-up or combination of ADRs, or the withdrawal of deposited securities, unless the deposit agreement provides otherwise, if the register for ADRs or any deposited securities is closed or if we or the depositary decide it is advisable to do so.

BOOKS OF DEPOSITARY

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs. You may inspect these records at the depositary's office during regular business hours, but solely for the purpose of communicating with other holders in the interest of business matters relating to the deposit agreement.

The depositary will maintain facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADRs. These facilities may be closed from time to time, to the extent not prohibited by law.

PRE-RELEASE OF ADSS

The depositary may issue ADSs prior to the deposit with the custodian of ordinary shares or rights to receive ordinary shares. This is called a pre-release of the ADS. A pre-release is closed out as soon as the underlying ordinary shares or other ADSs are delivered to the depositary. The depositary may pre-release ADSs only if:

- the depositary has received collateral for the full market value of the pre-released ADSs; and
- each recipient of pre-released ADSs agrees in writing that he or she owns the underlying ordinary shares, assigns all rights in such ordinary shares to the depositary, holds such ordinary shares for the account of the depositary and will deliver such ordinary shares to the custodian as soon as practicable, and promptly if the depositary so demands.

In general, the number of pre-released ADSs will not evidence more than 30% of all ADSs outstanding at any given time, excluding those evidenced by pre-released ADSs. However, the depositary may change or disregard this limit from time to time as it deems appropriate. The depositary may retain for its own account any earnings on collateral for pre-released ADSs and its charges for issuance thereof.

THE DEPOSITARY

Who is the depositary?

Morgan Guaranty Trust Company of New York, a New York banking corporation, is a commercial bank offering a wide range of banking and trust services to its customers in the New York metropolitan area, throughout the United States and around the world.

SHARES ELIGIBLE FOR FUTURE SALE

Upon the completion of the reorganization and this offering, we will have outstanding 99,911,137 ordinary shares, including 17,600,000 ordinary shares represented by ADSs, assuming the underwriters do not exercise their over-allotment option. The 17,600,000 ordinary shares to be sold in the offering in the form of ADSs will be, and our remaining outstanding ordinary shares are, freely tradeable in the U.S. without restriction by persons other than our affiliates.

LOCK-UP AGREEMENTS

We, the selling shareholder and our directors and continuing members of our senior management have agreed, subject to specified exceptions, not to offer, sell, contract to sell or otherwise dispose of, or enter into any transaction that is designed to, or could be reasonably expected to, result in the disposition of any of our ordinary shares or other securities convertible into or exchangeable or exercisable for our ordinary shares or derivatives of our ordinary shares owned by these persons prior to this offering or ordinary shares issuable upon exercise of options or warrants held by these persons for a period of 180 days after the date of the final prospectus relating to this offering without the prior written consent of Deutsche Banc Alex. Brown Inc. See "Underwriting."

Although our ordinary shares will be listed on the New Zealand Stock Exchange, we intend to apply to have the ADSs quoted on the Nasdaq National Market and have applied to have our ordinary shares listed on the Australian Stock Exchange, an active public market for the ordinary shares or ADSs may not develop or be sustained after the offering. The market price of Fisher & Paykel Healthcare ordinary shares may be lower than the market price of Fisher & Paykel Industries ordinary shares prior to the reorganization, and may not follow the past trading patterns of Fisher & Paykel Industries ordinary shares. After the offering, the market price of the ADSs may fluctuate significantly in response to a number of factors. Sales of substantial amounts of our ordinary shares or ADSs in the public market, or the perception that those sales could occur, may have an adverse effect on the market price for the ADSs.

TAXATION

UNITED STATES FEDERAL TAX CONSIDERATIONS

The following discussion describes the principal U.S. federal income tax consequences with respect to the purchase, ownership and disposition of the ADSs. The discussion is addressed to beneficial owners of ordinary shares represented by ADSs who hold those ADSs as capital assets and are U.S. holders. By U.S. holders, we mean holders that are either:

- individual residents or citizens of the U.S.;
- corporations or other entities taxable as a corporation for federal income tax purposes organized under the laws of the U.S. or any political subdivision thereof; or
- trusts or estates that are not foreign trusts or estates for U.S. federal income tax purposes.

The discussion of these U.S. federal income tax consequences represents the opinion of Debevoise & Plimpton. Prospective purchasers of ADSs who are U.S. holders should consult their own tax advisers with respect to the U.S. federal, state, local and foreign tax consequences of the purchase, ownership and disposition of ADSs that would apply in their particular tax situations.

This discussion of U.S. federal income tax laws is based on the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the Code, existing and proposed Treasury regulations made under the Code and their judicial and administrative interpretations, as well as on the income tax treaty between the U.S. and New Zealand, which we refer to in this summary as the Treaty, all as in effect on the date of this prospectus and any of which may change, possibly retroactively. The discussion of U.S. federal income taxes is also partly based on representations of the depositary and on the assumption that the deposit agreement and any related agreement will be performed in accordance with their terms as well as on advice as to matters of New Zealand law, referred to below under "New Zealand Tax Considerations," received by Debevoise & Plimpton from our New Zealand counsel.

This discussion does not consider the U.S. tax consequences to a person who is not a U.S. holder. This discussion does not address the laws of any state or locality within the U.S. or of any non-US government. It does not address the tax consequences to special classes of U.S. holders that are subject to special rules including, among others:

- dealers in securities;
- insurance companies;
- tax-exempt entities;
- financial institutions;
- traders in securities that elect to mark to market;
- persons liable for the alternative minimum tax;
- persons owning, directly or indirectly, 10% or more of our voting equity shares;
- persons that hold their ADSs as part of a straddle, hedging or conversion transaction; or
- persons whose functional currency is not the U.S. dollar.

For purposes of the Code, U.S. holders will be treated as the owners of the ordinary shares represented by ADSs.

Taxation of Dividends

The amount of any distribution paid on an ADS will be a dividend for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Subject to the discussion under "Passive Foreign Investment Company Considerations," to the extent that a distribution exceeds our earnings and profits, it will be treated as a nontaxable return of capital to the extent of your basis in those ordinary shares and thereafter as a capital gain. Dividends paid by us generally will be treated as foreign source income and will not be eligible for the dividends received deduction allowed to corporate shareholders under the U.S. federal income tax law.

The amount of any distribution will equal the fair market value in U.S. dollars of the NZ dollars on the date received by Morgan Guaranty Trust Company of New York, as depositary for the ADSs, based on the spot exchange rate on such date. You will have a basis in any NZ dollars distributed, equal to the dollar value of NZ dollars received by the depositary for the ADSs. Any gain or loss recognized upon a subsequent disposition of NZ dollars will generally be U.S. source ordinary income or loss. If dividends paid in a foreign currency are converted into U.S. dollars the day the currency is received by the depositary, the U.S. holders generally should not be required to recognize foreign currency gain or loss in respect of dividend income.

To the extent that New Zealand withholding taxes deducted from dividend distributions made by us are effectively credited to us under the New Zealand Foreign Investor Tax Credit Regime (discussed below under "New Zealand Taxation -- Dividends"), the New Zealand withholding taxes will likely constitute a subsidy under the U.S. foreign tax credit regulations in which case the taxes would not be eligible to be claimed as a foreign tax credit for U.S. federal income tax purposes. To the extent, however, that such withholding taxes are not effectively credited to us (for example, because the underlying dividend is not paid with full imputation credits attached to it), such withholding taxes will be treated as a foreign tax that may, subject to complex limitations, be claimed as a foreign tax credit or as a deduction for U.S. federal income tax purposes. In such a case, the amount distributed will be deemed to include the related New Zealand withholding tax. Dividends, if any, distributed by us will generally be categorized as passive income or, in the case of some holders, as financial services income, for purposes of computing allowable foreign tax credits for U.S. tax purposes. The rules relating to the determination of the foreign tax credit are complex and you should consult your own tax advisors to determine whether and to what extent a credit would be available.

Taxation of Capital Gains

Subject to the discussion under "Passive Foreign Investment Company," gain or loss realized by you on the sale or other disposition of ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between your basis in the ADSs and the amount realized on the disposition. Capital gain may, if realized by an individual U.S. holder, be taxable at preferential rates depending on the holding period for the ADSs. Any gain or loss will generally be income from U.S. sources.

Passive Foreign Investment Company Considerations

We believe that we will not be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our current taxable year, or for the foreseeable future. However, an actual determination of PFIC status is factual in nature and generally cannot be made until the close of the applicable taxable year. We will be a PFIC if either:

- 75% or more of our gross income in a taxable year is passive income, which includes dividends, interest, royalties, rents, annuities, and some types of gains; or

- the average percentage of the value of our assets that produce or are held for the production of passive income is at least 50%.

If we were classified as a PFIC, you would be subject to certain adverse U.S. tax consequences, including the application of special rules to certain extraordinary distributions, possible characterization of gain with respect to the ADSs as ordinary and the possible imposition of an interest charge on taxes you would be deemed to have deferred.

You are urged to consult your own tax advisor concerning the potential application of the PFIC rules to your ownership and disposition of the ADSs.

United States Backup Withholding and Information Reporting

Payments in respect of the ADSs may be subject to information reporting to the IRS and to a U.S. backup withholding tax. Backup withholding will not apply, however, to a U.S. holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification or who is otherwise exempt from backup withholding. Generally, a U.S. holder will provide such certification on Form W-9: Request for Taxpayer Identification Number and Certification.

NEW ZEALAND TAX CONSIDERATIONS

The following discussion is for general information only. Each purchaser is strongly urged to consult with its own tax consultants to determine possible New Zealand tax consequences of a purchase of ADSs. For the purposes of this discussion, an "Eligible U.S. Holder" is a U.S. Holder that:

- is a resident of the U.S. for purposes of the Treaty;
- does not maintain a permanent establishment or fixed base in New Zealand to which ADSs are attributable and through which the beneficial owner carries on or has carried on business or, in the case of an individual, performs or has performed independent personal services; and
- who is not otherwise ineligible for benefits under the Treaty with respect to income and gain derived in connection with the ADSs.

Dividends

Pursuant to the Treaty, Eligible U.S. Holders will be subject to a maximum New Zealand withholding tax of 15% of the gross amount of all cash dividends that we pay.

New Zealand operates a full "imputation system" of corporate taxation. Under the "imputation system," New Zealand tax that we pay gives rise to credits, known as imputation credits, which can be "attached" to our dividends and used by a shareholder which is treated as a resident for New Zealand tax purposes to offset that holder's New Zealand income tax liability on those dividends. An Eligible U.S. Holder and any non-New Zealand tax resident cannot directly credit these imputation credits against that holder's withholding tax liability. However, the financial impact of the New Zealand withholding tax on cash dividends can be reduced under New Zealand's foreign investor tax credit ("FITC") regime.

Under the FITC regime, if we pay a dividend to non-New Zealand tax resident holders with imputation credits attached, then we can also pay an additional dividend referred to as a "supplementary" dividend. This is funded by a tax credit that we receive. The amount of the supplementary dividend is based on the proportion of imputation credits attached to dividends paid to non-New Zealand tax resident holders. While we must still pay the non-resident withholding tax, the FITC effectively reduces our income tax liability. Provided that the cash dividend has imputation credits attached at the maximum rate allowed, the overall effect is that

a non-New Zealand tax resident holder generally receives an after New Zealand tax cash dividend equating to the amount that would have been received if the withholding tax had not been imposed. To the extent imputation credits are attached at less than the maximum rate allowed, the level of supplementary dividend is reduced and thus the level of cash dividend is reduced.

Stock dividends, also known as "bonus issues" for New Zealand tax purposes, that we make will be categorized under New Zealand tax law as either taxable bonus issues or non-taxable bonus issues. Broadly, taxable bonus issues arise where we allow a shareholder to choose between the receipt of cash and the receipt of shares, where the shareholder takes the shares, or when we issue shares and elect to treat the issue as a taxable bonus issue. Taxable bonus issues are treated as non-cash dividends for New Zealand tax purposes. Taxable bonus issues, as well as most other non-cash dividends, made to an Eligible U.S. Holder or any other non-New Zealand tax resident holder are not subject to New Zealand withholding tax to the extent that imputation credits are attached at the maximum rate allowable. With respect to any unimputed portion of a taxable bonus issue, New Zealand withholding tax will be payable by us.

Share repurchases and cancellations by us are subject to a regime which treats the repurchase or cancellation amount as a dividend to the extent that it exceeds the amount of our available subscribed capital. Available subscribed capital is essentially the amount paid to us in respect of the issue of shares, less amounts of subscribed capital already returned to shareholders. If the amount paid on cancellation or redemption is less than the amount of our available subscribed capital, the payment is generally not treated as a dividend. However, in cases where shares are repurchased or redeemed other than via a recognized exchange and specified "dividend substitution or threshold" tests are not met, the entire repurchase price will be treated as a dividend. Where we repurchase shares via a recognized exchange, generally amounts received by shareholders are not dividends in the shareholders' hands. However, to the extent the payments exceed the available subscribed capital and any imputation credits we have at that time, we are effectively taxed on that excess amount as if it were income to us.

Capital Gains

Although New Zealand does not have a capital gains tax as such, in some circumstances profits on share sales are taxable under New Zealand income tax rules. These circumstances are where the shares are acquired by a New Zealand tax resident holder for the purpose of resale, that holder is a dealer in shares or the profit or gain from the sale of the shares arises from any profit-making undertaking or scheme entered into by that holder.

An Eligible U.S. Holder will not be taxed in New Zealand on gains arising in these circumstances by operation of the Treaty. Whether other non-New Zealand tax resident holders would be subject to tax on those gains will depend on whether the profits or gains would be considered sourced in New Zealand and the impact of any applicable double tax treaty that might apply.

Other Tax Matters

No stamp duty is payable in New Zealand on share transfers and no notice of such transfers need be given by a shareholder to New Zealand fiscal authorities. Goods and services tax payable under the Goods and Services Tax Act 1985 does not apply to share issues or transfers.

New Zealand gift duty will apply in respect of any gift by any non-New Zealand tax resident holder of property situated in New Zealand if within any 12 month period the aggregate value of such gifts exceeds NZ\$27,000. For this purpose, our ordinary shares are treated as property situated in New Zealand. Certain limited exemptions and relief exist. Gift duty applies at 5% on

the excess amount of gifts over NZ\$27,000 and rises on a graduated scale to a maximum rate of 25% on the excess amount of gifts over NZ\$72,000.

Imputation Credit Account

Companies pay New Zealand tax on a provisional basis in three instalments at four monthly intervals during each income year. They may pay further tax or receive a refund of tax depending on their final tax liability determined in their tax return for that year. Imputation credits arising from payments of tax are recorded as credits in a memorandum account called an imputation credit account at the time the tax is paid. Credits from this account can be allocated to dividends paid by us. These can be utilized against the shareholder's tax liability on the dividends in accordance with various rules. For example, for non-New Zealand tax resident holders, the credits operate to fund a supplementary dividend as described above.

Continuity of Ownership Requirement

We must satisfy continuity of ownership requirements to retain our imputation credits. To this end, we must maintain 66% of our ownership on a continuous basis from the date we derive imputation credits, which is the date we pay a tax instalment, to the date we attach the imputation credits to dividends, which is the date of the payment of the dividend. Accordingly, imputation credits in our imputation credit account will be lost upon the occurrence of a more than 34% change in our ownership at any time between the derivation of those credits and the attaching of those credits to dividends.

Ownership is measured by reference either to shareholders' voting interests or, in some circumstances, to both voting interests and the market value of interests held in a company. In some cases, an attribution rule can apply to treat all of our less-than-10% non-associated shareholders as a "single notional person." When this attribution rule applies, changes in the individual holding of these shareholders can be disregarded for calculating continuity of ownership.

Following the closing of this offering, there will not be a significant balance in our imputation credit account.

OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

We estimate the fees and expenses to be incurred in connection with the issuance and distribution of the ADSs in the offering, other than underwriting discounts and commissions, to be as follows:

FEES AND EXPENSES	AMOUNT
-----	-----
Securities and Exchange Commission Registration Fee.....	\$ 24,035
NASD Filing Fee.....	8,600
NASDAQ Original Listing Fee.....	65,000
Blue Sky Fees and Expenses.....	10,000
Legal Fees and Expenses.....	2,000,000
Accounting Fees and Expenses.....	1,100,000
Printing and Engraving Costs.....	300,000
Miscellaneous Expenses.....	300,000
-----	-----
Total.....	\$3,807,635
	=====

These fees and expenses will be paid by Fisher & Paykel Appliances, the selling shareholder.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through their representatives Deutsche Banc Alex. Brown Inc., Banc of America Securities LLC and U.S. Bancorp Piper Jaffray Inc., have severally agreed to purchase from the selling shareholder the following respective number of ADSs at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriters -----	Number of ADSs -----
Deutsche Banc Alex. Brown Inc.	
Banc of America Securities LLC.....	
U.S. Bancorp Piper Jaffray Inc.	

Total.....	4,400,000
	=====

The underwriting agreement provides that the obligations of the several underwriters to purchase the ADSs offered by this prospectus are subject to conditions precedent and that the underwriters will purchase all of the ADSs offered by this prospectus, other than those covered by the over-allotment option described below, if any of these ADSs are purchased.

Fisher & Paykel Industries has been advised by the representatives of the underwriters that the underwriters propose to offer the ADSs to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of \$ per ADS under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than \$ per ADS to other dealers. After the initial public offering, representatives of the underwriters may change the offering price and other selling terms.

Fisher & Paykel Appliances has granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to 660,000 additional ADSs, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the ADSs offered by this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to conditions, to purchase approximately the same percentage of ADSs as it was obligated to purchase pursuant to the underwriting agreement. Fisher & Paykel Appliances will be obligated, pursuant to the option, to sell these additional ADSs to the underwriters to the extent the option is exercised. If the underwriters exercise the option, we have agreed to issue and sell to Fisher & Paykel Appliances the number of ordinary shares represented by the additional ADSs it sells to the underwriters pursuant to the option. Under this agreement, we will be required to issue the ordinary shares to Fisher & Paykel Appliances at a price per share, payable in New Zealand dollars, equal to the per share equivalent of the public offering price of the ADSs less the underwriting discounts and commissions set forth on the cover page of this prospectus. If any additional ADSs are purchased, the underwriters will offer the additional ADSs on the same terms as those on which the ADSs described in this prospectus are being offered.

The underwriting discounts and commissions per ADS are equal to the public offering price per ADS less the amount paid by the underwriters to Fisher & Paykel Appliances, as the selling shareholder, per ADS. The underwriting discounts and commissions are % of the public offering price. Fisher & Paykel Appliances has agreed to pay the underwriters the following

discounts and commissions, assuming either no exercise or full exercise by the underwriters of the underwriters' over-allotment option:

TOTAL FEES			
	FEE PER ADS	WITHOUT EXERCISE OF OVER-ALLOTMENT OPTION	WITH FULL EXERCISE OF OVER-ALLOTMENT OPTION
Discounts and commissions paid by Fisher & Paykel Appliances.....	\$	\$	\$

Fisher & Paykel Industries and Fisher & Paykel Appliances have agreed to indemnify the underwriters against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

We, Fisher & Paykel Appliances, as the selling shareholder, and our directors and senior management have agreed not to offer, sell, contract to sell or otherwise dispose of, or enter into any transaction that is designed to, or could be expected to, result in the disposition of any ADSs or any shares of our capital stock or other securities convertible into or exchangeable or exercisable for ADSs or shares of our capital stock or derivatives of our capital stock owned by these persons prior to this offering or ADSs or capital stock issuable upon exercise of options or warrants held by these persons for a period of 180 days after the effective date of the registration statement of which this prospectus is a part without the prior written consent of Deutsche Banc Alex. Brown Inc. This consent may be given at any time without public notice. There are no agreements between the representatives and any of our shareholders or affiliates releasing them from these lock-up agreements prior to the expiration of the 180-day period.

The representatives of the underwriters have advised us that the underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

Fisher & Paykel Appliances is not selling the ADSs and we are not issuing ordinary shares in relation to the over-allotment option for the purpose of the person to whom the underwriters sell the ADSs selling or transferring the ADSs, or any ordinary shares underlying them, or granting, issuing or transferring interests in, or options or warrants over them, in Australia.

By buying ADSs from the underwriters, each purchaser of ADSs will be deemed to represent that neither it nor any person on whose account the purchaser is acquiring ADSs or the ordinary shares underlying them is acquiring those ADSs or the ordinary shares underlying them for the purposes of resale in Australia. This representation is understood to be a statement of your present intention only and not an undertaking not to sell ADSs or the ordinary shares underlying them, particularly where your investment objectives or market conditions change.

In order to facilitate the offering of the ADSs, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the market price of the ADSs or our ordinary shares. Specifically, the underwriters may over-allot ADSs in connection with this offering, thus creating a short sales position in the ADSs for their own account. A short sales position results when an underwriter sells more ADSs than that underwriter is committed to purchase. A short sales position may involve either "covered" short sales or "naked" short sales. Covered short sales are sales made for an amount not greater than the underwriters' over-allotment option to purchase additional ADSs in the offering described above. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing ADSs or our ordinary shares in the open market. In determining the source of ADSs or our ordinary shares to close out the covered short position, the underwriters will consider, among other things, the price of the ADSs or ordinary shares available for purchase in the open market as compared to the price at which they may purchase ADSs through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters will have

to close out any naked short position by purchasing ADSs or ordinary shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs or our ordinary shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Accordingly, to cover these short sales positions or to stabilize the market price of the ADSs or our ordinary shares, the underwriters may bid for, and purchase, ADSs or our ordinary shares in the open market. These transactions may be effected on the Nasdaq National Market, the New Zealand Stock Exchange or otherwise. Additionally, the representatives, on behalf of the underwriters, may also reclaim selling concessions allowed to an underwriter or dealer if the underwriting syndicate repurchases ADSs distributed by that underwriter or dealer. Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales or to stabilize the market price of the ADSs may have the effect of raising or maintaining the market price of the ADSs or our ordinary shares or preventing or mitigating a decline in the market price of the ADSs or our ordinary shares. As a result, the price of the ADSs or our ordinary shares may be higher than the price that might otherwise exist in the open market. The underwriters are not required to engage in these activities and, if commenced, may end any of these activities at any time.

Purchasers of ADSs sold outside the U.S. may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the price to investors set forth on the cover page of this prospectus.

Prior to this offering, there has been no public market for the ADSs representing our ordinary shares. The historical trading price of Fisher & Paykel Industries' ordinary shares is not indicative of the future trading price of our ordinary shares which, following the reorganization and this offering, will represent an interest in only the healthcare business of Fisher & Paykel Industries. Consequently, the public offering price of the ADSs will be determined by negotiation among Fisher & Paykel Appliances, the selling shareholder, Fisher & Paykel Industries and the representatives of the underwriters. Among the primary factors that will be considered in determining the public offering price are:

- prevailing market conditions;
- our financial performance in recent periods;
- the historical trading price of the ordinary shares of Fisher & Paykel Industries prior to the reorganization;
- the present stage of our development;
- the market capitalizations and stages of development of other companies that we and the representatives of the underwriters believe to be comparable to our business; and
- estimates of our business potential.

A prospectus in electronic format is being made available on Internet web sites maintained by one or more of the lead underwriters of this offering and may be made available on web sites maintained by other underwriters. Other than the prospectus in electronic format, the information on any underwriter's web site and any information contained in any other web site maintained by an underwriter is not part of the prospectus or the registration statement of which the prospectus forms a part.

An affiliate of Deutsche Banc Alex. Brown Inc. is acting as our financial adviser in connection with the reorganization and for which it is receiving customary fees. In addition, some of the underwriters or their affiliates have provided investment services to us in the past and may do so in the future. They receive customary fees and commissions for these services.

The address of Deutsche Banc Alex. Brown Inc., the lead underwriter, is One South Street, Baltimore, Maryland 21202.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Debevoise & Plimpton and for the underwriters by Davis Polk & Wardwell. The validity of our ordinary shares under New Zealand law will be passed upon for us by Bell Gully.

AUDITORS

PricewaterhouseCoopers, or its predecessor entities, have been the auditors for Fisher & Paykel Industries since 1954. The address of the auditors is 23-29 Albert Street, Private Bag 92162, Auckland, New Zealand.

EXPERTS

The consolidated financial statements as of March 31, 2000 and 2001, and for each of the three years in the period ended March 31, 2001 included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ENFORCEABILITY OF CIVIL LIABILITIES

Fisher & Paykel Industries and the selling shareholder are organized under the laws of New Zealand. In addition, all members of our board, all of our senior management and some of the experts named in this prospectus and all members of the board of the selling shareholder are residents of countries other than the U.S. A substantial portion of our assets, the assets of these non-resident persons and the assets of the selling shareholder are located outside the U.S. As a result, it may not be possible for you to:

- effect service of process within the U.S. upon us or these persons; or
- enforce against us or these persons in U.S. courts judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the U.S.

There is doubt as to whether the courts of New Zealand would recognize jurisdiction of the U.S. courts in connection with judgments obtained in U.S. courts in actions against us, the selling shareholder or these directors and officers, as well as some of the experts named in this prospectus, and as to whether New Zealand courts would enforce judgments of U.S. courts predicated upon the civil liability provisions of the U.S. federal or state securities laws. There is also doubt as to whether New Zealand courts would admit original actions brought under the U.S. securities laws. In addition, some remedies available under the U.S. federal or state laws may not be admitted or enforced by New Zealand courts on the basis of being contrary to New Zealand's public policy. We cannot assure you that you will be able to enforce any judgment against us, the selling shareholder, members of our board or the selling shareholder's board, our senior management or some of the experts named in this prospectus, including judgments under the U.S. securities laws.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form F-1 to register with the U.S. Securities and Exchange Commission the ordinary shares represented by the ADSs being offered by this prospectus. This prospectus is part of that registration statement. As allowed by the Commission's rules, this prospectus does not contain all of the information you can find in the registration statement or the exhibits to the registration statement. A related registration statement on Form F-6 will also be filed with the Commission to register the ADSs. Each statement made in this prospectus concerning a document filed as an exhibit to the registration statement is qualified by reference to that document for a complete statement of its provisions. You should read these registration statements for further information concerning the ADSs.

After the offering, we will be subject to the information requirements of the Securities Exchange Act of 1934 applicable to foreign private issuers, including annual reports on Form 20-F and other material information on Form 6-K. We also intend to file with the Commission quarterly reports containing selected unaudited financial data for the first three quarters of each fiscal year. As a foreign private issuer, we are exempt from the rules prescribing the furnishing and content of proxy statements and relating to short swing profit reporting and liability.

You may read and copy at prescribed rates any reports, statements and other information we file with the Commission at the Commission's public reference rooms located at:

- Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549;
- 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and
- 7 World Trade Center, 13th Floor, New York, New York 10048.

Please call 1-800-SEC-0330 for further information on the public reference rooms. Our filings will also be available to the public from commercial document retrieval services and at the web site maintained by the Commission at <http://www.sec.gov>.

When the ADSs begin trading on the Nasdaq National Market, copies of the information we file with the Commission may also be read at the offices of the National Association of Securities Dealers at 1735 K Street, N.W., Washington, D.C. 20006. We will also provide copies of our annual report and other communications that we make available to our shareholders to Morgan Guaranty Trust Company of New York, as depositary for the ADSs. The depositary will make these reports and communications available to you. We are also subject to periodic reporting requirements in New Zealand. Accordingly, we file information with the New Zealand Stock Exchange.

APPENDIX A

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HISTORICAL INFORMATION REGARDING FISHER & PAYKEL INDUSTRIES LIMITED

We have set forth below historical information regarding Fisher & Paykel Industries prior to the reorganization, including selected historical consolidated financial data, management's discussion and analysis of historical financial position and financial performance, the historical share price range and audited consolidated financial statements. This offering is part of a reorganization of Fisher & Paykel Industries pursuant to which Fisher & Paykel Industries will separate its appliances and finance businesses from its healthcare business. Prior to this offering, Fisher & Paykel Industries will transfer its appliances and finance businesses to a new company which is a wholly-owned subsidiary of Fisher & Paykel Appliances. Upon completion of the reorganization, Fisher & Paykel Appliances will be owned by the existing shareholders of Fisher & Paykel Industries. As a result of the reorganization, the existing healthcare business will be Fisher & Paykel Industries' only remaining business. Fisher & Paykel Industries will change its name to Fisher & Paykel Healthcare Corporation Limited prior to the closing of this offering. The historical consolidated financial statements include assets, liabilities, revenue and expenses associated with the appliances and finance businesses as well as the healthcare business, as a combined entity. As a result, the historical financial statements are of limited relevance and should not be used as a basis to forecast our future financial performance.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

We derived the following selected historical consolidated financial data as of and for the fiscal years ended March 31, 1997, 1998, 1999, 2000 and 2001 from the audited consolidated financial statements of Fisher & Paykel Industries. You should read this data in conjunction with "Consolidated Financial Statements for Fisher & Paykel Industries Limited" and "Management's Discussion and Analysis of Historical Financial Position and Financial Performance." The consolidated financial statements as of March 31, 2000 and 2001 and for the years ended March 31, 1999, 2000 and 2001 included in this prospectus have been audited by PricewaterhouseCoopers.

The historical consolidated financial statements of Fisher & Paykel Industries include the assets and liabilities and financial performance associated with the appliances and finance businesses of Fisher & Paykel Industries which, after the reorganization, will be reflected in the financial statements of Fisher & Paykel Healthcare as discontinued operations. Accordingly, the selected historical consolidated financial data of Fisher & Paykel Industries set forth below is not indicative of the assets and liabilities and financial performance of Fisher & Paykel Healthcare.

For pro forma financial data giving effect to the reorganization see "Unaudited Pro Forma Financial Statements" and "Management's Discussion and Analysis of Unaudited Pro Forma Financial Position and Financial Performance" included elsewhere in this prospectus.

	FISCAL YEAR ENDED MARCH 31,				
	1997	1998	1999	2000	2001
(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE DATA)					
STATEMENT OF FINANCIAL PERFORMANCE DATA:					
NEW ZEALAND GAAP					
Operating revenue from continuing operations.....	\$410,889	\$399,257	\$358,152	\$415,570	\$403,713
Operating expenses from continuing operations.....	377,520	368,943	325,993	367,550	346,792
Operating profit from continuing operations before abnormal items..	33,369	30,314	32,159	48,020	56,921
Abnormal items (1).....	--	--	(16,378)	--	(4,459)
Operating profit from continuing operations after abnormal items...	33,369	30,314	15,781	48,020	52,462
Realized and unrealized foreign currency exchange profit (loss)...	6,006	6,768	4,911	1,997	(40,885)
Profit from continuing operations after taxation.....	24,246	22,070	9,304	29,052	3,511
Profit (loss) from discontinued operations after taxation.....	1,548	541	387	(935)	425
Group profit.....	25,794	22,611	9,691	28,117	3,936
Basic and diluted net earnings per share.....	\$ 0.22	\$ 0.19	\$ 0.08	\$ 0.24	\$ 0.03
Basic and diluted net earnings per ADS (3).....	\$ 0.89	\$ 0.77	\$ 0.33	\$ 0.96	\$ 0.13]
Dividends per share (2).....	\$ 0.12	\$ 0.11	\$ 0.17	\$ 0.21	\$ 0.05
U.S. GAAP					
Operating profit from continuing operations.....				49,557	49,455
Group profit.....				26,486	4,210
Basic and diluted net earnings per share.....				\$ 0.22	\$ 0.04
Basic and diluted net earnings per ADS (3).....				\$ 0.90	\$ 0.16

	AS OF MARCH 31,				
	1997	1998	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)				
STATEMENT OF FINANCIAL POSITION DATA:					
NEW ZEALAND GAAP					
ASSETS					
Current assets.....	260,483	213,268	214,435	221,164	186,962
Fixed assets.....	209,909	188,796	184,524	177,667	145,092
Total assets.....	526,923	454,105	461,176	459,219	384,259
LIABILITIES					
Current liabilities.....	153,184	133,349	146,991	152,655	143,735
Term borrowings.....	79,107	67,706	69,212	70,581	44,208
Total liabilities.....	274,068	237,370	259,902	267,796	230,315
SHAREHOLDERS' EQUITY					
Total shareholders' equity.....	252,855	216,735	201,274	191,423	153,944
Total liabilities and shareholders' equity.....	526,923	454,105	461,176	459,219	384,259
U.S. GAAP					
Shareholders' equity.....				184,584	149,789

(1) Abnormal items in the fiscal year ended March 31, 1999 consisted of restructuring costs, including redundancy costs for more than 300 employees in connection with the rationalization of management functions (\$11.5 million); loss on sale of real estate (\$2.2 million); writeoff of plant and equipment as part of a product rationalization (\$1.5 million); and provision for restructuring and closure costs (\$1.2 million) and in the fiscal year ended March 31, 2001 consisted of permanent impairment and writedown of investment in Hill & Stewart (\$2.4 million) and restructuring and redundancy costs relating to a reorganization of the appliances business (\$2.1 million).

(2) Dividends are paid in NZ dollars and have been converted into U.S. dollars at the exchange rate prevailing on the respective dates of payment. The final dividend for the fiscal year ended March 31, 2001 has not been accrued.

(3) Assumes four outstanding ordinary shares are equal to one ADS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF HISTORICAL FINANCIAL POSITION AND FINANCIAL PERFORMANCE

The following discussion and analysis of the historical financial position and financial performance of Fisher & Paykel Industries should be read in conjunction with "Selected Historical Consolidated Financial Data" and "Consolidated Financial Statements of Fisher & Paykel Industries Limited" included in this prospectus. This discussion and analysis contains forward-looking statements based on current expectations that involve risks and uncertainties. The actual results of Fisher & Paykel Industries may differ materially from the results described in or implied by the forward-looking statements contained in this prospectus as a result of many factors, including those described under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

Fisher & Paykel Industries is engaged in two principal businesses, the design, manufacture and sale of major household appliances and the design, manufacture and marketing of healthcare products. In addition, Fisher & Paykel Industries operates a finance business in conjunction with its appliances business to provide financing to its New Zealand retailers. The appliances business is a mature, relatively stable business, whereas the healthcare business has been growing quickly.

The appliances business manufactures a full range of major household appliances, including refrigerators, freezers, automatic clothes washers, clothes dryers, dishwashers and cooking products. The appliances business distributes its products predominantly in New Zealand and Australia and to a lesser extent in other markets, including Asia, the U.S., and the United Kingdom. The appliances business operates laundry products and refrigeration manufacturing plants in both New Zealand and Australia and a cookware and dishwasher manufacturing plant in New Zealand.

The healthcare business designs, manufactures and markets heated humidifiers for use in respiratory care and the treatment of obstructive sleep apnea, as well as patient warming and other devices for use in neonatal care. The healthcare business distributes its products in over 90 countries worldwide, with North America being its largest market. The healthcare business manufactures its products at its facility in New Zealand.

The finance business supports the appliances business by providing secured, purchase money and lease finance products to customers through retailers of consumer appliances and other equipment. More recently, the finance business has begun to offer extended warranty products and has established an insurance subsidiary.

The historical consolidated financial statements of Fisher & Paykel Industries include the assets and liabilities and financial performance associated with the appliances and finance businesses of Fisher & Paykel Industries, which, after the reorganization, will be reflected in the financial statements of Fisher & Paykel Healthcare as discontinued operations. Accordingly, "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Historical Financial Position and Financial Performance" included in this Appendix A reflect the pre-reorganization company as a whole and are not indicative of the assets and liabilities and financial performance of Fisher & Paykel Healthcare as a stand-alone entity. As a result, the historical consolidated financial statements of Fisher & Paykel Industries included in this prospectus should not be used as a basis for evaluating our past financial performance or forecasting our future financial performance.

We have prepared unaudited pro forma financial statements of Fisher & Paykel Industries to provide investors with information about the effect of the proposed reorganization by showing how it may have affected Fisher & Paykel Industries' historical financial statements if the proposed reorganization had been consummated at an earlier date. For information regarding

the pro forma financial statements of Fisher & Paykel Industries, see "Capitalization," "Unaudited Pro Forma Financial Statements," and "Management's Discussion and Analysis of Unaudited Pro Forma Financial Position and Financial Performance" elsewhere in this prospectus.

CURRENCY TRANSLATIONS AND HEDGING

Fisher & Paykel Industries' reported financial performance may be affected by the impact of currency translations, which may make it difficult to discern the underlying results of or trends in our business. Fisher & Paykel Industries incurs most of its manufacturing costs and a substantial portion of its other costs in NZ and Australian dollars. Appliances products are principally sold in Australian and NZ dollars, while healthcare products are sold in a variety of currencies, predominantly the U.S. dollar and the euro. Because Fisher & Paykel Industries' audited consolidated financial statements have been denominated in U.S. dollars, fluctuations in the relative value of the U.S. dollar to the Australian and NZ dollars will affect the reported amount of expenses incurred and sales invoiced in these currencies. For example, if sales invoiced in Australian and NZ dollars were to increase by 5% during a period when the Australian and NZ dollars depreciated by 7% relative to the U.S. dollar, as a result of the translation of the Australian and NZ dollar sales into U.S. dollars for financial statement reporting purposes, we would report a decline in these sales. Accordingly, Fisher & Paykel Industries' financial performance from year to year must be analyzed in light of any fluctuations in the relative values of the principal currencies in which it does business compared to the U.S. dollar.

Fisher & Paykel Industries has regularly entered into foreign currency exchange instruments to hedge against foreign currency fluctuations that would adversely affect its financial performance due to the substantial amount of foreign currency revenues generated by both the appliances and healthcare businesses. Due to the significant decline in the value of the NZ dollar relative to the U.S. dollar during the fiscal year ended March 31, 2001, Fisher & Paykel Industries incurred realized and unrealized losses of \$40.9 million with respect to these foreign currency exchange instruments. As a result of the adverse impact of these hedging arrangements, the board of directors of Fisher & Paykel Industries recently adopted a new hedging policy designed to avoid future losses of the magnitude incurred during the fiscal year ended March 31, 2001. Under this new hedging policy, Fisher & Paykel Industries can only enter into forward foreign currency exchange contracts that expire in one year or less and for amounts that approximate its anticipated net foreign currency exposure. With respect to periods beyond one year, Fisher & Paykel Industries is permitted only to buy appropriate foreign currency exchange options which it has no obligation to exercise.

GEOGRAPHIC DATA

The following table sets forth consolidated operating revenue from continuing operations for each of Fisher & Paykel Industries' primary geographic markets for the fiscal years ended March 31, 1999, 2000 and 2001:

	FISCAL YEAR ENDED MARCH 31,		
	1999	2000	2001
	-----	-----	-----
	(IN MILLIONS OF U.S. DOLLARS)		
Australia.....	\$161.9	\$174.1	\$162.2
New Zealand.....	119.4	129.8	110.3
North America.....	29.5	60.6	76.7
Other.....	47.4	51.1	54.5
	-----	-----	-----
Total.....	\$358.2	\$415.6	\$403.7
	=====	=====	=====

Australia continues to be Fisher & Paykel Industries' largest market, accounting for over 40% of its consolidated sales in the fiscal year ended March 31, 2001. Sales in the New Zealand market have been relatively stable, but show a decline due to the effects of currency translation. Sales increased by over 27% in North America, with growth of approximately 24% in the appliances segment and approximately 29% in the healthcare segment. The U.S. is the primary market for the healthcare business and is becoming an increasingly important market for the appliances business, where Fisher & Paykel Industries sells a selected range of products aimed at the high end of the market.

Sales in other markets recovered after a decline in the fiscal year ended March 31, 2000 due to supply difficulties, particularly for refrigerators, following a major product design change.

HISTORICAL FINANCIAL PERFORMANCE

YEAR ENDED MARCH 31, 2001 COMPARED TO YEAR ENDED MARCH 31, 2000

Operating Revenue

Fisher & Paykel Industries' consolidated operating revenue from continuing operations decreased by approximately 3% to \$403.7 million for the fiscal year ended March 31, 2001 from \$415.6 million for the fiscal year ended March 31, 2000. The decline was due to a decrease in sales of \$21.7 million, or approximately 6%, in the appliances business, which was partially offset by an increase in sales of \$9.8 million, or approximately 13%, in the healthcare business.

The decline in sales in the appliances business was due to the depreciation of the Australian dollar and the NZ dollar against the U.S. dollar. Fisher & Paykel Industries estimates that, excluding the effects of currency translations, sales in the appliances business in the fiscal year ended March 31, 2001 increased by approximately 11%, in large part as a result of increases in sales of appliances in the Australian and U.S. markets of approximately 12% and 57%, respectively. Sales in the finance business for the fiscal year ended March 31, 2001 decreased by approximately 13% from sales in the prior year as a result of the winding down of finance operations in Australia. Sales in the healthcare business increased by approximately 13% for the fiscal year ended March 31, 2001 from sales in the prior year due to increased sales volume, attributable primarily to the growth in sales of CPAP and respiratory humidification products.

Operating Expenses from Continuing Operations

Operating expenses consist of cost of sales, research and development expenses and selling, general and administrative expenses. Consolidated operating expenses from continuing operations decreased by approximately 6% to \$346.8 million for the fiscal year ended March 31, 2001 from \$367.6 million for the fiscal year ended March 31, 2000. Operating expenses as a percentage of sales declined to approximately 86% in the fiscal year ended March 31, 2001 from approximately 88% in the prior year. Operating expenses decreased by \$21.5 million in the appliances business and increased by \$0.8 million in the healthcare business.

Fisher & Paykel Industries estimates that, excluding the effect of foreign currency translations, operating expenses increased by approximately 10%. Operating expenses generally fluctuate in accordance with sales, which Fisher & Paykel Industries estimates grew by approximately 15%, if the effects of foreign currency translations are excluded.

Fisher & Paykel Industries' cost of sales consists of direct manufacturing costs, primarily raw materials, labor and freight costs and an allocation of the overhead costs of our manufacturing facilities. Cost of sales during the fiscal year ended March 31, 2001 increased in both the appliances and healthcare segments as world commodity prices increased. In

particular, plastic and steel prices increased the cost structure in both the appliances and healthcare businesses.

Fisher & Paykel Industries' research and development expenses consist primarily of staff payroll and benefits, direct costs and allocated support and facilities costs. Research and development expenses were stable at \$8.2 million. However, excluding the effects of currency translations, research and development expenses increased by approximately 17%. The increase is attributable to an increase in healthcare research and development personnel in connection with the expansion of healthcare product development activities.

Fisher & Paykel Industries' selling, general and administrative expenses consist primarily of staff payroll and benefits and product advertising and promotion. Although selling, general and administrative expenses in the fiscal year ended March 31, 2001, in U.S. dollar terms, declined by approximately 7% to \$74.8 million, there was an underlying increase in these expenses. Approximately 80% of Fisher & Paykel Industries' selling, general and administrative expenses are denominated in currencies which depreciated relative to the U.S. dollar during the fiscal year ended March 31, 2001. Fisher & Paykel Industries estimates that, excluding the effects of currency translations, selling, general and administrative expenses increased by \$6.0 million, or 8%, in the fiscal year ended March 31, 2001 compared to the prior year. This increase was primarily attributable to additional costs to support the expansion of the appliances and healthcare businesses into overseas markets such as the United States.

Operating Profit from Continuing Operations

Consolidated operating profit from continuing operations before abnormal items increased by approximately 19% to \$56.9 million, or approximately 14% of sales, in the fiscal year ended March 31, 2001 from \$48.0 million, or approximately 12% of sales, in the fiscal year ended March 31, 2000. The increase was due to an increase in operating profit of \$9.0 million in the healthcare business, while operating profit of the appliances business was relatively constant. Fisher & Paykel Industries estimates that, excluding the effects of currency translations, operating profit for the appliances business increased by 18% due primarily to growth in sales revenues and improved operating efficiencies.

Abnormal items. During the fiscal year ended March 31, 2001, Fisher & Paykel Industries incurred abnormal costs of \$4.5 million. These were related to restructuring and redundancy costs of approximately \$2.1 million following a change to a more centralized management structure for the appliances business. In addition, Fisher & Paykel Industries reassessed the carrying values of the appliance business' investments relating to Hill & Stewart, a New Zealand appliance retailer, resulting in a permanent impairment of this investment and writedown of the advances to net realizable value by \$2.4 million. There were no abnormal items in the fiscal year ended March 31, 2000.

Foreign Currency Exchange Profit(Loss)

Foreign currency exchange profit(loss) consists of net foreign exchange movements on all foreign currency instruments. Fisher & Paykel Industries incurred a foreign currency loss of \$40.9 million in the fiscal year ended March 31, 2001 and a foreign currency profit of \$2.0 million in the fiscal year ended March 31, 2000.

Because Fisher & Paykel Industries' export sales are denominated in currencies other than the NZ dollar, Fisher & Paykel Industries entered into hedging arrangements intended to reduce the effects of foreign currency fluctuations. During the fiscal year ended March 31, 2001, the NZ dollar depreciated by approximately 19% against the U.S. dollar, resulting in significant exposure under these instruments. As a result of this decline, Fisher & Paykel Industries incurred a loss of \$11.5 million with respect to these hedging arrangements during the fiscal year ended March 31, 2001. In addition, these foreign exchange instruments no longer qualified for treatment as hedging instruments under applicable accounting rules because, due to the

significant depreciation in the NZ dollar exchange rate during the year ended March 31, 2001, the foreign currency cash flows from its operations ceased to correlate with its liabilities with respect to the foreign currency exchange instruments. As a result, the foreign currency exchange instruments were revalued as of March 31, 2001 at the then applicable exchange rates. As a result of this revaluation, Fisher & Paykel Industries recognized an unrealized loss of \$29.4 million on these instruments. Fisher & Paykel Industries will continue to mark these instruments to market values in future periods and may incur additional losses if the NZ dollar falls below the rate of NZ\$1.00 = US\$0.403, or be required to increase the provisions for unrealized losses under these instruments. The noon buying rate in New York City for cable transfers in effect on July 31, 2001 was NZ\$1.00 = US\$0.4119.

As a result of the adverse impact of these hedging arrangements, the board of directors of Fisher & Paykel Industries recently adopted a new hedging policy designed to avoid future losses of the magnitude incurred during the fiscal year ended March 31, 2001. Under this new hedging policy, Fisher & Paykel Industries can only enter into forward foreign currency exchange contracts that expire in one year or less and for amounts that approximate its anticipated net foreign currency exposure. With respect to periods beyond one year, Fisher & Paykel Industries is permitted only to buy appropriate foreign currency exchange options which it has no obligation to exercise.

Taxation

During the fiscal year ended March 31, 2001, Fisher & Paykel Industries was required to expense \$3.1 million in taxes. Non-deductible items were insignificant.

Group Profit

Group profit decreased by approximately 86% to \$3.9 million, or approximately 1% of sales, in the fiscal year ended March 31, 2001 from \$28.1 million, or approximately 7% of sales, in the fiscal year ended March 31, 2000. Earnings per share decreased by approximately 88% to \$0.03 in the fiscal year ended March 31, 2001 from \$0.24 in the prior year. In both cases, the decrease was due primarily to realized and unrealized foreign currency losses of \$40.9 million in the fiscal year ended March 31, 2001.

YEAR ENDED MARCH 31, 2000 COMPARED TO YEAR ENDED MARCH 31, 1999

Operating Revenue

Fisher & Paykel Industries' consolidated operating revenue from continuing operations increased by approximately 16% to \$415.6 million for the fiscal year ended March 31, 2000 from \$358.2 million for the fiscal year ended March 31, 1999. The increase was due to increases in sales in the appliances and healthcare businesses of \$45.2 million, or approximately 15%, and \$12.2 million, or approximately 20%, respectively. Sales in the appliances business increased primarily due to growth in sales in Australia and North America and in the healthcare business, primarily due to an increase in sales volume, particularly of CPAP products.

Operating Expenses from Continuing Operations

Consolidated operating expenses from continuing operations increased by approximately 13% to \$367.6 million for the fiscal year ended March 31, 2000 from \$326.0 million for the fiscal year ended March 31, 1999. Operating expenses as a percentage of sales declined to approximately 88% in the fiscal year ended March 31, 2000 from approximately 91% in the prior year. Operating expenses increased by \$33.8 million in the appliances business and \$7.8 million in the healthcare business.

During the fiscal year ended March 31, 2000, Fisher & Paykel Industries reengineered its system software in anticipation of Y2K. Fisher & Paykel Industries believes that the implementation of such a major change did impact, to some extent, on the performance of the appliances segment, particularly in relation to retailers in Australia and New Zealand.

In addition, during the fiscal year ended March 31, 2000, Fisher & Paykel Industries outgrew its Australian appliances warehouses, particularly in Queensland, New South Wales and Victoria and experienced some supply problems, particularly for refrigeration following a major product design change. Fisher & Paykel Industries relocated to new, larger warehouses in these states, complementing its existing custom-built facilities in South Australia and Western Australia. Rental costs increased as a result, but the new custom built premises were needed to support continued sales growth and facilitate operational efficiencies.

Fisher & Paykel Industries incurred research and development expenses of \$8.0 million in the fiscal year ended March 31, 2000 compared to \$7.7 million in the fiscal year ended March 31, 1999, an increase of approximately 4%. The increase is attributable to an increase in healthcare research and development personnel and other expenses in connection with product development activities.

Selling, general and administrative expenses increased by approximately 11% to \$80.1 million for the fiscal year ended March 31, 2000 from \$72.4 million for the prior year. Fisher & Paykel Industries estimates that, excluding the effects of currency translation, selling, general and administrative expenses increased by 12% in the fiscal year ended March 31, 2000 compared to the prior year. This increase was primarily attributable to additional costs to support the expansion of both the appliances and healthcare businesses into overseas markets.

Operating Profit from Continuing Operations

Fisher & Paykel Industries' consolidated operating profit from continuing operations before abnormal items increased by approximately 49% to \$48.0 million, or approximately 12% of sales, in the fiscal year ended March 31, 2000 from \$32.2 million, or approximately 9% of sales, in the fiscal year ended March 31, 1999. Operating profit for the appliances business increased significantly to \$22.1 million, or approximately 107% from the prior year, while operating profit for the healthcare business increased to \$25.9, or approximately 21% from the prior year.

Abnormal Items

There were no abnormal items in the fiscal year ended March 31, 2000, compared to abnormal items of \$16.4 million in the prior year. These consisted of redundancy costs for more than 300 employees in connection with the rationalization of management functions (\$11.5 million), loss on sale of real estate (\$2.2 million), writeoff of plant and equipment as part of a product rationalization (\$1.5 million), and provision for restructuring and closure costs (\$1.2 million).

Foreign Currency Exchange Profit

The \$2.0 million foreign currency exchange profit for the fiscal year ended March 31, 2000 was due to gains on hedging contracts. Profit on foreign currency instruments for the fiscal year ended March 31, 1999 was \$4.9 million.

Group Profit

Group profit increased by approximately 190% to \$28.1 million, or approximately 7% of sales, in the fiscal year ended March 31, 2000 from \$9.7 million, or approximately 2% of sales, in the fiscal year ended March 31, 1999. Earnings per share increased by approximately 200% to \$0.24 in the fiscal year ended March 31, 2000 from \$0.08 in the fiscal year ended March 31, 1999. The increases were due to increased operating revenue and a reduction in abnormal items.

LIQUIDITY AND CAPITAL RESOURCES

Historically, Fisher & Paykel Industries has generated positive cash flow, after allowing for working capital requirements. Fisher & Paykel Industries has not generated significant cash from the issue of its ordinary shares.

Net cash generated from operating activities totalled \$32.4 million, \$45.3 million and \$45.9 million for the fiscal years ended March 31, 1999, 2000 and 2001, respectively. For these periods, net cash generated by operating activities was derived primarily from ongoing operations and was in line with earnings from operations. Net cash generated was reduced by increases in accounts receivable and inventories, which was partially offset by increases in accounts payable. In the fiscal year ended March 31, 2001, tax paid was significantly lower than reported taxation expense as Fisher & Paykel Industries had significant foreign exchange losses available. Fisher & Paykel Industries expects tax paid in the fiscal years ended March 31, 2002 and 2003 to be above underlying taxation expense as these foreign exchange losses are consumed.

To date, Fisher & Paykel Industries' investing activities have consisted mainly of purchases of property and equipment. Capital expenditures excluding property totalled \$26.9 million, \$16.3 million and \$17.3 million for the fiscal years ended March 31, 1999, 2000 and 2001, respectively. Fisher & Paykel Industries finances the acquisition of its ongoing capital expenditure through normal operating cash flow. Capital expenditures for property totalled \$4.9 million, \$17.4 million and \$4.1 million for the fiscal years ended March 31, 1999, 2000 and 2001, respectively. Fisher & Paykel Industries expects to experience ongoing investing activity expenditures in line with anticipated growth in operations, infrastructure and personnel.

Net cash used in financing activities was (\$0.1) million, \$3.6 million and \$18.7 million for the fiscal years ended March 31, 1999, 2000 and 2001, respectively. Traditionally, the most significant cash outflow has been the payment of dividends, which totalled \$20.3 million, \$29.9 million and \$6.2 million for the fiscal years ended March 31, 1999, 2000 and 2001, respectively. The final dividend for the fiscal year ended March 31, 2000 was paid in the fiscal year ended March 31, 2000, whereas the final dividend for the fiscal year ended March 31, 2001 will be declared and paid in June 2001. In the fiscal year ended March 31, 2001, the most significant cash outflow was repayment of term borrowings in the amount of \$14.2 million. Partially offsetting these outflows are inflows from the repayment of employee loans in connection with the employee share purchase schemes.

As of March 31, 2001, Fisher & Paykel Industries had \$3.1 million in cash, \$52.4 million of line of credit borrowings and finance borrowings totalling \$99.9 million. The line of credit borrowings are provided by banks under a negative pledge agreement. The principal covenants under the negative pledge are as follows:

- total liabilities of the Fisher & Paykel group, excluding the finance business, must not exceed 70% of the group tangible assets, excluding the finance business;
- the tangible net worth of the Fisher & Paykel group must exceed \$80.6 million; and
- the total of net operating profit before taxation for the Fisher & Paykel group and interest paid by the group, other than interest paid by the finance business, must exceed 250% of the interest paid by the group, other than interest paid by the finance business.

Fisher & Paykel Industries does not have any secured borrowings.

Finance borrowings, excluding approximately \$4.0 million, are secured by a floating charge over the assets of Fisher & Paykel Finance Limited and all its subsidiaries under a debenture trust deed.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Fisher & Paykel Industries is exposed to market risks associated with changes in foreign currency exchange rates, changes in interest rates, changes in certain commodity prices and credit risks from customer trade receivables and our financing activities. Management of these risks is regularly reported to the Board of Directors. When considered appropriate, derivative financial instruments are used to hedge against foreign currency exchange risks and interest rate risks. The financial impact of these derivative instruments is usually offset by corresponding changes in the underlying exposures being hedged. Fisher & Paykel Industries does not enter into or issue derivative financial instruments for trading or speculative purposes.

Foreign Currency Exchange Risks

Fisher & Paykel Industries is exposed to foreign currency exchange rate risks as a result of its importing and exporting activities and from the activities of its foreign subsidiaries. Fisher & Paykel Industries' primary functional currency is the NZ dollar and its reporting currency is the U.S. dollar. As a result, Fisher & Paykel Industries is exposed to risk from changes in foreign currency exchange rates against the NZ dollar and from changes in the foreign exchange rate between the NZ dollar and the U.S. dollar. Fisher & Paykel Industries has entered into foreign currency forward exchange contracts and foreign currency participating forward contracts to hedge against current and anticipated future foreign currency trade cash flows. As of March 31, 2001, a hypothetical 10% adverse change in foreign currencies exchange rates against the New Zealand dollar would have an estimated negative impact of \$25.0 million (2000 \$31.9 million) on Fisher & Paykel Industries' earnings. In addition, as of March 31, 2001, a hypothetical 10% adverse change in the exchange rate between the NZ dollar and the U.S. dollar would have an estimated negative impact of \$14.6 million (2000 \$13.1 million) on Fisher & Paykel Industries' group profit. These amounts are determined by considering the impact of the hypothetical change in foreign currencies on Fisher & Paykel Industries' financial instruments that are exposed to changes in foreign currencies as of March 31, 2001 and the foreign currency exchange forward exchange contracts and participating forward foreign exchange contracts used to hedge its foreign currency exposures.

The substantial depreciation of the NZ dollar against the U.S. dollar during the fiscal year ended March 31, 2001, caused a change in the correlation between its future cash flows and the cash flows from its foreign currency instruments. As a result, the financial instruments no longer qualified for hedge accounting and were marked to market in Fisher & Paykel Industries' financial statements resulting in an unrealized loss of \$29.4 million.

Interest Rate Risks

Fisher & Paykel Industries' borrowings are denominated in several currencies and at varying interest rates. On occasion Fisher & Paykel Industries utilizes interest rate swap contracts to swap its floating rate borrowings into fixed rate borrowings. As of March 31, 2001, a hypothetical 10% adverse change in interest rates would have an estimated negative impact of \$0.5 million on Fisher & Paykel Industries' interest expense.

Commodity Price Risks

Fisher & Paykel Industries is also exposed to risk due to fluctuations in the cost of certain commodity products such as plastics and steel, which are used in its manufacturing process. Fisher & Paykel Industries does not enter into derivative instruments to hedge against such risks.

Credit Risks

In the normal course of business, Fisher & Paykel Industries incurs credit risk from trade debtors and finance receivables, which it manages with its credit policy. Fisher & Paykel Industries monitors this exposure on a regular basis. Fisher & Paykel Industries' credit risk from

its trade debtors is limited due to the number and broad geographic spread in its trade debtors. Fisher & Paykel Industries' finance receivables consist of direct customer financing and dealer or retailer financing. Fisher & Paykel Industries' five largest finance debtors represent approximately 36% of its total finance receivables as of March 31, 2001. Some receivables from dealers are secured by their receivables from their customers. Taken as separate advances against each individual finance receivable agreement, the amounts by the five largest debtors represents 5% of the total finance debtors.

U.S. GAAP

U.S. GAAP differs in certain significant respects from NZ GAAP, as they relate to Fisher & Paykel Industries. The most material differences relate to derivative foreign currency instruments, revaluation of fixed assets, capitalization of interest, pension benefits, separation costs and discontinued operations. Total U.S. GAAP adjustments to group profit for the years ended March 31, 2000 and 2001 were (\$1.6) million and \$0.3 million, respectively. See note 30 to the historical consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES AND RECENTLY ISSUED ACCOUNTING STANDARDS

As of April 1, 2000 Fisher & Paykel Industries changed its accounting policy with respect to capitalization of financing costs. Under the new policy, financing costs that are directly attributable to the acquisition or construction of a fixed asset are capitalized. Formerly, all financing costs were expensed as incurred.

In addition, in order to comply with the requirements of Financial Reporting Standard No. 5, Events After Balance Date (FRS-5), Fisher & Paykel Industries changed its accounting policy with respect to the date of recognition of the liability to pay dividends to shareholders. Under the new policy, dividends are recognized at the date they are declared by the directors. Formerly, a provision for a dividend was recognized at balance date even if the dividend for that financial year had been declared after that date. Fisher & Paykel Industries has adopted the requirements of FRS-5 earlier than the standard requires. Under the standard, the restatement of prior periods is not acceptable.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 summarizes the SEC staff's views in applying generally accepted accounting principles to revenue recognition but does not change existing GAAP. Fisher & Paykel Industries has adopted SAB 101 for U.S. GAAP reporting purposes as of April 1, 1999. The adoption of SAB 101 did not have an impact on the financial statements.

The U.S. Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities" (SFAS 133). Fisher & Paykel Industries adopted SFAS 133, as amended, on April 1, 2001 for U.S. GAAP purposes. SFAS 133 requires that all derivative instruments be recorded on the statement of financial position at fair value. Changes in the fair value of derivatives are recorded in group profit or shareholders' equity, depending on whether a derivative is designated as part of a hedge transaction, the type of hedge transaction and the hedge effectiveness. The gains and losses that are recorded in shareholders' equity will be taken to group profit consistent with the underlying hedged item.

SFAS 133 requires that existing derivative financial instruments be recorded at fair value and for deferred gains and losses previously recognized in the statement of financial position be reversed. The financial impact of adopting SFAS 133 on April 1, 2001 will be a decrease of \$1.0 million in shareholders' equity and a corresponding increase in total liabilities.

There have been no other changes in accounting policies.

SHARE PRICE RANGE

The ordinary shares of Fisher & Paykel Industries have been listed on the New Zealand Stock Exchange since 1979 under the symbol "FAP."

Prior to this offering, Fisher & Paykel Industries will transfer its appliances and finance businesses to a new company which, upon completion of the reorganization, will be owned by the existing shareholders of Fisher & Paykel Industries. As a result of the reorganization, the existing healthcare business will be Fisher & Paykel Industries' only remaining business. Fisher & Paykel Industries will change its name to Fisher & Paykel Healthcare Corporation Limited prior to the closing of this offering. Accordingly, the historical trading price of Fisher & Paykel Industries' ordinary shares is not indicative of the future trading price of the ordinary shares of Fisher & Paykel Healthcare upon completion of the reorganization. See "The Reorganization" for a more detailed discussion.

The following table sets forth for the periods indicated the NZ dollar high and low closing price of the ordinary shares on the New Zealand Stock Exchange.

	HIGH	LOW
	-----	-----
	(NZ\$)	(NZ\$)
July 2001.....	13.23	11.80
June 2001.....	11.80	9.54
May 2001.....	9.50	8.70
April 2001.....	8.70	7.95
March 2001.....	8.75	7.95
February 2001.....	8.75	8.03
Fiscal Year Ended March 31, 2001		
Fourth Quarter.....	\$8.75	\$7.80
Third Quarter.....	8.26	6.95
Second Quarter.....	7.55	6.60
First Quarter.....	6.89	6.00
Fiscal Year Ended March 31, 2000		
Fourth Quarter.....	\$7.30	\$6.00
Third Quarter.....	7.40	5.90
Second Quarter.....	6.30	5.49
First Quarter.....	6.60	5.80
Fiscal Year Ended March 31, 1999.....	\$7.50	\$4.80
Fiscal Year Ended March 31, 1998.....	\$5.75	\$4.85
Fiscal Year Ended March 31, 1997.....	\$5.75	\$4.25

On , 2001, the last reported sale price of our ordinary shares on the New Zealand Stock Exchange was NZ\$.

[PRICEWATERHOUSECOOPERS LETTERHEAD]

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of Fisher & Paykel Industries Limited:

We have examined the accompanying consolidated statements of financial position of Fisher & Paykel Industries Limited and its subsidiaries (collectively the "Company") as of March 31, 2000 and 2001 and the related consolidated statements of financial performance, of changes in shareholders' equity and of changes in financial position for each of the three years in the period ended March 31, 2001, all expressed in United States dollars. Our examinations of these financial statements were made in accordance with auditing standards generally accepted in the United States and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, after the restatement described in Note 31, present fairly the consolidated financial position of the Company at March 31, 2000 and 2001, and the results of their consolidated operations and the changes in their consolidated financial position for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in New Zealand consistently applied.

Accounting principles generally accepted in New Zealand vary in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated group profit expressed in United States dollars for the years ended March 31, 2000 and 2001 and the determination of consolidated shareholders' equity also expressed in United States dollars at March 31, 2000 and 2001 to the extent summarized in Note 30 to the consolidated financial statements.

PricewaterhouseCoopers

Auckland, New Zealand
June 6, 2001, except for Notes 30 and 31, for which the date is August 21, 2001.

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FISHER & PAYKEL INDUSTRIES LIMITED

**STATEMENTS OF FINANCIAL PERFORMANCE
PRESENTED IN U.S. DOLLARS**

		PARENT			CONSOLIDATED		
		FISCAL YEAR ENDED MARCH 31,					
	NOTES	1999	2000	2001	1999	2000	2001
(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE DATA)							
Operating revenue from continuing operations.....		\$22,440	\$30,037	\$ 9,818	\$358,152	\$415,570	\$403,713
Operating revenue from discontinued operations.....					39,452	7,665	2,328
Operating revenue.....	1	22,440	30,037	9,818	397,604	423,235	406,041
Operating expenses from continuing operations.....		128	167	193	325,993	367,550	346,792
Operating profit from continuing operations before abnormal items..		22,312	29,870	9,625	32,159	48,020	56,921
Abnormal items.....	2				(16,378)	--	(4,459)
Operating profit from continuing operations after abnormal items...		22,312	29,870	9,625	15,781	48,020	52,462
Interest.....					(5,387)	(5,387)	(5,149)
Foreign currency exchange profit (loss).....					4,911	1,997	(11,456)
Unrealized loss on foreign currency instruments.....					--	--	(29,429)
Profit from continuing operations before taxation.....	2	22,312	29,870	9,625	15,305	44,630	6,428
Taxation.....	3	(3,473)	(1,848)	(678)	(6,001)	(15,578)	(2,917)
Profit from continuing operations after taxation.....		18,839	28,022	8,947	9,304	29,052	3,511
Discontinued operations:							
Profit (loss) from operations of divisions before abnormal items...					(4,097)	(1,408)	34
Abnormal items -- Net profit on disposal of divisions.....	2				6,672	--	--
-- Other abnormal items.....	2				(6,476)	--	605
Profit (loss) from discontinued operations before taxation.....	2				(3,901)	(1,408)	639
Taxation.....	3				4,288	473	(214)
Profit (loss) from discontinued operations after taxation.....					387	(935)	425
Group profit.....		\$18,839	\$28,022	\$ 8,947	\$ 9,691	\$ 28,117	\$ 3,936
Basic and diluted earnings per share from continuing operations.....					\$ 0.08	\$ 0.25	\$ 0.03
Basic and diluted net earnings per share.....					\$ 0.08	\$ 0.24	\$ 0.03
Basic and diluted earnings per ADS from continuing operations(1)....					\$ 0.32	\$ 0.99	\$ 0.12
Basic and diluted net earnings per ADS(1).....					\$ 0.33	\$ 0.96	\$ 0.13

(1) Assumes four outstanding ordinary shares are equal to one ADS.

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

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FISHER & PAYKEL INDUSTRIES LIMITED

**STATEMENTS OF FINANCIAL POSITION
PRESENTED IN U.S. DOLLARS**

		PARENT		CONSOLIDATED	
		AS OF MARCH 31,			
	NOTES	2000	2001	2000	2001
		(IN THOUSANDS OF U.S. DOLLARS)			
ASSETS					
Current assets:					
Cash and bank balances.....		\$ 9	\$ 16	\$ 2,622	\$ 3,093
Debtors and prepayments.....	4			54,846	47,456
Finance receivables.....	5			87,616	68,254
Inventories.....	6			72,907	65,309
Taxation.....	7	791	597	3,173	2,850
Intergroup advances.....		87,746	83,799	--	--
		-----	-----	-----	-----
Total current assets.....		88,546	84,412	221,164	186,962
Long-term assets:					
Fixed assets.....	8			177,667	145,092
Employee share ownership plans loans.....	9	6,530	4,554	6,530	4,554
Investments in subsidiaries.....	10	96,369	65,838	--	--
Other assets.....				805	380
Goodwill on consolidation.....				1,657	1,191
Finance receivables.....	5			50,210	41,014
Deferred taxation.....	11			1,186	5,066
		-----	-----	-----	-----
Total assets.....		\$191,445	\$154,804	\$459,219	\$384,259
		=====	=====	=====	=====
LIABILITIES					
Current liabilities:					
Bank overdrafts.....	12			\$ 2,589	\$ 1,398
Call borrowings.....	12			6,944	1,008
Trade creditors.....				25,269	19,238
Provisions.....	13			9,667	28,387
Finance borrowings.....	14			86,912	70,296
Term borrowings, current portion.....	15			609	5,748
Taxation.....	7			1,199	2,127
Other liabilities.....	16	\$ 22	\$ 37	19,466	15,533
		-----	-----	-----	-----
Total current liabilities.....		22	37	152,655	143,735
Long-term liabilities:					
Term borrowings.....	15			70,581	44,208
Finance borrowings.....	14			40,407	29,630
Provisions.....	13			4,153	12,742
		-----	-----	-----	-----
Total liabilities.....		22	37	267,796	230,315
		-----	-----	-----	-----
SHAREHOLDERS' EQUITY					
Shareholders' equity.....	17	191,423	154,767	191,423	153,944
		-----	-----	-----	-----
Total shareholders' equity.....		191,423	154,767	191,423	153,944
		-----	-----	-----	-----
Total liabilities and shareholders' equity.....		\$191,445	\$154,804	\$459,219	\$384,259
		=====	=====	=====	=====

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

FISHER & PAYKEL INDUSTRIES LIMITED

**STATEMENTS OF MOVEMENTS IN EQUITY
PRESENTED IN U.S. DOLLARS**

		PARENT			CONSOLIDATED		
		FISCAL YEAR ENDED MARCH 31,					
NOTES		1999	2000	2001	1999	2000	2001
		(IN THOUSANDS OF U.S. DOLLARS)					
Shareholders' equity at the beginning of the year.....		\$216,735	\$201,274	\$191,423	\$216,735	\$201,274	\$191,423
Group profit.....		18,839	28,022	8,947	9,691	28,117	3,936
Movement in revaluation reserve.....		17	(9,705)	1,448	(3,574)		
Movement in currency translation reserve....		17	(4,286)	(16,608)	(35,827)	(4,843)	(15,255)
			(35,213)				
			4,848	12,862	(30,454)	4,848	12,862
			(31,277)				
Issue of share capital...		17	--	1,693	--	1,693	--
Dividends.....		17	(20,309)	(24,406)	(6,202)	(20,309)	(24,406)
Shareholders' equity at the end of the year....			\$201,274	\$191,423	\$154,767	\$201,274	\$191,423
			\$153,944				

The final dividend for 2001 has not been accrued, see change in accounting policies.

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

FISHER & PAYKEL INDUSTRIES LIMITED

STATEMENTS OF CASH FLOWS PRESENTED IN U.S. DOLLARS

		PARENT			CONSOLIDATED		
		FISCAL YEAR ENDED MARCH 31,					
	NOTES	1999	2000	2001	1999	2000	2001
		(IN THOUSANDS OF U.S. DOLLARS)					
Cash flows from operating activities:							
Receipts from customers.....					\$ 380,131	\$ 387,867	\$ 381,798
Financing interest and fee receipts.....					20,446	20,256	18,555
Dividends received.....		\$ 13,776	\$ 24,226	\$ 9,330	70	55	77
Interest received.....		7,655	5,631	--	423	370	346
Payments to suppliers and employees.....		(136)	(161)	(49)	(349,801)	(343,443)	(336,120)
Taxation paid.....		(908)	(820)	(263)	(5,726)	(7,906)	(6,160)
Interest paid.....					(13,136)	(11,882)	(12,555)
Net cash flow from operations.....	18	20,387	28,876	9,018	32,407	45,317	45,941
Cash flows from (used in) investing activities:							
Sale of fixed assets.....					4,007	3,336	183
Principal on loans repaid by customers.....					151,301	166,976	139,939
Proceeds from the disposal of operations.....					17,337	--	--
Purchase of fixed assets.....					(31,838)	(33,761)	(21,166)
Capitalized interest costs.....					--	--	(235)
Acquisition of subsidiary.....					(2,548)	--	--
New loans to customers.....					(168,462)	(185,294)	(138,504)
Investments in other subsidiaries.....		(2,567)			--	--	--
Net cash flow from (used in) investing activities.....		(2,567)	--	--	(30,203)	(48,743)	(19,783)
Cash flows from (used in) financing activities:							
Employee share purchase plans..		1,842	1,219	922	1,842	1,219	922
New term borrowings.....					7,490	15,828	4,890
New finance borrowings.....					33,506	33,211	30,938
Repayment of term borrowings...					(1,192)	(13,272)	(14,167)
Repayment of finance borrowings.....					(19,711)	(8,764)	(34,696)
Intercompany borrowings.....		2,163	1,712	(3,395)	--	--	--
Dividends paid.....		(20,309)	(29,878)	(6,202)	(20,309)	(29,878)	(6,202)
Supplementary dividends paid to overseas shareholders.....		(1,516)	(1,960)	(335)	(1,516)	(1,960)	(335)
Net cash flows from (used in) financing activities.....		(17,820)	(28,907)	(9,010)	110	(3,616)	(18,650)
Net increase (decrease) in cash....		--	(31)	8	2,314	(7,042)	7,508
Opening cash.....		39	40	9	(2,829)	(667)	(7,301)
Effect of foreign exchange rates...		1	--	(1)	(152)	408	480
Closing cash.....		40	9	16	(667)	(7,301)	687
Reconciliation of closing cash:							
Bank.....		40	9	16	7,475	2,622	3,093
Bank overdrafts.....					(1,408)	(2,979)	(1,398)
Call borrowings.....					(6,734)	(6,944)	(1,008)

-----	-----	-----	-----	-----	-----
\$ 40	\$ 9	\$ 16	\$ (667)	\$ (7,301)	\$ 687
=====	=====	=====	=====	=====	=====

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

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FISHER & PAYKEL INDUSTRIES LIMITED

STATEMENT OF ACCOUNTING POLICIES

These financial statements are presented in accordance with the New Zealand Companies Act 1993, the New Zealand Financial Reporting Act 1993 and generally accepted accounting practice in New Zealand. The Parent Company's financial statements are for Fisher & Paykel Industries Limited as a separate entity and the Consolidated financial statements are for the Fisher & Paykel Group (the Group), which includes all its subsidiaries.

NATURE OF OPERATIONS

Fisher & Paykel (which commenced operations in 1934) is a New Zealand based international company which has two principal areas of business:

- healthcare products manufacturing and marketing;
- major household appliance manufacturing and marketing, and a Finance Group to support this business

Healthcare is a leading designer and manufacturer of heated humidifiers for use in respiratory care and the treatment of obstructive sleep apnea. These products are sold in over 90 countries worldwide with the major markets being North America and Europe.

Appliances is a leading designer and manufacturer of major household appliances in New Zealand and Australia. It is the largest supplier of major household appliances in New Zealand and the second largest supplier in Australia.

GENERAL ACCOUNTING POLICIES

The financial statements are based on the general principles of historical cost accounting, with the exception of properties which are included at the gross carrying value at March 31, 1992 (i.e. includes re-valuations to that date) and investments in subsidiaries which are at net tangible asset value. Reliance is placed on the Group continuing as a going concern.

The following particular accounting policies which materially affect the measurement of profit and financial position have been applied.

SPECIFIC ACCOUNTING POLICIES

CONSOLIDATION

The Company and subsidiary companies' accounts are consolidated using the purchase method. Subsidiaries are entities that are controlled either directly or indirectly by the parent. All material inter-Group transactions are eliminated. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of financial performance from the date of acquisition or up to the date of disposal.

Fisher & Paykel Finance Limited and its subsidiary companies and Fisher & Paykel Finance Pty Limited (together the "Finance Group") are independently funded under their own Debenture Trust Deed. Obligations under the Debenture Trust Deed are not guaranteed by Fisher & Paykel Industries Limited or any other non Finance Group companies.

GOODWILL

The excess of cost over the fair value of net assets of subsidiaries acquired is capitalized as goodwill and is amortized to the Statement of Financial Performance on a straight line basis over the lower of the period of expected benefit or ten years from the date of investment.

FISHER & PAYKEL INDUSTRIES LIMITED

STATEMENT OF ACCOUNTING POLICIES – (CONTINUED)

REVENUE RECOGNITION

Goods

Sales of appliances and healthcare products are recognized in accordance with the terms of sale when title has been transferred and the benefits of ownership and risk of loss passes to the customer.

Investment Income

Dividend income is recognized in the period the dividend is declared. Interest is accounted for as earned.

Income on Finance Business Receivables

Finance receivables are recorded when a contract is signed and the product has been delivered. Income on finance business receivables is recognized on an actuarial basis (effective interest method) calculated on the net amount outstanding.

ADVERTISING AND SALES PROMOTION COSTS

All advertising and sale promotion costs are expensed as incurred.

EARNINGS PER SHARE

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

Diluted earnings per share is calculated by using the weighted average number of ordinary shares outstanding during each period, adjusted to include the potentially dilutive effect if securities or other contracts to issue ordinary shares were exercised or converted into shares. There were no potentially dilutive securities or contracts outstanding during the periods presented.

EMPLOYEE SHARE OWNERSHIP PLANS

The group operates two employee share ownership plans for employees. The initial purchase of shares by the schemes is funded by advances from the Group, the advances being recognized as assets in the statement of financial position. No compensatory expense is recognized in the statement of financial performance (see note 9).

EMPLOYEE ENTITLEMENT

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognized when they accrue to employees. The group operates a defined benefit pension plan for employees. Contributions to the plan are expensed when made.

INVENTORIES

Inventories are valued at the lower of cost, on a first-in, first-out basis, or net realizable value. Cost includes all costs except finance, administration, selling and distribution overheads.

FISHER & PAYKEL INDUSTRIES LIMITED

STATEMENT OF ACCOUNTING POLICIES – (CONTINUED)

FIXED ASSETS

Fixed assets are recorded at cost with the exception of land and buildings acquired prior to April 1, 1989, which are valued at 100% of independent professional valuations obtained at March 31, 1992. The valuer, Darroch & Co Ltd, who are Associates of the New Zealand Institute of Valuers, advise the bases of the valuations as of March 31, 1992 were open market values for existing use, with a willing but not anxious buyer and a willing but not anxious seller. In accordance with the transitional provisions of the Institute of Chartered Accountants of New Zealand Statement of Standard Accounting Practice No. 28, Accounting for Fixed Assets, land and buildings are included in the accounts at the gross carrying amount.

Effective April 1, 2000 interest costs incurred during the period required to complete and prepare the fixed asset for its intended use are capitalized as part of the total cost.

External software direct costs together with payroll and payroll related costs for employees directly associated with the development of software are capitalized. Costs associated with upgrades and enhancements are capitalized to the extent they result in additional functionality.

IMPAIRMENT OF LONG LIVED ASSETS

Annually the directors assess the carrying value of each asset considering them on a grouped basis determined at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other group assets.

Where the estimated recoverable amount of the asset based upon the undiscounted future cash flows is less than its carrying amount, the asset is written down to assessed fair value.

DEPRECIATION

Fixed Assets, other than Freehold Land and Capital Work in Progress, have been depreciated on a straightline basis writing off the original cost or valuations of the assets over their estimated useful lives as follows:

Buildings.....	50 years
Plant and Equipment.....	3-15 years
Vehicles.....	5 years
Tooling.....	3 years
Software.....	3-10 years

INVESTMENTS

Subsidiary companies are valued at net tangible asset value. Other investments are valued at lower of cost or net realizable value.

LEASES

Operating lease payments are expensed on a straight line basis over the period of the lease.

RESEARCH AND DEVELOPMENT

Research and development expenditure is expensed as it is incurred. Development costs of Product Innovation as a process at Fisher & Paykel are, in the main, indistinguishable as to whether the benefits will be applied to current or future products.

FISHER & PAYKEL INDUSTRIES LIMITED

STATEMENT OF ACCOUNTING POLICIES -- (CONTINUED)

FINANCE RECEIVABLES AND TRADE DEBTORS

Finance receivables are shown net of provisions for doubtful debts, unearned income and financing losses which are expected in future accounting periods. All known losses are written off in the period in which they become evident.

A specific provision is maintained to cover all identified doubtful debts. All known bad debts are written off against the specific provision in the period in which they become classified as irrecoverable.

PROVISION FOR WARRANTY

Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred on warranty exposure. Warranty terms vary as described below:

BUSINESS	LOCATION	WARRANTY
-----	-----	-----
Appliances	New Zealand and Australia	2 years parts and labor
	United States	5 years parts and 1 year labor
Healthcare	Internationally	1 to 2 years parts or parts and labor

DEBENTURE ISSUE EXPENSES

Issuing costs are capitalized where they can be matched with a related borrowing, otherwise they are expensed as incurred. Capitalized costs are amortized to interest costs evenly over the term of the borrowings.

TAXATION

The taxation expense charged to earnings includes both current and deferred tax and is calculated after allowing for permanent differences.

The liability method of accounting for the taxation effect of all timing differences is used. Deferred tax is accounted for using the comprehensive basis on all timing differences. Any future taxation benefit is recognized only to the extent that there is virtual certainty of recovery in subsequent periods.

FOREIGN CURRENCIES

Transactions in foreign currencies are converted at the rate of exchange prevailing at the date of the transaction.

At balance date, foreign monetary assets and liabilities are translated at the year end closing rates, and exchange variations arising from these transactions are included in the Statement of Financial Performance.

Gains and losses and costs arising on forward and participating forward foreign currency contracts that are effective as hedges of anticipated transactions are deferred until the date of such transactions at which time they are included in the determination of Group profit and separately reported as foreign currency exchange profit (loss).

For the purposes of these financial statements, the U.S. dollar has been adopted as the reporting currency. The primary functional currency of the company is the NZ dollar. The

FISHER & PAYKEL INDUSTRIES LIMITED

STATEMENT OF ACCOUNTING POLICIES -- (CONTINUED)

financial statements for the years ended March 31, 1999, 2000 and 2001 have been converted into U.S. dollars using the translation method required to translate the financial statements of foreign subsidiaries, as detailed below.

The financial statements of foreign subsidiaries are translated at the following exchange rates:

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

The exchange rate difference from translating the opening net investment and revenue and expense transactions at rates different from that which was previously reported is reflected in the foreign currency translation reserve.

STATEMENT OF CASH FLOWS

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

- a) Cash comprises cash on hand, bank balances and call borrowings.
- b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets, investments and finance receivables.
- c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.
- d) Operating activities include all transactions and other events that are not investing or financing activities.

FINANCIAL INSTRUMENTS

Derivative financial instruments including forward foreign currency contracts, participating forward foreign currency contracts and interest rate swaps are used to reduce exposure to fluctuations in foreign currency exchange rates and interest rates.

All derivative financial instruments are held to manage interest rate risk on borrowings and foreign exchange risk on anticipated sales and purchases. For a derivative contract to be classified as a hedge a rational correlation must exist with the underlying transaction where risk is being managed. In circumstances where a rational correlation between the derivative instrument and the underlying transaction ceases, including circumstances where anticipated transactions do not occur, the gain or loss is recognized immediately in the Statement of Financial Performance. In circumstances where a hedge instrument is terminated but the underlying risk being managed remains the gain or loss is amortized over the remaining life of the risk or, if appropriate, is deferred until the transaction occurs.

Differentials on interest rate swap agreements are recognized on an accrual basis over the life of the swap and are included in interest expense.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

FISHER & PAYKEL INDUSTRIES LIMITED

STATEMENT OF ACCOUNTING POLICIES -- (CONTINUED)

RECLASSIFICATIONS

Certain reclassifications of prior years' data have been made to conform to current year's classifications.

CHANGES IN ACCOUNTING POLICIES AND RECENTLY ISSUED ACCOUNTING STANDARDS

As of April 1, 2000 the Group changed its accounting policy with respect to capitalization of financing costs. Under the new policy, financing costs that are directly attributable to the acquisition or construction of a fixed asset are capitalized. Formerly, all financing costs were expensed as incurred.

In addition, in order to comply with the requirements of Financial Reporting Standard No. 5, Events After Balance Date (FRS-5), the Group changed its accounting policy with respect to the date of recognition of the liability to pay dividends to shareholders. Under the new policy, dividends are recognized at the date they are declared by the Directors. Formerly, a provision for a dividend was recognized at balance date even if the dividend for that financial year had been declared after that date. The Group has adopted the requirements of FRS-5 earlier than the standard requires. Under the Standard, the restatement of prior periods is not acceptable.

There have been no other changes in accounting policies.

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FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 OPERATING REVENUE

	PARENT			CONSOLIDATED		
	FISCAL YEAR ENDED MARCH 31,					
	1999	2000	2001	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)					
Continuing operations:						
New Zealand sale of products.....				\$100,823	\$112,003	\$ 93,827
Overseas sale of products.....				238,492	285,616	293,142
				339,315	397,619	386,969
Finance						
New Zealand.....				18,141	17,390	16,306
Dividend.....	\$13,769	\$24,268	\$9,721	97	55	76
Interest.....	8,671	5,769	97	599	506	362
Total continuing operations.....	22,440	30,037	9,818	358,152	415,570	403,713
Discontinued operations:						
New Zealand sale of products.....				34,138	2,094	32
Overseas sale of products.....				2,435	1,702	19
Finance overseas.....				36,573	3,796	51
				2,879	3,869	2,277
Total discontinued operations.....				39,452	7,665	2,328
Total operating revenue.....	\$22,440	\$30,037	\$9,818	\$397,604	\$423,235	\$406,041

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

2 NET OPERATING PROFIT

	PARENT			CONSOLIDATED		
	FISCAL YEAR ENDED MARCH 31,			FISCAL YEAR ENDED MARCH 31,		
	1999	2000	2001	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)					
Profit from continuing operations						
before taxation.....	\$22,312	\$29,870	\$9,625	\$15,305	\$44,630	\$ 6,428
After charging:						
Remuneration of auditors:						
Audit fees.....				246	261	234
Other services.....				30	81	62
Donations.....				46	31	47
Depreciation:						
Trading(1).....				19,118	23,076	20,539
Finance group.....				761	704	935
Goodwill amortization.....				67	199	168
Interest:						
Term borrowings.....				1,901	1,813	1,834
Other.....				3,486	3,574	3,315
Finance group.....				7,018	6,059	6,989
Foreign currency exchange profit						
(loss).....				(4,911)	(1,997)	11,456
Unrealized loss on foreign currency						
instruments.....				--	--	29,429
Research and development.....				7,682	7,958	8,180
Rental and operating leases.....				5,445	6,122	4,819
Bad debts written off:						
Trading.....				206	136	418
Finance group.....				713	652	949
Movement in provision for doubtful						
debts:						
Trading.....				(87)	(93)	(124)
Finance group.....				(245)	(323)	(313)
Directors' fees.....	85	84	99	85	84	99
Abnormal items:						
Loss on sale of land and						
buildings.....				2,200	--	--
Permanent impairment of fixed						
assets(2).....				1,451	--	--
Permanent impairment of						
investment and writedown of						
advances(3).....				--	--	2,404
Restructuring costs						
incurred(4).....				11,532	--	2,055
Provision for restructuring and						
closure costs(4).....				1,195	--	--
				16,378	--	4,459

(1) Depreciation

Certain items of Appliances' plant were assessed as having longer economic lives resulting in a reduction in the depreciation charge for 2001 of \$0.8 million.

(2) In 1999, as part of a product rationalization, plant and equipment of \$1.5 million was written off as having no recoverable value.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(3) On March 31, 2001, Appliances reassessed the carrying values of its investment in Hill & Stewart, loans to other Hill & Stewart shareholders, and advances to Hill & Stewart resulting in a permanent impairment of the investment and a writedown of the realizable value of the loans and advances of \$2.4 million.

(4) In the year ended March 31, 2001, Appliances incurred restructuring and redundancy costs of \$2.0 million in changing from a divisional structure to a centralized structure approach to improve operating efficiency. Finance New Zealand incurred restructuring and redundancy costs of \$0.1 million.

In 1999, Appliances incurred restructuring costs of \$11.5 million and made provision for \$1.2 million additional costs that were incurred in 2000. These restructuring costs included redundancy costs for more than 300 employees (many of whom were long serving) in the rationalization of managerial functions, and the buyout of a number of historical staff allowances.

	PARENT			CONSOLIDATED		
	FISCAL YEAR ENDED MARCH 31,			FISCAL YEAR ENDED MARCH 31,		
	1999	2000	2001	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)					
Profit (loss) from discontinued operations before taxation.....				\$(3,901)	\$(1,408)	\$ 639
After charging:						
Depreciation.....				585	250	171
Interest:						
Other.....				29	--	--
Finance group.....				675	1,105	627
Rental and operating leases.....				52	80	13
Bad debts written off.....				882	760	261
Movement in provision for doubtful debts.....				(224)	116	278
Abnormal items:						
Cellnet divestment (net gain)(1)...				(6,753)	--	--
Panasonic divestment(1).....				82	--	--
Writedown of fixed assets to recoverable amount(1).....				2,847	--	--
Provision for closure costs(1).....				3,629	--	(605)

(1) In fiscal year 1999 the Group announced it would focus on three core businesses -- Appliances, Healthcare and Finance.

Businesses that were not part of those core activities were either divested (\$6.7 million) during fiscal year 1999 or their assets written down to realizable values (\$2.8 million) together with provision made for closure costs of \$3.6 million. Divestments included the sale of Cellnet (a retailer of mobile airtime) to Telecom New Zealand for a net gain of \$6.8 million, the sale of the Panasonic Division (a distributor of electronic consumer product) to Matsushita Electric of Japan for a net loss of \$0.1 million and provision for divestment and/or closure of Screencraft (printed circuit board manufacturing), Lucent Technology Inc.'s distribution agency and PSC (a manufacturer of electronic machine controllers) of \$4.8 million including writedown of equipment to recoverable value. A closure provision of \$1.9 million was made for Finance Australia to discontinue business.

The fiscal 2001 amount represents a gain from the release of the excess portion of the provision for closure costs, which was determined to no longer be necessary.

	CONSOLIDATED		
	FISCAL YEAR ENDED MARCH 31,		
	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)		
Provision for restructuring and closure costs			
Balance brought forward.....	\$ --	\$ 4,763	\$1,736
Provision charged to earnings.....	4,824	(23)	(605)

Cash payments.....	--	(2,930)	(593)
Other.....	--	--	15
Effect of foreign currency translation.....	(61)	(74)	(231)
	-----	-----	-----
Balance carried forward.....	\$4,763	\$ 1,736	\$ 322
	=====	=====	=====

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FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

3 TAXATION

	PARENT			CONSOLIDATED		
	FISCAL YEAR ENDED MARCH 31,					
	1999	2000	2001	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)					
Profit from continuing operations before taxation.....	\$22,312	\$29,870	\$ 9,625	\$15,305	\$44,630	\$ 6,428
Taxation at current rate of 33%....	7,363	9,857	3,176	5,051	14,728	2,121
Adjustments to taxation for:						
Non-assessable income.....	(4,831)	(7,902)	(3,227)	(15)	(27)	(57)
Non-deductible items (1999 loss on Building sale).....				993	71	344
Attributed foreign income.....				(84)	100	14
Foreign rates other than 33%....				(75)	370	341
This year's taxation.....	2,532	1,955	(51)	5,870	15,242	2,763
Other.....	941	(107)	729	131	194	61
Tax rate change in Australia (2001 30%, 2000 34%, 1999 36%).....				--	142	93
Income tax expense from continuing operations.....	3,473	1,848	678	6,001	15,578	2,917
Profit from discontinued operations before taxation.....				(3,901)	(1,408)	639
Taxation at current rate of 33%....				(1,288)	(465)	211
Adjustments to taxation for:						
Non-assessable income (1999 non taxable gains on disposal of Cellnet & Panasonic).....				(3,059)	--	--
Non-deductible items.....				83	16	--
Foreign rates other than 33%....				(24)	(24)	3
This year's taxation.....				(4,288)	(473)	214
Income tax expense from discontinued operations.....				(4,288)	(473)	214
Total income tax expense.....	\$ 3,473	\$ 1,848	\$ 678	\$ 1,713	\$15,105	\$ 3,131
This is represented by:						
Current taxation.....	\$ 3,473	\$ 1,848	\$ 678	\$ 3,234	\$13,885	\$ 7,451
Deferred taxation.....				(1,521)	1,220	(4,320)
	\$ 3,473	\$ 1,848	\$ 678	\$ 1,713	\$15,105	\$ 3,131

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

4 DEBTORS AND PREPAYMENTS

	PARENT		CONSOLIDATED	
	-----		-----	
	AS OF MARCH 31,			
	-----		-----	
	2000	2001	2000	2001
	-----		-----	
	(IN THOUSANDS OF U.S. DOLLARS)			
Trade receivables.....			\$50,507	\$43,659
Less allowance for doubtful accounts.....			(320)	(251)
			-----	-----
			50,187	43,408
Other debtors and prepayments.....			4,659	2,967
Separation costs (note 24).....			--	1,081
			-----	-----
			\$54,846	\$47,456
			-----	-----

5 FINANCE RECEIVABLES

	PARENT		CONSOLIDATED	
	-----		-----	
	AS OF MARCH 31,			
	-----		-----	
	2000	2001	2000	2001
	-----		-----	
	(IN THOUSANDS OF U.S. DOLLARS)			
Receivable within one year.....			\$ 96,682	\$ 76,464
Less provision for bad and doubtful debts.....			(2,144)	(1,298)
			-----	-----
			94,538	75,166
Less provision for unearned interest...			(6,922)	(6,912)
			-----	-----
Net receivables due within one year....			87,616	68,254
			-----	-----
Receivable beyond one year.....			55,406	45,979
Less provision for bad and doubtful debts.....			(1,229)	(784)
			-----	-----
			54,177	45,195
Less provision for unearned interest...			(3,967)	(4,181)
			-----	-----
Net receivables due beyond one year....			50,210	41,014
			-----	-----
Total finance receivables....			\$137,826	\$109,268
			=====	=====

Finance receivables are comprised of advances to customers including advances where interest for the term of the advance is included within finance receivables and advances where interest is charged on a daily basis (see note 27).

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

6 INVENTORIES

	PARENT		CONSOLIDATED	
	2000	2001	2000	2001
(IN THOUSANDS OF U.S. DOLLARS)				
Materials.....			\$27,860	\$26,435
Spare parts.....			2,261	2,246
Finished products.....			43,237	36,972
Provision for obsolescence.....			(451)	(344)
			-----	-----
			\$72,907	\$65,309
			=====	=====

7 TAXATION

	PARENT		CONSOLIDATED	
	AS OF MARCH 31,		AS OF MARCH 31,	
	2000	2001	2000	2001
(IN THOUSANDS OF U.S. DOLLARS)				
Balance at beginning of year:				
Taxation payable.....	\$ (112)	\$ --	\$ (508)	\$ (1,199)
Taxation recoverable.....	--	791	6,731	3,173
Total taxation expense in current year.....	(1,848)	(678)	(13,885)	(7,451)
Taxation paid.....	820	263	7,906	6,160
Supplementary dividend tax credit.....	1,960	335	1,960	335
Other movements.....	1	31	(411)	--
Effect of foreign currency translation.....	(30)	(145)	181	(295)
	-----	-----	-----	-----
Balance at end of year:				
Taxation payable.....			(1,199)	(2,127)
Taxation recoverable.....	791	597	3,173	2,850
	=====	=====	=====	=====

8 FIXED ASSETS

	PARENT		CONSOLIDATED	
	AS OF MARCH 31,		AS OF MARCH 31,	
	2000	2001	2000	2001
(IN THOUSANDS OF U.S. DOLLARS)				
Buildings (at cost).....			\$ 45,222	\$ 53,313
Less depreciation.....			4,819	5,116
			-----	-----
			\$ 40,403	\$ 48,197
			=====	=====
Buildings at valuation on March 31, 1992.....			\$ 7,124	\$ 5,788
Less depreciation.....			1,060	956
			-----	-----
			\$ 6,064	\$ 4,832
			=====	=====
Land (at cost).....			\$ 9,712	\$ 7,891
Land at valuation on March 31, 1992.....			2,470	2,007
			-----	-----

\$ 12,182	\$ 9,898
=====	=====

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FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

	PARENT		CONSOLIDATED	
	-----		-----	
	AS OF MARCH 31,			
	-----		-----	
	2000	2001	2000	2001
	-----		-----	
	(IN THOUSANDS OF U.S. DOLLARS)			
Leasehold improvements (at cost).....			\$ 858	\$ 868
Less depreciation.....			250	306
			-----	-----
			\$ 608	\$ 562
			=====	=====
Plant and equipment (at cost).....			\$208,478	\$180,630
Less depreciation.....			120,716	110,770
			-----	-----
			\$ 87,762	\$ 69,860
			=====	=====
Computer software (at cost).....			\$ 17,651	\$ 15,470
Less depreciation.....			7,162	7,411
			-----	-----
			\$ 10,489	\$ 8,059
			=====	=====
Capital projects (at cost) -- Buildings.....			\$ 15,261	\$ --
-- Other.....			4,898	3,684
			-----	-----
			20,159	3,684
			-----	-----
			\$177,667	\$145,092
			=====	=====

The independent valuation of land and buildings as of March 31, 2001 was \$64.5 million (2000 \$63.3 million excluding capital projects).

9 EMPLOYEE SHARE OWNERSHIP PLANS

	PARENT		CONSOLIDATED	
	-----		-----	
	AS OF MARCH 31,			
	-----		-----	
	2000	2001	2000	2001
	-----		-----	
	(IN THOUSANDS OF U.S. DOLLARS)			
Share purchase loans.....	\$6,530	\$4,554	\$6,530	\$4,554

Share purchase loans are made by the company under the share purchase plans to assist with the purchase of fully paid ordinary shares in the company. Loans made under the plans are with full recourse to the participant's assets.

Shares are normally issued at a discount ranging from 20% to 33% of market price, on terms permitted by the plans in accordance with sections CH2 or DF7 of the New Zealand Income Tax Act 1974, with no interest or a nominal interest rate being charged on the loans. The qualifying periods between grant and vesting date are 3 or 8 years. Dividends paid during the qualifying period on shares allocated to employees and executives under the plans are paid to the employees and are credited to the executives loan. Voting rights on the shares are exercisable by the employees under their plans, but by the trustees under the executives' plans.

4,667,000 shares (2000 4,814,700) are held by the plans, being 3.9% (2000 4.1%) of the company's issued and paid up capital. As of March 31, 2001, all shares were allocated to employees or executives, except for 244,900 (2000 141,200). Once vested an employee participant may elect to transfer the shares into his or her own name, after which the shares are freely transferable.

All shares are allocated to employees at the time of issue, on the condition that should they leave the company before the qualifying period ends, their shares will be repurchased by the

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

trustees at the lesser of market price and the price at which the shares were originally allocated to the employee, subject to repayment of the original loan.

Any such shares are re-allocated to other employees by the trustees. Trustees of the employee share purchase plans are appointed by the company.

Information relating to shares issued under the plans is as follows:

	FISCAL YEAR ENDED MARCH 31,					
	1999		2000		2001	
	PRICE* US\$	NUMBER OF SHARES	PRICE* US\$	NUMBER OF SHARES	PRICE* US\$	NUMBER OF SHARES
As of beginning of the year.....	1.75	4,828,800	1.74	4,531,300	1.72	4,793,500
Granted during the year.....	--	--	2.54	737,400	--	--
Vested during the year.....	1.84	(149,100)	1.87	(373,150)	1.19	(274,050)
Lapsed due to resignation.....	1.84	(148,400)	1.79	(102,050)	1.77	(97,350)
As of end of year.....	1.74	4,531,300	1.72	4,793,500	1.40	4,422,100
	====	=====	====	=====	====	=====

PERIOD GRANTED	NON-VESTED SHARES OUTSTANDING	PRICE RANGE US\$	PRICE* US\$	REMAINING PERIOD TO VESTING
Pre March 31, 1998.....	3,755,000	1.58 - 2.08	1.75	3 to 5 years
April 1, 1998 - March 31, 1999.....	--			
April 1, 1999 - March 31, 2000.....	667,100	2.54	2.54	1 to 2 years
April 1, 2000 - March 31, 2001.....	--			
	4,422,100			
	=====			

* Weighted average

10 INVESTMENTS IN SUBSIDIARIES

	PARENT	
	AS OF MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Shares in subsidiary companies.....	\$96,369	\$65,838

The Parent's investment in subsidiaries comprises shares at net asset value. The assets and liabilities attributed to Fisher & Paykel Industries Limited are largely owned by the following subsidiaries.

PRINCIPAL SUBSIDIARIES	COUNTRY OF DOMICILE	INTEREST HELD BY GROUP		PRINCIPAL ACTIVITIES
		2001	2000	
*Fisher & Paykel Limited.....	NZ	100%	100%	Manufacture & distribution of appliances
*Fisher & Paykel Australia Pty				

Limited.....	Australia	100%	100%	Distribution of appliances
*Fisher & Paykel Manufacturing				
Pty Limited.....	Australia	100%	100%	Manufacture of appliances

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FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

PRINCIPAL SUBSIDIARIES -----	COUNTRY OF DOMICILE -----	INTEREST HELD BY GROUP -----		PRINCIPAL ACTIVITIES -----
		2001	2000	
		-----	-----	
Fisher & Paykel (Singapore) Pte Limited.....	Singapore	100%	100%	Distribution of appliances
Fisher & Paykel Appliances Inc.....	USA	100%	100%	Distribution of appliances
Fisher & Paykel Appliances Limited.....	UK	100%	100%	Distribution of appliances
*Fisher & Paykel Healthcare Limited.....	NZ	100%	100%	Manufacture & distribution of healthcare products
Fisher & Paykel Healthcare Limited.....	UK	100%	100%	Distribution of healthcare products
Fisher & Paykel Healthcare Pty Limited.....	Australia	100%	100%	Distribution of healthcare products
Fisher & Paykel Healthcare Inc.....	USA	100%	100%	Distribution of healthcare products
Fisher & Paykel Healthcare SAS.....	France	100%	100%	Distribution of healthcare products
Fisher & Paykel Healthcare GmbH & Co KG.....	Germany	100%	100%	Distribution of healthcare products
Fisher & Paykel Finance Limited.....	NZ	100%	100%	Consumer & commercial finance
Consumer Finance Limited.....	NZ	100%	100%	Consumer finance
Equipment Finance Limited.....	NZ	100%	100%	Commercial finance
Fisher & Paykel Holdings Inc. (USA).....	USA	100%	100%	Non-trading holding company
*Fisher & Paykel Australia Holdings Limited.....	Australia	100%	100%	Non-trading holding company
*Fisher & Paykel Production Machinery Limited.....	NZ	100%	100%	Machinery manufacturer

All subsidiaries have a balance date of March 31.

* Fisher & Paykel Industries Limited together with those above companies marked with an asterisk are the major companies in the negative pledge agreement.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

11 DEFERRED TAXATION/FUTURE TAXATION BENEFIT

	PARENT	CONSOLIDATED
	-----	-----
	AS OF MARCH 31,	
	-----	-----
	2000	2001
	-----	-----
	(IN THOUSANDS OF U.S. DOLLARS)	
Balance at beginning of year:		
Deferred taxation.....		\$ 1,882
Current year timing differences.....		\$1,186
Other movements.....		(1,220)
Effect of foreign currency translation.....		4,320
		494
		133
		30
		(573)

Balance at end of year:		
Deferred taxation.....		\$ 1,186
		\$5,066
		=====

12 BANK OVERDRAFTS AND CALL BORROWINGS

	PARENT	CONSOLIDATED
	-----	-----
	AS OF MARCH 31,	
	-----	-----
	2000	2001
	-----	-----
	(IN THOUSANDS OF U.S. DOLLARS)	
Bank overdrafts.....		\$2,589
Call borrowings.....		\$1,398
		6,944
		1,008

Call borrowings and bank overdrafts in foreign currencies total:

AUD	0.0 million (2000 AUD 1.3 million)
NZD	6.0 million (2000 NZD 19.2 million)
SGD	0.5 million (2000 SGD 0.5 million)
GBP	0.4 million (2000 GBP 0.2 million)
EUR	0.6 million (2000 EUR 0.3 million)

Call borrowings and bank overdrafts are repayable on demand and come under the Negative Pledge Agreement as set out in note 15.

	AS OF MARCH 31,

UNUSED LINES OF CREDIT	
-----	-----
	2000
	2001

	(IN THOUSANDS OF U.S. DOLLARS)
Bank overdraft and call borrowing facilities.....	\$8,274
	\$21,067

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

13 PROVISIONS

	PARENT		CONSOLIDATED	
	-----		-----	
	AS OF MARCH 31,			
	-----		-----	
	2000	2001	2000	2001
	-----	-----	-----	-----
	(IN THOUSANDS OF U.S. DOLLARS)			
Current				
Warranty and service contracts.....			\$7,931	\$ 7,586
Restructuring and closure costs.....			1,736	322
Unrealized loss on foreign currency instruments(1).....			--	18,666
Other.....			--	1,813
			-----	-----
			9,667	28,387
			-----	-----
Term				
Warranty and service contracts.....			4,153	4,300
Unrealized loss on foreign currency instruments(1).....			--	8,442
			-----	-----
			\$4,153	\$12,742
			-----	-----

(1) These amounts are calculated at year end foreign exchange rates, whereas the \$29.4 million in note 2 above is translated at the average exchange rate for the fiscal year ended March 31, 2001.

14 FINANCE BORROWINGS

	PARENT		CONSOLIDATED	
	-----		-----	
	AS OF MARCH 31,			
	-----		-----	
	2000	2001	2000	2001
	-----	-----	-----	-----
	(IN THOUSANDS OF U.S. DOLLARS)			
SUBORDINATED DEBT				
Due for repayment between one and two years.....			\$ --	\$ 4,030
Due for repayment beyond two years.....			2,480	--
			-----	-----
			2,480	4,030
			-----	-----

This debt is subordinated to all other creditors. The average rate of interest is 6.7% (2000 7.5%).

SECURED BORROWINGS

Debenture stock on issue is secured by first floating charge over the assets of Fisher & Paykel Finance Limited (FPFL) and charging subsidiaries (the Charging Group). Currently, all subsidiaries of FPFL are charging subsidiaries.

All borrowings made by the issue of debenture stock are in accordance with a debenture trust deed. The deed includes several covenants, including that the Charging Group will not:

(1) permit total liabilities to exceed the aggregate of:

(a) 91% of total tangible assets (which includes the market worth of public sector and other approved securities) and

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(b) 6.5% of the aggregate of the market worth of public sector and other approved securities.

(2) permit the first ranking stock (including security stock) and prior charges to exceed the aggregate of:

(a) 87.5% of total security assets (which includes the market worth of public sector and other approved securities) and

(b) 10% of the aggregate of the market worth of public sector and other approved securities.

	PARENT		CONSOLIDATED	
	AS OF MARCH 31,			
	2000	2001	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)			
(a) Debenture stock due for repayment:				
Within one year (6.8%, 2000 6.3%).....			47,387	44,592
Between one and two years (7.2%, 2000 6.5%).....			13,360	10,843
Between two and three years (7.3%, 2000 6.7%).....			2,969	4,039
Between three and four years (7.3%, 2000 6.7%).....			1,801	1,248
Between four and five years (7.3%, 2000 6.7%).....			736	567
			-----	-----
			66,253	61,289
			-----	-----
The average rate of interest is 6.9% (2000 6.4%).				
(b) Secured advances due for repayment:				
Within one year (6.7%, 2000 6.2%).....			39,136	23,149
Between two and three years (6.6%).....			--	6,083
Between four and five years (6.6%).....			--	2,820
			-----	-----
			39,136	32,052
			-----	-----
The average rate of interest is 6.7% (2000 6.2%).				
(c) Bank overdraft.....			389	--
			-----	-----
Total secured borrowings.....			\$105,778	\$93,341
			=====	=====
UNSECURED BORROWINGS				
Australia Finance Group				
Due for repayment within one year.....			--	2,555
Due for repayment between two and three years.....			19,061	--
The average rate of interest is 5.63% (2000 5.8%).				

Finance borrowings in foreign currencies totaled NZ\$241.6 million (2000 NZ\$218.0 million) and A\$5.25 million (2000 A\$32.0 million). A negative pledge agreement has been executed with Fisher & Paykel Finance Pty Limited's bankers; however subsequent to year end, this agreement was terminated when the borrowings were repaid.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

	PARENT	CONSOLIDATED
	-----	-----
	AS OF MARCH 31,	
	-----	-----
	2000	2001
	-----	-----
	(IN THOUSANDS OF U.S. DOLLARS)	
Total Finance borrowings.....		
	\$127,319	\$99,926
	=====	=====
Due within one year.....	86,912	70,296
Due after one year.....	40,407	29,630
	-----	-----
	127,319	99,926
	=====	=====
Unused lines of credit		
Bank overdraft.....	1,123	1,229
Subordinated debt 2 - 3 years.....	2,480	--
Secured advances within 1 year.....	3,520	11,509
Secured advances 2 - 3 years.....	--	8,022
Secured advances 4 - 5 years.....	--	1,210

15 TERM BORROWINGS

	PARENT	CONSOLIDATED
	-----	-----
	AS OF MARCH 31,	
	-----	-----
	2000	2001
	-----	-----
	(IN THOUSANDS OF U.S. DOLLARS)	
Borrowing facilities due for repayment:		
Current.....	\$ 609	\$ 5,748
	=====	=====
One to two years.....	12,083	27,641
Two to three years.....	19,683	8,507
Three to four years.....	38,815	8,060
	-----	-----
Term.....	\$70,581	\$44,208
	=====	=====

These borrowings have been aged in accordance with the facilities' terms. With the exception of A\$19.75 million (being a term loan due for repayment in 2003 and having a fixed interest rate of 6.7%) (2000 A\$19.7 million, 6.7%), all borrowings are drawn down by way of short term bills at interest rates current at draw down date (weighted average 6.4%, 2000 6.2%).

Borrowings in foreign currencies total A\$68.0 million (2000 A\$66.5 million), EURO 2.3 million (2000 EURO 0 million) and NZ\$40.0 million (2000 NZ\$50.0 million). A negative pledge agreement has been executed with certain of the Group's bankers. Major trading companies operating under a negative pledge agreement together with the parent company are listed in note 10. The negative pledge includes the covenant that security can be given only in limited circumstances. The principal covenants of the negative pledge are that:

- (a) total liabilities of the Group (excluding the Finance Group) shall not exceed 70% of the Group tangible assets (excluding the Finance Group);
- (b) the tangible net worth of the Group shall be in excess of \$80.6 million: and
- (c) the total of net operating profit before taxation for the Group and interest paid by the Group (other than interest paid by the Finance Group) shall exceed 250% of the interest paid by the Group (other than interest paid by the Finance Group).

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

UNUSED LINES OF CREDIT

	AS OF MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Term borrowings current.....	\$4,391	\$ 962
Term borrowings 1 - 2 years.....	3,021	16,904
Term borrowings 2 - 3 years.....	3,618	2,821
Term borrowings 3 - 4 years.....	5,741	4,030

16 OTHER CURRENT LIABILITIES

	PARENT		CONSOLIDATED	
	AS OF MARCH 31,			
	2000	2001	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)			
Employees' entitlements.....			\$10,085	\$ 7,843
Other creditors and accruals.....	\$22	\$37	9,381	7,690
	\$22	\$37	\$19,466	\$15,533

17 SHAREHOLDERS EQUITY

118,111,137 (2000 118,111,137) ordinary shares issued and paid up. All ordinary shares rank equally with one vote attaching to each fully paid ordinary share.

	PARENT			CONSOLIDATED		
	FISCAL YEAR ENDED MARCH 31,					
	1999	2000	2001	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)					
Share capital and retained earnings						
Opening balance.....	\$223,766	\$222,296	\$227,605	\$255,812	\$245,194	\$250,598
Staff share plan shares issued (2000 issued 561,900 ordinary shares).....		1,693		--	1,693	--
Plus profit for the year.....	18,839	28,022	8,947	9,691	28,117	3,936
Less:						
Special dividend.....	9,226	9,163		9,226	9,163	--
Interim dividend.....	5,541	6,080	6,202	5,541	6,080	6,202
Final dividend (recorded in 1999; paid in 2000).....	5,542	9,163		5,542	9,163	--
Total capital.....	\$222,296	\$227,605	\$230,350	\$245,194	\$250,598	\$248,332
	=====	=====	=====	=====	=====	=====

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

	PARENT			CONSOLIDATED		
	FISCAL YEAR ENDED MARCH 31,					
	1999	2000	2001	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)					
Reserves						
Reserves brought forward.....	\$ 42,330	\$ 32,625	\$ 34,073	\$ 13,247	\$ 13,247	\$ 13,247
Movement for the year.....	(9,705)	1,448	(3,574)	--	--	--
	32,625	34,073	30,499	13,247	13,247	13,247
Currency translation reserve brought forward.....	(49,361)	(53,647)	(70,255)	(52,324)	(57,167)	(72,422)
Movement for the year.....	(4,286)	(16,608)	(35,827)	(4,843)	(15,255)	(35,213)
	(53,647)	(70,255)	(106,082)	(57,167)	(72,422)	(107,635)
Total reserves.....	\$(21,022)	\$(36,182)	\$(75,583)	\$(43,920)	\$(59,175)	\$(94,388)
	=====	=====	=====	=====	=====	=====
Capital and other reserves carried forward.....	\$201,274	\$191,423	\$154,767	\$201,274	\$191,423	\$153,944
	=====	=====	=====	=====	=====	=====

Dividends are declared and paid in New Zealand dollars. The final dividend for 2001 has not been accrued, see accounting policies.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

18 CASH FLOW

Reconciliation of group profit to cash flows from operating activities

	PARENT			CONSOLIDATED		
	FISCAL YEAR ENDED MARCH 31,					
	1999	2000	2001	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)					
Group profit after taxation.....	\$19,780	\$28,022	\$8,947	\$ 9,691	\$ 28,117	\$ 3,936
Add/(deduct) non-cash items:						
Depreciation and writedown of fixed assets to recoverable amount.....				28,391	24,030	21,645
Amortization of goodwill.....				67	199	168
Accrued Finance Group interest expense.....				111	292	462
Accrued interest income.....	(156)	(137)	--	(192)	(42)	42
Movement in provisions.....				4,587	(1,925)	201
Movement in deferred tax/future tax benefit.....				(500)	863	(3,880)
Movement in working capital:						
Payables and accruals.....	2	(13)	15	(6,457)	3,556	(11,268)
Debtors.....	3	--	--	6,009	(8,125)	8,471
Inventory.....				(530)	(2,428)	7,598
Provision for taxation net of supplementary dividend paid.....	1,624	1,057	194	(3,294)	5,561	1,551
Gain on disposal of operations.....	(866)	--	--	(9,275)	--	--
Write down of investment.....				--	--	435
Provision for restructuring and closure costs.....				4,824	--	--
Provision for foreign exchange loss (unrealized).....				--	--	29,429
Foreign currency exchange translation.....	--	(53)	(138)	(1,025)	(4,781)	(12,849)
Net cash flow from operations.....	\$20,387	\$28,876	\$9,018	\$32,407	\$ 45,317	\$ 45,941
	=====	=====	=====	=====	=====	=====
Analysis of subsidiary acquired:						
Fixed assets.....				\$ 357	--	--
Goodwill on acquisition.....				2,081	--	--
Current assets.....				2,278	--	--
Term liabilities.....				(807)	--	--
Current liabilities.....				(1,281)	--	--
Effect of foreign currency translation.....				(80)	--	--
				-----	-----	-----
				\$ 2,548	--	--
				=====	=====	=====
Analysis of operations divested:						
Fixed assets.....				\$ 994	--	--
Current assets.....				8,274	--	--
Current liabilities.....				(957)	--	--
Gain on disposal.....				9,275	--	--
Effect of foreign currency translation.....				(249)	--	--
				-----	-----	-----
				\$17,337	--	--
				=====	=====	=====

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

19 IMPUTATION CREDIT ACCOUNTS

	PARENT		CONSOLIDATED	
	FISCAL YEAR ENDED MARCH 31,			
	2000	2001	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)			
Balance brought forward.....	\$ 11,676	\$10,150		
Imputation credits attached to dividends received.....	11,336	3,416		
Tax paid.....	820	63		
Imputation credits attached to dividends paid to shareholders.....	(12,755)	(2,664)		
Effect of foreign currency translation.....	(927)	(1,784)		
Balance carried forward.....	\$ 10,150	\$ 9,181		
	=====	=====		

Imputation credits directly and indirectly available to shareholders as of March 31, 2001 are:

	PARENT		CONSOLIDATED	
	AS OF MARCH 31,			
	2000	2001	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)			
Parent.....			\$10,150	\$ 9,181
Subsidiaries.....			1,073	39
Balance carried forward.....			\$11,223	\$ 9,220
			=====	=====

Dividends paid by New Zealand resident companies may include imputation credits representing the income taxes paid by the company on profits to be distributed as dividends. New Zealand resident shareholders may claim a tax credit equal to the value of the imputation credits attached to dividends. The company acts as a conduit for the central government in achieving taxation relief. Accordingly the credits are not recognized in the financial statements of the company.

20 CONTINGENT LIABILITIES

Periodically, we are a party to litigation, including product liability claims. To date, such claims have been settled for relatively small monetary amounts which have been expensed or covered by our insurance. We are unaware of the existence of any claim that would have a material impact on the financial position, results of operations or cash flows of the company.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

21 COMMITMENTS

	PARENT		CONSOLIDATED	
	AS OF MARCH 31,			
	2000	2001	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)			
Capital expenditure commitments at March 31, 2001:				
Within one year.....			\$4,822	\$2,249
Total.....			\$4,822	\$2,249
			=====	=====
Lease commitments under non-cancellable operating leases:				
Within one year.....			\$4,691	\$3,981
Between one and two years.....			3,712	3,263
Between two and three years.....			3,135	2,327
Between three and four years.....			2,202	2,243
Between four and five years.....			1,889	2,041
Over five years.....			836	6,969

Operating lease commitments relate mainly to occupancy lease of buildings.

22 CURRENCY

The following currency conversion rates have been applied:

		AS OF MARCH 31,		
		1999	2000	2001
US\$1.00 =	NZD.....	1.852	2.016	2.481
	AUD.....	1.574	1.651	2.055
	GBP.....	0.611	0.627	0.707
	SGD.....	1.704	1.714	1.801
	EUR.....	0.907	1.042	1.144

23 RELATED PARTY TRANSACTIONS

(a) The Group has a 49% interest in Hill & Stewart Appliances Limited. Indirectly, under the Companies Act 1993, the Group is deemed to have control of the remaining shareholding through the loan documentation to the other shareholders of Hill & Stewart. The Group considers, as these interests are not intended to be core business, but one of a short term transitional support, that consolidation of Hill & Stewart's financial statements is not appropriate as provided for under the New Zealand Statement of Standard Accounting Practice 8 paragraph 5-22.

On March 31, 2001, Appliances reassessed the carrying values of its investment in Hill & Stewart and loans to associated shareholders and advances to Hill & Stewart of \$4.4 million, resulting in a permanent impairment of the investment and a writedown of the loans and advances to realizable value of \$2.2 million, with a view to disposal of its interest within 12 months of balance date. Net realizable value for the investment in Hill & Stewart was determined to be equal to fair value less cost to sell. Fair value is based on estimated current prices for the underlying assets. Net realizable value for the loans and advances was determined to be equal to the present value of expected future cash flows.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Hill & Stewart's turnover, as a retailer of appliances and electronic consumer products, for the year ended March 31, 2001 was \$21.2 million. The Group's share of pre and post taxation profit (there being no dividend paid or receivable), and post acquisition reserves is NIL as of March 31, 2001.

Hill & Stewart's carrying values (unaudited) were:

	AS OF MARCH 31, 2001

	(IN THOUSANDS OF U.S.
	DOLLARS)
ASSETS	
Debtors and prepayments.....	\$1,592
Inventory.....	2,962
Fixed assets.....	1,169
Intangible assets.....	81

Total assets.....	\$5,804
	=====
LIABILITIES	
Trade creditors.....	\$ 967
Other accruals.....	826
Group advances.....	3,788

Equity.....	5,581
	223

Total liabilities and equity.....	\$5,804
	=====

In the year ended March 31, 2001, products supplied to Hill & Stewart were 2.2% (2000 2.1%) of appliances sold in the Australasian market.

(b) The Group has fifteen employment related loans totalling \$0.1 million (2000 \$0.1 million) to senior executives at nominal interest rates.

24 PROPOSED SEPARATION

In December 2000, the Group announced that, subject to court and shareholder approval, Fisher & Paykel Industries Limited will be separated into two listed public companies -- Fisher & Paykel Healthcare Corporation Limited (being the current Fisher & Paykel Industries Limited) and a new holding company (Fisher & Paykel Appliances Holdings Limited) incorporating the Appliances and Finance businesses, together with slightly less than 20% of the ordinary shares of Fisher & Paykel Healthcare Corporation Limited.

No financial impacts of the financial separation has been recognized in the financial statements as of March 31, 2001 apart from capitalized separation costs incurred to date (see note 4). Financial impacts which may include restructuring costs, direct costs associated with the transactions and the carrying values of assets and liabilities will be recognized at the time of separation.

25 RECLASSIFICATION

The Finance Group, in line with current commercial practice, has reclassified rentals and lease receivables as finance receivables.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The effects of this change are:

(a) Statement of Cash Flows

A reduction in Finance interest and fee receipts thereby net cash flow from operations decreased by (2000 \$9.0 million) (1999 \$7.0 million) with a corresponding increase in principal on loans repaid by customers included in cash flow from investing activities.

(b) Operating Revenue

A reduction in Finance New Zealand revenue (2000 \$8.7 million) (1999 \$7.3 million) offset by a corresponding reduction of depreciation. This change has no effect on the operating profit.

26 FINANCIAL INSTRUMENTS – EXCLUDING FINANCE GROUP

Management Policies

Through its importing and exporting activities, the Group generates a number of internal foreign currency hedges. General policy is to monitor current and anticipated future foreign currency trading cash flows and advice is taken on likely foreign currency rate trends. When considered appropriate, the Group will enter into forward exchange contracts and participating forward exchange contracts to hedge current and anticipated future currency trade cash flows.

Interest rate risks are regularly monitored and advice taken on likely trends. When considered appropriate, the Group will swap its floating interest rate borrowings into fixed interest rate borrowings.

Management of foreign currency and interest rate risk is regularly reported to the Board of Directors. The large depreciation in the New Zealand dollar exchange rate during the year ended March 31, 2001 resulted in a change in the correlation between the cash flows from operations and the cash flows from the foreign currency instruments. The Group incurred a loss of \$11.5 million on foreign currency exchange instruments that expired during the fiscal year ended March 31, 2001. In addition, the foreign hedge instruments have been marked to market at March 31, 2001 as these instruments no longer met hedge accounting rules. As a result, the Group recognized an unrealized loss on the unexpired foreign currency instruments.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Fair value

Estimated fair values of the Group's financial assets and liabilities are as follows:

	AS OF MARCH 31,			
	2000		2001	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN THOUSANDS OF U.S. DOLLARS)			
Cash at bank.....	\$ 2,621	\$ 2,621	\$ 2,924	\$ 2,924
Debtors.....	52,595	52,595	46,831	46,831
Advances under employee share ownership plans.....	6,530	5,310	4,554	3,916
Call borrowings and bank overdrafts....	(9,325)	(9,325)	(2,406)	(2,406)
Term borrowings.....	(71,189)	(70,905)	(49,957)	(49,811)
Creditors.....	(31,644)	(31,644)	(24,662)	(24,662)
Foreign currency purchase forward exchange contracts(1).....		(213)	(449)	(449)
Foreign currency sale forward exchange contracts(1).....		(1,111)	(999)	(999)
Foreign currency participating forward exchange agreements(1).....		(3,870)	(25,660)	(25,660)
Interest rate swaps.....		315		(845)

(1) See note 13 above.

Estimated fair values of the parent company's financial assets and liabilities are as follows:

	AS OF MARCH 31,			
	2000		2001	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN THOUSANDS OF U.S. DOLLARS)			
Cash at bank.....	\$ 9	\$ 9	\$ 16	\$ 16
Intergroup advances.....	87,745	87,745	83,799	83,799
Advances under employee share ownership plans.....	6,530	5,310	4,554	3,916
Creditors.....	(22)	(22)	(37)	(37)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash at bank, debtors, creditors, call borrowings, bank overdrafts and intergroup advances: Carrying amounts of these items are equivalent to their fair values.

Advances under Employee Share Ownership Plans

Fair values are estimated based on current market interest and period to maturity.

Term Borrowings

Fair value of the Group's term borrowings is estimated based on current market interest rates available to the Group for debt of similar maturities.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Foreign Currency Forward Exchange Contracts and Participating Forward Exchange Contracts

Fair values are estimated based on the quoted market prices of these instruments at balance date.

Interest Rate Swaps

Fair values are estimated based on the quoted market prices of these instruments at balance date.

Off Balance Sheet Risk

The Group has entered into foreign currency forward exchange contracts and foreign currency participating forward exchange contracts to manage its exposure to fluctuations in foreign currency exchange rates. These financial instruments are subject to the risk that exchange rates may change subsequent to acquisition.

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

	AS OF MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Foreign currency instruments		
Purchase commitments forward exchange contracts.....	\$ 65,580	\$ 2,249
Sale commitments forward exchange contracts.....	51,129	11,606
Put option agreements purchased(1).....	87,527	60,364
Call option agreements sold(1).....	406,846	285,359

(1) Participating forward exchange contracts are a combination of a purchased option and written option for different amounts of a foreign currency at the same strike price and premiums. Either the purchased option or the written option will be "in the money" at the time of exercise. The "out of the money" option will lapse.

The Group has entered into interest rate swaps to manage its exposure to fluctuations in floating interest rates. These financial instruments are subject to the risk that interest rates may change subsequent to implementation.

All of the interest rate swaps at March 31, 2001 were to hedge borrowings outstanding. Notional principal or contract amounts outstanding were as follows:

	AS OF MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Interest rate swaps.....	\$ 45,161	\$ 36,426

Credit Risk

Foreign currency forward exchange contracts, foreign currency participating forward exchange contracts and interest rate swaps have been entered into with trading banks. The Group's exposure to credit risk from these financial instruments is limited because it does not expect nonperformance of the obligations contained therein due to the credit rating of the

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

financial institutions concerned. The Group does not require collateral or other security to support financial instruments.

In the normal course of business, the Group incurs credit risk with trade receivables. The Group has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposure are monitored on a regular basis. There are no significant concentrations of credit risk.

Customer Concentration

The five largest customers, four of which are buying groups, accounted for approximately 36% and 35% of Fisher & Paykel Industries' operating revenues for the fiscal years ended March 31, 2000 and 2001, respectively.

Receivable Concentration

The five largest customers, four of which are buying groups, accounted for approximately 38% and 36% of Fisher & Paykel Industries' trade debtors as of March 31, 2000 and 2001, respectively.

27 FINANCIAL INSTRUMENTS – FINANCE GROUP

Management Policies

Interest rate risk is regularly monitored and advice taken on likely trends. The Group's general policy is to match interest rate risk. However, this general policy may be varied when considered appropriate. The policy also requires that interest rate exposures are regularly reported to the board of directors.

Fair Value

Estimated fair values of the Group's financial assets and liabilities are as follows:

	AS OF MARCH 31,			
	2000		2001	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN THOUSANDS OF U. S. DOLLARS)			
Finance receivables.....	\$ 137,826	\$ 137,826	\$109,268	\$ 108,809
Securities.....	260	262	207	210
Debtors.....	1,072	1,072	857	857
Finance borrowings.....	(127,319)	(127,265)	(99,926)	(100,295)
Bank overdrafts.....	(207)	(207)	--	--
Creditors.....	(3,423)	(3,423)	(2,536)	(2,536)
Interest rate swaps.....	--	109	--	(109)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Debtors, Creditors and Bank Overdraft

Carrying amounts of these items are equivalent to their fair values.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Finance Receivables and Securities

Fair value of the Group's receivables and securities is estimated based upon current market interest rates available to the Group for receivables and securities of similar maturities.

Finance Borrowings

Fair value of the Group's finance borrowings is estimated based on current market interest rates (including margin) available to the Group for debt of similar maturities.

Interest Rate Swaps

Fair values are estimated based on the quoted market prices of these instruments at balance date.

Off Balance Sheet Risk

Interest rate swaps have been entered into in order to manage the Group's interest rate exposures. These financial instruments are subject to the risk that interest rates may change subsequent to acquisition.

All interest rate swaps at March 31, 2001 were entered into to hedge borrowings outstanding. Notional principal or contract amounts outstanding were as follows:

	AS OF MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Interest rate swaps.....	\$40,234	\$38,285

Credit Risk

Interest rate swaps have been entered into with trading banks. The Group's exposure to credit risk from these financial instruments is limited because it does not expect nonperformance of the obligations contained therein due to the credit rating of the financial institutions concerned. The Group does not require collateral or other security to support financial instruments.

In the normal course of business, the Group incurs credit risk from advances made to its customers which are classified as Finance receivables. The Group has a credit policy which is used to manage exposure to credit risk. As part of this policy, exposures are reviewed on a regular basis.

The total amount receivable of \$105.0 million as of March 31, 2001 (2000 \$138.6 million) includes advances to retailers secured by taking an assignment over the individual finance receivable agreements.

Taking the amounts owing as advances to each retailer and commercial account, the proportion owed by the five largest debtors represented approximately 36% of the total amounts receivable (2000 35%).

Taken as separate advances against each individual finance receivable agreement, the amounts owed by the five largest debtors represented approximately 5% of the total amounts receivable (2000 4%).

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Finance Group Interest Rate Risk Profile of Financial Assets and Liabilities

The interest rate risk profiles have been prepared as of March 31, 2001 on the basis of maturity or contractual repricing, whichever is the earlier.

AS OF MARCH 31, 2001						
	WEIGHTED AVERAGE INTEREST RATE	TOTAL	0-6 MONTHS	7-12 MONTHS	13-24 MONTHS	25-60 MONTHS
(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PERCENTAGES)						
Financial assets:						
Finance receivables.....	13.0%	\$109,268	\$41,908	\$25,937	\$25,652	\$15,771
Other.....	5.8%	380	--	380	--	--
Other current assets....	N/A	626	626	--	--	--
		110,274	42,534	26,317	25,652	15,771
Financial liabilities:						
Secured borrowings.....	*6.8%	93,341	43,333	25,654	18,500	5,854
Unsecured borrowings....	5.63%	2,555	--	2,555	--	--
Subordinated debt.....	6.7%	4,030	4,030	--	--	--
Other current liabilities.....	N/A	2,487	2,487	--	--	--
		102,412	49,850	28,209	18,500	5,854

* Adjusted for interest rate instruments.

AS OF MARCH 31, 2000						
(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PERCENTAGES)						
Financial assets:						
Finance receivables.....	13.2%	\$137,826	\$50,840	\$36,218	\$34,079	\$16,690
Other.....	7.0%	311	--	--	311	--
Other current assets....	N/A	1,456	1,456	--	--	--
		139,593	52,296	36,218	34,390	16,690
Financial liabilities:						
Secured borrowings.....	*6.3%	105,777	59,051	27,861	13,360	5,505
Unsecured borrowings....	5.8%	19,062	--	--	--	19,062
Subordinated debt.....	7.5%	2,480	2,480	--	--	--
Other current liabilities.....	N/A	2,940	2,940	--	--	--
		130,259	64,471	27,861	13,360	24,567

* Adjusted for interest rate instruments.

28 SEGMENTS

The Group's principal activities are the manufacture and sale of household appliances with their major market being Australia and New Zealand; Healthcare, being mainly respiratory humidification based products exported from New Zealand to over 90 countries; and Finance to support the sale of the Groups products, a New Zealand activity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Segmental EBIT Disclosure

FISCAL YEAR ENDED AND AS OF MARCH 31, 2001

	PARENT	FINANCE	HEALTHCARE	APPLIANCES	ELIMINATIONS	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	CONSOLIDATED
				(IN THOUSANDS OF U.S. DOLLARS)				
Operating revenue.....	\$ 9,818	\$ 16,392	\$ 84,272	\$302,941	\$ (9,710)	\$403,713	\$ 2,328	\$406,041
Operating profit before abnormals.....	9,625	2,739	35,019	19,259	(9,721)	56,921	34	56,955
EBIT.....	9,625	2,634	9,732	641	(9,721)	12,911	638	13,549
Included in EBIT:								
Abnormal items.....	--	(105)	--	(4,354)	--	(4,459)	605	(3,854)
Realized foreign currency.....	--	--	(5,883)	(5,573)	--	(11,456)	--	(11,456)
Unrealized foreign currency.....	--	--	(20,737)	(8,692)	--	(29,429)	--	(29,429)
Depreciation & goodwill.....	--	(935)	(2,182)	(18,525)	--	(21,642)	(171)	(21,813)
Interest income.....	97	17	46	202	--	362	--	362
Interest expense.....	--	--	(946)	(4,203)	--	(5,149)	--	(5,149)
Capital expenditure....	--	860	6,373	13,933	--	21,166	--	21,166
Assets.....	154,804	110,350	51,738	212,269	(150,250)	378,912	5,347	384,259

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

FISCAL YEAR ENDED AND AS OF MARCH 31, 2000

	PARENT	FINANCE	HEALTHCARE	APPLIANCES	ELIMINATIONS	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	CONSOLIDATED
				(IN THOUSANDS OF U.S. DOLLARS)				
Operating revenue.....	\$ 30,037	\$ 17,445	\$ 74,399	\$323,537	\$ (29,848)	\$415,570	\$ 7,665	\$423,235
Operating profit before abnormals.....	29,870	3,502	25,873	18,617	(29,842)	48,020	(1,408)	46,612
EBIT.....	29,870	3,502	26,566	19,921	(29,842)	50,017	(1,408)	48,609
Included in EBIT:								
Abnormal items.....	--	--	--	--	--	--	--	--
Realized foreign currency.....	--	--	693	1,304	--	1,997	--	1,997
Depreciation & goodwill.....	--	(704)	(1,920)	(21,355)	--	(23,979)	(250)	(24,229)
Interest income.....	5,769	20	53	317	(5,653)	506	--	506
Interest expense.....	--	--	(636)	(4,751)	--	(5,387)	--	(5,387)
Capital expenditures...	--	--	14,428	19,333	--	33,761	--	33,761
Assets.....	191,445	124,242	46,990	258,158	(184,914)	435,921	23,298	459,219

FISCAL YEAR ENDED AND AS OF MARCH 31, 1999

	PARENT	FINANCE	HEALTHCARE	APPLIANCES
	(IN THOUSANDS OF U.S. DOLLARS)			
Operating revenue.....	\$ 22,440	\$ 18,204	\$ 62,185	\$277,582
Operating profit before abnormals.....	22,312	3,670	21,415	7,033
EBIT.....	22,312	3,670	19,133	(2,152)
Included in EBIT:				
Abnormal items.....	--	--	(2,472)	(13,906)
Realized foreign currency....	--	--	190	4,721
Depreciation & goodwill.....	--	(761)	(1,551)	(17,634)
Interest income.....	8,671	20	14	431
Interest expense.....	--	--	(680)	(4,728)
Capital expenditures.....	--	3,416	4,328	24,094
Assets.....	207,135	117,695	47,968	261,308

FISCAL YEAR ENDED AND AS OF MARCH 31, 1999

	ELIMINATIONS	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	CONSOLIDATED
	(IN THOUSANDS OF U.S. DOLLARS)			
Operating revenue.....	\$ (22,259)	\$358,152	\$39,452	\$397,604
Operating profit before abnormals.....	(22,271)	32,159	(4,097)	28,062
EBIT.....	(22,271)	20,692	(3,901)	16,791
Included in EBIT:				
Abnormal items.....	--	(16,378)	196	(16,182)
Realized foreign currency....	--	4,911	--	4,911
Depreciation & goodwill.....	--	(19,946)	(585)	(20,531)
Interest income.....	(8,537)	599	--	599
Interest expense.....	21	(5,387)	(29)	(5,416)
Capital expenditures.....	--	31,838	--	31,838
Assets.....	(200,743)	433,363	27,951	461,314

Interest income and interest expense of the financing activities of the finance segment are presented as part of operating revenue and operating expenses, respectively.

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FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

29 EMPLOYEE REMUNERATION

Fisher & Paykel operates in a number of countries where remuneration market levels differ widely. During the fiscal years ended March 31, 2000 and 2001, the number of employees or former employees who were not directors of Fisher & Paykel Industries Limited and received remuneration and the value of other benefits that exceeded \$43,750 (2000 \$51,720) (NZ\$100,000) were as follows:

	NUMBER OF EMPLOYEES			NUMBER OF EMPLOYEES	
	AS OF MARCH 31,			AS OF MARCH 31,	
REMUNERATION	2000	2001	REMUNERATION	2000	2001
(IN U.S. DOLLARS)			(IN U.S. DOLLARS)		
43,750 - 48,125		35	122,501 - 126,875	6	2
48,126 - 52,500	5	39	126,876 - 131,250	1	1
52,501 - 56,875	23	17	131,251 - 135,625	2	
56,876 - 61,250	14	15	135,626 - 140,000		1
61,251 - 65,625	14	10	140,001 - 144,375	1	2
65,626 - 70,000	10	9	144,376 - 148,750		1
70,001 - 74,375	18	11	148,751 - 153,125	2	
74,376 - 78,750	8	7	153,126 - 157,500	1	2
78,751 - 83,125	12	13	157,501 - 161,875	1	
83,126 - 87,500	10	13	161,876 - 166,250	2	1
87,501 - 91,875	8	8	166,251 - 170,625	1	
91,876 - 96,250	6	14	175,001 - 179,375		1
96,251 - 100,625	5	6	183,751 - 188,125	1	
100,626 - 105,000		6	188,126 - 192,500		1
105,001 - 109,375	4	4	201,251 - 205,625		1
109,376 - 113,750	6	1	205,626 - 210,000	1	
113,751 - 118,125	4	2	262,501 - 266,875	1	
118,126 - 122,500	2	1	288,751 - 293,125		1

The changes from last year may be attributed to two major influences.

Firstly, as the Group increases its direct representation in overseas markets, it remunerates employees in accordance with local market remuneration packages. These remuneration packages are then converted into New Zealand dollars.

Secondly, the inclusion of employees who were paid redundancy packages as a result of the restructuring which took place.

30 UNITED STATES GAAP RECONCILIATION

Fisher & Paykel Industries Limited prepares its financial statements in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). NZ GAAP differs in certain respects from generally accepted accounting principles in the United States (U.S. GAAP), as they relate to the company. These differences and the effect of the adjustments necessary to present Fisher & Paykel Industries Limited's Group Profit, Shareholders' Equity and Cash Flows in accordance with U.S. GAAP as of March 31, 2000 and 2001 and for the years then ended, are detailed below.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(i) GROUP PROFIT

	FISCAL YEAR ENDED MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS EXCEPT PER SHARE DATA)	
Group profit from continuing operations in accordance with NZ GAAP.....	\$ 29,052	\$ 3,511
U.S. GAAP adjustments:		
(a) Stock compensation.....	(449)	(494)
(b) Fixed asset revaluation.....	2,097	103
(c) Provisions for restructuring and closure costs.....	(663)	--
(d) Capitalization and amortization of interest relating to fixed assets.....	1,601	(550)
(e) Pension benefit.....	1,515	241
(f) Separation costs.....	--	(1,174)
(g) Discontinued operations.....	(570)	(1,106)
(j) Unrealized (loss) gain on foreign currency instruments.....	(7,346)	4,582
(k) Deferred income tax.....	1,614	(903)
Total U.S. GAAP adjustments to group profit from continuing operations.....	(2,201)	699
Group profit from continuing operations in accordance with U.S. GAAP.....	26,851	4,210
Group profit from discontinued operations in accordance with NZ GAAP.....	(935)	425
(c) Provisions for restructuring and closure costs.....	--	(1,531)
(g) Discontinued operations.....	570	1,106
Group profit from discontinued operations in accordance with U.S. GAAP.....	(365)	--
Group profit in accordance with U.S. GAAP.....	\$ 26,486	\$ 4,210
Basic and diluted earnings per share from continuing operations in accordance with U.S. GAAP.....	\$ 0.23	\$ 0.04
Basic and diluted earnings per share from discontinued operations in accordance with U.S. GAAP.....	\$ (0.01)	\$ --
Basic and diluted net earnings per share in accordance with U.S. GAAP.....	\$ 0.22	\$ 0.04
Basic and diluted earnings per ADS from continuing operations in accordance with U.S. GAAP(1).....	\$ 0.91	\$ 0.16
Basic and diluted earnings per ADS from discontinued operations in accordance with U.S. GAAP(1).....	\$ (0.01)	\$ --
Basic and diluted net earnings per ADS in accordance with U.S. GAAP(1).....	\$ 0.90	\$ 0.16
Basic and diluted weighted average number of shares outstanding.....	117,642,887	118,111,137
Basic and diluted weighted average number of ADSs(1).....	29,410,722	29,527,784

(1) Assumes four outstanding ordinary shares are equal to one ADS.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(ii) SHAREHOLDERS' EQUITY

	AS OF MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Shareholders' equity in accordance with NZ GAAP.....	\$191,423	\$153,944
U.S. GAAP adjustments:		
(b) Fixed asset revaluation.....	(9,383)	(9,280)
(c) Provisions for restructuring and closure costs.....	1,919	388
(d) Capitalization of interest relating to fixed assets...	5,883	5,332
(e) Prepaid pension expense.....	9,784	10,025
(f) Deferred separation costs.....	--	(1,174)
(h) Unrealized gains on available for sale investments....	883	821
(i) Employee Share Ownership Plans' loans.....	(6,530)	(4,554)
(j) Unrealized loss on foreign currency instruments.....	(5,332)	(750)
(k) Deferred income taxes.....	(4,045)	(4,948)
Total U.S. GAAP adjustments.....	(6,821)	(4,140)
Cumulative translation adjustment on U.S. GAAP adjustments.....	(18)	(15)
Shareholders' equity in accordance with U.S. GAAP.....	\$184,584	\$149,789
	=====	=====

(iii) CHANGES IN U.S. GAAP SHAREHOLDERS' EQUITY

	FISCAL YEAR ENDED MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Total shareholders' equity at the beginning of the year.....	\$195,622	\$184,584
Group profit.....	26,486	4,210
Other comprehensive income:		
Unrealized gains (losses) on available for sale investments.....	153	(62)
Movement in currency translation adjustment.....	(15,273)	(35,211)
Total comprehensive income.....	11,366	(31,063)
SFAS 87 transition asset, net of deferred taxes.....	5,540	--
Issuance of shares.....	1,693	--
Movement in Employee Share Ownership Plans' loans.....	(138)	1,976
Amortization of unearned employee stock compensation.....	449	494
Dividends(m).....	(29,948)	(6,202)
Total shareholders' equity at the end of the year.....	\$184,584	\$149,789
	=====	=====

(a) Stock Compensation

The company issues shares to employees and executives under its Employee Share Ownership Plans. These shares are granted at a discount to market value and vest over either a three or eight year period. The company has elected to account for the plans in accordance with APB 25 "Accounting for Stock Issued to Employees" (APB 25) for U.S. GAAP purposes. Under APB 25, the discount on the shares awarded to employees should be recognized as

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

compensation over the period to which the employees' service relates. Compensation cost is measured as the difference between the market price of the stock at the grant date and the price paid by the employee. Under NZ GAAP, no compensation costs are recognized in the financial statements for shares granted to employees. The reconciliations include adjustments to recognize compensation cost over the vesting periods. The unearned compensation cost has been recorded as a reduction of shareholders' equity.

SFAS 123 "Accounting for Stock-Based Compensation" (SFAS 123) requires that the company account for compensation cost related to the discounted shares using a fair value based method. SFAS 123 requires that companies electing to follow APB 25 in measuring compensation cost must include pro forma disclosures as if the fair value based method of accounting had been applied. Pro forma compensation cost and the impact on Group Profit and net earnings per share for the years ended March 31, 2000 and 2001 are as follows:

	FISCAL YEAR ENDED MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Group profit:		
In accordance with U.S. GAAP.....	\$26,486	\$4,210
Adjustment for FAS 123.....	(265)	(255)
Pro forma.....	\$26,221	\$3,955
	=====	=====

	FISCAL YEAR ENDED MARCH 31,	
	2000	2001
	(IN U.S. DOLLARS)	
Earnings per share:		
In accordance with U.S. GAAP.....	\$ 0.22	\$ 0.04
Adjustment for FAS 123.....	\$ --	\$ --
Pro forma.....	\$ 0.22	\$ 0.04
	=====	=====

The fair value of the shares issued under the share purchase schemes at the grant date were determined to be equal to the market value of the ordinary shares.

(b) Fixed Asset Revaluation

Under U.S. GAAP, fixed assets are recorded at acquisition cost. Revaluations are not permitted. In 1992, the company revalued certain land and buildings based on appraisals. The reconciliations include adjustments to remove the effects of the revaluations including the increased carrying value of the assets and the impact on depreciation expense and on the gains (losses) from disposal of assets.

(c) Provisions for Restructuring and Closure Costs

Under U.S. GAAP, provisions for restructuring and closure costs may only be accrued after certain specific criteria are met prior to the balance date including sufficient notification to redundant employees. In 1999, the company recorded certain restructuring and closure provisions under NZ GAAP, which did not meet the required criteria under U.S. GAAP. Accordingly, the reconciliations include adjustments to reverse these provisions, to recognize

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

the redundancy and closure costs as incurred and to reverse the gain recognized under NZ GAAP from the reversal of a portion of the provisions in 2001.

The provision for restructuring and closure costs under U.S. GAAP for the years ended March 31, 2000 and 2001 was as follows:

	FISCAL YEAR ENDED MARCH 31,	
	2000	2001
Balance brought forward.....	\$2,181	\$ --
Provision charged to earnings.....	640	941
Cash payments.....	(2,930)	(593)
Effect of foreign currency translation.....	109	(26)
Balance carried forward.....	\$ --	\$ 322

(d) Capitalization of Interest Costs Relating to Fixed Assets

Under U.S. GAAP, interest costs are capitalized as part of the cost of acquiring an asset over the period required to prepare the asset for its intended use. Through March 31, 2000 the company did not capitalize interest costs to fixed assets for NZ GAAP purposes. Effective April 1, 2000, the company changed its accounting policy to capitalize interest on self-constructed assets. The reconciliations include adjustments to reflect the capitalization of interest on fixed assets for periods prior to April 1, 2000 and the depreciation of such capitalized interest.

(e) Pension

Under NZ GAAP, pension expense is recognized at the time contributions are made to the pension plan. Under U.S. GAAP, SFAS 87 "Employers' Accounting for Pensions" requires pension expense to be recognized on an accrual basis over the service period of the employees. Pension expense is determined using actuarial assumptions and includes service costs, interest costs and expected return on plan assets. The difference between the cumulative pension expense recognized in prior periods and the contributions made by the company is reflected as either a prepaid asset or liability in the statement of financial position. For U.S. GAAP purposes, the company adopted the provisions of SFAS 87 effective April 1, 1999, the beginning of the first period for which U.S. GAAP financial information has been presented. It was not feasible for the company to adopt SFAS 87 at April 1, 1989, the standard's effective date for the company. On April 1, 1999, the company recognized a transition asset of \$8.3 million and deferred tax liability of \$2.7 million with corresponding adjustments to shareholders' equity. The remaining unrecognized transition asset will be recognized during the next five years. The reconciliations include adjustments to reflect the prepaid pension assets, to recognize pension benefits in earnings in accordance with U.S. GAAP and to reverse the pension expense of \$1.2 million recorded under NZ GAAP in 2000.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plan assets are as follows:

	FISCAL YEAR ENDED MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Change in benefit obligation:		
Benefit obligation at the beginning of the year.....	\$38,407	\$36,131
Service cost.....	2,994	2,594
Interest cost.....	1,810	1,568
Actuarial loss/(gain).....	340	--
Benefit payments.....	(4,254)	(1,011)
Exchange rate effect on benefit obligation.....	(3,166)	(7,023)
	-----	-----
Total projected benefit obligation at the end of the year.....	\$36,131	\$32,259
	=====	=====
Change in plan assets:		
Plan assets at fair value at the beginning of the year....	\$50,810	\$49,689
Return on plan assets.....	4,868	(3,507)
Total contributions.....	2,534	1,042
Benefit payments.....	(4,254)	(1,011)
Exchange rate effect on plan assets.....	(4,269)	(9,043)
	-----	-----
Plan assets at fair value at the end of year.....	\$49,689	\$37,170
	=====	=====

The amount of net periodic cost recognized includes the following components:

	FISCAL YEAR ENDED MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Components of periodic pension cost:		
Service cost.....	\$(2,994)	\$(2,594)
Interest cost.....	(1,810)	(1,568)
Expected return on assets.....	4,868	(3,507)
Net amortization of:		
(i) Transition amount.....	792	670
(ii) Asset gain/(loss).....	(1,907)	6,172
	-----	-----
Net amortization.....	(1,115)	6,842
	-----	-----
Periodic pension costs.....	(1,051)	(827)
	-----	-----
Member contributions.....	1,342	1,068
	-----	-----
Net periodic pension benefit.....	\$ 291	\$ 241
	=====	=====

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The funded status of the plan and the amounts recognized in the statement of financial position are as follows:

	AS OF MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Reconciliation of funded status:		
Funded status at end of year.....	\$13,558	\$ 4,911
Unrecognized net (gain)/loss.....	(1,535)	4,900
Remaining unamortized balance of the net pension plan transition asset.....	(3,343)	(2,673)
Exchange rate effect.....	368	435
	-----	-----
Net amount recognized at end of year.....	\$ 9,048	\$ 7,573
	=====	=====
Prepaid benefit cost recognized in the statement of financial position:.....	\$ 9,048	\$ 7,573
Effect of cumulative translation adjustment on prepaid benefit included in cumulative translation adjustment on U.S. GAAP adjustment.....	736	2,452
Prepaid benefit cost in the U.S. GAAP adjustment to shareholders' equity.....	\$ 9,784	\$10,025
	=====	=====

The following table provides the weighted average assumptions used to develop the net periodic pension cost and the actuarial present value of the projected benefit obligation for the plan:

	FISCAL YEAR ENDED MARCH 31,	
	2000	2001
Assumed discount rate on benefit obligations.....	5.00%	5.00%
Expected long term rate of return on plan assets.....	6.00%	6.00%
Rate of increase in future compensation levels.....	3.50%	3.50%

(f) Separation Costs

Under U.S. GAAP, costs incurred related to the separation of the Appliances and Finance businesses are expensed in the period incurred and cannot be deferred to subsequent periods. Under NZ GAAP, the separation costs have been deferred and will be expensed upon separation. The reconciliations include adjustments to reverse the prepaid separation costs and to recognize the costs as incurred.

(g) Discontinued Operations

Under U.S. GAAP, the closure of business operations in a separate geographic location does not qualify for discontinued operations treatment if the company continues to operate the same activities elsewhere. Accordingly, the results of operations of the Finance business in Australia and the related provision for closure costs have been reclassified to continuing operations for U.S. GAAP purposes.

(h) Investments in Equity Securities

Under U.S. GAAP, SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities" equity securities are classified as either "trading securities" or "available-for-sale

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

securities." The company has recorded in other assets equity investments, which are not held for the purpose of short term trading, and therefore meet the definition of available-for-sale securities. Such securities are recorded at fair value with unrealized gains and losses recognized as a separate component of shareholders' equity. In accordance with NZ GAAP, the company has recorded its investments in such equity securities at the lower of cost or net realizable value. The reconciliations include adjustments to reflect the difference in the carrying value and to reflect the unrealized gain on these investments as a component of other comprehensive income.

(i) Employee Share Ownership Plans' Loans

Under NZ GAAP, loans to employees and executives to purchase shares under the employee share ownership plans are recorded as assets in the statement of financial position. Under U.S. GAAP, loans provided to purchase a company's own shares are recorded as part of shareholders' equity. The reconciliations include adjustments to reclassify the loans to shareholders' equity.

(j) Forward and Participating Forward Foreign Currency Contracts

The Group has entered into forward and participating forward foreign currency contracts to manage foreign currency risk on a portion of its anticipated, but not firmly committed, foreign currency sales and purchases over the next two years.

A forward foreign currency contract is an agreement to sell or purchase a foreign currency at a set price in the future. As of March 31, 2000 and 2001, the Group had forward foreign currency contracts to purchase foreign currencies in the amount of \$65.6 million and \$2.2 million, respectively, and forward foreign currency contracts to sell foreign currencies in the amount of \$51.1 million and \$11.6 million, respectively.

A participating forward foreign currency contract is a combination of a purchased option and a written option for different amounts of a foreign currency at the same strike price and option premiums. As of March 31, 2000 and 2001, the Group had purchased options to put foreign currencies in the amount of \$87.5 million and \$60.4 million, respectively, and provided financial institutions with written options to call foreign currencies in the amount of \$406.8 million and \$285.4 million, respectively.

Under NZ GAAP, realized and unrealized gains and losses on forward and participating forward foreign currency contracts that are effective as hedges of anticipated, but not firmly committed transactions, are deferred and included in the measurement of the subsequent transaction. On March 31, 2001, the Group discontinued the use of hedge accounting and marked to market through the statement of financial performance its forward and participating forward foreign currency contracts resulting in the recognition of a net unrealized loss of \$29.4 million. All realized gains and losses were previously recognized with the underlying transactions.

Under U.S. GAAP, the deferral of realized or unrealized gains and losses arising from forward and participating forward foreign currency contracts, used to hedge anticipated, but not firmly committed, foreign currency transactions is not permitted. Realized and unrealized gains and losses are recognized in earnings. Gains and losses on speculative forward foreign currency contracts are computed by multiplying the currency amount of the forward contract by the difference between the forward rate at the statement of financial position date and the forward rate at the date of inception of the contract or the forward rate last used to measure a gain or loss. Unrealized gains and losses on speculative participating forward contracts are recognized

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

based on the market value of the purchased and written options. Realized gains and losses are recorded at the settlement amount.

The U.S. GAAP reconciliations of group profit and shareholders' equity as of and for the year ended March 31, 2000, include adjustments to recognize a liability of \$5.3 million and unrealized losses of \$7.3 million on the forward and participating forward foreign currency contracts. The U.S. GAAP reconciliations of group profit and shareholders' equity as of and for the year ended March 31, 2001, include adjustments for the difference between the change in the net unrealized loss on the forward and participating forward foreign currency contracts during the year under U.S. GAAP and the unrealized loss of \$29.4 million recognized during the year under NZ GAAP.

The following table sets forth the activities of the unrealized gains and losses on foreign currency derivative instruments under U.S. GAAP for the periods indicated:

	YEAR ENDED MARCH 31,		
	1999	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)		
Asset (liability) for unrealized gains/losses at beginning of period.....	\$ --	\$ 2,014	\$ (5,195)
Unrealized losses recognized during the period under NZ GAAP.....	--	--	(29,429)
Unrealized gains (losses) recognized during the period under U.S. GAAP.....	2,014	(7,346)	--
Unrealized losses recognized during the period under NZ GAAP which have been recognized in prior period under U.S. GAAP and should be reversed for U.S. GAAP adjustment purposes.....	--	--	4,582
Translation adjustment related to above U.S. GAAP adjustments.....	--	137	613
Translation adjustment under NZ GAAP.....	--	--	2,321
	-----	-----	-----
Asset (liability) for unrealized gains/losses at end of period.....	\$2,014	\$(5,195)	\$(27,108)
	=====	=====	=====

(k) Deferred Income Taxes

Under the company's accounting policies, tax assets, to the extent they exceed related deferred tax liabilities, are not recognized unless recovery is considered certain and expected. This criteria is more stringent than SFAS 109 "Accounting for Income Taxes." Other than the tax impact of the GAAP differences, there are no additional adjustments for income taxes included in the reconciliations of Group Profit and Shareholders' Equity. The company has presented the disclosures required by SFAS 109 below and in notes 3 and 11.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Income tax expense is allocated in the financial statements as follows:

	FISCAL YEAR ENDED MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Income tax expense attributable to:		
Continuing operations.....	\$(13,675)	\$(4,034)
Discontinued operations.....	184	--
Total income tax expense.....	\$(13,491)	\$(4,034)
	=====	=====
The income tax expense is as follows:		
New Zealand.....	\$(10,023)	\$ 404
Foreign.....	(3,468)	(4,438)
Total.....	\$(13,491)	\$(4,034)
	=====	=====

The significant components of deferred tax assets and liabilities are as follows:

	AS OF MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Deferred tax assets:		
Doubtful debts.....	\$ 1,230	\$ 932
Employee entitlements.....	2,157	1,985
Warranty.....	2,568	3,426
Sales discounts.....	296	651
Deferred income.....	2,300	1,853
Other.....	--	1,824
Total deferred tax assets.....	8,551	10,671
	-----	-----
Deferred tax liabilities:		
Fixed assets.....	(9,660)	(6,903)
Other.....	(1,355)	(2,499)
Total deferred tax liabilities.....	(11,015)	(9,402)
	-----	-----
Net deferred tax asset (liability).....	\$ (2,464)	\$ 1,269
	=====	=====

(I) Statement of Cash Flows

Under both NZ and U.S. GAAP, a Statement of Cash Flows is presented, which discloses cash flows from operating, investing and financing activities. Under U.S. GAAP, borrowings using bank overdrafts and call borrowings are classified as financing activities and are not reflected as a component of the cash position. Presented below is cash and summarized cash flow information in accordance with U.S. GAAP as of and for the years ended March 31, 2000 and 2001.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

	FISCAL YEAR ENDED MARCH 31,	
CASH FLOWS IN ACCORDANCE WITH U.S. GAAP	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Cash flows from operations.....	\$ 45,326	\$ 45,888
Cash flows used in investing activities.....	(48,753)	(19,759)
Cash flows used in financing activities.....	(1,836)	(26,147)
Net increase (decrease) in cash.....	(5,263)	(18)
Opening cash.....	7,475	2,622
Effect of foreign exchange rates.....	410	489
Closing cash.....	\$ 2,622	\$ 3,093
	=====	=====
As reported cash position in accordance with NZ GAAP.....	\$ (7,301)	\$ 687
U.S. GAAP adjustments:		
Bank overdrafts.....	2,979	1,398
Call borrowings.....	6,944	1,008
Cash position in accordance with U.S. GAAP.....	\$ 2,622	\$ 3,093
	=====	=====

(m) Dividends

Prior to 2001, dividends declared by the Board of Directors and approved by the shareholders, post year-end, were deducted in arriving at total shareholders' equity at the end of the most recently completed accounting period. Under U.S. GAAP, dividends are recorded in the period declared. As of March 31, 1999, the company deducted from shareholders' equity a dividend, which was not declared and approved until subsequent to the balance date. For U.S. GAAP purposes, the dividend has been reflected as a reduction in shareholders' equity in the year ended March 31, 2000.

(n) Investment in Hill & Stewart

Under NZ GAAP, the investment in Hill & Stewart has been accounted for using the equity method. Under U.S. GAAP, the assets, liabilities and results of operations of Hill & Stewart would be consolidated in the accounts of the company. This difference in treatment does not result in a net adjustment in reconciling to U.S. GAAP Group Profit or Shareholders' Equity. The assets, liabilities and results of operations of Hill & Stewart are not material to the assets, liabilities and results of operations of the company.

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(o) Accumulated Other Comprehensive Income

Other comprehensive income for the company arises from foreign currency translation adjustments and unrealized gains (losses) on available-for-sale securities. As of March 31, 2000 and 2001, accumulated other comprehensive income was as follows:

	AS OF MARCH 31,	
	2000	2001
	(IN THOUSANDS OF U.S. DOLLARS)	
Accumulated other comprehensive income:		
Currency translation adjustment.....	\$20,302	\$55,513
Unrealized gain on available-for-sale investments.....	883	821
	-----	-----
Accumulated other comprehensive income, net of taxation.....	\$21,185	\$56,334
	=====	=====

(p) Withholding Tax and Credits

For withholding tax withheld by the Company on dividends paid to non-New Zealand resident investors, the Company receives a refund equal to the amount of the withholding tax (in the form of a Foreign Investor Tax Credit), which is passed on to the investors. Under NZ GAAP, the withholding tax and credits are recorded net on the Company's balance sheet until paid. Under U.S. GAAP, they should be separately presented as assets and liabilities. As of March 31, 2000 and 2001, the unpaid withholding tax and related credits were \$73 and \$0, respectively.

(q) New Accounting Pronouncements

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 summarizes the SEC Staff's views in applying generally accepted accounting principles to revenue recognition but does not change existing GAAP. The company has adopted SAB 101 for U.S. GAAP reporting purposes as of April 1, 1999. The adoption of SAB 101 did not have an impact on the financial statements.

The U.S. Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities" (SFAS 133). The company adopted SFAS 133, as amended, on April 1, 2001 for U.S. GAAP purposes. SFAS 133 requires that all derivative instruments be recorded on the statement of financial position at fair value. Changes in the fair value of derivatives are recorded in Group Profit or Shareholders' Equity, depending on whether a derivative is designated as part of a hedge transaction, the type of hedge transaction and the hedge effectiveness. The gains and losses that are recorded in Shareholders' Equity will be taken to Group Profit consistent with the underlying hedged item.

SFAS 133 requires that existing derivative financial instruments be recorded at fair value and for deferred gains and losses previously recognized in the Statement of Financial Position be reversed. The financial impact of adopting SFAS 133 on April 1, 2001 will be a decrease of \$1.0 million in shareholders' equity and a corresponding increase in total liabilities.

In July 2001, the FASB issued Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" which supersedes APB opinion No. 16, "Business Combinations" and amends or supersedes a number of related interpretations of APB 16. The

FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

statement is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method that are completed after June 30, 2001. SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations, establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires unallocated negative goodwill to be written off immediately as an extraordinary gain. Management plans to adopt the provisions of SFAS No. 141 for any business combination accounted for by the purchase method that is completed after June 30, 2001.

Also in July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") which supersedes APB Opinion No. 17, "Intangible Assets." SFAS 142 requires that goodwill, including previously existing goodwill, and intangible assets with indefinite useful lives should not be amortized but should be tested for impairment annually at a level of reporting unit. The annual impairment test may be performed any time during the fiscal year provided the test is performed at the same time every year. Different reporting units may be tested for impairment at different times. If an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, the impairment test should be performed between the annual tests. The impairment loss is the excess of the carrying amount of a reporting unit's goodwill and intangible assets with indefinite lives over their respective implied fair value. Intangible assets with finite lives will continue to be amortized under SFAS 142, but the amortization period will no longer be limited to forty years. The provisions of SFAS 142 are required to be applied starting with fiscal years beginning after December 15, 2001. SFAS 142 is required to be applied at the beginning of any entity's fiscal year and to be applied to all goodwill and other intangible assets recognized in its financial statements at that date. Management has not yet determined the anticipated adoption date of SFAS 142 and is currently evaluating the impact that adoption of SFAS 142 will have on its consolidated financial statements.

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FISHER & PAYKEL INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

31 RESTATEMENT

The Group has restated these financial statements as of and for the year ended March 31, 2001 to increase the unrealized loss on foreign currency instruments by \$1.3 million and to reduce income tax expense by \$0.4 million. The adjustments resulted from the miscalculation of the valuation by a trading bank of one of the Group's participating forward foreign exchange contracts. The effect of these adjustments are as follows:

	AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2001	
	(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE DATA)	
	AS REPORTED	AS RESTATED
Profit from continuing operations after taxation.....	\$ 4,404	\$ 3,511
Group profit.....	4,829	3,936
Basic and diluted earnings per share from continuing operations.....	\$ 0.04	\$ 0.03
Basic and diluted net earnings per share.....	\$ 0.04	\$ 0.03
Basic and diluted earnings per ADS from continuing operations(1).....	\$ 0.15	\$ 0.12
Basic and diluted net earnings per ADS(1).....	\$ 0.16	\$ 0.13
Total current liabilities.....	\$142,912	\$143,735
Total liabilities.....	229,492	230,315
Total shareholders' equity.....	154,767	153,944

(1) Assumes four outstanding ordinary shares are equal to one ADS.

APPENDIX B

[DELOITTE TOUCHE TOHMATSU]

**INDEPENDENT REPORT
IN RESPECT OF THE PROPOSED
SEPARATION OF FISHER & PAYKEL
INDUSTRIES LIMITED**

23 AUGUST 2001

DELOITTE CORPORATE FINANCE LOGO

23 August 2001

The Directors
Fisher & Paykel Industries Limited
Private Bag 14-917
AUCKLAND

**INDEPENDENT REPORT IN RESPECT OF THE PROPOSED SEPARATION OF
FISHER & PAYKEL INDUSTRIES LIMITED**

INTRODUCTION

The Board of Directors of Fisher & Paykel Industries Limited ("Fisher & Paykel") announced in December 2000 that it had concluded that the interests of shareholders would be best served by separating the company into two companies ("the Separation Arrangement"):

- (a) Fisher & Paykel Healthcare Corporation Limited ("F&P Healthcare"); and
- (b) Fisher & Paykel Appliances Holdings Limited ("F&P Appliances").

As part of the Separation Arrangement, approximately 17.7% of the shares in F&P Healthcare will be offered to United States investors and listed on the NASDAQ exchange.

Accordingly the Board has requested Deloitte Corporate Finance to prepare an Independent Report expressing our opinion on whether the terms and conditions of the Separation Arrangement are fair and reasonable to Fisher & Paykel's existing shareholders.

OVERVIEW OF SEPARATION ARRANGEMENT

The table below outlines the existing Fisher & Paykel structure and the proposed structure after the Separation Arrangement.

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[SEPARATION ARRANGEMENT FLOW CHART]

The Separation Arrangement involves F&P Healthcare owning and operating the Healthcare business and F&P Appliances owning and operating the Appliances and Finance businesses.

As stated above approximately 17.7% of the shares in F&P Healthcare will be offered to investors through a public offering in the United States ("the US Healthcare Offer").

F&P Appliances will hold 19.9% of the shares in F&P Healthcare.

Under the Separation Arrangement, for every 1,000 existing Fisher & Paykel shares, shareholders will:

- (a) retain 528 shares in F&P Healthcare;
- (b) receive 550 shares in F&P Appliances; and
- (c) receive a cash payment (determined on the basis of the US Healthcare Offer and estimated by us to be in the range of \$447 to \$706).

OPINION

IN OUR OPINION, THE TERMS AND CONDITIONS OF THE SEPARATION ARRANGEMENT ARE FAIR AND REASONABLE TO THE EXISTING FISHER & PAYKEL SHAREHOLDERS.

The separation of Fisher & Paykel into two listed companies is likely to result in the existing shareholders of Fisher & Paykel benefiting from the unlocking of a "value gap" that currently exists due to Fisher & Paykel being regarded by the capital markets as a conglomerate.

We estimate that the financial position of each existing Fisher & Paykel shareholder will be enhanced by the Separation Arrangement as shown in the table below.

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COMPARISON OF VALUES

	LOW ----- \$	HIGH ----- \$
FAIR MARKET VALUE OF 1,000 FISHER & PAYKEL SHARES ASSUMING THE SEPARATION ARRANGEMENT PROCEEDS		
Fair market value of 528 F&P Healthcare shares.....	5,438	6,494
Fair market value of 550 F&P Appliances shares.....	3,889	4,846
Likely cash received per 1,000 Fisher & Paykel shares....	447	706
Transaction costs per 1,000 Fisher & Paykel shares.....	(127)	(127)
	-----	-----
Total.....	9,647	11,919
	=====	=====
FAIR MARKET VALUE OF 1,000 FISHER & PAYKEL SHARES ASSUMING THE SEPARATION ARRANGEMENT DOES NOT PROCEED.....	8,000	11,000
	=====	=====

We have taken into account the following advantages and disadvantages associated with the Separation Arrangement in forming our opinion.

ADVANTAGES

Fisher & Paykel shares have historically been influenced by what is known as a "conglomerate discount". This conglomerate discount relates to the lack of transparency between Fisher & Paykel's businesses, which may have resulted in, among other things, reduced ownership by specialist investors, reduced visibility of cash flows and potential cross subsidisation of business units. The Separation Arrangement will enable market visibility of the businesses, removing any effect of this conglomerate discount. Analysts and investors will be better able to evaluate the performance and prospects of the individual businesses.

Each company will have an independent board containing members with specialist expertise. This board together with independent management will be able to control the strategic and financial direction and focus on the core competencies of each company.

Shareholders will have greater control over their investment exposure as they will be able to choose whether to hold shares in an appliances / finance business and/or a healthcare business.

The management of each of the two companies can be remunerated directly against the share performance of the two separately listed companies. This will better align the interests of management with its shareholders. Such equity based compensation may be important in recruiting and retaining key personnel.

As independent listed companies, the prospects of receiving a takeover offer for F&P Appliances and/or F&P Healthcare will be significantly enhanced compared with the prospects under the current structure.

The US Healthcare Offer may enhance the value of F&P Healthcare as there are a large number of specialist healthcare investors in the United States whose industry expertise should ensure that F&P Healthcare is fully valued.

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The US Healthcare Offer and simultaneous NASDAQ listing, together with a listing in New Zealand and Australia will provide F&P Healthcare with acquisition currency in that the company will be able to issue shares in consideration for businesses it acquires. An interest in a NASDAQ listed, specialist healthcare company will be stronger currency than a New Zealand listed healthcare and appliances conglomerate.

DISADVANTAGES

The success of each company will be reliant on the performance of the individual businesses (albeit F&P Appliances will have a 19.9% cross shareholding in F&P Healthcare). Industry specific conditions will have a more material influence on each company's financial performance.

Certain shareholders who hold their Fisher & Paykel shares on revenue account may incur a tax liability from the sale of their Fisher & Paykel shares to F&P Appliances. In some cases this tax payable may be more than the cash they will receive under the Separation Arrangement and therefore those shareholders may incur a cash cost as a result of the Separation Arrangement. The Notice of Annual Meeting of Shareholders ("the Notice") discusses the tax consequences in further detail at pages 25 and 26. Individual investors will need to consider their personal tax positions under the Separation Arrangement.

The listing of F&P Healthcare on the NASDAQ will expose the F&P Healthcare shareholders to the United States capital markets and, in particular the NASDAQ. Further, United States investors may become the price setter for the F&P Healthcare share price. However, we note that many comparable medical supply companies listed on the NASDAQ and the New York Stock Exchange have not suffered from the significant falls in those markets in the past twelve months.

The separation is dependent on the US Healthcare Offer proceeding. As discussed on page 16 of the Notice, there are a number of factors that could affect the success of that offer.

The NZSE index weighting for Fisher & Paykel will change. There may be reduced demand for F&P Healthcare and F&P Appliances shares from institutional investors realigning their portfolios with the various NZSE indices as the respective market capitalisations of F&P Healthcare and F&P Appliances will likely be lower than Fisher & Paykel after the Separation Arrangement. We note that both new companies will have a market capitalisation sufficient to place them in the top 20%, in terms of market capitalisation, of stocks listed on the New Zealand Stock Exchange.

The formation of a new company, together with a new board of directors and separate management teams may result in an increase in corporate costs. However we understand that in recent years the Healthcare and Appliances businesses have operated as separate divisions and therefore any additional costs will not be significant.

The cost of debt financing may increase for each entity as they will be smaller than Fisher & Paykel and also less diversified.

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This letter is a summary of Deloitte Corporate Finance's opinion. The detailed report from which this summary has been extracted is attached.

Yours faithfully

DELOITTE CORPORATE FINANCE

/s/ Peter A Simmons
Peter A Simmons

/s/ Andrew R Liddell
Andrew R Liddell

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LIST OF ABBREVIATIONS

ADSS.....	American Depositary Shares
AF Investments.....	AF Investments Limited
CAPM.....	Capital Asset Pricing Model
Company.....	Fisher & Paykel Industries Limited
DCF.....	Discounted Cash Flows
EBIT.....	Earnings Before Interest and Tax
EBITDA.....	Earnings Before Interest, Tax, Depreciation and Amortisation of Intangible Assets
FCFs.....	Free Cash Flows
Fisher & Paykel.....	Fisher & Paykel Industries Limited
IBD.....	Interest Bearing Debt
IPO.....	Initial Public Offering
F&P Appliances.....	Fisher & Paykel Appliances Holdings Limited
F&P Healthcare.....	Fisher & Paykel Healthcare Corporation Limited
Listing Rules.....	The New Zealand Stock Exchange Listing Rules
NASDAQ.....	National Association of Securities Dealers Automated Quotation System
Notice.....	Notice of Annual Meeting of Shareholders
NPAT.....	Net Profit After Tax
NPV.....	Net Present Value
NTA.....	Net Tangible Assets
NZSE.....	New Zealand Stock Exchange
OSA.....	Obstructive Sleep Apnea
PE.....	Price Earnings
Separation Arrangement.....	The proposed separation of Fisher & Paykel Industries Limited into Fisher & Paykel Appliances Holdings Limited and Fisher & Paykel Healthcare Corporation Limited, including the US Healthcare Offer
US Healthcare Offer.....	The proposed offer of approximately 17.7% of the shares in Fisher & Paykel Healthcare Corporation Limited to US investors
WACC.....	Weighted Average Cost of Capital

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1. INTRODUCTION

1.1 Fisher & Paykel Industries Limited ("Fisher & Paykel" or "the Company") is a company listed on the New Zealand Stock Exchange ("NZSE") with a market capitalisation of \$1,553 million as at 22 August 2001 and audited shareholders' funds of \$384 million as at 31 March 2001.

1.2 On 19 December 2000, the Board of Directors of Fisher & Paykel announced its intention to separate the Appliances and Finance businesses and the Healthcare business into two companies ("the Separation Arrangement"):

(a) Fisher & Paykel Healthcare Corporation Limited ("F&P Healthcare"); and

(b) Fisher & Paykel Appliances Holdings Limited ("F&P Appliances").

1.3 As part of the Separation Arrangement, approximately 17.7% of the shares in F&P Healthcare will be offered to United States investors through a public offering for which F&P Healthcare will apply for public quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") (the "US Healthcare Offer").

1.4 The Board of Directors of Fisher & Paykel has requested Deloitte Corporate Finance to prepare an Independent Report in respect of the Separation Arrangement, opining on whether the terms and conditions of the Separation Arrangement are fair and reasonable to Fisher & Paykel's existing shareholders.

1.5 This report sets out the following information:

(a) an overview of the Separation Arrangement;

(b) a profile of Fisher & Paykel;

(c) an evaluation of the impact of the Separation Arrangement on Fisher & Paykel's shareholders, including:

- an assessment of the value of F&P Healthcare and F&P Appliances assuming the Separation Arrangement proceeds;

- an assessment of the value of Fisher & Paykel assuming that the Separation Arrangement does not proceed; and

- a comparison of the potential financial position of Fisher & Paykel's shareholders if the Separation Arrangement proceeds versus if the Separation Arrangement does not proceed and the expected advantages and disadvantages to Fisher & Paykel's shareholders of the Separation Arrangement.

1.6 Currency references in this report are to New Zealand dollars.

2. SCOPE OF THE REPORT

REGULATORY REQUIREMENTS

2.1 The Separation Arrangement is subject to, amongst other things, the Companies Act 1993 and the provisions of the NZSE Listing Rules ("the Listing Rules").

2.2 Section 9 of the Listing Rules deals with transactions with related parties and major transactions such as those proposed under the Separation Arrangement. Listing Rule 9.1.2 stipulates that the directors of Fisher & Paykel must provide the Company's shareholders

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with "such information, reports, valuations and other material as are necessary to enable the holders of Securities to appraise the implications of the transactions".

PURPOSE OF THE REPORT

2.3 Deloitte Corporate Finance issues this Independent Report for the benefit of the existing Fisher & Paykel shareholders to assist them in considering whether the terms and conditions of the Separation Arrangement are fair and reasonable.

2.4 Deloitte Corporate Finance notes that each shareholder's circumstances and investment objectives are unique. Accordingly, it is not possible to advise what action each shareholder should take in response to the Separation Arrangement. Deloitte Corporate Finance's advice and opinions are necessarily general in nature and are intended to assist Fisher & Paykel's existing shareholders to form their own opinions as to what action they should take in the circumstances.

2.5 The Independent Report should not be used for any other purpose without Deloitte Corporate Finance's prior written consent.

BASIS OF EVALUATION

2.6 Deloitte Corporate Finance's basis of evaluating the Separation Arrangement has been to determine whether in its opinion the terms of the Separation Arrangement are "fair and reasonable" to existing Fisher & Paykel shareholders. Deloitte Corporate Finance has not been asked, nor has it undertaken, a review of other potential restructuring options.

2.7 There is little guidance as to the meaning of "fair and reasonable" in New Zealand law or in the Listing Rules.

2.8 Listing Rule 4.8.4(c)(iv) provides a definition of fairness in relation to the consideration in compulsory acquisition circumstances. The consideration is deemed to be fair if it is equal to the pro-rated value of the affected securities based on the value of the issuer as a whole and the rights and obligations attaching to those securities.

2.9 Guidance Note Number 10 issued by the Institute of Chartered Accountants of New Zealand (Guideline on Independent Chartered Accountants Reporting as Experts to Shareholders) states "the expression of an opinion as to fairness will generally involve an assessment as to whether a transaction or proposal is just, impartial and equitable".

2.10 The above definitions provide only limited guidance. Therefore Deloitte Corporate Finance has also considered Policy Statements 74 and 75 and Practice Note 43 issued by the Australian Securities and Investment Commission relating to independent expert reports. The Policy Statements and Practice Note prescribe standards of best practice for the preparation of expert reports in respect of takeover offers in Australia.

2.11 The Australian approach draws a distinction between "fair" and "reasonable" in relation to takeover offers. Fairness relates to price whereas reasonableness includes the consideration of factors other than price. A fair offer is one that reflects the full market value of a company's businesses and assets. A takeover offer that is in excess of the pre-bid market prices but less than full value will not be "fair" but may be "reasonable" if shareholders are to realise an amount for their shares in excess of the bid price in the foreseeable future.

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2.12 In this instance Deloitte Corporate Finance has primarily assessed whether the terms and conditions of the Separation Arrangement are fair and reasonable by assessing the overall impact of the Separation Arrangement on Fisher & Paykel's existing shareholders. This involves comparing the assessed fair market value of the shareholders' current holdings in Fisher & Paykel with the estimated fair market value of their financial position after the Separation Arrangement as well as forming a judgement as to whether the expected advantages of the Separation Arrangement outweigh any disadvantages that might result.

3. OVERVIEW OF THE SEPARATION ARRANGEMENT

3.1 The terms of the Separation Arrangement are described in detail in the accompanying Notice of Annual Meeting of Shareholders ("the Notice"). A summary of the terms is provided below.

3.2 The following diagram outlines the existing structure of Fisher & Paykel and the proposed structure following the separation.

[Existing Structure and Proposed Structure diagram]

3.3 In simple terms, under the Separation Arrangement, the existing Fisher & Paykel shareholders will hold:

- (a) a direct interest of 100% of the shares in F&P Appliances;
- (b) a direct interest of 62.4% of the shares in F&P Healthcare; and
- (c) an indirect interest of 19.9% in F&P Healthcare, via their shareholding in F&P Appliances.

3.4 The other 17.7% of the shares in F&P Healthcare will be offered to investors through a public offering of American Depositary Shares ("ADSs") in the United States. F&P Healthcare will apply to have the ADSs quoted on the NASDAQ.

OVER-ALLOTMENT OPTION

3.5 As is usual practice with a listing on a United States market, the underwriters of the US Healthcare Offer will be granted an over-allotment option. If this option is exercised, F&P Healthcare will issue up to an additional 15% of the shares sold in the offer. This over-

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allotment option will assist the underwriting syndicate in stabilising the market for F&P Healthcare in the 30 days following the pricing of the offer when trading volumes are expected to be higher than normal.

3.6 If the over-allotment option is exercised, the additional capital raised will be retained by F&P Healthcare. The exercise of the option will, however, slightly dilute the proportion of F&P Healthcare shares held by both existing Fisher & Paykel shareholders and by F&P Appliances.

3.7 The table below shows the relative shareholding in F&P Healthcare assuming no over-allotment option is exercised and assuming the full 15% option is exercised.

PROPOSED SHAREHOLDING IN F&P HEALTHCARE

	OVER-ALLOTMENT OPTION NOT EXERCISED	OVER-ALLOTMENT OPTION FULLY EXERCISED
Existing F&P Shareholders.....	62.4%	60.8%
F&P Appliances.....	19.9%	19.4%
Investors in the US Healthcare Offer.....	17.7%	19.8%
	----	----
	100%	100%
	=====	=====

3.8 Under the Separation Arrangement, each holder of 1,000 shares in Fisher & Paykel on the record date will:

- (a) retain 528 shares in F&P Healthcare;
- (b) receive 550 shares in F&P Appliances; and
- (c) receive cash proceeds (determined on the basis of the US Healthcare Offer).

3.9 The individual steps required to undertake the Separation Arrangement are relatively complex and are explained in detail at page 27 of the Notice, which states:

STEP 1: An existing, non-trading Fisher & Paykel group company being renamed F&P Appliances. This company will become the parent company of the Appliances and Finance businesses.

STEP 2: Fisher & Paykel shareholders exchanging sufficient of their existing Fisher & Paykel shares for new shares in F&P Appliances to enable:

- F&P Appliances to fund the acquisition of the Appliances and Finance businesses from Fisher & Paykel;
- F&P Appliances to retain slightly less than 20% of the shares in F&P Healthcare; and
- F&P Appliances to sell approximately 18% of the shares in F&P Healthcare under the US Healthcare Offer;

The exchange of the Fisher & Paykel shares in Step 2 will be for a price to be satisfied by the issue of F&P Appliances shares and some cash. The cash payment will be made by F&P Appliances to the Fisher & Paykel shareholders upon completion of the US Healthcare Offer;

STEP 3: Fisher & Paykel buying back approximately 15% of its shares from F&P Appliances. F&P Appliances will use the amount received from the share buy back to capitalise and provide debt funding to a subsidiary company, AF Investments Limited ("AF Investments"). That

subsidiary company will then borrow, from an external source, on a short term basis, the balance required to enable it to purchase the Appliances and Finance businesses from Fisher & Paykel, and complete the purchase of those businesses.

STEP 4: F&P Appliances selling approximately 18% of the F&P Healthcare shares under the US Healthcare Offer. The proceeds of the US Healthcare Offer less an amount of \$105 million are used by F&P Appliances to make the cash payment to Fisher & Paykel shareholders under Step 2. The \$105 million retained by F&P Appliances is used to provide debt funding to AF Investments to an extent which allows AF Investments to repay the amount it borrowed externally to partially fund its acquisition of the Appliances and Finance businesses. The balance of \$105 million will be used to fund a portion of the separation costs, to be borne by F&P Appliances as part of the Separation Arrangement.

3.10 The Separation Arrangement is subject to the following conditions:

- (a) the Company obtaining shareholder approval;
- (b) the granting of final orders by the High Court;
- (c) obtaining a price under the US Healthcare Offer which is acceptable to the Company's Board of Directors;
- (d) the closing of the US Healthcare Offer; and
- (e) there being no material change in circumstances between the date of the Notice and the date on which the Appliance and Finance businesses of Fisher & Paykel are acquired by F&P Appliances under the Separation Arrangement.

3.11 All of the conditions are required to be completed for the Separation Arrangement to proceed. If any of these conditions are not completed within ten business days of the record date then the separation will be unwound and the status quo will prevail. The record date is currently scheduled for 9 November 2001, which would require the last condition to be completed by 23 November 2001.

4. PROFILE OF FISHER & PAYKEL

BACKGROUND

4.1 Fisher & Paykel is a company listed on the NZSE with a market capitalisation of \$1,553 million as at 22 August 2001 and audited shareholders' funds of \$384 million as at 31 March 2001.

4.2 Fisher & Paykel is a manufacturer of whiteware and healthcare products. The Company also owns a finance business, Fisher & Paykel Finance.

4.3 Fisher & Paykel's Appliances business produces and sells a range of refrigerators, washing machines, clothes dryers, dishwashers, ovens and cook-tops. For further information on the Appliances and Finance businesses refer to pages 12 to 24 of the F&P Appliances Information Memorandum.

4.4 Fisher & Paykel's Healthcare business produces and sells specialist healthcare products related mainly to humidification and the treatment of obstructive sleep apnea. Detailed information regarding the Healthcare business is contained at pages 10 to 26 of the F&P Healthcare Information Memorandum.

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FINANCIAL PERFORMANCE

4.5 A summary of Fisher & Paykel's historical consolidated financial performance is set out below.

SUMMARY OF FISHER & PAYKEL'S CONSOLIDATED FINANCIAL PERFORMANCE

	YEAR TO 31 MARCH 1999**	YEAR TO 31 MARCH 2000	YEAR TO 31 MARCH 2001
	(AUDITED) \$ MILLION	(AUDITED) \$ MILLION	(AUDITED) \$ MILLION
Revenue.....	760	818	929
EBIT excluding abnormal items.....	61	93	130
Net surplus after taxation excluding abnormals.....	35	54	60
Net surplus after taxation including abnormals.....	19	54	11
Dividends.....	38*	47*	35
Dividend per share.....	\$0.33*	\$0.40*	\$0.30
Earnings per share excluding abnormals.....	\$0.30	\$0.46	\$0.51

** Abnormal items included loss on sale of land and buildings, write downs and restructuring costs and provisions

* Including special dividends

Source: Fisher & Paykel's 31 March 1999, 2000 and 2001 audited financial statements

4.6 Fisher & Paykel's consolidated revenue has increased by over 22% in the last two years, with the revenue from the Healthcare business increasing by 62% during this period.

4.7 During the same period, normalised EBIT has grown by 113% with the normalised EBIT margin (normalised EBIT divided by revenue) growing from 8% to 14%. Both the Healthcare and Appliances businesses earned improved margins during this period.

4.8 The major abnormal item during the year to 31 March 2001 relates to a mark to market of Fisher & Paykel's outstanding foreign currency instruments.

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FINANCIAL POSITION

4.9 A summary of Fisher & Paykel's historical consolidated financial position is set out below.

SUMMARY OF FISHER & PAYKEL'S CONSOLIDATED FINANCIAL POSITION

	31 MARCH 1999	31 MARCH 2000	31 MARCH 2001
	(AUDITED)	(AUDITED)	(AUDITED)
	\$ MILLION	\$ MILLION	\$ MILLION
Assets			
Current assets.....	244.5	267.8	294.6
Finance receivables.....	251.6	282.6	271.1
Fixed assets.....	341.7	358.2	360.0
Investments & other assets....	12.8	14.2	24.8
Goodwill.....	3.7	3.3	3.0
	-----	-----	-----
Total Assets.....	854.3	926.1	953.5
Liabilities			
Current liabilities.....	113.6	116.6	112.8
Provisions.....	20.2	24.6	99.0
Interest bearing debt.....	131.6	142.3	109.7
Finance borrowings.....	216.2	256.7	248.0
	-----	-----	-----
Total Liabilities.....	481.6	540.2	569.5
	-----	-----	-----
Total Shareholders' Equity.....	372.7	385.9	384.0
	=====	=====	=====

Source: Fisher & Paykel's 31 March 1999, 2000 and 2001 audited financial statements

4.10 Notwithstanding Fisher & Paykel's significant increase in revenue in recent years, the company's consolidated financial position has been relatively stable, with total assets increasing by approximately 12%. Inventories increased by over \$30 million (24%) during this period.

4.11 The major change in liabilities relates to the provision for unrealised losses on foreign currency instruments discussed above.

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SHAREHOLDING STRUCTURE

4.12 At 30 June 2001 Fisher & Paykel had 118,111,137 fully paid ordinary shares on issue. The names, number of shares and percentage holding of the ten largest shareholders at 30 June 2001 are set out in the table below.

FISHER & PAYKEL'S TEN LARGEST SHAREHOLDERS

SHAREHOLDER	FULLY PAID ORDINARY SHARES	%
-----	-----	-----
1 National Nominees NZ Limited.....	17,572,694	14.9
2 ANZ Nominees Limited.....	16,267,741	13.8
3 Credit Suisse First Boston NZ.....	5,500,000	4.7
4 Citibank Nominees NZ.....	5,423,776	4.6
5 John William Gilks & Others.....	3,855,000	3.3
6 National Mutual Life Assurance.....	3,452,543	2.9
7 AMP Life Limited.....	2,595,762	2.2
8 Trustees Executors & Agency Co.....	2,584,882	2.2
9 Accident Rehabilitation and Comp.....	2,407,099	2.0
10 Caledonia Investments Limited.....	1,863,300	1.6
	-----	-----
Sub Total.....	61,522,797	52.0
Others.....	56,588,340	48.0
	-----	-----
Total.....	118,111,137	100.0
	=====	=====

Source: Datex

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SHARE PRICE HISTORY

4.13 Fisher & Paykel's shares are traded on the NZSE. Fisher & Paykel's share price and volume of shares traded since January 2000 is summarised below.

FISHER & PAYKEL'S SHARE PRICE PERFORMANCE AND VOLUMES

MONTH	LOW \$	HIGH \$	CLOSE \$	VOLUME (000'S)
-----	-----	-----	-----	-----
January 2000.....	6.85	7.30	7.05	1,835
February.....	6.20	6.80	6.28	2,216
March.....	6.00	6.60	6.05	3,170
April.....	6.00	6.19	6.10	2,994
May.....	6.10	6.55	6.50	2,958
June.....	6.48	6.87	6.70	4,227
July.....	6.60	7.40	7.25	2,717
August.....	7.06	7.55	7.45	4,720
September.....	7.10	7.45	7.30	3,042
October.....	6.98	7.30	7.20	9,020
November.....	6.95	7.30	7.25	4,872
December.....	7.20	8.26	7.98	3,483
January 2001.....	7.84	8.00	7.95	3,293
February.....	8.03	8.75	8.60	3,170
March.....	7.95	8.75	8.05	3,588
April.....	7.95	8.70	8.70	4,640
May.....	8.70	9.50	9.50	3,709
June.....	9.54	11.80	11.80	7,621
July.....	11.80	13.23	12.95	11,897

Source: Datex

4.14 The table below shows Fisher & Paykel's share price and volumes traded between 1 January 2000 and 31 July 2001.

FISHER & PAYKEL SHARE PRICE TRADING HISTORY (JANUARY 2000 - JULY 2001)

[FISHER & PAYKEL SHARE PRICE TRADING HISTORY]

	F&P ---	VOLUMES -----
Jan-00	7.00	52.30
	7.00	99.40
	7.00	76.50
	7.25	74.30
	7.30	114.80
	7.15	23.20
	7.10	11.80
	6.85	391.90
	7.15	27.20
	7.25	332.50
	7.25	61.60
	7.10	12.50
	7.00	136.40
	7.00	26.60
	6.85	84.50
	6.91	35.30
	7.00	32.00
	6.90	188.90
	7.05	53.70
	6.80	81.90
	6.80	57.70
	6.69	38.50
	6.80	122.80
	6.80	69.00

Mar-00

May-00

6.80	0.70
6.70	102.60
6.60	74.20
6.60	14.00
6.60	13.70
6.55	466.00
6.60	123.00
6.70	95.50
6.50	552.50
6.50	51.40
6.40	9.50
6.40	58.10
6.30	131.40
6.38	86.70
6.20	65.90
6.28	1.20
6.25	97.60
6.45	181.50
6.35	245.00
6.41	201.20
6.40	102.00
6.40	43.50
6.38	49.60
6.30	102.20
6.40	109.90
6.35	87.00
6.45	248.80
6.50	686.80
6.60	75.20
6.30	28.40
6.30	36.40
6.30	69.80
6.25	123.10
6.25	93.10
6.25	42.30
6.20	18.60
6.00	100.10
6.05	212.90
6.05	215.40
6.07	297.30
6.15	736.40
6.19	117.30
6.10	412.20
6.10	155.50
6.19	5.40
6.18	210.30
6.10	10.70
6.10	98.90
6.15	153.90
6.00	37.20
6.09	37.50
6.00	288.80
6.05	22.00
6.02	123.80
6.04	184.20
6.10	102.50
6.15	131.00
6.10	181.70
6.16	128.00
6.20	666.30
6.30	125.60
6.20	76.20
6.35	36.90
6.45	289.60
6.38	7.80
6.40	13.80
6.30	28.10
6.25	57.30
6.25	53.60
6.20	106.80
6.19	59.50
6.26	74.70

Jul-00

6.50	89.10
6.37	33.10
6.35	61.60
6.36	124.00
6.40	52.30
6.55	308.40
6.50	253.00
6.48	147.20
6.85	294.30
6.87	274.80
6.78	84.20
6.89	142.40
6.79	1139.30
6.73	158.50
6.80	619.90
6.80	61.20
6.81	21.40
6.85	121.40
6.79	95.50
6.55	119.40
6.60	107.20
6.58	59.00
6.58	54.00
6.60	46.90
6.60	41.30
6.75	65.50
6.70	34.70
6.70	539.20
6.68	116.30
6.60	181.00
6.68	17.40
6.65	32.70
6.70	372.20
6.69	204.30
6.75	158.40
6.85	86.00
6.98	352.80
6.95	194.50
6.94	26.30
6.95	26.70
7.15	99.70
7.40	70.50
7.20	92.30
7.25	28.80
7.05	87.00
7.20	137.00
7.25	162.50
7.35	156.60
7.25	114.30
7.15	25.70
7.25	75.20
7.25	60.70
7.30	219.60
7.25	582.80
7.25	571.70
7.16	106.30
7.10	115.70
7.06	104.30
7.10	85.90
7.20	182.70
7.55	29.70
7.50	92.90
7.40	80.40
7.35	253.60
7.45	29.50
7.50	399.50
7.40	731.50
7.45	420.50
7.40	48.70
7.45	125.70
7.50	234.80
7.45	142.80

Sep-00

7.42	78.20
7.40	210.90
7.35	131.00
7.35	517.20
7.40	156.10
7.45	270.80
7.45	223.70
7.45	260.30
7.35	179.90
7.40	16.40
7.36	47.30
7.36	51.40
7.35	118.30
7.35	157.40
7.35	122.10
7.25	52.70
7.10	112.90
7.15	48.60
7.15	174.30
7.24	53.00
7.30	59.80
7.25	25.30
7.25	502.70
7.15	79.10
7.11	209.80
7.10	166.20
6.98	245.70
7.10	1670.50
7.02	810.40
7.10	1535.60
7.02	1565.10
7.05	30.00
7.03	107.80
7.00	158.20
6.98	30.60
6.99	54.20
7.00	121.70
7.00	300.90
7.00	441.90
7.20	295.00
7.30	505.80
7.20	163.60

Nov-00

7.25	268.60
7.25	43.30
7.30	710.90
7.15	1107.40
7.20	87.60
7.10	176.40
7.00	409.10
7.00	313.30
6.98	76.00
6.95	131.60
7.05	102.40
7.10	76.20
7.15	98.60
7.20	188.70
7.15	197.10
7.15	150.20
7.12	422.50
7.15	100.50
7.15	75.10
7.20	41.70
7.25	15.50
7.25	79.70
7.20	57.30
7.20	22.90
7.30	108.90
7.35	157.00
7.26	116.20
7.32	93.70
7.31	228.90
7.35	189.40

Jan-01

7.42	56.10
7.50	236.00
7.65	227.10
7.60	175.40
8.26	797.10
8.10	373.20
7.85	290.10
7.82	191.50
7.90	81.60
7.93	64.80
7.98	15.80
7.90	29.30
8.00	95.90
7.95	18.50
8.00	35.70
7.90	54.70
7.85	38.00
7.80	129.70
7.84	173.30
7.84	17.70
7.80	65.30
7.90	80.20
7.90	244.60
7.85	15.80
7.85	5.90
7.90	183.70
7.90	363.40
7.85	176.90
7.86	32.80
7.90	135.70
7.90	249.40
7.95	1146.50
8.14	234.40
8.03	169.30
8.05	100.60
8.10	17.50
8.06	57.30
8.10	193.90
8.10	77.70
8.05	149.10
8.00	97.40
8.10	40.10
8.18	466.70
8.25	429.20
8.48	116.30
8.32	85.90
8.40	24.00
8.51	365.70
8.65	335.80
8.75	63.90
8.60	145.40
8.65	309.80
8.60	121.50
8.60	172.70
8.65	152.30
8.75	442.70
8.60	379.90
8.50	103.90
8.55	88.20
8.48	55.30
8.55	40.20
8.60	83.40
8.55	39.00
8.40	48.50
8.50	116.50
8.25	326.00
8.10	177.20
8.20	531.40
8.15	78.00
7.95	91.90
8.00	56.20
8.00	99.10

Mar-01

May-01

Jul-01

8.05	74.10
8.05	22.30
7.95	233.80
7.95	256.90
7.96	227.40
8.05	805.00
8.05	731.50
8.00	278.50
8.00	269.50
8.05	708.20
8.05	56.30
8.05	38.10
8.20	188.80
8.20	53.20
8.25	124.30
8.30	22.60
8.35	131.30
8.50	126.80
8.70	365.00
8.70	156.30
8.70	163.70
8.90	245.20
8.75	123.90
8.75	41.30
8.70	59.20
8.80	162.10
9.10	399.50
9.18	139.20
9.35	442.50
9.43	276.80
9.35	118.20
9.41	123.10
9.45	67.60
9.30	29.80
9.20	192.10
9.20	410.30
9.25	20.80
9.20	41.00
9.20	46.00
9.35	63.40
9.35	152.60
9.50	234.90
9.54	315.40
9.95	632.70
10.45	750.60
10.60	1313.30
10.70	44.50
11.25	655.60
11.37	676.60
11.45	251.70
11.35	74.10
11.10	47.30
11.10	284.40
11.05	502.40
11.25	141.70
11.70	142.70
11.55	126.40
11.55	255.50
11.80	795.80
11.75	111.00
11.80	498.80
11.85	125.30
11.80	241.00
11.85	115.30
12.00	528.00
12.25	589.00
12.25	491.00
12.50	354.10
12.85	876.90
12.95	1353.30
13.20	2429.80
13.00	1386.00

12.65	170.50
12.70	150.80
13.05	672.20
13.15	736.90
13.23	505.70
13.00	135.50
12.85	45.20
12.80	48.40
13.20	743.50
13.05	118.10
12.95	80.40

4.15 A detailed discussion of Fisher & Paykel's share trading is set out in section 8.

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5. APPROACH TO THE EVALUATION OF THE SEPARATION ARRANGEMENT

OVERVIEW

5.1 To evaluate whether the terms and conditions of the Separation Arrangement are fair and reasonable to Fisher & Paykel's shareholders, Deloitte Corporate Finance has considered the following key issues:

(a) the expected financial position of Fisher & Paykel's shareholders if the Separation Arrangement proceeds, including:

- the fair market value of the shares in F&P Healthcare;
- the fair market value of the shares in F&P Appliances; and
- the potential level of cash payout;

(b) the expected fair market value of the shares in Fisher & Paykel if the Separation Arrangement does not proceed; and

(c) other advantages and disadvantages of the Separation Arrangement to Fisher & Paykel's shareholders.

5.2 Fair market value can be defined as the price (expressed in terms of money or money's worth) that a willing but not anxious buyer, with access to all relevant information and acting on an arms length basis, would be prepared to pay to a willing but not anxious seller in an open, unrestricted and stable market.

BASIS OF VALUATION

5.3 In general terms it is recognised that the value of a share represents the present value of the net cash flow expected therefrom. Cash flows can be in the form of either dividends and share sale proceeds or a residual sum derived from the liquidation of the business undertaking.

5.4 There are a number of methodologies used in valuing shares and businesses. The most commonly applied methodologies are:

- (a) discounted cash flows ("DCF");
- (b) capitalisation of earnings;
- (c) net assets or estimated proceeds from an orderly realisation of assets; and
- (d) industry guidelines.

5.5 Each of these valuation methodologies has application in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

5.6 The DCF method is the fundamental valuation approach to assess the present value of future cash flows, recognising the time value of money and risk. The value of an investment is equal to the value of future free cash flows ("FCFs") arising from the investment, discounted at the investor's required rate of return.

5.7 The DCF method has a strong theoretical basis. It is particularly suitable where the business is of a finite life or where cash flows are expected to fluctuate substantially due to the differing timing of capital expenditure and returns.

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5.8 The capitalisation of earnings method is an adaptation of the DCF method. It requires an assessment of the earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure.

5.9 The capitalisation of earnings method is most appropriate for shares and businesses with a long history of relatively stable returns and which do not have large or lumpy (irregular) capital expenditure requirements.

5.10 Earnings can be specified in a number of ways. The most common form of earnings specified are:

- (a) dividends;
- (b) net profit after tax ("NPAT");
- (c) net operating profit after tax;
- (d) earnings before interest and tax ("EBIT"); and
- (e) earnings before interest, tax, depreciation and amortisation of intangible assets ("EBITDA").

5.11 The capitalisation rate (or earnings multiple) to apply against the assessed earnings figure must be consistent with the definition of earnings. For example, a dividend yield must be used to capitalise maintainable dividends, a price earnings ("PE") multiple must be used to capitalise maintainable NPAT and an EBITDA multiple must be used to capitalise maintainable EBITDA.

5.12 An assets based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them.

5.13 A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and/or there is some indication that an orderly realisation is contemplated.

5.14 Industry guidelines or rules of thumb are used in some industries. These are generally used as a secondary valuation method as a check on the result determined by the DCF, capitalisation of earnings or orderly realisation of assets method. However, in some industries they are the primary basis on which buyers determine prices.

VALUATION APPROACH

5.15 Deloitte Corporate Finance has used the DCF method as its primary approach to assess the value of F&P Healthcare and F&P Appliances. Value is assessed in two stages:

- (a) first, the future FCFs of the respective businesses are forecast over a given time frame and the final year of that forecast is used to determine a perpetuity (or terminal) value; then
- (b) the FCFs are adjusted to reflect their value at a certain point in time. Present values are calculated by discounting the FCFs at an appropriate discount rate. The net present value ("NPV") so derived reflects the ungeared value of the business.

DELOITTE CORPORATE FINANCE LOGO

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5.16 FCFs represent the surplus cash associated with the business after deducting operating expenses, tax, movements in working capital and capital expenditure. They represent the cash which is available to pay returns to providers of debt and equity capital.

5.17 The discount rate used to determine the NPV is the estimated weighted average cost of capital ("WACC"). The WACC is a blend of the cost of debt and the cost of equity, weighted in accordance with the target capital structure of an entity owning the business. The WACC represents the rate of return required by investors to compensate them for the business risks they bear by investing in the business.

5.18 The DCF method adopted derives an assessment of the value of the ungeared business. For the purposes of the valuation assessment, the ungeared business is defined as the operating assets (i.e. operating working capital, fixed assets and intangible assets such as brand names, licences, know-how and general business goodwill) that generate the operating income of the business.

5.19 Deloitte Corporate Finance has also assessed the value of F&P Healthcare and F&P Appliances under the capitalisation of earnings method. As previously stated, this methodology involves capitalising the earnings of the business at a multiple which reflects the risks of the business and the stream of income that it generates.

5.20 In applying the capitalisation of earnings approach, EBITDA has been used as the measure of earnings. The use of EBITDA and EBITDA multiples is more common in valuing businesses for acquisition purposes as it eliminates the effect of financial leverage which is ultimately in the control of the acquirer, it removes any distortions that arise from the tax position of the business and it eliminates the risk of distortions between comparisons due to differing depreciation and amortisation policies.

5.21 Deloitte Corporate Finance has assessed the value of Fisher & Paykel (assuming the Separation Arrangement does not proceed) based on the recent prices for the Fisher & Paykel shares and the DCF and capitalisation of EBITDA methods.

5.22 Deloitte Corporate Finance's examination of the Separation Arrangement is as follows:

- (a) section 6 assessment of the value of F&P Healthcare;
- (b) section 7 assessment of the value of F&P Appliances;
- (c) section 8 assessment of the value of Fisher & Paykel (assuming the Separation Arrangement does not proceed); and
- (d) section 9 comparison of the assessed financial position of Fisher & Paykel's shareholders after the Separation Arrangement with the assessed fair market value of the shares in Fisher & Paykel assuming the Separation Arrangement does not proceed, along with Deloitte Corporate Finance's analysis of the advantages and disadvantages of the Separation Arrangement.

6. VALUATION OF F&P HEALTHCARE

OVERVIEW

6.1 A detailed business description of F&P Healthcare can be found on pages 10 to 26 of the F&P Healthcare Information Memorandum.

DELOITTE CORPORATE FINANCE LOGO

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6.2 F&P Healthcare's financial performance is set out on pages 27 to 29 and Annexures A and B of the F&P Healthcare Information Memorandum.

DCF VALUATION OF THE HEALTHCARE BUSINESS

Free Cash Flows

6.3 The FCFs adopted in the DCF valuation are based upon projections developed by Fisher & Paykel management which have been adjusted where considered necessary. The projections were developed on a product-by-product basis based on strategic business plans incorporating expectations regarding the future development of each market. These business plans are prepared for the period 2002 to 2006. Preparation of the projections involved an analysis of industry specific developments and expected competitive positioning.

6.4 It is normal to disclose a summary of the projections. However, as the projections contain information which is considered commercially sensitive Deloitte Corporate Finance has not disclosed the projections used for the purposes of the DCF valuation.

Discount Rate

6.5 Deloitte Corporate Finance has used the Capital Asset Pricing Model ("CAPM") to assess the WACC for the Healthcare business. In doing so, a version of the CAPM which takes account of investors' tax rates has been used. Deloitte Corporate Finance assesses the nominal, post corporate tax WACC for F&P Healthcare to be in the vicinity of 11.5%.

Valuation Outcome

6.6 Based on the above, the assessed value of the ungeared Healthcare business is in the vicinity of \$1,106 million.

Sensitivity Analysis

6.7 The DCF assessment is particularly sensitive to the following factors:

- (a) projected sales growth rates;
- (b) forecast exchange rates;
- (c) EBIT margins;
- (d) terminal growth assumptions; and
- (e) cost of capital assumptions.

6.8 Based on the sensitivity analysis undertaken, the value of the ungeared Healthcare business is in the range of \$980 million to \$1,267 million using the DCF approach.

CAPITALISATION OF EBITDA VALUATION OF THE HEALTHCARE BUSINESS

6.9 In applying the capitalisation of EBITDA approach, Deloitte Corporate Finance has taken EBITDA for 2001 and normalised this figure by eliminating non-recurring losses arising from the foreign exchange hedging contracts.

6.10 Deloitte Corporate Finance has assessed the normalised 2001 EBITDA of the Healthcare business to be in the vicinity of \$85 million.

DELOITTE CORPORATE FINANCE LOGO

6.11 The selection of an appropriate earnings multiple is usually the most judgmental element of a valuation. Actual or indicative offers for a particular business can provide reasonable support for the selection of an appropriate earnings multiple. However, in the absence of such information it is necessary to infer multiples from other evidence such as marginal trades for public listed companies in New Zealand and overseas with similar characteristics to the Healthcare business or from theoretical models used to determine the WACC. Deloitte Corporate Finance is of the view that there are no New Zealand publicly listed companies comparable with the Healthcare business.

6.12 Deloitte Corporate Finance has reviewed the historic EBITDA multiples for overseas comparable publicly traded companies. In particular, the multiples for ResMed, Respirationics, Vital Signs and Invacare have been analysed. Deloitte Corporate Finance has also examined the implied multiples from transactions involving businesses in similar industries. The range of these EBITDA multiples is set out below.

COMPARABLE COMPANY EBITDA MULTIPLES

	LOW	HIGH	AVERAGE
	---	----	-----
Publicly traded comparable companies.....	9.6	41.4	18.9
Comparable transactions.....	7.3	20.5	14.0

Source: Reuters, Bloomberg & Brokers' Forecasts

6.13 In assessing the appropriate EBITDA multiple, Deloitte Corporate Finance has considered the general growth prospects and competitive environments for the various sectors that F&P Healthcare operates in versus the sectors that the comparable companies operate in. For example, ResMed, which operates solely in the market for the treatment of Obstructive Sleep Apnea ("OSA") trades at the high end of the comparable company multiples. OSA is considered a high growth area. F&P Healthcare also manufactures humidification products for respiratory purposes. This sector does not have the same growth profile as OSA and companies that operate in this sector tend to trade within a lower multiple range.

6.14 Based on the above and taking into account the differences between the comparable companies and transactions and the Healthcare business, Deloitte Corporate Finance considers an appropriate EBITDA multiple for the Healthcare business to be in the range of 12.0 to 14.0.

6.15 The assessed value of the ungeared Healthcare business is in the range of \$1,020 million to \$1,190 million under the capitalisation of EBITDA method.

CAPITALISATION OF EBITDA VALUATION RANGE

	LOW	HIGH
	-----	-----
2001 normalised EBITDA (\$ million).....	85	85
EBITDA multiple.....	12.0	14.0
	-----	-----
Value of the Healthcare business (\$ million).....	1,020	1,190
	=====	=====

DELOITTE CORPORATE FINANCE LOGO

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VALUATION CONCLUSION – HEALTHCARE BUSINESS

6.16 The valuation assessments indicate the value of the ungeared Healthcare business to be in the range of \$980 million to \$1,267 million.

SUMMARY OF VALUATION ASSESSMENTS RANGE

	LOW	HIGH
	-----	-----
	(\$MILLION)	(\$MILLION)
DCF valuation.....	980	1,267
Capitalisation of EBITDA valuation.....	1,020	1,190

6.17 Based on the above, Deloitte Corporate Finance assesses the value of the ungeared Healthcare business to be in the range of \$1,000 million to \$1,200 million.

VALUATION OF F&P HEALTHCARE SHARES

6.18 To derive the value of the F&P Healthcare shares, it is necessary to add the value of surplus or non-operating assets to the value of the Healthcare business and deduct the market value of F&P Healthcare's interest bearing debt ("IBD").

6.19 Fisher & Paykel's management advise that after the proposed transactions and assuming a normalised working capital balance, it is forecast that F&P Healthcare will have net surplus cash on hand of approximately \$26 million.

6.20 Based on the above, Deloitte Corporate Finance assesses the value of all the shares in F&P Healthcare to be in the range of \$1,026 million to \$1,226 million. This equates to a value of \$10.30 to \$12.30 per share based upon the 99.656 million F&P Healthcare shares that will be on issue after the successful completion of the Separation Arrangement. This calculation is shown in the table below.

VALUE OF F&P HEALTHCARE SHARES

	LOW	HIGH
	-----	-----
	\$ MILLION	\$ MILLION
Value of Healthcare business.....	1,000	1,200
Add: Surplus Assets.....	26	26
Deduct: Net IBD at separation.....	(0)	(0)
	-----	-----
Value of the F&P Healthcare shares.....	1,026	1,226
	=====	=====
Number of shares on issue (million).....	99.656	99.656
Value per share.....	\$10.30	\$12.30
	=====	=====

CONCLUSION

6.21 Based on the above, Deloitte Corporate Finance assesses the fair market value of each share in F&P Healthcare to be in the range of \$10.30 to \$12.30 following the Separation Arrangement.

DELOITTE CORPORATE FINANCE LOGO

PRICING OF US HEALTHCARE OFFER

6.22 As discussed on pages 15 and 16 of the Notice, the pricing of the US Healthcare Offer will be set by the Boards of Directors of both Fisher & Paykel and F&P Appliances, in conjunction with the underwriters, taking into account a number of factors including:

- (a) the prevailing market conditions;
- (b) financial performance of the Healthcare business of Fisher & Paykel in recent periods;
- (c) the historical trading price of the ordinary shares of Fisher & Paykel prior to the Separation Arrangement;
- (d) the present stage of the development of the Healthcare business of Fisher & Paykel;
- (e) the market capitalisations and stages of development of other companies that Fisher & Paykel and the representatives of the underwriters believe to be comparable to the Healthcare business; and
- (f) estimates of the business potential of the Healthcare business.

6.23 Deloitte Corporate Finance notes that it is not necessarily advantageous for a company's securities to be sold for the highest possible price that underwriters could seek. If the initial offering price is set too high in relation to the company's historical performance and industry and market conditions, the aftermarket may be weak.

6.24 Sometimes the securities' price will increase sharply immediately after the offering. This does not mean that the securities were priced incorrectly. Underwriters try to establish a price under normal trading conditions. Sometimes, though, speculative surprises occur. There have been instances where the price of shares has doubled or tripled in the first few weeks of trading.

6.25 Although Fisher & Paykel is listed in New Zealand, the listing of the separate F&P Healthcare business in the United States will likely be treated by United States investors as an initial public offering ("IPO").

6.26 An investor in an IPO is exposed to certain extra risks over and above the risks borne by an investor who acquires the shares after the listing. These risks are as a result of factors such as:

- (a) the lack of trading history in the share price;
- (b) uncertainty as to the number of shares subscribers will receive; and
- (c) uncertainty as to the final issue price.

6.27 To recompense investors for the extra risks they bear, and to incentivise them to participate in the offering, investors may bid for the shares at a level less than the anticipated price after the offering. This discount is referred to as an 'IPO discount'.

6.28 The IPO discount is difficult to measure. However in the United States, the implied IPO discount (being the difference between the price at which subscribers to an IPO will participate compared with the price when the shares are trading) is generally recognised to be in the vicinity of 15%.

6.29 Based upon the assessed value of F&P Healthcare of \$1,026 million to \$1,226 million, or \$10.30 to \$12.30 per share, and applying an IPO discount of 15% an indicative value of the public offer price for F&P Healthcare would be in the vicinity of \$8.96 to \$10.70.

DELOITTE CORPORATE FINANCE LOGO

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Shareholders will receive the amount of the proceeds of the US Healthcare Offer less an amount of \$105 million retained by F&P Appliances. Based upon these estimates, the shareholders will receive in the range of \$447 to \$706 in respect of every 1,000 Fisher & Paykel shares they hold.

7. VALUATION OF F&P APPLIANCES

OVERVIEW OF THE APPLIANCES BUSINESS

7.1 A detailed business description of the Appliances business can be found on pages 12 to 21 of the F&P Appliances Information Memorandum.

7.2 F&P Appliances' financial performance can be found on pages 25 to 27 and Annexures A and B of the Information Memorandum. F&P Appliances' financial performance includes that of the Finance business.

DCF VALUATION OF THE APPLIANCES BUSINESS

Free Cash Flows

7.3 The FCFs adopted in the DCF valuation are based upon projections developed by Fisher & Paykel management which have been adjusted by Deloitte Corporate Finance where considered necessary. The projections were developed by Fisher & Paykel on a country-by-country and product-by-product basis based on strategic business plans, incorporating expectations regarding the future development of each region. These business plans are prepared for the period 2002 to 2006 and incorporate industry specific developments, expected competitive positioning and detailed forecasts of capital expenditure requirements for the five year period.

7.4 Consistent with the valuation of F&P Healthcare, Deloitte Corporate Finance has not disclosed the projections used for the purposes of the DCF valuation.

Discount Rate

7.5 Deloitte Corporate Finance assesses the nominal, post corporate tax WACC for the Appliances business to be in the vicinity of 10.5%.

Valuation Outcome

7.6 Based on the above, the assessed value of the ungeared Appliances business is in the vicinity of \$326 million.

Sensitivity Analysis

7.7 The DCF assessment is particularly sensitive to the following factors:

- (a) forecast sales volume assumptions per region;
- (b) warranty cost assumptions;
- (c) capital expenditure assumptions;
- (d) terminal growth assumptions; and
- (e) cost of capital assumptions.

DELOITTE CORPORATE FINANCE LOGO

7.8 Based on the sensitivity analysis undertaken, the assessed value of the ungeared Appliances business is in the range of \$297 million to \$364 million using the DCF approach.

CAPITALISATION OF EBITDA VALUATION OF THE APPLIANCES BUSINESS

7.9 Deloitte Corporate Finance has assessed the normalised 2001 EBITDA of the Appliances business to be in the vicinity of \$82 million.

7.10 Deloitte Corporate Finance has reviewed the historic EBITDA multiples for comparable companies. These EBITDA multiples are set out below.

COMPARABLE COMPANY EBITDA MULTIPLES

	LOW	HIGH	AVERAGE
	---	----	-----
Comparative company historical EBITDA multiples.....	6.2	6.8	6.5

Source: Bloomberg, Deloitte Intellinet, Reuters

7.11 Electrolux acquired Email's Australian whiteware business in early 2001 at a price implying an EBITDA multiple of 5.3.

7.12 An analysis of the comparable companies shows that they are very large global companies generally earning higher margins and having more stable earnings than Fisher & Paykel's Appliances business. Further, their historic growth rates have been superior to that of the Appliances business. Deloitte Corporate Finance is of the view that the EBITDA multiple applied in the capitalisation of EBITDA valuation should be lower than those observed for comparable companies. Based on the above, Deloitte Corporate Finance considers an appropriate EBITDA multiple for the Appliances business to be in the range of 4.0 to 5.0.

7.13 The assessed value of the Appliances business is in the range of \$328 million to \$410 million under the capitalisation of EBITDA method.

CAPITALISATION OF EBITDA VALUATION RANGE

	LOW	HIGH
	---	----
Maintainable EBITDA (\$ million).....	82	82
EBITDA Multiple.....	4.0	5.0
	---	----
Value of the Appliances business (\$ million).....	328	410
	===	===

VALUATION CONCLUSION – APPLIANCES BUSINESS

7.14 The valuation assessments indicate the value of the ungeared Appliances business to be in the range of \$300 million to \$410 million.

SUMMARY OF VALUATION ASSESSMENTS RANGE

	LOW	HIGH
	-----	-----
	(\$ MILLION)	(\$ MILLION)
DCF Valuation.....	297	364
Capitalisation of EBITDA Valuation.....	328	410

DELOITTE CORPORATE FINANCE LOGO

7.15 Based on the above, Deloitte Corporate Finance assesses the value of the ungeared Appliances business to be in the range of \$320 million to \$380 million.

OVERVIEW OF THE FINANCE BUSINESS

7.16 A detailed business description of the Finance business can be found on pages 22 to 24 of the F&P Appliances Information Memorandum.

7.17 The Finance business' financial performance is included in the combined financial statements of F&P Appliances on pages 25 to 27 and in Annexures A and B of the Information Memorandum.

VALUATION APPROACH

7.18 Whereas the valuations of the Healthcare and Appliances businesses have been undertaken on an ungeared basis, Deloitte Corporate Finance considers it more appropriate to assess the value of the Finance business on a geared basis, as interest income and interest expenses are operating items for the Finance business. Thus the FCFs in the DCF valuation represent cash flows net of interest payments and the cost of equity is used to derive the NPV of the FCFs. Similarly, the earnings in the capitalisation of earnings valuation represent NPAT and a PE multiple is used to derive the value of the geared business. In addition, Deloitte Corporate Finance has valued the geared Finance business based on a multiple of its net tangible assets ("NTA").

7.19 The Finance business has historically operated in both New Zealand and Australia. However, the Australian Finance business is now in the process of being wound up. No additional loans are being written and management believe the written down book value of receivables can be collected by 31 March 2003. Deloitte Corporate Finance has therefore assessed the value of the New Zealand and Australian finance businesses separately.

DCF VALUATION OF THE NEW ZEALAND FINANCE BUSINESS

Free Cash Flows

7.20 The FCFs adopted in the DCF valuation are based upon projections developed by Fisher & Paykel management which have been adjusted by Deloitte Corporate Finance where considered necessary. The projections were based on the Finance strategic business plan prepared for the period 2002 to 2004.

7.21 Consistent with the valuations of the Healthcare and the Appliances business, Deloitte Corporate Finance has not disclosed the projections used for the purposes of the DCF valuation.

Discount Rate

7.22 Deloitte Corporate Finance assesses the cost of equity for the Finance business to be in the vicinity of 13.0%.

Valuation Outcome

7.23 Based on the above, the assessed value of the geared Finance business is in the vicinity of \$34 million.

DELOITTE CORPORATE FINANCE LOGO

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Sensitivity Analysis

7.24 The DCF assessment is particularly sensitive to the following factors:

- (a) new product introductions and yields;
- (b) forecast cost of retail and wholesale funds;
- (c) forecast operating expenses;
- (d) terminal growth assumptions; and
- (e) cost of capital assumptions.

7.25 Based on the sensitivity analysis undertaken, the assessed value of the geared New Zealand Finance business is in the vicinity of \$31 million to \$38 million using the DCF approach.

CAPITALISATION OF EARNINGS VALUATION OF THE NEW ZEALAND FINANCE BUSINESS

7.26 Deloitte Corporate Finance has assessed the normalised NPAT of the Finance business to be in the vicinity of \$3 million.

7.27 Deloitte Corporate Finance has reviewed the PE multiples for comparable companies and transactions. The comparable companies are all overseas-based and significantly larger than the Finance business. Deloitte Corporate Finance has therefore concentrated on comparable transaction PE multiples. These multiples range from 8.5 to 12.9. Based upon the size of the Finance business, its growth prospects and the strong competition in the New Zealand market, Deloitte Corporate Finance considers an appropriate PE multiple for the Finance business to be in the range of 8.5 to 9.5.

7.28 Based on the above, the assessed value of the geared New Zealand Finance business is in the range of \$26 million to \$29 million under the capitalisation of earnings approach.

NTA MULTIPLE VALUATION OF THE NEW ZEALAND FINANCE BUSINESS

7.29 The NTA of the Finance business is in the vicinity of \$26 million as at the present date.

7.30 Deloitte Corporate Finance has reviewed the NTA multiples for comparable transactions. These multiples range from 1.0 to 3.4. Taking into account the risk factors mentioned above, Deloitte Corporate Finance considers an appropriate NTA multiple for the Finance business to be in the range of 1.0 to 1.5.

7.31 Based on the above, the assessed value of the geared New Zealand Finance business is in the range of \$26 million to \$39 million under the NTA multiple method.

AUSTRALIAN FINANCE BUSINESS

7.32 In our assessed value of the Finance business above we have only examined the New Zealand based Finance business. The Australian Finance business is forecast to close by 31 March 2003, and no further loans will be advanced by the Australian business in the interim. In such case, we believe it is appropriate to value the Australian Finance business on its net asset position (after allowing for a provision for bad debts and a provision for closing) of \$5.4 million (A\$4.3 million).

DELOITTE CORPORATE FINANCE LOGO

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VALUATION CONCLUSION – COMBINED FINANCE BUSINESSES

7.33 The valuation assessments indicate the value of the geared New Zealand and Australian Finance businesses to be in the range of \$31 million to \$44 million.

SUMMARY OF VALUATION ASSESSMENTS RANGE

	LOW ----- (\$ MILLION)	HIGH ----- (\$ MILLION)
NEW ZEALAND FINANCE BUSINESS		
DCF Valuation.....	31	38
Capitalisation of NPAT valuation.....	26	29
NTA multiple valuation.....	26	39
	-----	-----
New Zealand Finance Business Range.....	26-31	29-39
AUSTRALIAN FINANCE BUSINESS		
NTA multiple valuation.....	5	5
	-----	-----
Total Finance Business Range.....	31-36 =====	34-44 =====

7.34 Based on the above, Deloitte Corporate Finance assesses the value of the geared Finance business to be in the range of \$31 million to \$44 million.

VALUATION OF F&P APPLIANCES SHARES

7.35 Deloitte Corporate Finance has treated F&P Appliances' 19.9% interest in F&P Healthcare as a surplus asset in the valuation of the F&P Appliances shares. Based on an assessed value of \$10.30 to \$12.30 per share as set out in section 6, the value of F&P Appliances' 19.9% interest equates to \$204 million to \$244 million.

7.36 Fisher & Paykel's management advise that F&P Appliances has no other surplus assets of any significant value at the present date.

7.37 Fisher & Paykel's management also advise that after the proposed transactions, (including receiving the proceeds of the US Healthcare Offer), and assuming a normalised working capital balance, it is forecast that F&P Appliances will have net IBD of approximately \$106 million. Of this IBD balance, approximately \$15 million will relate to the cost of completing the Separation Arrangement. We have included the impact of these transaction costs later in our report and therefore have only applied an IBD balance of \$91 million in our assessment of the value of F&P Appliances.

7.38 In the 31 March 2001 financial statements Fisher & Paykel has provided for approximately \$6 million in relation to certain third party borrowings that are unlikely to be fully recoverable. These third party borrowings from the Finance business are guaranteed by the Appliances business.

DELOITTE CORPORATE FINANCE LOGO

7.39 Based on the above, the assessed value of all the shares in F&P Appliances is in the range of \$458 million to \$571 million as set out below. This equates to a value of \$7.07 to \$8.81 per share based upon the 64.821 million F&P Appliances shares that will be on issue.

VALUE OF F&P APPLIANCES SHARES

	LOW	HIGH
	-----	-----
	\$ MILLION	\$ MILLION
Value of Appliances business.....	320	380
Value of Finance business.....	31	44
Value of 19.9% interest in F&P Healthcare.....	204	244
Deduct: Net IBD at separation.....	(91)	(91)
Contingent liability.....	(6)	(6)
	-----	-----
Value of the F&P Appliances shares.....	458	571
	=====	=====
Number of shares on issue (million).....	64.821	64.821
	-----	-----
Value per share.....	\$ 7.07	\$ 8.81
	=====	=====

CONCLUSION

7.40 Based on the above, Deloitte Corporate Finance assesses the fair market value of each share in F&P Appliances to be in the range of \$7.07 to \$8.81 following the Separation Arrangement.

8. VALUATION OF FISHER & PAYKEL

INTRODUCTION

8.1 In order to assess the fair market value of the Fisher & Paykel shares if the Separation Arrangement does not proceed, Deloitte Corporate Finance has adopted the following valuation methods:

- (a) recent share trading;
- (b) DCF; and
- (c) capitalisation of EBITDA.

ANALYSIS OF RECENT SHARE TRADING HISTORY

8.2 Deloitte Corporate Finance has undertaken an analysis of Fisher & Paykel's recent share trading history in order to determine an appropriate benchmark for assessing the fair market value of the Fisher & Paykel shares. In Deloitte Corporate Finance's opinion, the price at which the shares have traded provides strong evidence as to the fair market value of a Fisher & Paykel share. Fisher & Paykel shares trade in a well informed liquid market and the Company is relatively well covered by stock analysts.

DELOITTE CORPORATE FINANCE LOGO

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8.3 The share price performance of Fisher & Paykel is shown in paragraphs 4.13 and 4.14. The chart below plots the Fisher & Paykel share price relative to the NZSE40 Capital Index.

FISHER & PAYKEL VS NZSE40 CAPITAL INDEX
(RELATIVE PERFORMANCE GRAPH - JANUARY 2000 TO JULY 2001)

[PERFORMANCE GRAPH]

Source: Datex

8.4 The analysis shows that the Fisher & Paykel share price has increased significantly in the last 14 months and has significantly outperformed the NZSE40 Capital Index. Deloitte Corporate Finance is of the opinion that this increase is largely as a result of the market pricing in the effects of the Separation Arrangement.

8.5 On 2 June 2000, the Company announced it had sought external advice and had commissioned Deutsche Bank to provide an independent view on available options. The closing price of Fisher & Paykel shares on 1 June 2000 was \$6.48. The shares closed at \$6.85 on 2 June 2000, representing a 5.7% increase immediately after the announcement.

8.6 On 19 December 2000, Fisher & Paykel announced to the market that, subject to Court and shareholder approval, the Company would be separated into two listed companies. The closing price of Fisher & Paykel shares on 18 December 2000 was \$7.60. The shares closed at \$8.26 on 19 December 2000, representing a 8.7% increase immediately after the announcement.

8.7 In the 30 days prior to the 19 December 2000 announcement shares in Fisher & Paykel traded in the range of \$7.12 to \$7.65 with a volume weighted average price of \$7.30. In the period from that announcement to 31 July 2001, the Fisher & Paykel share price has traded in the range of \$7.60 to \$13.23, with a volume weighted average price of \$10.21.

8.8 Fisher & Paykel's closing share price on 22 August 2001 was \$13.15. This equates to a market capitalisation of \$1,553 million, a \$744 million (92%) increase over the market

DELOITTE CORPORATE FINANCE LOGO

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capitalisation based on the 2 June 2000 closing share price and an increase of \$578 million (59%) over the market capitalisation based on the 19 December 2000 closing share price.

8.9 In Deloitte Corporate Finance's opinion, the increase in the Fisher & Paykel share price is largely as a result of the announcements in respect of the Separation Arrangement. The price of Fisher & Paykel shares after the 19 December 2000 announcement provides evidence of the market's opinion that the Separation Arrangement will enhance shareholder value by unlocking a perceived "value gap" due to Fisher & Paykel's conglomerate structure.

8.10 Deloitte Corporate Finance is of the opinion that the current market price reflects the value that investors believe will be released by the separation.

8.11 If the Separation Arrangement did not proceed, it is likely that the Company's share price would reduce from its current levels. The current share price reflects the expectation by the market of the separation process. If this expectation were to be removed then it is likely that the value ascribed by the market to the separation would dissipate and therefore the Company's share price would drop below its current level.

8.12 However, even if the Separation Arrangement did not proceed, it is arguable that the market will be better informed in respect of the strategy and direction of the individual businesses. Hence it is possible that the market would re-rate the value of Fisher & Paykel based upon this additional information. Accordingly Deloitte Corporate Finance expects that the market would value Fisher & Paykel at a higher level than that ascribed prior to the 2 June 2000 announcement.

8.13 Deloitte Corporate Finance is of the view that if the Separation Arrangement did not proceed, the Fisher & Paykel share price would likely drop to a range of \$7.60 to \$9.00.

DCF VALUATION

8.14 The valuation of Fisher & Paykel under a DCF methodology should, theoretically, be equal to the sum of the DCF valuations of the Healthcare, Appliances and Finance businesses.

8.15 However, Deloitte Corporate Finance believes that the Fisher & Paykel shares may have historically been discounted by the market due to the influence of what is known as a 'conglomerate discount'. The conglomerate discount relates to the lack of transparency between different businesses within a corporate.

8.16 In the case of Fisher & Paykel this conglomerate discount reflects the:

(a) reduced ownership access for specialist investors and no specialist analyst coverage. Such specialist investors and analysts are able to better understand the component business and the industry it operates in and are thus better able to accurately value the business;

(b) reduced likelihood of takeover offers for individual business units;

(c) reduced visibility of the cash flows of the component business divisions; and

(d) cross subsidisation of business units (ie potential over-investment in mature divisions and the foregoing of more positive value creation opportunities elsewhere).

8.17 The existence of these factors indicates that the value of Fisher & Paykel as it has been historically structured may be less than if the Separation Arrangement proceeds. Section 9

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discusses a number of the advantages of the Separation Arrangement. Many of these factors relate to the potential value creation resulting from the separation.

8.18 A study by Eli Ofek and Phillip Berger in the Journal of Financial Economics in 1995 quantified the conglomerate discount. This study found that comparing the standalone value of a firm's individual business segments with the total firm's value results in an average discount of between 13% and 15%. Other studies in the United States have found an average conglomerate discount in the vicinity of 15%.

8.19 Deloitte Corporate Finance has applied a conglomerate discount of 15% to the assessed DCF valuations. Accordingly, the assessed value of Fisher & Paykel assuming the Separation Arrangement does not proceed is in the range of \$8.42 to \$11.08 based upon the DCF method.

DCF VALUATION OF FISHER & PAYKEL

	LOW	HIGH
	-----	-----
	\$ MILLION	\$ MILLION
DCF value of Healthcare business.....	980	1,267
DCF value of Appliances business.....	297	364
DCF value of New Zealand Finance business.....	31	38
Value of Australian Finance business.....	5	5
Deduct: Net IBD at separation.....	(170)	(170)
Additional Separation Costs if no separation.....	(2)	(2)
	-----	-----
	1,141	1,502
Less conglomerate discount at 15%.....	(149)	(196)
	-----	-----
DCF value of Fisher & Paykel shares.....	992	1,306
	=====	=====
Number of shares on issue (million)(1).....	117.856	117.856
	-----	-----
DCF value per share.....	\$ 8.42	\$ 11.08
	=====	=====

(1) The number of Fisher & Paykel shares on issue immediately prior to the separation is forecast to be approximately 117.856 million.

CAPITALISATION OF EBITDA VALUATION

8.20 Despite the relative growth prospects and earnings of the Healthcare business compared with the more mature Appliances business, the market has historically ascribed an EBITDA multiple to Fisher & Paykel more akin to a whiteware business than a healthcare business under the conglomerate structure. The implied EBITDA multiple for Fisher & Paykel prior to the 2 June 2000 announcement was 7.0, while the implied EBITDA multiple prior to the 19 December 2000 announcement was 8.0. This compares with Deloitte Corporate Finance's assessed multiples of 12.0 to 14.0 for the Healthcare business and 4.0 to 5.0 for the Appliances business.

8.21 The combined assessed normalised EBITDA for the Healthcare and Appliances businesses amounts to \$167 million. Applying an EBITDA multiple of 7.0 to 8.0 and adjusting for IBD and the value of the Finance business (after deducting a 15% conglomerate discount)

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results in a value for the Fisher & Paykel shares of \$8.69 to \$10.20, as calculated in the following table.

EBITDA VALUATION OF FISHER & PAYKEL

	LOW	HIGH
	-----	-----
	\$ MILLION	\$ MILLION
Normalised Healthcare and Appliances EBITDA.....	167	167
EBITDA multiple.....	7.0	8.0
	-----	-----
	1,169	1,336
Add:		
Finance business (at 15% conglomerate discount).....	27	38
Deduct: Net IBD at separation.....	(170)	(170)
Additional Separation Costs if no separation.....	(2)	(2)
	-----	-----
Value of the Fisher & Paykel shares.....	1,024	1,202
	=====	=====
Number of shares on issue (million).....	117.856	117.856
	-----	-----
Value per share.....	\$ 8.69	\$ 10.20
	=====	=====

CONCLUSION

8.22 The table below summarises Deloitte Corporate Finance's assessed value of Fisher & Paykel were the Separation Arrangement not to proceed under three different valuation approaches.

VALUE OF FISHER & PAYKEL SHARES ASSUMING THE SEPARATION ARRANGEMENT DOES NOT PROCEED

	LOW	HIGH
	-----	-----
	\$ PER SHARE	\$ PER SHARE
Share trades.....	7.60	9.00
DCF valuation.....	8.42	11.08
EBITDA valuation.....	8.69	10.20

8.23 Based upon the above, Deloitte Corporate Finance assesses the value of the Fisher & Paykel shares to be in the vicinity of \$8.00 to \$11.00 should the Separation Arrangement not proceed.

9. EVALUATION OF THE SEPARATION ARRANGEMENT

INTRODUCTION

9.1 Under the terms and conditions of the Separation Arrangement, for every 1,000 Fisher & Paykel shares, a shareholder will:

- (a) retain 528 shares in F&P Healthcare;
- (b) receive 550 shares in F&P Appliances; and
- (c) receive a cash amount determined by the price obtained in the US Healthcare Offer.

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9.2 Deloitte Corporate Finance assesses the fair market value of each F&P Healthcare share to be \$10.30 to \$12.30. Accordingly, the fair market value of 528 F&P Healthcare shares is \$5,438 to \$6,494.

9.3 Deloitte Corporate Finance assesses the fair market value of each F&P Appliances share to be \$7.07 to \$8.81. Accordingly, the fair market value of 550 F&P Appliances shares is \$3,889 to \$4,846.

9.4 Deloitte Corporate Finance estimates the likely issue price for the F&P Healthcare shares in the US Healthcare Offer to be \$8.96 to \$10.70. Shareholders will receive the amount of the proceeds of the US Healthcare Offer less an amount of \$105 million retained by F&P Appliances. Based upon these estimates, the shareholders will receive in the range of \$447 to \$706 in respect of every 1,000 Fisher & Paykel shares they hold.

9.5 The transaction costs associated with the Separation Arrangement amount to approximately \$25 million. Of these costs, approximately \$10 million will already be incurred prior to the separation. This amount is included in the debt allocated to the Appliance and Healthcare businesses and therefore included in our assessed value of those businesses. An additional approximately \$15 million cost will be included should the Separation Arrangement proceed. This equates to \$0.13 per Fisher & Paykel share or \$127 per 1,000 Fisher & Paykel shares.

9.6 Deloitte Corporate Finance assesses the fair market value of each Fisher & Paykel share to be \$8.00 to \$11.00 if the Separation Arrangement does not proceed. Accordingly, the fair market value of 1,000 Fisher & Paykel shares is \$8,000 to \$11,000 (assuming the Separation Arrangement does not proceed).

COMPARISON OF VALUES

9.7 A comparison of the likely financial position of the shareholders is set out below.

COMPARISON OF VALUES

	LOW	HIGH
	----	-----
	\$	\$
FAIR MARKET VALUE OF 1,000 FISHER & PAYKEL SHARES ASSUMING THE SEPARATION ARRANGEMENT PROCEEDS		
Fair market value of 528 F&P Healthcare shares.....	5,438	6,494
Fair market value of 550 F&P Appliances shares.....	3,889	4,846
Likely cash received per 1,000 Fisher & Paykel shares....	447	706
Incremental transaction costs per 1,000 Fisher & Paykel shares.....	(127)	(127)
	-----	-----
Total.....	9,647	11,919
	=====	=====
FAIR MARKET VALUE OF 1,000 FISHER & PAYKEL SHARES ASSUMING THE SEPARATION ARRANGEMENT DOES NOT PROCEED...	8,000	11,000
	=====	=====

9.8 The analysis shows that the upper end of the range of the combined value of the F&P Appliances and F&P Healthcare shares and the net cash received from the Separation Arrangement exceeds the assessed value of the Fisher & Paykel shares if the Separation Arrangement does not proceed. Further, the midpoint of the value range assuming the

Separation Arrangement proceeds (\$10,784) approximates the upper end of the value range assuming the Separation Arrangement does not proceed.

9.9 Accordingly, Deloitte Corporate Finance is of the opinion that the financial position of Fisher & Paykel's existing shareholders will be enhanced if the Separation Arrangement proceeds.

ADVANTAGES AND DISADVANTAGES OF THE SEPARATION ARRANGEMENT

9.10 The likely advantages and disadvantages of the Separation Arrangement for Fisher & Paykel are summarised below.

ADVANTAGES

9.11 Removal of the conglomerate discount. The Separation Arrangement will enable market visibility of the two businesses, removing any effect of this discount. Analysts and investors will be better able to evaluate the performance and prospects of the individual businesses.

9.12 Each company will have an independent board containing members with specialist expertise. This board together with independent management, will be able to control the strategic and financial direction and focus on the core competencies of each company.

9.13 Shareholders will have greater control over their investment exposure as they will be able to choose whether to hold shares in an appliances/finance business and/or a healthcare business.

9.14 The management of each of the two companies can be remunerated directly against the share performance of the two separately listed companies. This will better align the interests of management with its shareholders. Such equity based compensation may be important in recruiting and retaining key personnel.

9.15 As independent listed companies, the prospects of receiving a takeover offer for F&P Appliances and/or F&P Healthcare will be significantly enhanced compared with the prospects under the current structure.

9.16 The US Healthcare Offer may enhance the value of F&P Healthcare as there are a large number of specialist healthcare investors in the United States whose industry expertise should ensure that F&P Healthcare is fully valued. Factors that contribute to the success of overseas companies raising capital in the United States include growth rates exceeding 20%, market capitalisation in excess of US\$25 million, operations in the United States and a global brand name. F&P Healthcare meets most of these criteria.

9.17 The US Healthcare Offer and simultaneous NASDAQ listing, together with a listing in New Zealand and Australia will provide F&P Healthcare with acquisition currency in that the company will be able to issue shares in consideration for businesses it acquires. An interest in a NASDAQ listed, specialist healthcare company will be stronger currency than a New Zealand listed healthcare and appliances conglomerate.

DISADVANTAGES

9.18 The success of each company will be reliant on the performance of the individual businesses (albeit F&P Appliances will have a 19.9% cross shareholding in F&P)

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Healthcare). Industry specific conditions will have a more material influence on each company's financial performance.

9.19 Certain shareholders who hold their Fisher & Paykel shares on revenue account may incur a tax liability from the sale of their Fisher & Paykel shares to F&P Appliances. In some cases this tax payable may be more than the cash they will receive under the Separation Arrangement and therefore those shareholders may incur a cash cost as a result of the Separation Arrangement. The Notice discusses the tax consequences in further detail at pages 25 and 26. Individual investors will need to consider their personal tax positions under the Separation Arrangement.

9.20 The listing of F&P Healthcare on the NASDAQ will expose the shareholders to the United States capital markets and particularly the NASDAQ. Further, United States investors may become the price setter for the F&P Healthcare market price. However, Deloitte Corporate Finance notes that many comparable medical supply companies listed on the NASDAQ and the New York Stock Exchange have not suffered from the significant falls in those markets in the past twelve months.

9.21 The separation is dependent on the US Healthcare Offer proceeding. As discussed on page 16 of the Notice, there are a number of factors that could affect the success of that offer.

9.22 The NZSE index weighting for Fisher & Paykel will change. There may be reduced demand for F&P Healthcare and F&P Appliances shares from institutional investors realigning their portfolios with the various NZSE indices as the respective market capitalisations of F&P Healthcare and F&P Appliances will likely be lower than Fisher & Paykel after the Separation Arrangement. Deloitte Corporate Finance notes that both new companies will have a market capitalisation sufficient to place them in the top 20% of stocks listed on the NZSE.

9.23 The formation of a new company, together with a new board of directors and separate management teams may result in an increase in corporate costs. However Deloitte Corporate Finance understands that in recent years the Healthcare and Appliances businesses have operated as separate divisions and therefore the additional costs will not be significant.

9.24 The cost of debt financing may increase for each entity as they will be smaller than Fisher & Paykel and also less diversified. Deloitte Corporate Finance notes however that neither company is forecast to have significant debt.

CONCLUSION

9.25 After having due regard to all factors relevant in undertaking this Independent Report, Deloitte Corporate Finance is of the opinion that the terms and conditions of the Separation Arrangement are fair and reasonable to the existing Fisher & Paykel shareholders.

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SOURCES OF INFORMATION

- 10.1 The statements and opinions expressed in this report are based on the following main sources of information:
- (a) the Healthcare management forecasts for the period from 31 March 2002 to 31 March 2006;
 - (b) the Fisher & Paykel annual reports for the years ended 31 March 1999, 2000 and 2001;
 - (c) the Fisher & Paykel Appliance Group Business Plan & Budgets 2001-2002;
 - (d) the Fisher & Paykel Appliances five year Business Plan 2002-2006;
 - (e) various financial and industry information from sources such as Reuters, Bloomberg and brokers;
 - (f) Deloitte & Touche LLP research regarding listing in the US; and
 - (g) KPMG Financial Institutions Performance Survey 2001.
- 10.2 During the course of preparing this report, Deloitte Corporate Finance has had discussions with and/or received information from the Directors of Fisher & Paykel and Fisher & Paykel's management.
- 10.3 The Directors have confirmed that Deloitte Corporate Finance has been provided for the purpose of the Independent Report with all information relevant to the Separation Arrangement that is known or should have been known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.
- 10.4 Including this confirmation, Deloitte Corporate Finance has obtained all the information that it believes necessary for the purpose of preparing the Independent Report.
- 10.5 In Deloitte Corporate Finance's opinion, the information set out in this Independent Report is sufficient to enable the shareholders to understand all the relevant factors and to make an informed decision in respect of the Separation Arrangement.

RELIANCE ON INFORMATION

- 10.6 In preparing this report Deloitte Corporate Finance has relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to it by Fisher & Paykel.
- 10.7 Deloitte Corporate Finance has evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but Deloitte Corporate Finance has not verified the accuracy or completeness of any such information nor conducted an appraisal of any assets. Deloitte Corporate Finance has not carried out any form of due diligence or audit on the accounting or other records of Fisher & Paykel. Deloitte Corporate Finance does not warrant that its enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

DISCLAIMER

- 10.8 This report has been prepared by Deloitte Corporate Finance with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way does

Deloitte Corporate Finance guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Fisher & Paykel, F&P Healthcare or F&P Appliances will be achieved. Forecasts are inherently uncertain. They are necessarily based on assumptions, many of which are beyond the control of Fisher & Paykel and its management team. Actual future results will vary from the forecasts and these variations may be significantly more or less favourable.

- 10.9 Deloitte Corporate Finance assumes no responsibility arising in any way whatever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from Deloitte Corporate Finance's reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

10.10 Deloitte Corporate Finance's opinion has been arrived at based on exchange rates and economic market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. Deloitte Corporate Finance has no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this report or to review, revise or update its report or opinion.

INDEMNITY

10.11 Fisher & Paykel has agreed that to the extent permitted by law, it will indemnify Deloitte Touche Tohmatsu and its partners, employees and consultants in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Fisher & Paykel has also agreed to indemnify Deloitte Touche Tohmatsu and its partners, employees and consultants for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Deloitte Touche Tohmatsu or its employees and officers are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Deloitte Touche Tohmatsu shall reimburse such costs.

11. QUALIFICATIONS, INDEPENDENCE, DECLARATIONS AND CONSENTS

QUALIFICATIONS

- 11.1 Deloitte Touche Tohmatsu is one of the world's leading professional services firms. Deloitte Corporate Finance is the corporate finance practice of Deloitte Touche Tohmatsu, providing corporate advisory, merger and acquisition, valuation and transaction services.
- 11.2 The persons in the firm responsible for issuing this report are Peter A Simmons, B.Com, DipBus (Finance), CA(PP) and Andrew R Liddell, B.Com, LLB, CA.
- 11.3 Mr Simmons is the partner in charge of the Deloitte Corporate Finance practice in New Zealand. Mr Liddell is a partner in Deloitte Corporate Finance. They specialise in providing corporate finance advice on acquisitions and divestments and advising on the value of shares, businesses and intangible assets.
- 11.4 Deloitte Corporate Finance, Mr Simmons and Mr Liddell have significant experience in the independent investigation of financial transactions and issuing opinions as to whether the terms thereof are fair.

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INDEPENDENCE

- 11.5 Deloitte Touche Tohmatsu is not the auditor of Fisher & Paykel.
- 11.6 Deloitte Corporate Finance has not had any part in the formulation of the Separation Arrangement or any aspects thereof. Deloitte Corporate Finance's sole involvement has been the preparation of this report.
- 11.7 Deloitte Corporate Finance will receive a fee for the preparation of this report. This fee is not contingent on the conclusions of this report nor the completion of the Separation Arrangement. Deloitte Corporate Finance will receive no other benefit from the preparation of this report. Deloitte Corporate Finance does not have any pecuniary or other interests which could reasonably be regarded as capable of affecting its ability to provide an unbiased analysis of the Separation Arrangement.
- 11.8 Deloitte Corporate Finance considers itself to be independent in terms of the requirements of the NZSE Listing Rules.

DECLARATIONS

- 11.9 An advance draft of this report was provided to Fisher & Paykel's directors, solely for the purpose of verifying factual matters contained in the report. Minor changes were made to the drafting of the report as a result of the circulation of the draft report. However, there was no material alteration to any part of the substance of this report, including the methodology or conclusions as a result of issuing the draft.

11.10 Deloitte Corporate Finance's terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

CONSENTS

11.11 Deloitte Corporate Finance consents to the issuing of this report in the form and context in which it is included in the information to be sent to Fisher & Paykel's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without the prior written consent of Deloitte Corporate Finance as to the form and context in which it appears.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO GIVE YOU ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS ABOUT THE TRANSACTIONS WE DISCUSS IN THIS PROSPECTUS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS. THIS PROSPECTUS IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES ANYWHERE OR TO ANYONE WHERE OR TO WHOM WE ARE NOT PERMITTED TO OFFER OR SELL SECURITIES UNDER APPLICABLE LAW. THE DELIVERY OF THIS PROSPECTUS OR THE SECURITIES OFFERED BY THIS PROSPECTUS DOES NOT, UNDER ANY CIRCUMSTANCES, MEAN THAT THERE HAS NOT BEEN A CHANGE IN OUR AFFAIRS SINCE THE DATE OF THIS PROSPECTUS. IT ALSO DOES NOT MEAN THAT THE INFORMATION IN THIS PROSPECTUS IS CORRECT AFTER THIS DATE.

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UNTIL , 2001 (25 DAYS AFTER THE DATE OF THIS OFFERING), ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALER'S OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS AN UNDERWRITER AND WITH RESPECT TO UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

TO BE RENAMED

**FISHER & PAYKEL
HEALTHCARE CORPORATION
LIMITED
AMERICAN DEPOSITARY
SHARES REPRESENTING
ORDINARY SHARES
DEUTSCHE BANC ALEX. BROWN**

BANC OF AMERICA SECURITIES LLC

U.S. BANCORP PIPER JAFFRAY

PROSPECTUS

, 2001

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Fisher & Paykel Industries Limited has entered into a deed of indemnity, dated August 10, 2001, for the benefit of its existing and former directors and the persons who will be appointed directors upon completion of the reorganization and for the benefit of its employees. This deed of indemnity also applies to directors (including former directors) and employees of subsidiaries of Fisher & Paykel Industries Limited and (until completion of the reorganization) to the persons who will be appointed as directors of Fisher & Paykel Appliances Holdings Limited upon completion of the reorganization.

Fisher & Paykel Industries Limited has agreed to indemnify each of these persons, to the fullest extent permitted by applicable law, for:

- any costs incurred by such person in any proceeding that relates to liability for any act or omission in such person's capacity as a director, proposed director or employee in which judgment is given in such person's favor, such person is acquitted, or the proceeding is discontinued, and
- any liability for any act or omission in such person's capacity as a director, proposed director or employee and costs incurred by such person in defending or setting any claim or proceeding relating to any such liability, other than (i) liability to Fisher & Paykel Industries Limited or any of its related companies, (ii) criminal liability, (iii) in the case of a director or proposed director, liability in respect of a breach of the duty to act in good faith and in such manner as the person believes to be in the best interests of Fisher & Paykel Industries Limited or the relevant subsidiary, or (iv) in the case of an employee, liability in respect of a breach of any fiduciary duty owed to Fisher & Paykel Industries Limited or the relevant subsidiary.

Fisher & Paykel Industries Limited has also obtained insurance, to the fullest extent permitted by applicable law, for the benefit of its existing and former directors, and the persons who will be appointed directors upon completion of the reorganization, and for the benefit of its employees. This insurance is also for the benefit of directors (including former directors) and employees of subsidiaries of Fisher & Paykel Industries Limited and (until the completion of the reorganization) the persons who will be appointed as directors of Fisher & Paykel Appliances Holdings Limited upon completion of the reorganization. Fisher & Paykel Industries Limited will pay the full cost of this insurance policy. This insurance will only apply in respect of:

- liability, excluding criminal liability, for any act or omission in such person's capacity as a director, proposed director or employee,
- costs incurred by a director, proposed director or employee in defending or settling any claim or proceeding relating to any such liability, and
- costs incurred by a director, proposed director or employee in defending any criminal proceedings that have been brought against the director, proposed director or employee in relation to any act or omission in such person's capacity as a director, proposed director or employee and in which the director, proposed director or employee is acquitted.

Under the separation arrangement agreement to be entered into in connection with the reorganization, Fisher & Paykel Appliances Holdings Limited will agree to indemnify, to the fullest extent permitted by applicable law, the directors and officers of Fisher & Paykel Industries Limited (including the persons who will be appointed directors of Fisher & Paykel Industries Limited, which will be renamed Fisher & Paykel Healthcare Corporation Limited, upon completion

of the reorganization) in respect of any liability in connection with the reorganization or this offering arising from any untrue statements regarding Fisher & Paykel Appliances Holdings Limited or the appliances or finance business of Fisher & Paykel Industries Limited in the prospectus contained in this registration statement or in any shareholder materials relating to the reorganization. Fisher & Paykel Industries Limited will agree to indemnify the directors and officers of Fisher & Paykel Appliances Holdings Limited (including the persons who will be appointed directors of Fisher & Paykel Appliances Holdings Limited upon completion of the reorganization) to the same extent for any liability arising from any untrue statements regarding Fisher & Paykel Healthcare Corporation Limited or the healthcare business of Fisher & Paykel Industries Limited in the prospectus contained in this registration statement or in any shareholder materials relating to the reorganization.

ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES

On January 28, 2000, Fisher & Paykel Industries Limited issued 561,900 ordinary shares to the trustees of its New Zealand and Australia Employee Share Purchase Plans at an issue price of NZ\$5.13 per ordinary share. These ordinary shares were issued for allocation by the trustees to employees participating in the plan. See "Management -- Employee Share Purchase Plans" in the prospectus which is part of this registration statement.

The securities issued in the transactions described above were deemed exempt from registration under the Securities Act in reliance upon Regulation S under the Securities Act as a transaction by an issuer not involving a transaction subject to the Securities Act.

ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
1.1	Form of Underwriting Agreement*
2.1	Separation Arrangement Agreement, dated August 23, 2001, between Fisher & Paykel Industries Limited and Fisher & Paykel Appliances Holdings Limited
3.1	Constitution of Fisher & Paykel Industries Limited
4.1	Form of Deposit Agreement*
4.2	Form of American Depositary Receipt (included in Exhibit 4.1 to this registration statement)
5.1	Opinion of Bell Gully
8.1	Opinion of Debevoise & Plimpton
10.1	Consultancy Agreement between Fisher & Paykel Industries Limited and David B. Henry, dated September 10, 2001
10.2	Consultancy Agreement between Fisher & Paykel Industries Limited and LRS Management Limited, dated September 10, 2001
11.1	Computation of per share earnings
21.1	Subsidiaries of Fisher & Paykel Industries Limited
23.1	Consent of PricewaterhouseCoopers

* To be filed by amendment

EXHIBIT NUMBER -----	DESCRIPTION -----
23.2	Consent of Bell Gully (included in Exhibit 5.1 to this registration statement)
23.3	Consent of Deloitte Touche Tohmatsu
23.4	Consent of Debevoise & Plimpton (included in Exhibit 8.1 to this registration statement)
24.1	Power of Attorney (included in Part II of this registration statement)

(B) FINANCIAL STATEMENT SCHEDULES

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

All other schedules for which provision is made in the applicable accounting regulations of the Commission are not required under the related instructions, are inapplicable or not material, or the information called for thereby is otherwise included in the financial statements or related notes and therefore has been omitted.

ITEM 9. UNDERTAKINGS

The undersigned registrant hereby undertakes:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant further undertakes:

(1) to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser,

(2) that for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective, and

(3) that for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Auckland, New Zealand on September 13, 2001.

FISHER & PAYKEL INDUSTRIES LIMITED

By: /s/ WILLIAM LINDSAY GILLANDERS

Name: William Lindsay Gillanders

Title: Executive Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below constitutes and appoints W. Lindsay Gillanders, David B. Henry and Michael G. Daniell and each of them, with full power to act without the other, his true and lawful attorneys-in-fact and agents with full and several power of substitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments, including post-effective amendments, and supplements to this registration statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933 this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	CAPACITY IN WHICH SIGNED -----	DATE ----
/s/ GARY A. PAYKEL ----- Gary A. Paykel	Managing Director, Chief Executive Officer	September 13, 2001
/s/ DAVID B. HENRY ----- David B. Henry	Finance Director, Chief Financial Officer	September 13, 2001
/s/ MAURICE PAYKEL ----- Maurice Paykel	Director	September 13, 2001
/s/ COLIN J. MAIDEN ----- Colin J. Maiden	Director	September 13, 2001
/s/ JOHN W. GILKS ----- John W. Gilks	Director	September 13, 2001
/s/ NORMAN M.T. GEARY ----- Norman M.T. Geary	Director	September 13, 2001
/s/ W. LINDSAY GILLANDERS ----- W. Lindsay Gillanders	Executive Director, Company Secretary	September 13, 2001

SIGNATURE -----	CAPACITY IN WHICH SIGNED -----	DATE ----
/s/ DONALD D. ROWLANDS ----- Donald D. Rowlands	Director	September 13, 2001
/s/ J. JULIAN A. WILLIAMS ----- J. Julian A. Williams	Technical Director	September 13, 2001
/s/ JUSTIN P. CALLAHAN ----- Justin P. Callahan	Authorized Representative in the United States	September 13, 2001

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To the Board of Directors of Fisher & Paykel Industries Limited:

Our audits of the consolidated financial statements referred to in our report dated June 6, 2001, except for Note 30 and 31, for which the date is August 21, 2001, appearing in this Form F-1 of Fisher & Paykel Industries Limited also included an audit of the financial statement schedule listed in Item 8(b) of this Form F-1. In our opinion, the financial statement schedule listed in Item 8(b) of this Form F-1 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers

Auckland, New Zealand
June 6, 2001.

SCHEDULE II

**FISHER & PAYKEL INDUSTRIES LIMITED
VALUATION AND QUALIFYING ACCOUNTS**

	BALANCE AT BEGINNING OF PERIOD	ADDITIONAL CHARGES TO COSTS AND EXPENSES	DEDUCTIONS AND WRITE-OFFS	FOREIGN EXCHANGE ADJUSTMENT	BALANCE AT END OF PERIOD
	-----	-----	-----	-----	-----
	(IN THOUSANDS OF U.S. DOLLARS)				
(i) Provisions for doubtful debts					
Year ended March 31, 1999.....	596	306	(496)	(16)	390
Year ended March 31, 2000.....	390	136	(176)	(30)	320
Year ended March 31, 2001.....	320	418	(428)	(59)	251
(ii) Provision for Finance doubtful debts					
Year ended March 31, 1999.....	3,693	1,495	(2,205)	(90)	2,893
Year ended March 31, 2000.....	2,893	1,412	(667)	(265)	3,373
Year ended March 31, 2001.....	3,373	1,210	(1,924)	(577)	2,082
(iii) Provision for inventory obsolescence					
Year ended March 31, 1999.....	344	696	(692)	(7)	341
Year ended March 31, 2000.....	341	720	(577)	(33)	451
Year ended March 31, 2001.....	451	428	(453)	(82)	344

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EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
1.1	Form of Underwriting Agreement*
2.1	Separation Arrangement Agreement, dated August 23, 2001, between Fisher & Paykel Industries Limited and Fisher & Paykel Appliances Holdings Limited
3.1	Constitution of Fisher & Paykel Industries Limited
4.1	Form of Deposit Agreement*
4.2	Form of American Depositary Receipt (included in Exhibit 4.1 to this registration statement)
5.1	Opinion of Bell Gully
8.1	Opinion of Debevoise & Plimpton
10.1	Consultancy Agreement between Fisher & Paykel Industries Limited and David B. Henry, dated September 10, 2001
10.2	Consultancy Agreement between Fisher & Paykel Industries Limited and LRS Management Limited, dated September 10, 2001
11.1	Computation of per share earnings
21.1	Subsidiaries of Fisher & Paykel Industries Limited
23.1	Consent of PricewaterhouseCoopers
23.2	Consent of Bell Gully (included in Exhibit 5.1 to this registration statement)
23.3	Consent of Deloitte Touche Tohmatsu
23.4	Consent of Debevoise & Plimpton (included in Exhibit 8.1 to this registration statement)
24.1	Power of Attorney (included in Part II of this registration statement)

* To be filed by amendment

EXHIBIT 2.1

SEPARATION ARRANGEMENT AGREEMENT

RELATING TO THE SEPARATION OF THE FISHER
& PAYKEL GROUP

FISHER & PAYKEL INDUSTRIES LIMITED

AND

FISHER & PAYKEL APPLIANCES HOLDINGS
LIMITED

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This AGREEMENT is made on 23 August 2001

BETWEEN (1) FISHER & PAYKEL INDUSTRIES LIMITED, a company governed by the laws of New Zealand (FPIL); and

AND (2) FISHER & PAYKEL APPLIANCES HOLDINGS LIMITED, a company governed by the laws of New Zealand (FPAH).

INTRODUCTION

A. The Fisher & Paykel Group is a group of companies engaged in the appliances, finance and healthcare businesses.

B. FPIL, the ultimate holding company of the Fisher & Paykel Group, proposes to separate its appliances and finance businesses and its healthcare business into two listed companies, namely:

(i) FPAH, which will own the appliances and finance businesses; and

(ii) Fisher & Paykel Healthcare Corporation Limited, which will own the healthcare business.

C. It is also proposed that FPAH will sell a portion of the FPIL Shares it acquires as part of the Separation Arrangement, amounting to approximately 18% of the FPHC Shares then outstanding, to investors in the United States.

D. It is proposed the various transactions will be implemented through a High Court-approved arrangement under Part XV (section 236) of the Act.

E. The boards of directors of FPIL and FPAH have determined that it is in the best interests of their respective companies and shareholders to enter into this Agreement and to implement the Separation Arrangement.

F. The parties have agreed to implement the Separation Arrangement and related transactions on the terms set out in this Agreement.

IT IS AGREED

1. INTERPRETATION

1.1 DEFINITIONS

In this Agreement (including the Schedules to this Agreement), unless otherwise specified or the context otherwise requires:

ACT means the Companies Act 1993, as amended from time to time;

ACTUAL ALLOCATED TOTAL BORROWINGS AS AT THE SEPARATION DATE has the meaning ascribed to it in clause 6.2(f);

AF INVESTMENTS means AF Investments Limited, a wholly-owned subsidiary of FPAH;

AGENCY means any domestic or foreign court or tribunal or governmental agency or other regulatory authority or administrative agency or commission or any elected or appointed public official;

ANNUAL SHAREHOLDERS MEETING means the next occurring annual meeting of FPIL Shareholders (and any adjournments or postponements of that annual meeting) which meeting will include consideration, and if thought fit, approval, of the Separation Arrangement;

APPLIANCES COMPANIES means Fisher & Paykel and its direct and indirect ownership interests in the entities as disclosed in Schedule 4;

COMPLETION DATE means the date on which completion of the sale of FPHC Shares pursuant to the U.S. Healthcare Offer occurs;

COURT means the High Court of New Zealand;

EXISTING EMPLOYEE SHARE SCHEMES means the Fisher & Paykel Employee Share Scheme established by deed dated 15 October 1979, the Fisher & Paykel Executive Staff Share Purchase Scheme established by deed dated 2 December 1983 and the Fisher & Paykel Australian Employee Share Purchase Scheme established by deed dated 1 August 1996;

FINANCE COMPANIES means Fisher & Paykel Finance and its direct and indirect ownership interests in the entities as disclosed in Schedule 4;

FINAL COURT ORDERS means the final orders of the Court approving the Separation Arrangement and making it binding on FPIL, the FPIL Shareholders and FPAH, made under Part XV of the Act;

FISHER & PAYKEL means Fisher & Paykel Limited (to be renamed Fisher & Paykel Appliances Limited after implementation of the Separation Arrangement);

FISHER & PAYKEL FINANCE means Fisher & Paykel Finance Limited;

FISHER & PAYKEL GROUP means all the companies within the Fisher & Paykel Group as set out in the corporate chart in Schedule 2;

FISHER & PAYKEL HEALTHCARE means Fisher & Paykel Healthcare Limited;

FPAH means Fisher & Paykel Appliances Holdings Limited;

FPHC means Fisher & Paykel Healthcare Corporation Limited;

FPHC SHARES means shares in the capital of FPHC;

FPIL means Fisher & Paykel Industries Limited (to be renamed FPHC on the Separation Date), provided that where it is appropriate to specifically refer FPIL as it will exist on completion of the transactions in clauses 2.1(b)(i) to (x) of the Separation Arrangement Plan, FPIL will be referred to as FPHC;

FPIL SHARES means shares in the capital of FPIL;

HEALTHCARE COMPANIES means FPIL and its direct and indirect ownership interests in the entities as disclosed in Schedule 4;

INTERIM COURT ORDERS means the interim orders of the Court in respect of the Separation Arrangement, made under section 236(2) of the Act;

LAW means all laws, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, policies, notices, directions and judgements or other requirements of any government or Agency;

MATERIALLY ADVERSE means, with respect to the Separation Arrangement or with respect to a person, a fact, circumstance, event or term that can reasonably be expected to materially and adversely affect the expected outcome of the Separation Arrangement or the operations, results of operation, business or assets of that person taken as a whole;

MISPLACED ASSET has the meaning ascribed to it in Schedule 5;

MISPLACED LIABILITY has the meaning ascribed to it in Schedule 5;

NZSE means the New Zealand Stock Exchange;

NZ\$ and NZ DOLLARS means the lawful currency of New Zealand;

RECORD DATE means the date by reference to which the entitlement of holders of shares in FPIL to participate in the Separation Arrangement Plan is determined, being 9 November 2001; provided however that if at any time before such date (or before any extended Record Date as contemplated in this definition), any event shall have occurred which, in the opinion of the board of directors of FPIL, acting reasonably and in good faith:

(a) is of such a material nature that it is no longer prepared to recommend the Separation Arrangement to the FPIL Shareholders unless circumstances change; or

(b) makes it impractical to proceed with the Separation Arrangement at that time,

the Record Date may be extended to such revised Record Date as may be selected and notified by FPIL to the NZSE as specified, being a date which is not later than 31 December 2001 or such later date as may be agreed by FPIL and FPAH and approved by the Court. Notification of any revised Record Date must be given not less than 6 days (or such lesser period as the NZSE may permit) before the then current Record Date;

SEPARATION ARRANGEMENT means the Court approved arrangement to effect the separation of FPIL's appliances and finance businesses and FPIL's healthcare business into two listed companies and to undertake the U.S. Healthcare Offer, the key elements of which are described in the Separation Arrangement Plan set out as Schedule 1, subject to any amendment or variation made in accordance with this Agreement;

SEPARATION ARRANGEMENT PLAN means the separation arrangement plan set out in Schedule 1, subject to any amendment or variation made in accordance with this Agreement;

SEPARATION DATE means the date on which the appliances and finance businesses of FPIL are acquired by FPAH under the Separation Arrangement, being the date selected by FPIL and notified immediately to the NZSE as the "Separation Date" for the purposes of this Agreement and the Separation Arrangement, and being a date not later than 5 business days after the Record Date;

SHAREHOLDERS means shareholders in a company;

SHAREHOLDERS' MATERIALS means the FPIL notice of meeting, the FPHC information memorandum and the FPAH information memorandum (and (or including) any prospectus, investment statement, registration statement or other documentation required pursuant to Law in connection with the Annual Shareholders Meeting or the Separation Arrangement);

SUBSIDIARY has the meaning in the Act;

TOTAL BORROWINGS means all borrowings of the Fisher & Paykel Group including:

- (a) (i) term borrowings;
- (ii) term borrowings (current);
- (iii) bank overdraft; and
- (iv) call borrowings; less
- (b) cash and bank balances,

but excluding all borrowings of the finance business;

UNDERWRITING AGREEMENT means the agreement entered into between FPAH, FPHC and certain underwriters referred to in clause 2.1(b)(xi) of the Separation Arrangement Plan;

U.S. HEALTHCARE OFFER means the offer and sale by FPAH primarily to U.S. investors under a U.S. public offering registered with the U.S. Securities and Exchange Commission, as well as to certain qualifying investors in other selected jurisdictions, of approximately 18% of the FPHC Shares outstanding immediately following the acquisition of the appliances and finance businesses of FPIL by FPAH under the Separation Arrangement; and

US\$ and US DOLLARS means the lawful currency of United States.

1.2 CONSTRUCTION OF CERTAIN REFERENCES

In this Agreement (including the Schedules to this Agreement), unless otherwise specified or the context otherwise requires:

- (a) AGREEMENT includes a contract, licence, franchise, undertaking, arrangement or understanding (in each case whether oral or written), deed or other document recording obligations (whether mutual or otherwise), and includes that agreement as modified, supplemented, novated or substituted from time to time;
- (b) ASSETS includes the whole or any part of the relevant person's business, undertaking, property, revenues or chose in action, in each case, present or future, and a reference to an asset also includes any legal or equitable interest in it;
- (c) BUSINESS DAY means any day other than a Saturday, Sunday, a public holiday in New Zealand or a day on which banks are not open for business in Auckland, New Zealand;

(d) EVENT includes any act, omission, transaction or other occurrence, or any series of events, but excludes completion of the transactions contemplated by this Agreement;

(e) LIABILITIES includes any obligation (whether present or future, actual or contingent, secured or unsecured, joint or several, as principal, surety by way of guarantee or otherwise) whether for the payment of money or otherwise;

(f) LOSSES do not include consequential losses;

(g) an asset or liability is PROPERLY ATTRIBUTABLE to:

(i) the appliances or finance business; or

(ii) the healthcare business,

carried on by the Fisher & Paykel Group prior to the Separation Date and by FPAH or FPHC (and their respective Subsidiaries) respectively on and after the Separation Date, if:

(A) the parties have agreed that it will be attributable to that business; or

(B) if not covered by (A), the asset or liability was attributed to that business in the preparation of the consolidated audited accounts of the Fisher & Paykel Group as at 31 March 2001 or, in the case of an asset or liability arising subsequent to 31 March 2001 the asset or liability would be attributed to that business pursuant to the terms of reference applied in the preparation of the consolidated audited accounts of the Fisher & Paykel Group as at 31 March 2001; or

(C) if not covered by (A) or (B), in respect of an asset, the asset is used principally or arises principally in respect of that business and, in respect of a liability, the liability arises principally in respect of that business.

If the asset or liability is not covered by any of the categories in (A) to (C) above, unless otherwise agreed by the parties, the asset or liability shall be PROPERLY ATTRIBUTABLE to each of (i) the appliances and finance businesses; and (ii) the healthcare business, pro-rata in proportion to the respective values attributed by FPIL to (iii) Fisher & Paykel and Fisher & Paykel Finance taken together; and (iv) FPHC as at the date, and for the purposes, of this Agreement (as such values are recorded in the letter between FPIL and FPAH dated the same date as this Agreement).

For these purposes, the parties agree that, except as otherwise provided in this Agreement or agreed in writing by the parties, any taxation arising in connection with any aspect of the internal reorganisation of the Fisher & Paykel Group referred to in clause 6.1 or any of the components of the Separation Arrangement shall respectively be assets or liabilities properly attributable to:

(i) in the case of the internal reorganisation, the business which the relevant aspect of the internal reorganisation is designed to benefit; and

(ii) in the case of any of the components of the Separation Arrangement (subject to any express provisions of the Separation Arrangement Plan), each of:

(A) the appliances and finance businesses; and

(B) the healthcare business,

pro rata in proportion to the respective values attributed by FPIL to:

(C) Fisher & Paykel and Fisher & Paykel Finance taken together; and

(D) FPHC,

as at the date, and for the purposes, of this Agreement (as such values are recorded in the letter between FPIL and FPAH dated the same date as this Agreement).

(h) RELIEF includes:

(i) any relief, loss, allowance, credit, deduction or set-off in computing income, profits or gains for the purposes of taxation, or any grant conferred on any person; or

(ii) any right to repayment of taxation (whether or not including interest) available to that person,

whether in New Zealand or elsewhere; and

(i) TAXATION includes:

(i) all forms of taxation, withholdings, duties, dues, imposts, levies and rates imposed in New Zealand or elsewhere, including (but without limitation) income tax, withholding taxes, fringe benefit tax, stamp duty, goods and services tax, gift duty, customs or excise duties, regional or local taxes, municipal taxes and accident compensation levies;

(ii) loss of relief; and

(iii) all interest, penalties, fines, costs and expenses incidental and relating to or arising in connection with any such taxes, withholdings, duties, dues, imposts, levies and rates or loss of relief, or any actual or threatened claim or proceeding in connection with any of them or the negotiation of any settlement of any dispute as to the liability of any person for any of them.

1.3 GENERAL REFERENCES

In this Agreement (including the Schedules to this Agreement), unless otherwise specified or the context otherwise requires:

(a) CLAUSE, SCHEDULE, ANNEXURE

a reference to a clause, Schedule or Annexure is a reference to a clause of, schedule to, or annexure to, this Agreement;

(b) SINGULAR INCLUDES PLURAL

the singular includes the plural and vice versa;

(c) PERSON INCLUDES GROUPS

the word person includes an individual, a body corporate, a business of FPIL, an association of persons (whether corporate or not), a trust, a state and an agency of state, in each case, whether or not having a separate legal personality;

(d) PERSON INCLUDES SUCCESSORS

a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and permitted assigns;

(e) ACCOUNTING MATTERS

all accounting terms used in this Agreement will have the meanings attributable to such terms under generally accepted accounting principles as applied by FPIL consistent with prior practice; and determinations of an accounting nature required to be made will be made in a manner consistent with generally accepted accounting principles as applied by FPIL consistent with prior practice; and

(f) LEGISLATION

a reference to any legislation includes a modification and re-enactment of, legislation enacted in substitution for and a regulation, order-in-council and other instrument from time to time issued or made under, that legislation.

1.4 HEADINGS

Ignore headings in construing this Agreement.

2. SEPARATION

Subject to the express provisions of this Agreement, the Separation Arrangement and the other transactions provided for in this Agreement and the agreements that it contemplates:

(a) FPIL will separate its appliances and finance businesses and its healthcare business into two listed companies, namely:

(i) FPAH, which will own the appliances and finance businesses; and

(ii) FPHC, which will own the healthcare business,

and will effect the U.S. Healthcare Offer, by implementing the Separation Arrangement and related transactions, including the following:

(A) FPAH will acquire from each FPIL Shareholder a proportion of their FPIL Shares in return for FPAH Shares and a cash payment amount;

(B) FPIL will buy back from FPAH 18,200,000 FPIL Shares in consideration for a cash payment;

(C) AF Investments will acquire the appliances and finance business of FPIL by purchasing all the shares in Fisher & Paykel and Fisher & Paykel Finance for cash;

(D) FPIL will change its name to FPHC; and

(E) FPAH will sell approximately 18% of the FPHC Shares then outstanding (being a portion of the FPIL Shares that are acquired by FPAH from FPIL Shareholders as described in (A) above) pursuant to the U.S. Healthcare Offer.

3. THE SEPARATION ARRANGEMENT PROCESS

Subject to the terms and conditions of this Agreement:

(a) as soon as reasonably practicable after the execution of this Agreement, and in any event before 30 September 2001, FPIL will apply to the Court under section 236 of the Act for the Interim Court Orders;

(b) provided the Interim Court Orders have been obtained, FPIL will call and hold the Annual Shareholders Meeting as soon as reasonably practicable after the Interim Court Orders have been obtained;

(c) FPIL will, in consultation with FPAH (as appropriate), prepare, register and distribute as necessary or expedient the Shareholders' Materials;

(d) provided the Separation Arrangement is approved at the Annual Shareholders Meeting in accordance with the Interim Court Orders, as soon as reasonably practicable after the Annual Shareholders Meeting, FPIL will take the necessary steps to submit the Separation Arrangement to the Court and seek the Final Court Orders in such manner as the Court may direct; and

(e) provided the Final Court Orders are obtained, FPIL and FPAH will take all action necessary to implement the Separation Arrangement in accordance with the Final Court Orders.

4. CONDITIONS TO THE SEPARATION ARRANGEMENT

4.1 CONDITIONS

The respective obligations of FPIL and FPAH to complete the transactions contemplated by the Separation Arrangement are subject to the fulfilment, or the waiver by each of them, of the conditions set out in Schedule 3.

4.2 SATISFACTION, WAIVER AND RELEASE OF CONDITIONS

On the acquisition of the appliances and finance businesses of FPIL by FPAH under the Separation Arrangement in accordance with the Final Court Orders, the conditions referred to in this clause 4 will be deemed conclusively to have been satisfied, waived or released.

5. CONDUCT OF THE PARTIES PRIOR TO THE SEPARATION DATE

5.1 MUTUAL OBLIGATIONS

(a) Subject to the terms and conditions of this Agreement, each of FPIL and FPAH will, and will cause its Subsidiaries to, use all reasonable efforts to satisfy each of the conditions to be satisfied by it, as soon as is practical, and in any event before the Separation Date, and take, or cause to be taken, all other action necessary or expedient to permit the completion of the Separation Arrangement and related transactions in accordance with this Agreement, the agreements that it contemplates and applicable Law and to co-operate with the other in connection with the Separation Arrangement, including using all reasonable efforts to:

(i) obtain the Interim Court Orders, the approval of FPIL Shareholders at the Annual Shareholders Meeting in the manner specified in the Interim Court Orders and obtain the Final Court Orders;

(ii) provide notice to, and obtain all necessary waivers, consents and approvals or releases from, other parties to all material agreements, understandings or other documents to which it or its Subsidiaries is a party or by which it or its Subsidiaries or its or their properties are bound or affected (including, without limitation, shareholder agreements, leases, loan agreements, guarantees and security), the failure of which to provide or obtain would prevent the implementation of the Separation Arrangement or which, individually or in the aggregate, could reasonably be expected to be Materially Adverse to either FPIL or FPAH and their respective Subsidiaries (in each case taken as a whole), to the implementation of the Separation Arrangement, to the Appliances Companies and the Finance Companies (taken as a whole), or to the Healthcare Companies (taken as a whole);

(iii) obtain all approvals, authorisations, consents, licences and orders of, and effect or cause to be effected all registrations and filings with, Agencies and other persons as may be necessary to permit the implementation of the Separation Arrangement, the failure of which to obtain or effect would prevent the implementation of the Separation Arrangement or could reasonably be expected to be Materially Adverse to either FPIL or FPAH and their respective Subsidiaries (in each case taken as a whole), to the implementation of the Separation Arrangement, to the Appliances Companies and the Finance Companies (taken as a whole), or to the Healthcare Companies (taken as a whole); and

(iv) put in place separate funding arrangements for each of FPAH and FPHC, such funding arrangements to take effect on the Separation Date,

provided that in the process no agreement, understanding or other document will be amended materially to increase the amount payable under it or otherwise be materially more burdensome to FPIL or FPAH or their respective Subsidiaries (in each case taken as a whole), to the Appliances Companies and the Finance Companies (taken as a whole), or to the Healthcare Companies (taken as a whole), without the prior written approval of the other party, which will not be unreasonably withheld.

(b) Neither FPIL nor FPAH will take any action that would preclude the other from fulfilling its obligations under this Agreement and (without limiting the foregoing) no party will take any steps that might interfere with existing contractual relationships of the other.

5.2 BUSINESSES OF HEALTHCARE, APPLIANCES AND FINANCE COMPANIES PRIOR TO THE SEPARATION DATE

(a) Prior to the Separation Date, unless FPAH otherwise agrees in writing (which agreement will not be withheld unreasonably) or as otherwise expressly contemplated or permitted by this Agreement or the agreements that it contemplates, FPIL will conduct, or cause its Subsidiaries to conduct, the businesses of the Healthcare Companies, the Appliances Companies and the Finance Companies in the ordinary course of business, in a manner consistent with previous practices and policies of FPIL and to accommodate the separation of the Appliances Companies and the Finance Companies from the Fisher & Paykel Group;

(b) From the date of this Agreement, FPIL will procure that the Appliances Companies and the Healthcare Companies individually fund their working capital requirements through nominated bank accounts.

5.3 DEFENCE OF PROCEEDINGS

Each of FPIL and FPAH will vigorously defend any lawsuits or other legal proceedings brought against it or any of its Subsidiaries challenging this Agreement or the completion of the Separation Arrangement or the transactions contemplated by this Agreement. Neither FPIL nor FPAH will settle or compromise (or permit any of its Subsidiaries to settle or compromise) any claim brought in connection with this Agreement, the Separation Arrangement or any transaction contemplated by this Agreement without the prior written consent of the other.

5.4 REGISTRAR AND TRANSFER AGENT

FPIL will permit the registrar and transfer agent for the FPIL shares to act as depository in connection with the Separation Arrangement and instruct that transfer agent to provide to FPAH (and such persons as it may designate) at such times as it may request such information and such other assistance as it may reasonably request in connection with the implementation and completion of the Separation Arrangement.

6. INTERNAL REORGANISATION

6.1 INTERNAL REORGANISATION

On or before the Separation Date, FPIL will undertake an internal reorganisation of the Fisher & Paykel Group to ensure that:

(a) the corporate structure of the Fisher & Paykel Group is as set out in the corporate chart in Schedule 2;

(b) the Appliances Companies are the direct or indirect legal and beneficial owner of all the assets and liabilities properly attributable to the appliances business as carried on by the Fisher & Paykel Group prior to the Separation Date;

(c) the Finance Companies are the direct or indirect legal and beneficial owner of all the assets and liabilities properly attributable to the finance business as carried on by the Fisher & Paykel Group prior to the Separation Date; and

(d) the Healthcare Companies are the direct or indirect legal and beneficial owner of all the assets and liabilities properly attributable to the healthcare business as carried on by the Fisher & Paykel Group prior to the Separation Date.

6.2 ALLOCATION OF TOTAL BORROWINGS

(a) Notwithstanding clause 6.1, FPIL will procure that Total Borrowings will be allocated to FPIL (on a non-consolidated basis), to the healthcare business and to the appliances business as at the Separation Date (and immediately prior to implementation of the Separation Arrangement Plan) as follows:

(i) FPIL and the healthcare business will be allocated an amount of Total Borrowings which will result in FPIL (after receipt from AF Investments of the cash component of the purchase price of the appliances and finance business sold by FPIL to AF Investments under the Separation Arrangement Plan) having cash in the range of \$30 million to \$35 million and the healthcare business holding Total Borrowings in its foreign subsidiaries of \$5 million to \$10 million; and

(ii) the balance of Total Borrowings will be allocated to the appliances business.

(b) Notwithstanding clause 6.1, all borrowings incurred in respect of the finance business will remain with the finance business.

(c) Nothing in this clause prevents FPIL from paying, prior to the Separation Date, any distribution to FPIL Shareholders authorised by the board of directors of FPIL for payment prior to that date nor prevents Fisher & Paykel Group companies paying dividends to FPIL prior to the Separation Date to enable FPIL to make such distributions to FPIL Shareholders.

(d) FPIL will ensure that as at the Separation Date the separate funding arrangements that are put in place as required by clause 5.1(a)(iv) and paragraph (i) of Schedule 3 for each of FPAH and FPHC reflect the debt allocations in this clause 6.2.

(e) At the date of this Agreement, FPIL and FPAH have agreed the "Total Borrowings Attributable to Appliances" for the purposes of the Separation Arrangement Plan.

(f) As soon as practicable after the Separation Date, FPHC (in its capacity as the continuing FPIL) will calculate the actual amount of Total Borrowings as at the Separation Date (and immediately prior to implementation of the Separation Arrangement Plan) allocated to the appliances business and have a director of FPHC certify those amounts in a statement sent to FPAH.

This amount, together with the amount of \$5 million to \$10 million held by the healthcare business pursuant to clause 6.2(a), will become the "Actual Allocated Total Borrowings as at the Separation Date" for the purposes of clause 6.4.

6.3 MISPLACED ASSETS AND LIABILITIES

If after the Separation Date either party identifies any asset or liability:

(a) held by FPHC or any of its Subsidiaries that is properly attributable to the appliances or finance business as carried on by the Fisher & Paykel Group prior to the Separation Date and by FPAH and its Subsidiaries on or after the Separation Date; or

(b) held by FPAH or any of its Subsidiaries that is properly attributable to the healthcare business as carried on by the Fisher & Paykel Group prior to the Separation Date and by FPHC and its Subsidiaries on or after the Separation Date,

the provisions set out in Schedule 5 shall apply prior to any party having recourse to any other remedy at law or in equity.

6.4 EXCEPTION TO MISPLACED ASSETS AND LIABILITIES FOR TOTAL BORROWINGS

The allocation of Total Borrowings to the appliances business and the healthcare business under clause 6.2 as per the Actual Allocated Total Borrowings as at the Separation Date shall be correct for all purposes and shall not be subject to any adjustment pursuant to clauses 6.1 or 6.3.

6.5 EXCEPTION TO MISPLACED ASSETS AND LIABILITIES FOR EMPLOYEE SHARE SCHEMES LOANS

After the Separation Date, FPHC will continue to hold and administer loans made to employees under FPIL's Existing Employee Share Schemes and such loans shall not be subject to clauses 6.1 or 6.3.

6.6 ELECTRICITY

Prior to the Separation Date, the parties restructure the current arrangements which apply to the supply of electricity and the provision of line function services to each of FPAH and FPIL on the basis of either:

(a) having the third party supplier of electricity and the third party provider of line function services agree to provide those services on a separate basis to each of FPAH and FPIL; or

(b) failing those arrangements being satisfactory to FPAH and FPIL, on the basis that FPAH and FPIL enter into appropriate back to back arrangements in respect of the existing electricity supply agreement and network and connection services agreement.

7. ONGOING CO-OPERATION AND INDEMNITIES

7.1 USE OF FISHER & PAYKEL NAME

Prior to the Separation Date, FPIL will, and will procure FPAH, Fisher & Paykel Limited, Fisher & Paykel Finance Limited and Fisher & Paykel Healthcare Limited to, enter into a deed of agreement on trade marks under the terms of which, with effect from the Separation Date:

(a) Fisher & Paykel Limited assigns to each of Fisher & Paykel Finance Limited and Fisher & Paykel Healthcare Limited its rights in respect of the Fisher & Paykel name (and certain other associated names) for certain agreed international classes of trademarks;

(b) Fisher & Paykel Limited agrees to change its name to include "Appliances" from the time it is no longer a subsidiary of FPIL;

(c) Fisher & Paykel Limited, Fisher & Paykel Finance Limited and Fisher & Paykel Healthcare Limited will use their respective best endeavours to distinguish their respective businesses from each other; and

(d) each of FPHC and FPAH will be authorised to use the relevant trade marks and undertake to comply with the relevant provisions of the Deed of Agreement.

7.2 USE OF DOMAIN NAMES

Prior to the Separation Date, FPIL will procure that Fisher & Paykel Limited and Fisher & Paykel Healthcare Limited enter into a partial deed of assignment of domain names, deed of assignment of domain names and web page and link hosting agreement under the terms of which, with effect from the Separation Date:

(a) each of Fisher & Paykel Limited and Fisher & Paykel Healthcare Limited will be entitled to the common use of the domain names "fisherpaykel.com" and "fisher&paykel.com (and certain associated domain names);

(b) Fisher & Paykel Healthcare Limited is assigned the right to use the domain name "fphcare.com" and certain other associated domain names;

(c) for a period of five years after the Separation Date, Fisher & Paykel Limited will maintain, and provide links to Fisher & Paykel Healthcare Limited websites from its websites linked to, the common domain names referred to in subclause (a) above; and

(d) each of Fisher & Paykel Limited and Fisher & Paykel Healthcare Limited will forward to the other any email queries received related to the others business.

7.3 JOINT PROCUREMENT INITIATIVES

(a) FPAH and FPIL will procure that on or around 30 January 2002 and then on or around the last days of each three month period thereafter, representatives of FPAH and FPHC respectively meet to discuss joint procurement initiatives, where the joint procurement of goods and/or services by the two companies would produce obvious efficiencies for both organisations.

(b) Neither company will be obliged to proceed with any joint procurement initiative suggested by the other.

(c) At the representatives meeting to be held on or around 30 January 2003 FPAH and FPHC will review whether they wish to continue with the joint procurement initiatives for a further year (with similar annual reviews each year thereafter).

7.4 TECHNOLOGY INITIATIVES

With effect from the Separation Date:

(a) In relation to existing technologies developed by the Fisher & Paykel Group prior to implementation of the Separation Arrangement each of FPAH and FPHC will keep the other informed on a timely basis of any new potential applications or developments of the existing technologies which either FPAH or FPHC consider would be beneficial to the other's business. This obligation is to continue for one year after the Separation

Date and will continue after that date unless either party gives to the other six months notice of termination.

(b) Either FPAH or FPHC may request the other to provide R&D/engineering services to the other on a basis agreed at the time of request.

(c) If either FPAH or FPHC develop new technology which they consider might be of benefit to the other, then at the developing company's election, it may inform the other of the development with a view to agreeing a mutually beneficial basis for the further development or sharing of that new technology.

(d) FPIL will procure Fisher & Paykel Limited to grant Fisher & Paykel Healthcare Limited a patent licence to use certain motor technology as agreed between the parties from time to time.

(e) Each of FPAH and FPHC will keep all information relating to any of the other company's technology in the strictest of confidence and will enter into any reasonable form of confidentiality agreement required by the other as a precondition to any disclosure of confidential information.

7.5 ADMINISTRATION OF EMPLOYEE SHARE SCHEMES

(a) On and after the Separation Date, FPHC will continue to administer all outstanding loans under the Existing Employee Share Schemes.

(b) Where employees of FPAH or its Subsidiaries are having regular deductions taken from their remuneration for the purposes of repaying outstanding loans under the Existing Employee Share Schemes, FPAH will use all reasonable endeavours to continue such deductions and/or repayments after the Separation Date until all such outstanding loans are repaid and will promptly pay all amounts so deducted and/or received to FPHC.

(c) FPAH will notify FPHC on a timely basis of any employees of FPAH or its Subsidiaries who have outstanding loans under the Existing Employee Share Schemes but who become no longer entitled to have shares vest in their names under the terms of the relevant employee share scheme by virtue of ceasing to be employed by FPAH or one of its Subsidiaries or other relevant circumstances.

7.6 LIABILITY INSURANCE

(a) On and after the Separation Date, the liability insurance policy, travel insurance policies and death by accident policy for nominated expatriates currently held by FPIL (as such policies have been amended in light of the Separation Arrangement) will be maintained for the benefit of and in the names of both FPAH and FPHC.

(b) Each of FPAH and FPHC will immediately notify the other of any claim made under any such policy giving all details of the claim and impact on the policy as the other may reasonably require.

(c) Each of FPAH and FPHC will pay such proportion of the premium payable in respect of any such policy as is equivalent to the proportion of premium in respect of that policy historically attributed to the appliances and finance business and the healthcare business respectively. If either FPAH or FPHC becomes aware that any portion of the premium payable by the other or any excess payment required under any such policy should have been paid by the other company but has not been paid, then it may

immediately make that payment to the insurer and the company which should have made that payment but has not, will indemnify the paying company for any amount so paid.

(d) FPAH and FPHC will procure that representatives of FPAH and FPHC each year meet on or around the anniversary of the Separation Date to decide whether to continue with such joint insurance policies or to effect their own insurance policies.

7.7 ACCESS TO INFORMATION

From and after the Separation Date FPAH will retain, and will procure its Subsidiaries to retain, all records pertaining to FPIL (other than the items agreed to be retained by FPIL), the Appliances Companies and the Finance Companies that relate to the period prior to the Separation Date for a period of 8 years from the date of their creation and permit FPHC and its representatives to inspect those records, upon reasonable notice, during normal business hours and to make copies of those records, as may be required by FPHC to discharge any obligations that it may have.

7.8 CORPORATE OFFICE FUNCTIONS

The existing corporate office of FPIL will continue to provide corporate office functions to both FPAH and FPHC for a transitional period from the Separation Date to 31 December 2001, on the terms agreed between FPHC and FPAH.

7.9 SUPERANNUATION

(a) As soon as practicable after the Separation Date and in any event no later than six months after that date, FPHC will procure Fisher & Paykel Healthcare to offer to all employees of the Healthcare Companies who are members of the Fisher & Paykel Super Plan (FISHER & PAYKEL PLAN) and whose benefits are determined on a defined contribution basis (DEFINED CONTRIBUTION AFFECTED MEMBERS) membership of a superannuation scheme (HEALTHCARE SCHEME) established or made available for the purpose of providing benefits that are equivalent to those provided to the Defined Contribution Affected Employees under the Fisher & Paykel Plan immediately prior to the Separation Date.

(b) FPHC will procure Fisher & Paykel Healthcare to use reasonable endeavours to procure that the Defined Contribution Affected Employees consent to transfer to the Healthcare Scheme. All communications to Defined Contribution Affected Employees relating to the transfer offer will:

- (i) be subject to written approval by FPAH, which approval should not be unreasonably withheld or delayed; and
- (ii) specify the closing date for acceptance of the transfer offer.

(c) FPAH will procure that, as soon as practicable after the closing date for acceptance of the transfer offer in clause 7.9(a) and in any event no later than 60 days after that date, the trustee of the Fisher & Paykel Plan will, in respect of all Defined Contribution Affected Employees who accept the transfer offer in clause 7.9(a) (TRANSFERRING AFFECTED EMPLOYEES), transfer to the trustee of the Healthcare Scheme assets whose value (TRANSFER VALUE) is no less than the sum of:

- (i) the Transferring Affected Employees' Accrued Benefits (as defined in the trust deed for the Fisher & Paykel Plan) or, if the aggregate Accrued Benefits under

the Fisher & Paykel Plan at the relevant time are greater than the assets of the Fisher & Paykel Plan, the proportionate share of the Transferring Affected Employees' Accrued Benefits assuming all Accrued Benefits are scaled down pro rata to the extent necessary to ensure that in aggregate they equal the assets of the Fisher & Paykel Plan; and

(ii) a share of the assets of the Fisher & Paykel Plan (if any) that exceed the Accrued Benefits of all members of the Fisher & Paykel Plan calculated as the proportion that the Accrued Benefits of the Transferring Affected Employees bear to the Accrued Benefits of all members of the Fisher & Paykel Plan,

as at the day preceding, if clause 6.1 of the trust deed of the Fisher & Paykel Plan applies, the cessation of participation, and, if clause 7.3 of the trust deed of the Fisher & Paykel Plan applies, the date of transfer, as determined by the Fisher & Paykel Plan's actuary, based on the actuarial assumptions and methods adopted in the Fisher & Paykel Plan's actuarial report prepared as at 1 April 2000, and notified to FPHC.

(d) In respect of any Defined Contribution Affected Employees who do not accept the transfer offer in clause 7.9(a) by the closing date of the offer and any other employees of the Healthcare Companies who are members of the Fisher & Paykel Plan to whom the transfer offer in clause 7.9(a) is not made (together, NON-TRANSFERRING AFFECTED EMPLOYEES), subject to clause 7.9(e), FPAH and FPHC will agree the arrangements to be put in place and the following provisions shall apply, unless the parties agree otherwise:

(i) FPHC will procure that Fisher & Paykel Healthcare will:

(A) comply with its obligations under the trust deed for the Fisher & Paykel Plan;

(B) not invite any other employees of the Healthcare Companies to become members of the Fisher & Paykel Plan.

(ii) FPHC will procure Fisher & Paykel Healthcare to pay to the trustees of the Fisher & Paykel Plan monthly an amount equivalent, after deducting specified superannuation contribution withholding tax, to the projected unit cost for the Non-transferring Affected Employees remaining in the Fisher & Paykel Plan for the benefits accruing to those Non-transferring Affected Employees (if any) in the normal course of events during their membership in the Fisher & Paykel Plan (less those Non-transferring Affected Employees' contributions to the Fisher & Paykel Plan), as calculated by the trustee of the Fisher & Paykel Plan based on the actuarial assumptions and methods adopted in the Fisher & Paykel Plan's then most recent actuarial report subject to consistency with the FAS 87 actuarial principles.

(iii) FPAH will use all reasonable endeavours to ensure that no actions are taken or discretions exercised, without FPHC's prior written consent (not to be unreasonably withheld or delayed), that would alter the level of benefits or contributions under the rules of the Fisher & Paykel Plan from the level applicable immediately prior to the Separation Date or make any other amendments to the trust deed of the Fisher & Paykel Plan that would adversely impact on Fisher & Paykel Healthcare or the employees of the Healthcare Companies who are members of the Fisher & Paykel Plan until all such employees cease to be beneficiaries of the Fisher & Paykel Plan.

(e) Notwithstanding clause 7.9(d)(iii), FPAH will procure that, in respect of any Defined Contribution Affected Employees who do not accept the transfer offer in clause 7.9(a) by the closing date of the offer, the Fisher & Paykel Plan will be amended so that, as from the closing date of the transfer offer, no further contributions are made by those members and no insured benefits will be provided in respect of them.

(f) If FPHC does not accept the determination of the transfer value within 10 days after notice of such determination is received by FPHC, the issue in dispute will be referred, on the application of either FPAH or FPHC, to an independent actuary nominated by the President of the New Zealand Society of Actuaries for determination. Such person will act as an expert and not as an arbitrator and the provisions of the Arbitration Act 1996 will not apply to such determination, which will be final and binding. FPAH and FPHC will bear equally the expert's costs in making such determination. FPAH will provide and use its reasonable endeavours to procure the trustee of the Fisher & Paykel Plan to provide to FPHC information reasonably required by FPHC to verify the calculations.

7.10 TAX

FPHC and FPAH will co-operate with each other, where necessary, to ensure the efficient filing of relevant tax returns for the year ended 31 March 2002.

7.11 CROSS INDEMNITY

In addition to, and without limiting, the provisions of clause 6.3, from the Separation Date:

(a) FPHC shall indemnify FPAH and its Subsidiaries from and against any and all losses, damages, liabilities, claims, costs and expenses (including, without limitation, taxation) sustained or incurred by FPAH or any of its Subsidiaries on or after the Separation Date that relate to the healthcare business as carried on by the Fisher & Paykel Group prior to the Separation Date and by FPHC and its Subsidiaries on or after the Separation Date;

(b) FPAH shall indemnify FPHC and its Subsidiaries from and against any and all losses, damages, liabilities, claims, costs and expenses (including, without limitation, taxation) sustained or incurred by FPHC or any of its Subsidiaries on or after the Separation Date that relate to the appliances or finance businesses as carried on by the Fisher & Paykel Group prior to the Separation Date and by FPAH and its Subsidiaries after the Separation Date.

For the avoidance of doubt, it is acknowledged that the indemnities in this clause 7.11 do not apply to any losses, damages, liabilities, claims, costs or expenses to the extent they relate to any holding of shares in FPHC by FPAH.

7.12 INDEMNITY FOR UNTRUE STATEMENTS

In addition to, and without limiting, the indemnities in this Agreement, from the Separation Date:

(a) FPHC shall, to the fullest extent permitted by law, indemnify each of FPAH and each of its directors and officers from time to time from and against any and all losses, damages, liabilities, claims, costs and expenses sustained or incurred by FPAH or any such person arising in respect of any untrue statement relating to FPHC or the healthcare business in any of the Shareholder Materials or the Underwriting Agreement; and

- (b) FPAH shall, to the fullest extent permitted by law, indemnify each of FPHC and each of its directors and officers from time to time from and against any and all losses, damages, liabilities, claims, costs and expenses sustained or incurred by FPHC or any such person arising in respect of any untrue statement relating to FPAH or the appliances or finance business in any of the Shareholder Materials or the Underwriting Agreement.

For the avoidance of doubt, it is acknowledged that the indemnities in this clause 7.12 do not apply in respect of Shareholders Materials that are prepared after the Separation Date (if any).

7.13 GENERAL CO-OPERATION

For the first six months after the Separation Date, the parties will procure their respective representatives to meet on a monthly basis to consider any internal reorganisation, sharing, indemnity or taxation issues as necessary. At the last such meeting, the parties will determine whether any further meetings are required and if necessary, agree an ongoing programme. If any matter arises at any such meeting that is not resolved by the representatives at the meeting, the matter shall be referred to the chief executive officer of each party to resolve, each acting reasonably and in good faith.

8. PAYMENT

PAYMENT OBLIGATIONS

FPIL and FPAH will, or will cause their Subsidiaries to, make all payments referred to in the Separation Arrangement Plan:

(a) on the dates specified in the Separation Arrangement Plan.

(b) in immediately available funds.

9. REVERSAL OF SEPARATION ARRANGEMENT

If the Separation Arrangement is reversed in accordance with clause 2.2 of the Separation Arrangement Plan, each of FPIL and FPAH will do (and will cause their respective Subsidiaries to do) all acts and things reasonably necessary to effect such reversal and reinstate the status quo prior to execution of this Agreement; provided that the internal reorganisation transactions referred to in clause 6.1 may at FPIL's discretion continue in place without reversal or any amendment.

10. AMENDMENT

10.1 AMENDMENT BY AGREEMENT

(a) This Agreement or the Separation Arrangement may be amended by written agreement of the parties at any time before or after the Annual Shareholders Meeting provided that any amendment to the Separation Arrangement must:

(i) be in the best interests of FPIL and FPIL Shareholders; and

(ii) be contained in a written document which is filed with the Court; and

(iii) be approved by the Court and, if material, communicated to FPIIL Shareholders in the manner required by the Court (if so required).

(b) Without limiting the generality of the foregoing, any such amendment may:

(i) waive compliance with, or modify, any of the covenants contained in this Agreement, including waive or modify performance of any of the obligations of either of the parties; or

(ii) waive, or modify, any condition referred to in clause 4 of this Agreement.

10.2 COURT DIRECTED AMENDMENTS

Any amendment to the Separation Arrangement which is requested or proposed by the Court will be effective only if it is consented to by FPIIL and FPAH.

11. TAXATION

11.1 LOWEST PRICE

For the purposes of the accrual rules in the Income Tax Act 1994:

(a) the consideration payable for any property that is to be transferred under this Agreement is the lowest price that the transferee and transferor would have agreed for the property on the basis of payment in full at the time at which the first right in the property is to be transferred;

(b) the consideration payable is the value of the property; and

(c) the consideration payable does not include any capitalised interest.

11.2 GST

(a) Any consideration payable for a supply made pursuant to this Agreement is stated exclusive of GST. The party (the RECIPIENT) to this Agreement which is, or a Subsidiary of which is, the recipient of a supply will pay (and/or, as the case may require, will procure any other person required to pay any consideration for that supply to pay) to the supplier of that supply (the SUPPLIER), in addition to the consideration otherwise payable for that supply, the amount of any GST chargeable on that supply and any GST Penalties, so that the supplier will receive and retain, after payment of any GST and GST Penalties, the consideration otherwise payable. However, neither the recipient (nor any other person required to pay any consideration for that supply) will be liable to pay any GST Penalties relating to that supply which accrue or are imposed solely as a consequence of the supplier having failed to correctly account to the relevant tax authority for the GST and GST Penalties after the date on which the recipient (or other person) has paid to the supplier in full all GST and GST Penalties which the supplier has (in the manner set out in clause 11.2(b) below) notified the recipient to be payable.

(b) Any GST and GST Penalties payable pursuant to this clause 11.2 are payable upon presentation of a Tax Invoice issued by the supplier to the recipient and, if any GST

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Penalties are payable, the Tax Invoice must be accompanied by a document issued by the relevant tax authority and must specify the amount of the GST Penalties payable.

- (c) If any amount payable under clause 11.2(a) is not paid on presentation of the items specified in clause 11.2(b) then interest on such unpaid amount will be payable to the supplier and will accrue from the date of such presentation at the rate of 10% per annum, compounding monthly. The recipient will pay (and/or, as the case may require, will procure any other person required to pay any consideration for the relevant supply to pay) this interest on demand by the supplier.
- (d) Any liability to pay an amount under this clause 11.2 will, if owed by more than one person, be joint and several.

(e) For the purposes of this clause 11.2:

(i) GST means tax charged in New Zealand under the Goods and Services Tax Act 1985 (New Zealand) and any similar value added tax charged or levied in any other jurisdiction;

(ii) GST LEGISLATION means legislation which charges or imposes GST;

(iii) GST PENALTIES means any fines, penalties, additional taxes, interest or similar charges imposed by any relevant tax authority in respect of the late payment or non-payment of any GST; and

(iv) TAX INVOICE means:

(A) for a supply subject to the Goods and Services Tax Act 1985 (New Zealand), the meaning given to the term in that legislation; or

(B) for any supply subject to GST under another jurisdiction, a document in a form prescribed by the relevant GST Legislation notifying or confirming an obligation to make a payment and which may be necessary for the recipient of the supply to claim a credit for the GST paid or payable.

12. GENERAL

12.1 ENTIRE AGREEMENT

This Agreement and the documents referred to in this Agreement constitute the entire obligation of the parties with respect to their subject matter and supersede any prior expression of intent or understandings with respect to such subject matter.

12.2 SCHEDULES

The following are the Schedules to, and form an integral part of, this Agreement:

- Schedule 1 - Separation Arrangement Plan
- Schedule 2 - Fisher & Paykel Group
- Schedule 3 - Conditions
- Schedule 4 - Appliances Companies, Finance Companies and Healthcare Companies
- Schedule 5 - Misplaced Assets and Liabilities

12.3 FURTHER ASSURANCES

Subject to the conditions of this Agreement, FPIL and FPAH will do (and will cause their respective Subsidiaries to do) all acts and things reasonably necessary to give full effect to the transactions contemplated in this Agreement and, where appropriate, co-operate with each other in doing those acts and things.

12.4 BINDING EFFECT

This Agreement is binding upon and enures to the benefit of and is enforceable by the parties to this Agreement and their respective successors.

12.5 COVENANTS AND AGREEMENTS NOT TO SURVIVE

The covenants and agreements, and any representations and warranties, of each of FPIL and FPAH contained in this Agreement apply only in respect of the period from the date of this Agreement to the Separation Date and will not survive beyond the Separation Date, except for the covenants and agreements contained in clauses 1, 2, 6.2, 6.3, 6.4, 6.5, 6.6, 7, 8, 9, 10, 11 and 12 and in Schedules 5, 6, and 7, which will survive. No action or claim may be brought or maintained after the Separation Date in respect of any covenants, agreements, representations or warranties contained in this Agreement (except for those contained in clauses 1, 2, 6.2, 6.3, 6.4, 6.5, 6.6, 7, 8, 9, 10, 11 and 12 and in Schedules 5, 6, and 7).

12.6 ASSIGNMENT

This Agreement is not assignable by any party.

12.7 CONTRACTS PRIVACY

The provisions of this Agreement that are expressed to confer rights on any Subsidiary of any party or any other person are for the benefit of, and intended to be enforceable by, each such Subsidiary or other person in accordance with the Contracts (Privity) Act 1982. Notwithstanding the foregoing, the provisions of clause 6.3 and Schedule 5 are not intended to create any obligation for the benefit of, or be enforceable by, any third person to whom any obligations are owed in respect of any Misplaced Asset or Misplaced Liability.

12.8 RESPONSIBILITY FOR EXPENSES

Unless otherwise provided, all expenses (other than expenses in connection with the enforcement of rights or obligations under this Agreement) incurred in connection with this Agreement and the transactions that it contemplates will be for the account of FPAH.

12.9 TIME

Time is of the essence of this Agreement in each and every matter or thing provided in this Agreement.

12.10 EXERCISE OF RIGHTS AND WAIVERS

No delay, grant of time, release, compromise, forbearance (whether partial or otherwise) or other indulgence by any person in respect of the breach of any party's obligations under this Agreement is to:

- (a) operate as a waiver of or prevent the subsequent enforcement of that obligation; or
- (b) be deemed a delay, grant of time, release, compromise, forbearance (whether partial or otherwise) or other indulgence in respect of, or a waiver of, any subsequent or other breach.

No waiver by a person of its rights under this Agreement will be effective unless it is in writing and signed by that person.

12.11 NOTICES

- (a) Each notice or other communication under this Agreement is to be in writing, is to be made by facsimile, personal delivery or by post to the addressee at the facsimile number or address, and is to be marked for the attention of the person or office holder (if any), from time to time designated for the purpose by the addressee to the other party. The initial facsimile number, address and relevant person or office holder of each party is set out below:

(i) in the case of FPIL:

Fisher & Paykel Industries Limited 78 Springs Road
East Tamaki
Auckland
New Zealand

Facsimile No.: (64) (9) 273 0538

Attention: Lindsay Gillanders

or after the Separation Date:

Fisher & Paykel Healthcare Corporation Limited 15 Maurice Paykel Place East Tamaki
Auckland

Facsimile No.: (64) (9) 574 0158

Attention: Mike Daniell

(ii) in the case of FPAH:

Fisher & Paykel Appliances Holdings Limited 78 Springs Road
East Tamaki
Auckland
New Zealand

Facsimile No.: (64) (9) 273 0538

Attention: John Bongard

- (b) No communication is to be effective until received. A communication is, however, to be deemed to be received by the addressee:
- (i) in the case of a facsimile that is recorded as successfully transmitted, on the business day on which it is sent or, if sent after 5pm (in the place of receipt) on a business day or, if sent on a non-business day, on the next business day after the date of sending; and
- (ii) in the case of personal delivery, when delivered.

12.12 COUNTERPARTS

This Agreement may be signed in two counterparts (by facsimile or otherwise), each of which is deemed to be an original and both of which, when taken together, is deemed to constitute one and the same instrument.

EXECUTION

EXECUTED as an agreement.

FISHER & PAYKEL INDUSTRIES LIMITED

by:

/s/ W. Lindsay Gillanders

Director

/s/ David B. Henry

Director

**FISHER & PAYKEL APPLIANCES
HOLDINGS LIMITED by:**

/s/ W. Lindsay Gillanders

Director

/s/ David B. Henry

Director

SCHEDULE 1: SEPARATION ARRANGEMENT PLAN

1. INTERPRETATION

1.1 DEFINITIONS

In this Separation Arrangement Plan:

ACT means the Companies Act 1993, as amended from time to time;

AF INVESTMENTS means AF Investments Limited, a wholly-owned subsidiary of FPAH;

AF INVESTMENTS SHARES means the shares in the capital of AF Investments;

BUSINESS DAY means any day other than a Saturday, Sunday, a public holiday in New Zealand or a day on which banks are not open for business in Auckland, New Zealand;

COMPLETION DATE means the date on which completion of the sale of FPHC Shares pursuant to the U.S. Healthcare Offer occurs;

EVENT includes any act, omission, transaction or other occurrence, or any series of events, but excludes completion of the transactions contemplated by the Separation Arrangement Agreement;

EXISTING EMPLOYEE SHARE SCHEMES means the Fisher & Paykel Employee Share Scheme established by deed dated 15 October 1979, the Fisher & Paykel Executive Staff Share Purchase Scheme established by deed dated 2 December 1983 and the Fisher & Paykel Australian Employee Share Purchase Scheme established by deed dated 1 August 1996;

EXTERNAL BORROWING AMOUNT means the amount to be borrowed by AF Investments from external lenders, as part of the Separation Arrangement, which equals the difference between the total purchase price of all the shares in Fisher & Paykel Limited and Fisher & Paykel Finance Limited as referred to in clause 2.1(b)(ix) and the amount received by FPAH from FPIL in consideration for the FPIL Shares bought back by FPIL as referred to in clause 2.1(b)(vi);

FPAH means Fisher & Paykel Appliances Holdings Limited;

FPAH SHARES means the shares in the capital of FPAH;

FPHC means Fisher & Paykel Healthcare Corporation Limited;

FPHC SHARES means the shares in the capital of FPHC;

FPIL means Fisher & Paykel Industries Limited;

FPIL SHARES means the shares in the capital of FPIL;

FPIL SHAREHOLDERS means the persons recorded on the FPIL share register as holders of FPIL Shares on the relevant date;

NZSE means the New Zealand Stock Exchange;

NZ\$ and NZ DOLLARS means the lawful currency of New Zealand;

OVER-ALLOTMENT OPTION means an over-allotment option granted by FPAH in favour of the underwriters of the U.S. Healthcare Offer which, if exercised, will require FPAH to sell to the underwriters of the U.S. Healthcare Offer newly issued FPHC Shares equating in number up to an additional 15% of the total number of FPHC Shares sold under the U.S. Healthcare Offer;

PERSON includes an individual, a body corporate, a business of FPIL, an association of persons (whether corporate or not), a trust, a state and an agency of state, in each case, whether or not having a separate legal personality;

RECORD DATE means the date by reference to which the entitlement of holders of FPIL Shares to participate in this Separation Arrangement Plan is determined, being 9 November 2001; provided however that if at any time before such date (or before any extended Record Date as contemplated in this definition), any event shall have occurred which, in the opinion of the board of directors of FPIL, acting reasonably and in good faith:

(a) is of such a material nature that it is no longer prepared to recommend the Separation Arrangement to the FPIL Shareholders unless circumstances change; or

(b) makes it impractical to proceed with the Separation Arrangement at that time,

the Record Date may be extended to such revised Record Date as may be selected and notified by FPIL to the NZSE as specified, being a date which is not later than 31 December 2001 or such later date as may be agreed by FPIL and FPAH and approved by the Court. Notification of any revised Record Date must be given not less than 6 days (or such lesser period as the NZSE may permit) before the then current Record Date;

SEPARATION ARRANGEMENT means the Court approved arrangement to effect the separation of FPIL's appliances and finance businesses and FPIL's healthcare business into two listed companies and to undertake the U.S. Healthcare Offer, the key elements of which are described in this Separation Arrangement Plan, subject to any amendment or variation made in accordance with the Separation Arrangement Agreement;

SEPARATION ARRANGEMENT AGREEMENT means the separation arrangement agreement dated on or about 23 August 2001, between FPIL and FPAH;

SEPARATION ARRANGEMENT PLAN means this separation arrangement plan;

SEPARATION DATE means the date on which the appliances and finance businesses of FPIL are acquired by FPAH under the Separation Arrangement, being the date selected by FPIL and notified immediately to the NZSE as the "Separation Date" for the purposes of the Separation Agreement and the Separation Arrangement, and being a date not later than 5 business days after the Record Date;

TOTAL BORROWINGS means all borrowings of the Fisher & Paykel Group including:

(a) (i) term borrowings;

(ii) term borrowings (current);

(iii) bank overdraft; and

(iv) call borrowings; less

(b) cash and bank balances,

but excluding all borrowings of the finance business;

TOTAL BORROWINGS ATTRIBUTABLE TO APPLIANCES means the amount agreed by FPIL and FPAH as at the date of the Separation Arrangement Agreement to be the total borrowings of the appliances business for the purposes of clause 2.1(b)(ix) of this Separation Arrangement Plan;

TRANSFER AGENT means **Computershare Registry Services Limited;**

U.S. HEALTHCARE OFFER means the offer and sale by FPAH primarily to U.S. investors under a U.S. public offering registered with the U.S. Securities and Exchange Commission, as well as to certain qualifying investors in other selected jurisdictions, of approximately 18% of the FPHC Shares outstanding immediately following the acquisition of the appliances and finance businesses of FPIL by FPAH under the Separation Arrangement; and

US\$ and US DOLLARS means the lawful currency of the United States.

1.2 HEADINGS AND REFERENCES

The division of this Separation Arrangement Plan into clauses and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Separation Arrangement Plan. Unless otherwise specified, references to clauses are to clauses of this Separation Arrangement Plan.

1.3 CURRENCY

Except as expressly indicated otherwise, all sums of money referred to in this Separation Arrangement Plan are expressed and shall be payable in New Zealand dollars.

1.4 TIME

Time is of the essence in each and every matter or thing provided in this Separation Arrangement Plan. Unless otherwise indicated, all times expressed in this Separation Arrangement Plan are local time, Auckland, New Zealand.

2. THE SEPARATION ARRANGEMENT

2.1 Subject to any amendments to the Separation Arrangement made in accordance with the Separation Arrangement Agreement, the following will occur on the dates specified and sequentially in the specified order without any further act or formality, except as otherwise provided:

(a) At close of trading on the NZSE on the Record Date, the FPIL share register will be closed.

(b) On the Separation Date:

(i) FPIL will buy back from the trustees of the Existing Employee Share Schemes all unallocated FPIL Shares existing as at the Record Date in consideration for a cash payment per FPIL Share of an amount to be agreed in writing between FPIL and the trustees of the Existing Employee Share Schemes based on FPIL's and the trustees' assessment of the fair value of the FPIL Shares, and the FPIL share register will be amended accordingly;

(ii) FPAH will acquire from each FPIL Shareholder recorded on the FPIL share register at the close of trading on the NZSE on the Record Date 472 of each 1,000 FPIL Shares held by that FPIL Shareholder and 47.2% of any parcel of less than 1000 FPIL Shares held by that FPIL Shareholder (rounded to the nearest whole number), in consideration of:

(A) for every 472 FPIL Shares acquired from that FPIL Shareholder, the issue of 550 fully paid FPAH Shares, and for any 47.2% portion of any parcel of less than 1000 FPIL Shares held by that FPIL Shareholder, such number of fully paid FPAH Shares such that the ratio of FPIL Shares acquired out of that parcel to FPAH Shares issued for such FPIL Shares equals the ratio of FPIL Shares acquired to FPAH Shares issued applicable per 1000 FPIL Shares held, with fractional entitlements rounded to the nearest whole number; and

(B) a cash payment amount equal to that FPIL Shareholder's pro rata entitlement to the difference between the gross amount raised from the sale of FPHC Shares under the U.S. Healthcare Offer referred to in clause 2.1(b)(xi) and \$105 million, with such cash payment amount being paid to each FPIL Shareholder upon completion of the U.S. Healthcare Offer.

(iii) FPAH will be entered in the share register of FPIL as the holder of the FPIL Shares transferred to it pursuant to clause 2.1(b)(ii);

(iv) each FPIL Shareholder will cease to be a FPIL Shareholder in respect of the FPIL Shares that FPIL Shareholder transferred to FPAH, and will be entered on the share register of FPAH as the holder of the FPAH Shares which that FPIL Shareholder is entitled to receive pursuant to clause 2.1(b)(ii);

(v) the 3,000 FPAH Shares held by FPIL (having a value of \$3,000) will be cancelled upon payment of \$3,000 to FPIL and FPIL will cease to be a holder of FPAH Shares;

(vi) FPIL will buy back from FPAH 18,200,000 FPIL Shares in consideration for a cash payment per FPIL Share of an amount to be agreed in writing between FPIL and FPAH based on FPIL's and FPAH's assessment of the fair value of the FPIL Shares, and the FPIL share register will be amended accordingly;

(vii) FPAH will subscribe for a minimum of 100 million fully paid shares in AF Investments (at a purchase price of \$1.00 per AF Investments Share) and will loan moneys to AF Investments such that the aggregate dollar amount of subscription and loan moneys paid to AF Investments pursuant to this clause 2.1(b)(vii) equals the amount received by FPAH from FPIL under clause 2.1(b)(vi);

\(viii) AF Investments will borrow the External Borrowing Amount from external lenders;

(ix) AF Investments will purchase from FPIL all of the shares in Fisher & Paykel Limited and Fisher & Paykel Finance Limited at a total purchase price of \$309 million being FPIL's and AF Investments' assessment of the fair value of those shares taking into account (in respect of the shares of Fisher & Paykel Limited) Total Borrowings Attributable to Appliances;

(x) The name of FPIL will change to FPHC; and

(xi) Upon completion of the transaction steps in clause 2.1(b)(i) to (ix) and the change of name in clause 2.1(b)(x), subject to the price obtained under the U.S. Healthcare Offer being acceptable to each of the board of directors of FPAH and the board of directors of FPHC (each acting reasonably and in good faith and in what they believe to be in the best interests of their respective companies and the shareholders of their respective companies, after taking appropriate advice), FPAH and FPHC will enter into:

(A) an underwriting agreement with the underwriters of the U.S. Healthcare Offer to sell pursuant to the U.S. Healthcare Offer approximately 18% of the FPHC Shares then outstanding (being a portion of the FPHC Shares acquired by it from FPHC Shareholders pursuant to the transaction step in clause 2.1(b)(ii)) and granting the Over-allotment Option; and

(B) an agreement under which FPHC agrees to issue to FPAH such number of FPHC Shares as FPAH is obliged to sell to the underwriters of the U.S. Healthcare Offer upon exercise of the Over-allotment Option.

(c) On or as soon as practicable following the Completion Date:

(i) FPAH will loan an amount equal to the External Borrowing Amount to AF Investments;

(ii) AF Investments will repay the External Borrowing Amount referred to in clause 2.1(b)(viii);

(iii) FPHC and FPAH will jointly cause the Transfer Agent to forward, or cause to be forwarded, by mail to each FPHC Shareholder at the address specified in the FPHC share register (or to such other person (at such address) as such FPHC Shareholder may direct) a statement confirming their holding of FPAH Shares and FPHC Shares; and

(iv) FPAH will cause the Transfer Agent to forward, or cause to be forwarded, by mail to each FPHC Shareholder at the address specified in the FPHC share register (or to such other person (at such address) as such FPHC Shareholder may direct) the cash payment amount to which they are entitled pursuant to clause 2.1(b)(ii)(B).

(d) If the Over-allotment Option is exercised, FPHC will issue FPHC Shares to FPAH in accordance with the terms of the agreement between FPAH and FPHC referred to in clause 2.1(b)(xi)(B) and FPAH will on sell those FPHC Shares to the underwriters of the U.S. Healthcare Offer in accordance with the terms of the Over-allotment Option.

2.2 If for any reason the sale of FPHC Shares pursuant to the U.S. Healthcare Offer does not close, or the proceeds of the sale of FPHC Shares pursuant to the U.S. Healthcare Offer are not received by FPAH, on or before 5pm on the date that is 10 business days after the Record Date, then the Separation Arrangement steps set out in clause 2.1 are to be reversed as follows:

(a) on the date that is 11 business days after the Record Date the following transactions will occur sequentially in the following order without any further act or formality, except as otherwise provided:

(i) the name of FPIL (then FPHC) will change back to FPIL;

(ii) FPIL will reacquire from AF Investments all of the shares in Fisher & Paykel Limited and Fisher & Paykel Finance Limited at a total purchase price of \$309 million;

(iii) AF Investments will repay the External Borrowing Amount referred to in clause 2.1(b)(viii);

(iv) AF Investments will buy back all the AF Investments Shares issued to FPAH pursuant to clause 2.1(b)(vii) at the purchase price of \$1.00 per AF Investments Share and repay the loan made to it by FPAH as referred to in that clause;

(v) FPIL will issue 18,200,000 FPIL Shares to FPAH in consideration for the cash payment per FPIL Share agreed between FPAH and FPIL as referred to in clause 2.1(b)(vi); and

(vi) FPAH will amalgamate into FPIL and FPIL will issue such number of FPIL Shares to the holders of FPAH Shares as equals the number of FPIL Shares acquired by FPAH from such holders of FPAH Shares (in their then capacity as FPIL Shareholders) pursuant to clause 2.1(b)(ii) in consideration for the cancellation of their FPAH Shares and the cancellation of the obligation of FPAH to make the cash payment referred to in clause 2.1(b)(ii)(B); and

(b) the share registers of FPIL, FPAH, AF Investments, Fisher & Paykel Limited and Fisher & Paykel Finance Limited will be amended to reflect the transactions set out in clause 2.2(a).

3. AMENDMENTS

Any amendments to the Separation Arrangement made in accordance with clause 10 of the Separation Arrangement Agreement will become part of the Separation Arrangement for all purposes and clause 2 shall be deemed amended as necessary to incorporate such amendments.

SCHEDULE 2: FISHER & PAYKEL GROUP

[Table Illustrating Fisher & Paykel Industries Limited and Subsidiaries Organizational Chart]

Footnote 1: Hill & Stewart Appliances Limited is a subsidiary of FPIL with 49% of the shares held via a nominee company and voting rights over other shares

The obligations of each of FPIL and FPAH to complete the transactions contemplated by this Agreement will be subject to the fulfilment, or the waiver (where applicable) by each of them, of each of the following conditions at or prior to the Separation Date:

- (a) the Interim Court Orders will have been obtained in form and substance satisfactory to each of them, acting reasonably;
- (b) the Separation Arrangement will have been approved at the Annual Shareholders Meeting in accordance with the Interim Court Orders;
- (c) the Final Court Orders will have been obtained in form and substance satisfactory to each of them, acting reasonably;
- (d) the matters referred to in paragraphs (ii) and (iii) of clause 5.1(a) will have been attended to and obtained on terms and conditions acceptable to each of FPIL and FPAH as applicable;
- (e) any applicable waiting periods will have expired without any action being taken or threatened by any competent authority which would restrain or prevent the Separation Arrangement or otherwise impose conditions that are Materially Adverse to FPIL or FPAH and their respective Subsidiaries (in each case taken as a whole), to the implementation of the Separation Arrangement, to the Appliances Companies and the Finance Companies (taken as a whole) or to the Healthcare Companies (taken as a whole);
- (f) no judgement or order will have been issued by any of the Agencies and no Law shall have been proposed, enacted, promulgated or applied:
 - (i) to prohibit or impose material limitations or conditions on or to the implementation of the Separation Arrangement; or
 - (ii) that, if the Separation Arrangement were completed, would be Materially Adverse to FPIL or FPAH and their respective Subsidiaries (in each case taken as a whole), to the Appliances Companies and the Finance Companies (taken as a whole) or to the Healthcare Companies (taken as a whole);
- (g) conditional approval (subject to filing documentation only) of listing of FPAH shares on the NZSE and of listing of the FPIL Shares on the NASDAQ;
- (h) the FPHC Shares offered under the U.S. Healthcare Offer will have achieved a share price that is acceptable to each of the board of directors of FPAH and the board of directors of FPHC (each acting reasonably and in good faith and in what they believe to be in the best interests of their respective companies and the Shareholders of their respective companies, after taking appropriate advice);
- (i) funding arrangements (including any arrangements entered into in connection with such funding arrangements) will have been put in place for each of:
 - (A) the Healthcare Companies; and
 - (B) FPAH and the Appliances Companies and Finance Companies,

in each case on terms and conditions satisfactory in all respect to those companies respectively; and any third party funding arrangements (or arrangements associated with such funding arrangements) in respect of which any of the Healthcare Companies has any obligation but which is not properly attributable to the healthcare business carried on by the Fisher & Paykel Group prior to the Separation Date will have been repaid or otherwise assumed by FPAH, the Appliances Companies and/or the Finance Companies;

(j) no event shall have occurred which, in the opinion of the board of directors of FPIL acting reasonably and in good faith, is of such a material nature that it is no longer prepared to recommend the Separation Arrangement to the FPIL shareholders.

SCHEDULE 4: APPLIANCES COMPANIES, FINANCE COMPANIES AND HEALTHCARE COMPANIES

APPLIANCES COMPANIES

- Fisher & Paykel Limited
- NZ Exports Corporation Limited
- Fisher & Paykel (Singapore) Pte Limited
- Fisher & Paykel Appliances Limited (UK)
- Fisher & Paykel Appliances Inc
- Fisher & Paykel Production Machinery Limited
- Allied Industries Limited
- Fisher & Paykel Australia Holdings Limited
- Fisher & Paykel Australia Pty Limited
- Fisher & Paykel Manufacturing Pty Limited
- Fisher & Paykel Service Pty Limited
- Fisher & Paykel Finance Pty Limited
- Fisher & Paykel Customer Services Pty Limited
- Hill & Stewart Appliances Limited

FINANCE COMPANIES

- Fisher & Paykel Finance Limited
- Lifestyle Finance Limited
- Burtlea Investments No 93 Limited
- Consumer Finance Limited
- Commercial Finance Limited
- E-Claims.co.nz Limited
- CIS Insurance Limited
- Consumer Finance Corporation Limited
- Consumer Insurance Services Limited
- Equipment Finance Limited

HEALTHCARE COMPANIES

- Fisher & Paykel Industries Limited
- Fisher & Paykel Holdings Inc (USA)
- Fisher & Paykel Healthcare Limited
- Fisher & Paykel Healthcare Limited (UK)

- Fisher & Paykel Healthcare Pty Limited

- Fisher & Paykel Holdings GmbH (Germany)

- Fisher & Paykel Healthcare SAS (France)
- Fisher & Paykel Healthcare GmbH & Co Kg (Germany)
- Fisher & Paykel Healthcare Properties Limited
- Fisher & Paykel Healthcare Inc

SCHEDULE 5: MISPLACED ASSETS AND LIABILITIES

1. INTERPRETATION

1.1 DEFINITIONS

In this Schedule 5, unless the context otherwise requires:

ASSET HOLDER means, in respect of any Misplaced Asset, the party that is (or the Subsidiary of which is) the holder of the Misplaced Asset that is properly attributable to the business carried on by the Business Holdco;

BUSINESS HOLDCO means, in respect of any Misplaced Asset or Misplaced Liability, the party that is carrying on the business to which the Misplaced Asset or Misplaced Liability is properly attributable;

CLAIM means any demand, claim (including, without limitation, any tax claim) or legal proceeding issued, or action taken or threatened to be taken, against a party or any of its Subsidiaries (the **INDEMNIFIED PARTY**) for which the Indemnified Party has a right under this Schedule 5 to be indemnified against by the other party (the **INDEMNIFYING PARTY**);

CONTRACTING HOLDCO has the meaning ascribed to it in clause 5;

EXPERT means a person agreed between the parties, or failing agreement within three business days after a written nomination by either party, at the request of either party, the expert selected by the President of the New Zealand Law Society from a "panel" of nominees comprising one person nominated as expert by each party;

LIABILITY HOLDER means, in respect of any Misplaced Liability, the person that is (or the Subsidiary of which is) the holder of the Misplaced Liability that is properly attributable to the business carried on by the Business Holdco;

MISPLACED ASSET has the meaning ascribed to it in clause 2;

MISPLACED LIABILITY has the meaning ascribed to it in clause 3; and

NOTIFICATION DATE means, in respect of the any Misplaced Asset or Misplaced Liability, the date on which notification of the Misplaced Asset or Misplaced Liability is received by the notified party.

1.2 CONSTRUCTION OF CERTAIN REFERENCES

In this Schedule 5, unless the context otherwise requires:

(a) any reference to an **ASSET HOLDER**, **LIABILITY HOLDER** or **BUSINESS HOLDCO**, OR A PARTY, TAKING OR OMITTING TO TAKE ANY ACTION includes that person procuring any of its Subsidiaries to take or omit to take that action; and

(b) if a **SUBSIDIARY OF A BUSINESS HOLDCO HAS BEEN IDENTIFIED BY THE BUSINESS HOLDCO AS THE APPROPRIATE HOLDER OF A MISPLACED ASSET OR MISPLACED LIABILITY**, as contemplated in clauses 2 or 3, without prejudice to the obligations under this

Schedule 5 of the Business Holdco, references to THE BUSINESS HOLDCO, in that context, shall be to that Subsidiary as appropriate.

1.3 CLAUSES

In this Schedule 5, unless otherwise specified, references to clauses are to clauses of this Schedule 5.

2. MISPLACED ASSETS

2.1 MISPLACED ASSETS

If after the Separation Date either party identifies any asset (the **MISPLACED ASSET**):

(a) held by FPHC or any of its Subsidiaries that is properly attributable to the appliances or finance business as carried on by the Fisher & Paykel Group prior to the Separation Date and by FPAH and its Subsidiaries on or after the Separation Date; or

(b) held by FPAH or any of its Subsidiaries that is properly attributable to the healthcare business as carried on by the Fisher & Paykel Group prior to the Separation Date and by FPHC and its Subsidiaries on or after the Separation Date,

it will notify the other not later than 30 days after the date on which such identification is made. The parties will then respectively procure the transfer and assignment with effect from the Separation Date of all the right, title and interest in and to the Misplaced Asset to FPAH or FPHC respectively (or any Subsidiary thereof nominated by FPAH or FPHC (as applicable)) for fair market value as agreed by the parties and payable in cash not later than 30 days after the date on which notification of the Misplaced Asset pursuant to this clause 2.1 is received by the relevant party. For this purpose, the Asset Holder shall, as soon as reasonably practicable, execute and deliver to the Business Holdco such documents and take such steps as may be reasonably required by the Business Holdco to vest in the Business Holdco legal title to the Misplaced Asset; provided that if no such documents or steps are required, by this clause, the Asset Holder transfers and assigns, with effect as of the Separation Date, all its right, title and interest in and to the Misplaced Asset to the Business Holdco.

2.2 CONSENTS OR WAIVERS; NOVATION

If any Misplaced Asset cannot effectively be assigned or transferred without first obtaining a consent or waiver from a third person or except by agreements of novation, the Asset Holder shall (upon request of the Business Holdco) take all reasonable steps to procure that any necessary consent or waiver is obtained or any agreement of novation is entered into, and the Business Holdco shall co-operate with the Asset Holder and any of its Subsidiaries for such purpose.

2.3 NOMINEE AND AGENT

(a) To the extent that the legal and beneficial right, title and interest in any Misplaced Asset has not been transferred and assigned pursuant to clause 2.1, the Asset Holder will hold the Misplaced Asset as nominee and agent for the Business Holdco until legal title to the Misplaced Asset has passed to the Business Holdco and will account to the Business Holdco, promptly upon receipt, for any benefit received by it in respect of the Misplaced Asset.

(b) Clauses 2.1 and 2.3(a) shall not apply to any Misplaced Asset where this would result in the Asset Holder being in breach of any terms on which the Misplaced Asset is held, but in such case the Asset Holder and the Business Holdco, each acting reasonably, shall use all reasonable endeavours to conclude (at the cost of the Business Holdco) a further arrangement which enables the Business Holdco or such Subsidiary of the Business Holdco as the Business Holdco shall identify as the appropriate holder of the Misplaced Asset to obtain the benefit of the Misplaced Asset with effect as at the Separation Date.

2.4 CONTINUING ARRANGEMENTS

The following provisions of this clause 2.4 apply to any Misplaced Asset to which clause 2.3 applies:

(a) in respect of clause 2.3(a) only, beneficial ownership and risk in respect of the Misplaced Asset shall pass to the Business Holdco as at the Separation Date;

(b) from (and including) the Notification Date, the Business Holdco shall perform and comply with or, if that is not possible or practicable, (at the cost of the Business Holdco) assist the Asset Holder and any of its Subsidiaries to perform and comply with, any obligations that the Asset Holder or such Subsidiary may have in relation to the Misplaced Asset;

(c) subject to clause 2.4(b), from (and including) the Notification Date, the Asset Holder will:

(i) subject to subparagraph (ii) of this clause 2.4(c), continue to perform and comply with any obligations that it or any of its Subsidiaries may have in relation to the Misplaced Asset; and

(ii) comply with any lawful direction from the Business Holdco with respect to the Misplaced Asset (provided that the Asset Holder shall not be obliged to comply with any such direction if to do so would prejudice it in a manner or to an extent for which it is not compensated by the provisions of this Schedule 5); and

(d) the Business Holdco will indemnify the Asset Holder or any of its Subsidiaries upon demand from and against any and all losses, damages, liabilities, claims, costs and expenses of whatever nature (including, without limitation, tax) sustained or incurred by the Asset Holder or such Subsidiary (as applicable) under or in connection with the Misplaced Asset (including, without limitation, all costs and expenses (including all legal expenses on a solicitor and own client basis and any tax) incurred by the Asset Holder or such Subsidiary in the performance of the obligations of the Asset Holder under this clause 2.4).

2.5 COSTS

To the extent not indemnified against under clause 2.4(d), all costs and expenses (including legal expenses on a solicitor and own client basis and any tax) incurred by the Asset Holder or any of its Subsidiaries in the performance of the obligations of the Asset Holder under this clause 2 will be paid by the Business Holdco, or reimbursed to the Asset Holder or such Subsidiary (as applicable), upon demand and presentation of such documentation as may be reasonably required to evidence such costs and expenses.

3. MISPLACED LIABILITIES

3.1 MISPLACED LIABILITIES

If after the Separation Date either party identifies any liability (the **MISPLACED LIABILITY**):

(a) held by FPHC or any of its Subsidiaries that is properly attributable to the appliances or finance business as carried on by the Fisher & Paykel Group prior to the Separation Date and by FPAH and its Subsidiaries on or after the Separation Date; or

(b) held by FPAH or any of its Subsidiaries that is properly attributable to the healthcare business as carried on by the Fisher & Paykel Group prior to the Separation Date and by FPHC and its Subsidiaries on or after the Separation Date,

it will notify the other not less than 30 days after the date on which the identification is made. The parties will then respectively:

(i) take such steps as may be reasonably required to obtain the consent of each relevant obligee under the Misplaced Liability to the entry into of arrangements whereby the obligations of the Liability Holder and any of its Subsidiaries under the Misplaced Liability are novated to the Business Holdco or to such Subsidiary of the Business Holdco as the Business Holdco shall identify as the appropriate holder of that Misplaced Liability and as shall be acceptable to the relevant obligee; and

(ii) to the extent that such consents are obtained, enter into agreements of novation with any relevant obligees under which, with effect as of the Separation Date, the relevant novatees shall assume the obligations of the relevant novators under the Misplaced Liability and the relevant novators are released from their obligations under the Misplaced Liability.

3.2 CONTINUING ARRANGEMENTS

The following provisions of this clause 3.2 shall apply to any Misplaced Liability to the extent that the Misplaced Liability is not novated pursuant to clause 3.1:

(a) risk and liability in respect of the Misplaced Liability shall pass to the Business Holdco as at the Separation Date;

(b) from (and including) the Notification Date, the Business Holdco shall perform and comply with the Misplaced Liability in accordance with its terms as if it were the original obligor thereof, or if that is not possible or practicable, (at the cost of the Business Holdco) assist the Liability Holder and any of its Subsidiaries to perform and comply with any obligations that the Liability Holder or such Subsidiary may have in relation to the Misplaced Liability;

(c) subject to clause 3.2(b), from (and including) the Notification Date, the Liability Holder will:

(i) subject to sub-paragraph (ii) of this clause 3.2(c), continue to perform and comply with any obligations that it or any of its Subsidiaries may have in relation to the Misplaced Liability; and

(ii) comply with any lawful direction from the Business Holdco with respect to the Misplaced Liability (provided that the Liability Holder shall not be obliged to comply with any such direction if to do so would prejudice it in a manner or to an extent for which it is not compensated by the provisions of this Schedule 5); and

(d) the Business Holdco shall indemnify the Liability Holder and any of its Subsidiaries from and against any and all losses, damages, liabilities, claims, costs and expenses of whatever nature (including, without limitation, tax) sustained or incurred by the Liability Holder or such Subsidiary (as applicable), under or in connection with the Misplaced Liability (including, without limitation, all costs and expenses (including all legal expenses on a solicitor and own client basis and any tax) incurred by the Liability Holder or such Subsidiary in the performance of the obligations of the Liability Holder under this clause 3.2).

3.3 COSTS

To the extent not indemnified against under clause 3.2(d), all costs and expenses (including legal expenses on a solicitor and own client basis and any tax) incurred by the Liability Holder or any of its Subsidiaries in the performance of the obligations of the Liability Holder under this clause 3 will be paid by the Business Holdco, or reimbursed to the Liability Holder or such Subsidiary (as applicable), upon demand and presentation of such documentation as may be reasonably required to evidence such costs and expenses.

4. LIMITATION ON OBLIGATIONS

4.1 LIMITATION ON OBLIGATIONS OF BUSINESS HOLDCO

For the avoidance of doubt, it is acknowledged that the Business Holdco shall not have any obligations under this Schedule 5 to the Asset Holder or Liability Holder (as applicable) of any Misplaced Asset or Misplaced Liability in excess of the obligations to the third person which the Asset Holder or Liability Holder is able to meet from its own assets, without any recourse to the provisions of this Schedule 5.

4.2 LIMITATION ON OBLIGATIONS OF ASSET HOLDER OR LIABILITY HOLDER

Notwithstanding any other provision of this Schedule 5, the Asset Holder (in respect of any Misplaced Asset) or the Liability Holder (in respect of any Misplaced Liability) shall not have any obligation to the Business Holdco under this Schedule 5 to perform or comply with any obligations it or any of its Subsidiaries may have in relation to the Misplaced Asset or Misplaced Liability respectively in excess of the obligation the Business Holdco would have if the Business Holdco was directly responsible for such obligation.

4.3 MONETARY LIMITATIONS

No party shall have a right to indemnification under this Schedule 5 unless:

(a) the amount payable by way of indemnity equals or exceeds \$200,000; or

(b) the party has a number of indemnity claims and the aggregate amount payable by way of indemnity under such claims (including any amount payable under paragraph (a) of this clause 4.3) equals or exceeds \$500,000 in which case the party will be entitled to payment of each and every such indemnity amount.

5. PRESERVATION OF RIGHTS AND OBLIGATIONS/CO-OPERATION

5.1 NOT ALTER POSITION

Where the Asset Holder or Liability Holder (or a Subsidiary thereof) (the CONTRACTING HOLDCO) holds any Misplaced Assets or Misplaced Liabilities which are contracts to which the Contracting Holdco or any such Subsidiary is a party or other chose in action under which the Contracting Holdco or any such Subsidiary has rights or obligations, it will not, at any time, except with the prior consent of the Business Holdco:

- (a) amend or vary, or consent to any amendment or variation of, any such contract or other chose in action;
- (b) avoid, terminate, rescind, repudiate, discharge (other than by performance) or accept the termination, rescission, repudiation or discharge (other than by performance) of any such contract or other chose in action;
- (c) expressly or impliedly waive any right, or grant any consent under any such contract or other chose in action; or
- (d) release any party from any of its obligations under any such contract or other chose in action.

5.2 ASSISTANCE/INFORMATION

Each party shall co-operate with, and render such assistance, make such disclosures and provide such information to, the other and its Subsidiaries as will ensure that after the Notification Date, as far as reasonably practicable in respect of any Misplaced Asset or Misplaced Liability, the Business Holdco or such Subsidiary will be able to deal with the Misplaced Asset or Misplaced Liability, and generally so conduct themselves in relation to such Misplaced Asset or Misplaced Liability, as if it was the legal and beneficial owner or obligor (as the case may be) thereof.

5.3 CO-OPERATION

The parties shall co-operate in effecting any transfer of the ownership of any assets or liabilities as described in this Schedule 5 in the most tax effective manner reasonably available to each party.

6. DISPUTE RESOLUTION

6.1 DISPUTE RESOLUTION

If either party disputes the proper attribution of any asset or liability notified to it pursuant to clause 2 or clause 3, it shall give written notice to the other not later than 30 days after the date on which notification of such asset or liability is received by the notified party, setting out sufficient detail to enable the other to respond. If the parties then cannot agree the proper attribution of such asset or liability within 5 business days of the date of receipt of the dispute notice, or if the parties cannot agree the fair market value of any Misplaced Asset within [5 business days] of the date on which notification of the Misplaced Asset pursuant to clause 2.1 is received by the relevant party, the matter shall be referred on the application of either party to the Expert for determination. The Expert:

- (a) will be deemed to act as an expert and not as an arbitrator;
- (b) must be instructed to notify its determination to the parties within 14 days of its appointment by a written determination which shall (in the absence of manifest error) be final and binding on the parties;
- (c) must make its determination by reference to the terms of this Schedule 5; and
- (d) will have the right to call for information from either party relevant to the determination it is required to make.

6.2 CO-OPERATE WITH EXPERT

The parties must do all things reasonably required to co-operate with the Expert in resolving the dispute and each will be entitled to submit written representations to the Expert in connection with the dispute. The parties will provide to the Expert, promptly following its request, any information that the Expert (acting reasonably) considers to be relevant to its determination.

6.3 COSTS

The parties shall bear their own costs of and incidental to this clause 6 and shall share equally the costs of the Expert.

7. LITIGATION

7.1 NOTIFICATION OF CLAIM

If, after the Separation Date, a party or any of its Subsidiaries receives notice of any Claim, as a condition to it being entitled to be indemnified under this Schedule 5, the party will promptly notify the Indemnifying Party of that Claim (and provide copies of any documentation relating to that Claim received by it).

7.2 LIMITATION ON INDEMNITIES

The indemnities in this Schedule 5 shall not apply in respect of a Claim to the extent of any actual prejudice caused to the Indemnifying Party if the Indemnified Party:

- (a) fails to promptly notify the Indemnifying Party as required in clause 7.1;
- (b) admits any facts or allegations concerning the Claim;
- (c) admits liability in respect of the Claim; or
- (d) settles the Claim;

without the consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed).

7.3 INDEMNIFYING PARTY MAY DEFEND

Subject to clause 7.4, if the Indemnifying Party acknowledges that it is liable to indemnify the Indemnified Party in respect of a Claim, the Indemnifying Party shall be entitled to conduct the defence of such Claim under its sole management and control and at its sole cost (including any reasonable management, legal or other costs incurred by the Indemnified Party at the request of the Indemnifying Party) and, for that purpose, to institute such legal and other proceeding (including cross-claims) in the name of the Indemnified Party as it thinks fit.

7.4 NO PREJUDICE

In defending any Claim, the Indemnifying Party shall act in a manner that does not unreasonably prejudice the Indemnified Party's reputation in a manner or to an extent for which the Indemnified Party is not compensated by the provisions of this Schedule 5 and shall take into account the Indemnified Party's reasonable requests in this respect.

7.5 REASONABLE ASSISTANCE AND CO-OPERATION

For so long as the Indemnifying Party is entitled to conduct the defence of such Claim and provided that the Indemnifying Party promptly pays all reasonable management, legal or other costs thereby incurred by the Indemnified Party, at the request of the Indemnifying Party, the Indemnified Party must, and must ensure that its officers and employees, promptly render all reasonable assistance and co-operation to the Indemnifying Party in the conduct of the relevant proceedings as, where and when the Indemnifying Party may direct.

7.6 ACCESS TO DOCUMENTS AND RECORDS

If a Claim is made, the Indemnified Party shall give the Indemnifying Party reasonable access to the documents and records of the Indemnified Party, for the purpose of defending such Claim.

8. INDEMNITIES CONTINUING AND SEPARATE

8.1 INDEMNITIES CONTINUING

Indemnities in this Schedule 5:

(a) shall be continuing and primary obligations of the applicable party;

(b) shall be in addition to and shall not merge in or affect any other rights to which the indemnified person may be or become entitled; and

(c) shall not be discharged or impaired by any act, omission, matter or thing which would or might, but for this clause 8, operate to impair or discharge the liabilities of any party under this Schedule 5, provided however that each party's obligations under the indemnities in this Schedule 5 do not extend to any losses, damages, liabilities, claims, costs or expenses:

(i) to the extent sustained or incurred by the indemnified person as a result of it's the indemnified person's negligence, default or fraud; or

(ii) to the extent of any actual prejudice caused to the indemnifying party by any action of the indemnified person that is in breach, or outside the provisions, of this Schedule 5 and taken without the consent of the indemnifying party (which consent shall not be unreasonably withheld or delayed).

8.2 SEPARATE AND INDEPENDENT OBLIGATIONS

The indemnities in this Schedule 5 shall be separate and independent obligations and shall give rise to separate and independent causes of action.

9. PAYMENTS

9.1 PAYMENTS TO BE FREE AND CLEAR

Each payment under this Schedule 5 is to be made:

- (a) free of any restriction or condition; and
- (b) free and clear of and (except to the extent required by law) without any deduction or withholding for or on account of tax or on any other account, whether by way of set-off, counterclaim or otherwise.

9.2 GROSSING-UP OF PAYMENTS

If:

- (a) a party or any of its Subsidiaries or any person on behalf of the party or such Subsidiary is required by law to make a deduction or withholding for or on account of tax or on any other account, whether by way of set-off or otherwise, from an amount paid or payable by it pursuant to this Schedule 5; or
- (b) a party or any of its Subsidiaries or any person on behalf of the party or such Subsidiary is required by law to make a deduction or withholding from, or a payment on or calculated by reference to, an amount received or receivable pursuant to this Schedule 5 (excluding tax on its overall net income),

then the amount in respect of which that deduction, withholding or payment is required to be made is to be increased to the extent necessary to ensure that, after the making of that deduction, withholding or payment, the payee receives and retains (free from any liability in respect of that deduction, withholding or payment) a net amount equal to the amount which it would have received and so retained had no deduction, withholding or payment been required to be made; provided however that this clause 9.2 shall not apply to any amount paid or payable, or received or receivable, pursuant to clauses 2.3.

9.3 NOTICE OF LEGAL REQUIREMENTS

If a party or any of its Subsidiaries is required to make a deduction, withholding or payment for or on account of tax or on any other account, the party is to notify the payee or payor (as applicable) promptly.

9.4 TIMELY PAYMENT TO TAX AUTHORITY

If a party or any of its Subsidiaries is required to make a deduction, withholding or payment for or on account of tax or on any other account, the party is to account to the appropriate tax or other authority for the relevant amount within the time allowed, without incurring a penalty for late payment.

9.5 TAX RECEIPTS

Promptly after a party or any of its Subsidiaries making a deduction, withholding or payment, the party is to deliver to the payee or payor (as applicable) a receipt or other documentation satisfactory to that payee or payor acting reasonably evidencing the deduction, withholding or payment.

9.6 TAX CREDIT

If:

(a) a party or any of its Subsidiaries, being the payee, is entitled to receive the benefit of any tax credit, tax deduction or similar benefit (a credit) by reason of any deduction, withholding or payment referred to in clause 9.2; and

(b) the payor has on account of such deduction, withholding or payment made the increased payment required by clause 9.2,

then the party shall use reasonable efforts to obtain the credit and, upon receipt of such credit (and to the extent that it can do so without prejudice to the retention of such credit), pay to the payor, or otherwise account for, such amount (if any) as equals the value to the payee in its opinion (acting reasonably) of that part of such credit as the payee considers allocable to such deduction, withholding or payment (having regard to all its dealings giving rise to similar credits in relation to the same tax period, and to the cost of obtaining the same). Nothing in this clause shall interfere with the right of the payee to arrange its tax affairs in whatever manner it deems fit, or oblige it to disclose any information relating to the assessment or computation of its tax liabilities or tax benefits and, in particular, the payee shall not be under any obligation to claim relief from its profits or similar tax liability in respect of any such deduction, withholding or payment in priority to any other reliefs, claims, credits or deductions available to it.

10. COSTS

Without prejudice to clauses 2.5 and 3.3, all reasonable costs (including all losses, damages, liabilities, claims and expenses) incurred as a result of the matters contemplated in this Schedule 5 in relation to any Misplaced Asset or Misplaced Liability shall be for the account of the Business Holdco that is carrying on the business to which the Misplaced Asset or Misplaced Liability is properly attributable. Such Business Holdco shall indemnify the other party and its respective Subsidiaries from and against any and all such costs.

Exhibit 3.1

**THE CONSTITUTION OF FISHER &
PAYKEL INDUSTRIES LIMITED**

I, Sir Colin MAIDEN certify that this is the constitution of FISHER & PAYKEL INDUSTRIES LIMITED as adopted on 4 August 2000.

Dated this 14th day of August 2000

/s/ C.J.Maiden

Sir Colin Maiden

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**THE CONSTITUTION OF
FISHER & PAYKEL INDUSTRIES LIMITED**

PART A: INTRODUCTION

Interpretation

1. DEFINED TERMS In this constitution:

1.1 The following expressions have the following meanings:

the Act means the Companies Act 1993;

the Company means Fisher & Paykel Industries Limited;

this constitution means this constitution as it may be altered from time to time in accordance with the Act;

director has the meaning given by the Act;

ordinary resolution has the same meaning in relation to the Company as the expression "Ordinary Resolution of the Issuer" under the Rules;

the Rules means the Listing Rules of the New Zealand Stock Exchange as altered from time to time by the Exchange;

shareholders' funds has the same meaning in relation to the Company as the expression "Shareholders Funds of the Issuer" under the Rules;

special resolution means a resolution approved by a majority of 75% of votes of the holders of securities entitled to vote and voting;

treasury stock means shares in the Company acquired by the Company and held as treasury stock pursuant to the Act;

written or in writing in relation to words, figures and symbols includes all modes of presenting or reproducing those words, figures and symbols in a tangible and visible form.

1.2 Expressions and words (whether or not expressed with initial capital letters) which are defined in the Rules and which are not defined in clause 1.1. have the meanings given by the Rules.

1.3 Subject to clause 1.2, expressions which are defined in the Act and/or the Securities Act 1978 (whether in section 2, or elsewhere for the purposes of a particular subsection, section or sections) have the meanings given to them by the Act and/or the Securities Act 1978. Where an expression is defined in the Act and/or the Securities Act 1978 more than once and in different contexts, its meaning will be governed by the context in which it appears in this constitution.

2. CONSTRUCTION In this constitution:

2.1 Headings appear as a matter of convenience and do not affect the interpretation of this constitution;

2.2 The singular includes the plural and vice versa, and words importing one gender include the other genders;

2.3 A reference to an enactment or any regulations is a reference to that enactment or those regulations as amended, or to any enactment or regulations substituted for that enactment or those regulations;

2.4 The Schedules form part of this constitution.

THE RELATIONSHIP BETWEEN THIS CONSTITUTION AND THE ACT

3. EFFECT OF THE ACT ON THIS CONSTITUTION

The Company, the Board, each director, and each shareholder have the rights, powers, duties, and obligations set out in the Act except to the extent that they are negated or modified, in accordance with the Act, by this constitution.

4. EFFECT OF THIS CONSTITUTION

This constitution has no effect to the extent that it contravenes the Act, or is inconsistent with it.

THE RELATIONSHIP BETWEEN THIS CONSTITUTION AND THE RULES

5. COMPANY MUST COMPLY WITH RULES WHILE LISTED

For so long as the Company is listed, the Company must comply with the Rules.

6. EFFECT OF EXCHANGE'S RULINGS

If the Exchange has granted a ruling in relation to the Company authorising any act or omission which in the absence of that ruling would be in contravention of

the Rules or this constitution that act or omission will, unless a contrary intention appears in this constitution, be regarded as being authorised by the Rules and by this constitution.

7. FAILURE TO COMPLY WITH RULES HAS LIMITED EFFECT IN SOME CASES

Any failure to comply with:

(a) the Rules; or

(b) clauses 45, 73 and 75,

does not affect the validity or enforceability of any transaction, contract, action or other matter whatsoever (including the proceedings of, or voting at, any meeting) done or entered into by, or affecting, the Company, except that a party to a transaction or contract who knew of the failure to comply with the Rules or clauses 45, 73 and 75 is not entitled to enforce that transaction or contract. This clause does not affect the rights of any holder of securities of the Company against the Company or the Board arising from failure to comply with the Rules or clauses 45, 73 and 75.

ALTERATION OR REVOCATION OF THIS CONSTITUTION

8. SHAREHOLDERS MAY ALTER OR REVOKE THIS CONSTITUTION

The shareholders may alter or revoke this constitution by special resolution.

PART B: SHARES AND SHAREHOLDERS

EXISTING SHARES

9. COMPANY'S SHARES

Upon reregistration under the Act, the Company has 108,538,797 shares.

CONSOLIDATION AND SUBDIVISION

10. BOARD MAY ALTER NUMBER OF SHARES

Subject to obtaining the authorisation of shareholders by ordinary resolution the Board may:

10.1 consolidate and divide shares or any class of shares, so that each shareholder holds a proportionately fewer number of shares;
or

10.2 subdivide shares or any class of shares, so that each shareholder holds a proportionately greater number of shares.

ISSUE OF NEW EQUITY SECURITIES

11. COMPANY TO ISSUE EQUITY SECURITIES

11.1 The Company may issue equity securities in accordance with clauses 12 and 13 and with clauses 15 to 18.

11.2 The Company may issue further equity securities that rank as to voting or distribution rights, or both, equally with or in priority to any existing equity securities in the Company. Any such issue will not be treated as an action affecting the rights attached to the existing equity securities.

12. COMPANY NEED NOT COMPLY WITH STATUTORY PRE-EMPTIVE RIGHTS

Subject to clauses 13 to 18, if the Company issues equity securities that rank as to voting or distribution rights, or both, equally with or prior to the equity securities already issued by the Company, the Company need not first offer those equity securities for acquisition to existing holders.

13. ISSUES OF NEW EQUITY SECURITIES ARE RESTRICTED

The Company must not issue any equity securities unless:

13.1 the precise terms and conditions of the specific proposal to issue those equity securities have been approved (subject to clause 14) by separate resolutions (passed by a simple majority of votes) of holders of each class of quoted equity securities of the Company whose rights or entitlements could be affected by the issue, and the issue is completed in the case of an issue made solely to employees, within 12 months, and in all other circumstances, within 6 months, after the passing of those resolutions; or

13.2 the issue is made in accordance with any of clauses 15 to 18.

For the purposes of this clause and clauses 15 to 18, the transfer by the Company of treasury stock is deemed to constitute the issue of equity securities.

14. RESOLUTION NOT REQUIRED IF TERMS ALLOW NEW ISSUE

A resolution pursuant to clause 13.1 of the holders of a class of securities is not required if:

14.1 the terms of issue of those securities expressly reserved the right to make the issue of new equity securities in question, and specified at least the maximum number, and class, of new equity securities which could be issued, and the time within which they could be issued; or

14.2 those securities were issued on terms that the holders of those securities would vote together with the holders of another class or classes of equity

securities on a resolution of the nature referred to in clause 13.1 and the issue is approved by a resolution (passed by a simple majority of votes) of holders of all the relevant classes voting together.

15. COMPANY MAY ISSUE NEW EQUITY SECURITIES ON PRO RATA BASIS

The Company may issue equity securities if:

15.1 those equity securities are offered to holders of existing equity securities of the Company on a basis which, if the offer were accepted by all such holders, would maintain the existing proportionate rights of each existing holder (relative to other holders of equity securities) to votes and to distribution rights, and that offer is renounceable; or

15.2 those equity securities are issued to holders of existing equity securities of the Company as fully paid securities on a basis which maintains the existing proportionate rights of each existing holder (relative to other holders of equity securities) to votes and to distribution rights.

Notwithstanding clauses 15.1 and 15.2, the Company is entitled:

15.3 to issue any equity securities in respect of which an offer is not accepted, or which because of fractional entitlements are not otherwise offered, to such persons and in such manner as the Board considers equitable and in the interests of the Company, provided that the price and terms and conditions of the issue of such equity securities are not materially more favourable to the persons to whom they are issued than the terms of the original offer;

15.4 to offer and issue equity securities to the holders of existing securities in accordance with specific rights attached to those existing securities participate in issues of equity securities, notwithstanding that the effect may be that existing proportionate rights to votes and distribution rights are not maintained;

15.5 to authorise a disproportionate offer to the extent necessary to round up holdings of equity securities to a minimum holding, or to avoid the creation of holdings which are not minimum holdings; and

15.6 to not offer or issue equity securities to holders of existing equity securities the terms of which expressly exclude the right to participate in the relevant offer or issue.

In this clause, distribution right means a right of the nature referred to in paragraph (a) or paragraph (b) of the definition in the Rules of "Equity Security".

16. COMPANY MAY ISSUE NEW EQUITY SECURITIES WITHIN 10% LIMIT

The Company may issue equity securities if:

16.1 the issue is not made in whole or in part to any director, associated person of a director or employee (as defined in clause 17.7) of the Company; and

16.2 the total number of equity securities issued, and all other equity securities of the same class issued pursuant to this clause during the shorter of the period of 12 months preceding the date of the issue and the period from the date on which the Company was listed to the date of the issue, will not exceed the aggregate of:

(a) 10% of the total number of equity securities of that class on issue at the commencement of that period;

(b) 10% of the number of the equity securities of that class issued during that period pursuant to clauses 13.1, 15, 17 and 18; and

(c) any equity securities of that class issued pursuant to this clause during that period, the issue of which has been ratified by an ordinary resolution;

less

(d) 10% of the number of equity securities of that class which have been acquired or redeemed by the Company during that period (other than equity securities held as treasury stock).

Provided that for the purposes of this clause, securities which will, or may, convert to other equity securities are deemed to be of the same class as, and to correspond in number to, the equity securities into which they will, or may, convert.

Provided also that where conversion ratio is fixed by reference to the market price of the underlying securities, the market price, unless otherwise specified in the terms of the issue, shall be the average end of day market price over the business days in the calendar month before the earlier of the day the issue is made or announced to the market.

17. COMPANY MAY ISSUE NEW EQUITY SECURITIES TO EMPLOYEES

The Company may issue equity securities if:

17.1 the issue is made to employees of the Company;

17.2 the issue is of a class of securities already on issue:

17.3 the total number of securities issued, and all other equity securities of the same class issued to employees of the Company pursuant to this clause during the shorter of the period of 12 months preceding the date of the issue and the period from the date on which the Company was listed to the date of the issue, does not exceed 2% of the aggregate of:

(a) the total number of equity securities of that class on issue at the commencement of that period; and

(b) the total number of equity securities of that class issued during that period pursuant to clauses 13.1, 15, 16 and 18; and

17.4 the total number of securities issued, and all other equity securities of the same class issued to employees of the Company pursuant to this clause during the shorter of the period of 5 years preceding the date of the issue and the period from the date on which the Company was listed to the date of the issue, does not exceed 5% of the total number of equity securities of that class on issue immediately preceding the date of the issue.

For the purposes of this clause:

17.5 securities which will, or may, convert to other equity securities are deemed to be of the same class as, and to correspond in number to, the equity securities into which they will, or may, convert;

17.6 directors and associated persons of directors must not participate in any such issue unless the scheme for such participation and the precise levels of entitlement for each such person have been previously approved by an ordinary resolution;

17.7 employee in relation to the Company includes an employee or officer of the Company or any of its subsidiaries, a labour only contractor, consultant, or consultant company who or which contracts with the Company or with any of its subsidiaries, any trustee or trustees on behalf of any of the above employees or officers, and any trustee or trustees of or in respect of any pension, superannuation or like fund established for the benefit of any of the above employees or officers; and

17.8 an issue to a director, or an associated person of a director, solely in that person's capacity as a trustee of a bona fide employee share scheme, superannuation scheme, or the like, in which that director or associated person has no beneficial interest, is deemed not to be an issue to a director

or associated person of a director, or an issue in which directors or associated persons participate.

18. COMPANY MAY ISSUE NEW EQUITY SECURITIES IN OTHER CASES

The Company may issue equity securities if:

18.1 the issue is made as consideration in an offer made by the Company in accordance with:

(a) Part I of the Companies Amendment Act 1963; or

(b) any takeover code approved under section 28 of the Takeovers Act 1993; or

(c) provisions of the constitution or trust deed of another issuer which comply with section 4 of the Rules; or

(d) any takeover law regime of a jurisdiction other than New Zealand which provides for prior notice, publicity and disclosure which in the opinion of the Exchange is at least as useful to the recipients of the offer as the requirements of one or more of the provisions referred to in (a), (b) or (c) above;

and that offer is made to all holders (other than the Company and its related companies) of equity securities in any company or other entity listed on the Exchange or on a recognised stock exchange, which is not a company or other entity that is an associated person of the Company or of any director; or

18.2 the issue is made upon conversion of any securities from time to time issued by the Company if the terms of issue of those securities provided for conversion to equity securities of the kind issued; or

18.3 the issue is made to an existing holder of equity securities of the Company in order to bring that holder's holding up to a minimum holding; or

18.4 the issue is made pursuant to an arrangement, amalgamation or compromise effected pursuant to Part XIII or Part XV of the Act; or

18.5 the issue is made pursuant to a plan for the issue of securities in lieu of dividends.

19. ENTITLEMENTS TO THIRD PARTY SECURITIES TREATED AS ISSUE OF SECURITIES

Entitlements conferred by the holding of equity securities of the Company, to securities of a third party (whether or not that third party is an issuer), must not be

created or conferred other than in compliance with clauses 13 to 18, as if such securities comprised an issue of equity securities of the Company.

SHARE REGISTER

20. COMPANY TO MAINTAIN REGISTER OF EQUITY SECURITIES

The Company must maintain a share register in the manner required by the Act. The Company must maintain a register for any other equity securities issued by the Company.

21. REGISTER MAY BE DIVIDED

The share register and any other register of equity securities may be divided into 2 or more registers kept in different places.

22. STATUS OF REGISTERED SHAREHOLDER

The Company may treat the registered holder of an equity security as the only person entitled to:

22.1 exercise any right to vote attaching to the share;

22.2 receive notices;

22.3 receive any distribution in respect of the share; and

22.4 exercise any other rights and powers attaching to the share.

This clause does not limit the right of the registered shareholder to appoint a proxy or corporate representative.

23. TRUSTS NOT TO BE ENTERED ON REGISTER

Subject to the provisions of the ninth schedule, the Company must not enter any notice of a trust on the share register, or any other register of equity securities, whether that trust is express, implied or constructive.

SHARE CERTIFICATES

24. BOARD MAY ISSUE REPLACEMENT SHARE CERTIFICATES

The Board:

24.1 may issue a replacement share certificate for any share certificate that is worn out or defaced; and

24.2 subject to clause 25.1, must issue a share certificate for one that has been lost or destroyed,

subject to satisfactory proof of that fact, payment of the reasonable expenses of the Company and, if required by the Board, an appropriate indemnity being given to the Company.

25. BOARD MAY CANCEL SHARE CERTIFICATE

The Board may cancel share certificates of the Company:

25.1 for the purpose of introducing a system of transfer of shares approved under section 7 of the Securities Transfer Act 1991 that does not require production of share certificates for the transfer of shares; or

25.2 upon:

(a) the consolidation or subdivision of any shares; or

(b) any change to the amount paid up or credited as paid up on any shares; or

(c) any change of name of the Company, and must issue share certificates reflecting such change.

TRANSFER OF SHARES

26. METHODS OF TRANSFER

Subject to any determination by the Board, shares (and, subject to their terms of issue, any other equity securities) may be transferred by the following methods:

26.1 by the delivery of a form of transfer signed by the present holder of the equity securities or by that holder's attorney, personal representative, or by any other person who may lawfully sign on behalf of that holder, to the Company or an agent of the Company who maintains the register for those securities. The transferee must sign the transfer form if the registration as holder of those securities imposes a liability to the Company on the transferee; or

26.2 in accordance with any system of transfer approved under section 7 of the Securities Transfer Act 1991.

27. SHARES TRANSFERRED BY ENTRY ON REGISTER

Shares may be transferred by entry on the Company's share register of the name of the transferee.

28. BOARD MAY REFUSE OR DELAY TRANSFER

The Board may in its absolute discretion refuse or delay the registration of any transfer of shares (and, subject to their terms of issue, any other equity securities) only in any of the following circumstances:

28.1 the Company has a lien on those securities;

28.2 the transfer is not accompanied by documentation that establishes the entitlement to transfer; or

28.3 registration of the transfer, together with the registration of any further transfer or transfers then held by the Company and awaiting registration, would result in the proposed transferee holding securities of less than the minimum holding.

29. RESTRICTED TRANSFERS OF EQUITY SECURITIES

Any restricted transfer of quoted equity securities must comply with the provisions set out in the First Schedule. This clause and the First Schedule (or any part as determined by the Exchange) shall cease to apply if a takeovers code pursuant to section 28 of the Takeovers Act 1993 comes into force and with the approval of the Exchange (subject to such conditions as the Exchange may impose).

30. COMPANY MAY EXERCISE ENFORCEMENT PROVISIONS IF DEFAULT OCCURS

In the event of any act or omission constituting non-compliance with the provisions set out in the First Schedule, the Company may exercise the powers set out in the Second Schedule. This clause and the Second Schedule (or any part as determined by the Exchange) shall cease to apply if a takeovers code pursuant to section 28 of the Takeovers Act 1993 comes into force and with the approval of the Exchange (subject to any conditions which the Exchange may impose), except that this clause shall continue to apply in respect of a default which may have occurred prior to any takeover code coming into force.

31. COMPULSORY TRANSFER OF EQUITY SECURITIES

Where a person or a group of associated persons becomes the holder of 90 percent or more of a class of quoted equity securities of the Company, the compulsory acquisition provisions set out in the Third Schedule will apply.

32. SALE OF MINIMUM HOLDINGS

The Company may sell securities of less than a minimum holding in accordance with the procedures set out in the Fourth Schedule.

CALLS, FORFEITURE AND LIEN

33. BOARD MAY MAKE CALLS ON SHARES

The Board may make calls on any shareholder for any money that is unpaid on that shareholder's shares and not otherwise payable at a specified time or times under this constitution or the terms of issue of those shares or any contract for the issue of those shares. An obligation to pay amounts unpaid of the issue price of any shares must not be cancelled, reduced or deferred without the authority of an ordinary resolution. The Fifth Schedule governs calls on shares.

34. FORFEITURE OF SHARES WHERE CALLS OR OTHER AMOUNTS UNPAID

The Board may commence procedures in accordance with the Fifth Schedule for forfeiture of any shares if the holder fails to pay:

34.1 a call, or an installment of a call, on those shares; or

34.2 any amount that is payable under this constitution or the terms of issue of those shares or any contract for the issue of the shares.

35. COMPANY'S LIEN

The Company has a lien on shares and on dividends in respect of such shares on the terms set out in the Fifth Schedule.

ACQUISITION OF OWN SHARES, REDEMPTIONS AND FINANCIAL ASSISTANCE

36. COMPANY MAY ACQUIRE AND HOLD ITS OWN EQUITY SECURITIES

36.1 The Company may purchase or otherwise acquire equity securities issued by the Company and may hold those equity securities as treasury stock in accordance with the Act, this constitution and the Rules.

36.2 The Board may make an offer to one or more holders of equity securities to acquire equity securities issued by the Company in such number or proportions as it thinks fit, in accordance with the Act, this constitution and the Rules.

37. ACQUISITIONS OF OWN EQUITY SECURITIES ARE RESTRICTED

Subject to clause 38, the Company must not acquire equity securities of the Company unless the acquisition:

37.1 is effected by offers made by the Company through the Exchange's order matching market, or through the order matching market of a recognized stock exchange; or

37.2 is effected in compliance with section 60(1)(a) (read together with section 60(2)) of the Act; or

37.3 is an acquisition of the nature referred to in section 61(7) of the Act; or

37.4 is approved by an ordinary resolution in accordance with clause 43; or

37.5 is required by a shareholder of the Company pursuant to sections 110 or 118 of the Act; or

37.6 is effected in compliance with section 60(1)(b)(ii) (read together with section 61) of the Act and:

(i) is made only from any person who is not a director, associated person of a director or an employee (as defined in clause 17.7) of the Company; and

(ii) the total number of equity securities of the same class acquired pursuant to this clause 37.6 during the period of 12 months preceding the date of the acquisition, will not exceed 10% of the total number of equity securities of that class on issue at the commencement of that period.

Provided that for the purposes of this clause 37.6, securities which will, or may convert to other equity securities shall be deemed to be of the same class, as, and to correspond in number to, securities in which they will, or may, convert.

Provided also that where the conversion ratio is fixed by reference to the market price of the underlying securities, the market price for the purposes of this clause 37.6 shall be the average end of day market price over the business days in the calendar month before the earlier of the day the acquisition is entered into or announced to the market.

38. COMPANY MUST GIVE PRIOR NOTICE

Before the Company acquires equity securities of the Company other than an acquisition from a holder who holds less than a minimum holding the Company must give at least 3 business days notice to the Exchange. The notice must:

38.1 specify a period of time not exceeding 12 months from the date of the notice within which the Company will acquire equity securities; and

38.2 specify the class and maximum number of equity securities to be acquired in that period;

provided that the Company may at any time by 3 business days notice to the Exchange cancel or vary any notice so given.

39. COMPANY MAY REDEEM EQUITY SECURITIES

39.1 The Company may redeem equity securities:

- (a) at the option of the Company if permitted by their terms of issue;
 - (b) at the option of the holder of the equity securities if permitted by the terms of issue; or
 - (c) on a date for redemption specified by a special resolution which alters this constitution by adding such a date, or (to the extent permitted by law), on a date for redemption specified as such in the terms of issue of such equity securities,
- for a consideration that is specified, calculated by reference to a formula, or required to be fixed by a suitably qualified person who is not associated with or interested in the Company, in accordance with the Act, this constitution, and the Rules.

39.2 The Company may exercise an option to redeem equity securities issued by the Company in relation to one or more holders of equity securities, in accordance with the Act, this constitution, and the Rules.

40. REDEMPTIONS ARE RESTRICTED

40.1 The Company must not redeem equity securities of the Company other than a redemption from a holder who holds less than a Minimum Holding unless:

- (a) those equity securities were issued in compliance with clause 13.1 or clause 15, and the Company is bound or entitled to redeem those equity securities pursuant to the terms of their issue; or
- (b) those equity securities are redeemed in compliance with section 69(l)(a) of the Act; or
- (c) those equity securities are debt securities which may be converted into shares in the Company, and, before that conversion, they are redeemed in cash; or
- (d) the redemption of those equity securities is approved in accordance with clause 43.

40.2 Equity securities which are not shares of the Company, may be acquired under clauses 37.2, 37.3 and 37.6 or redeemed under clause 40.1(b) if the Company complies with sections of the Act referred to in clauses 37.2, 37.3 and 37.6 and clause 40.1(b), on the basis that references in those sections of the Act to "shares" shall be deemed to be references to all equity securities of the class of equity securities which is the subject of the acquisition or redemption and references to "shareholders" shall be read accordingly.

41. FINANCIAL ASSISTANCE IS RESTRICTED

The Company must not give financial assistance for the purpose of, or in connection with, the acquisition of equity securities issued or to be issued by the Company unless the giving of that assistance:

41.1 complies with clause 42; or

41.2 is approved by an ordinary resolution in accordance with clause 43.

42. ABILITY TO GIVE FINANCIAL ASSISTANCE IS RESTRICTED

The Company may give financial assistance of the nature referred to in clause 41 if:

42.1 the financial assistance is not given in whole or in part to any director, associated person of a director or employee (as defined in clause 17.7) of the Company, and the amount of the financial assistance, together with the amount of all other financial assistance given under this clause 42.1 by the Company during the shorter of the period of 12 months preceding the date of giving of the financial assistance, and the period from the date on which the Company was listed to the date of giving of the financial assistance, does not exceed 5% of shareholders' funds; or

42.2 the financial assistance is given to employees (as defined in clause 17.7) of the Company and:

(a) the amount of the financial assistance, together with the amount of all other financial assistance given under this clause 42.2 by the Company during the shorter of the period of 12 months preceding the date of giving of the financial assistance, and the period from the date on which the Company was listed to the date of giving of the financial assistance, does not exceed 2% of shareholders' funds; and

(b) the amount of the financial assistance, together with the amount of all other financial assistance given under this clause 42.2 during

the shorter of the period of five years preceding the date of giving of the financial assistance and the period from the date on which the Company was listed to the date of giving of the financial assistance, does not exceed 5% of shareholders' funds; and

(c) the financial assistance is not given to any director or associated person of a director; or

42.3 the financial assistance is offered or given so that all holders of equity securities of the Company are treated, or given the opportunity to be treated, on the same basis.

For the purposes of clause 42.2(c) financial assistance given to a director or an associated person of a director solely in that person's capacity as a trustee of a bona fide employee share scheme, superannuation scheme, or the like, in which that director or associated person has no beneficial interest, is deemed not to be financial assistance given to a director or associated person of a director.

43. ORDINARY RESOLUTION REQUIRED TO APPROVE TRANSACTIONS

The Company may acquire equity securities under clause 37.4 or redeem equity securities under clause 40.1(d), or give financial assistance of the nature referred to in clause 41.2, if the precise terms and conditions of the specific proposal (the "Proposal") to acquire or redeem those equity securities, or of the giving of that financial assistance, has been approved by separate resolutions (passed by a simple majority of votes) of holders of each separate group of each class of quoted equity securities of the Company whose rights or entitlements are materially affected in a similar way by the Proposal. Any such acquisition must be completed within 12 months, and redemption or financial assistance completed or given within six months, after the passing of the relevant resolutions.

SHAREHOLDER RIGHTS

44. SHARE CONFERS RIGHTS ON SHAREHOLDER

Subject to clause 45 and the terms on which a share is issued, a share in the Company confers on the holder:

44.1 subject to clause 22, the right to one vote on a poll at a meeting of shareholders on any resolution, including any resolution to:

(a) appoint or remove a director (subject to clauses 60 any 63) or an auditor;

(b) adopt a constitution;

- (c) alter this constitution;
- (d) approve a major transaction;
- (e) approve an amalgamation under the Act; and
- (f) put the Company into liquidation;

44.2 the right to an equal share in dividends authorised by the Board; and

44.3 the right to an equal share in the distribution of the Company's surplus assets.

Equity security holders of all classes shall be entitled to attend meetings of shareholders and to receive copies of all notices, reports and financial statements issued generally to holders of securities carrying votes.

45. VOTING RESTRICTIONS UNDER RULES

A person, or any associated person of that person, who is prohibited by the Rules from casting a vote in favour of any resolution of a nature specified in the Rules, or more than a proportion of a vote in favour of any resolution of a nature specified in the Rules, must not cast a vote in favour of any such resolution, or more than that proportion of a vote in favour of any such resolution, on any relevant securities held by that person. For the purposes of this clause:

45.1 on a resolution under clause 13, a person to whom it is proposed to issue the new securities referred to in that resolution is not disqualified from voting if the new securities are to be offered on the same basis to all holders of securities of the same class as the securities held by that person; and

45.2 this clause does not prevent a person disqualified from voting under this clause, who has been appointed as a proxy or voting representative by another person who is not disqualified from voting under this clause, from voting in respect of the securities held by that other person in accordance with the express instructions of that other person.

46. BOARD TO ASCERTAIN DISQUALIFIED HOLDERS

The Board must use reasonable endeavours to ascertain, no later than 5 business days before any meeting to consider a resolution on which the Rules prohibit certain persons from voting, or restrict the voting rights of certain persons, the identity of holders of securities who are disqualified from, or restricted in, voting on that resolution, and on request must supply a list of such holders to the Exchange and any holder of equity securities of the Company.

47. DEADLINE FOR CHALLENGE

A resolution of, or proceeding at, a meeting in breach of clause 45 must not be impugned on the basis of a breach of clause 45. However this does not prejudice any remedy (other than those which take legal effect against the Company) which any holder of securities may have against any disqualified person who casts a vote at a meeting, or any person who, being restricted in voting under clause 45, casts more than the permitted proportion of a vote, in breach of clause 45. Any objection by a holder of securities to the accuracy or completeness of any list provided pursuant to clause 46 must be disregarded by the Company and the chairperson of the relevant meeting if it is notified to the Company later than one full business day before the time fixed for commencement of the meeting.

48. STATEMENT OF RIGHTS TO BE GIVEN TO SHAREHOLDERS

Where the Act requires, the Company must issue a statement of shareholder rights complying with the Act to any shareholder who asks for one.

49. COMPANY MUST OBTAIN APPROVAL BEFORE ALTERING QUOTED EQUITY SECURITY HOLDERS' RIGHTS

The Company must not take any action that affects the rights attached to quoted equity securities unless that action has been approved by a special resolution of each interest group. For the purposes of this clause:

49.1 class means a class of equity securities having attached to them identical rights, privileges, limitations and conditions;

49.2 interest group, in relation to any action or proposal affecting rights attached to equity securities, means a group of holders of equity securities:

(a) whose affected rights are identical;

(b) whose rights are affected by the action or proposal in the same way; and

(c) subject to clause 49.3, who comprise the holders of one or more classes of equity securities in the Company;

49.3 one or more interest groups may exist in relation to any action or proposal and if:

(a) action is taken in relation to some holders of equity securities in a class and not others; or

(b) a proposal expressly distinguishes between some holders of equity securities in a class and other holders of equity securities of that class,

holders of equity securities in the same class may fall into 2 or more interest groups;

49.4 the rights attached to an equity security include:

(a) the rights, privileges, limitations and conditions attached to the equity security by the Act, this constitution, or the document which governs the rights of that equity security, including voting rights and rights to distributions;

(b) the right to have the procedure set out in this clause observed by the Company;

(c) the right that a procedure required by this constitution or the document which governs the rights of that equity security for the amendment or alteration of rights not be amended or altered.

The Company shall not be required to comply with this clause in respect of actions that affect the rights attached to equity securities which are not shares of the Company if those equity securities were issued:

49.5 before 30 April 1995; or

49.6 on terms which expressly permitted the action in question to be taken without the approval of holders of those equity securities, and those terms were clearly disclosed in the offering document (if any) pursuant to which those equity securities were offered.

DISTRIBUTIONS

50. BOARD MAY AUTHORISE DISTRIBUTIONS

The Board may authorise a distribution by the Company in accordance with the Act.

51. BOARD'S POWER TO AUTHORISE DIVIDEND IS RESTRICTED

The Board must not authorise a dividend:

51.1 in respect of some but not all the shares in a class; or

51.2 that is of a greater value per share in respect of some shares of a class than it is in respect of other shares of that class,

unless the amount of the dividend in respect of a share of that class is in proportion to the amount paid to the Company in satisfaction of the liability of the shareholder under this constitution or under the terms of issue of the share or under a contract for the issue of the share. Nothing in this clause prevents the Board issuing shares wholly or partly in lieu of dividend in accordance with the Act.

52. SHAREHOLDER MAY WAIVE DIVIDEND

52.1 Notwithstanding clause 51, a shareholder may waive his, her or its entitlement to receive a dividend by giving a written notice to the Company signed by or on behalf of the shareholder.

53. BOARD DEDUCTIONS FROM DIVIDEND AMOUNTS OWED TO COMPANY OR AS REQUIRED BY LAW

The Board may, at its discretion, deduct from any dividend payable in respect of equity securities to any shareholder any amount owed by the holder to the Company on account of any unpaid calls, instalments, premiums or other amounts, and any interest payable on such amounts, relating to such securities. The Board must deduct from any dividend payable to any shareholder any amount it is required by law to deduct.

54. UNCLAIMED DISTRIBUTIONS

All dividends and other distributions:

54.1 unclaimed for one year after the due date for payment may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. The Company shall be entitled to mingle the distribution with other money of the Company and shall not be required to hold it or to regard it as being impressed with any trust; and

54.2 remaining unclaimed for live years after becoming payable may at the expiry of such period be forfeited by the Board for the benefit of the Company. However, the Board must at any time after such forfeiture annul the forfeiture and, subject to compliance with the solvency test, pay the distribution to the person producing evidence of entitlement.

MEETINGS OF SHAREHOLDERS

55. COMPANY MUST HOLD ANNUAL MEETING OF SHAREHOLDERS

55.1 The Board must call an annual meeting of shareholders to be held:

(a) once in each calendar year; and

(b) not later than 15 months after the date of the previous annual meeting of shareholders; and

(c) not later than 6 months after the balance date of the Company.

55.2 The Company must hold the meeting on the date on which it is called by the Board to be held.

56. COMPANY MAY HOLD SPECIAL MEETINGS OF SHAREHOLDERS

A special meeting of shareholders entitled to vote on an issue:

56.1 may be called at any time by:

(a) the Board: or

(b) any person who is authorised by this constitution to call such a meeting; and

56.2 must be called by the Board on the written request of shareholders holding shares carrying together not less than 5 percent of the voting rights entitled to be exercised on the issue.

57. PROCEEDINGS AT MEETINGS OF SHAREHOLDERS AND INTEREST GROUPS

The Sixth Schedule governs the proceedings at meetings of shareholders. The Sixth Schedule also governs the proceedings of meetings of any interest group required to be held by the Act, the Rules, or this constitution, with all necessary consequential modifications, except that the quorum shall be members of the interest group holding 5% or more of the total number of securities held by all members of that group having the right to vote at the meeting.

PART C: DIRECTORS

APPOINTMENT AND REMOVAL

58. NUMBER AND RESIDENCE OF DIRECTORS IS RESTRICTED

The minimum number of directors (other than alternate directors) is 4. The maximum number of directors (other than alternate directors) is 9. At least 2 directors must be ordinarily resident in New Zealand.

59. FEWER DIRECTORS MAY ACT FOR LIMITED PURPOSES

The Board may act notwithstanding any vacancy in their body, but if and for so long as the number of directors is reduced below the minimum number, the

continuing directors may act for the purpose of increasing the number of directors to the minimum number (by the Board making an appointment to fill the vacancy, in accordance with this constitution), or of summoning a meeting of security holders, but for no other purpose.

60. APPOINTMENT OF DIRECTORS

Any person who is not disqualified under the Act may be appointed as a director by an ordinary resolution of security holders.

61. NOMINATIONS TO FOLLOW PROCEDURES

Nominations for directors must comply with the following procedures:

61.1 A person (other than a director retiring at the meeting) must not be elected as a director at a meeting of security holders unless that person has been nominated by a security holder entitled to attend and vote at the meeting;

61.2 Apart from the restrictions in the Act, there is no restriction on the persons who may be nominated as directors, nor is there any precondition to the nomination of a director other than compliance with the time limits in accordance with this clause;

61.3 The opening date for nominations must not be later than 3 months, and the closing date for nominations must not be earlier than 2 months, before the date of the meeting at which the election is to take place;

61.4 Notice of every nomination received by the Company before the closing date for nominations must be given by the Company to all persons entitled to attend the meeting together with, or as part of, the notice of the meeting;

61.5 Where notice is given in relation to the nomination of a director under clause 64.6, that notice must state the age of the relevant director; and

61.6 Failure to give a notice of every nomination received by the Company does not invalidate a nomination, but the meeting, as far as the election of directors is concerned, must be adjourned until such notice is given. Any accidental omission to give such a notice to any person entitled to that notice, or if any person entitled to such notice fails to receive that notice, shall not invalidate the election of a director at that meeting.

62. APPOINTMENT OF DIRECTORS TO BE VOTED ON INDIVIDUALLY

A resolution to appoint or elect a director (including a resolution to re-elect any director retiring under clause 64.3) must not be put to holders of securities unless:

62.1 the resolution is for the appointment of one director; or

62.2 the resolution is a single resolution for the appointment of two or more directors, and a separate resolution that it be so voted on has first been passed without a vote being cast against it.

Nothing in this clause prevents the election of two or more directors by ballot or poll.

63. REMOVAL OF DIRECTORS

Any director may be removed from office by an ordinary resolution passed at a meeting called for the purpose of, or for purposes that include, removal of the director.

64. ROTATION OF DIRECTORS

64.1 At the annual meeting in every year at least one third of the directors (excluding those appointed by the Board, who are eligible to be re-elected under clause 65) or if one third of such directors is not a whole number then the number nearest one third must retire from office. The managing director appointed by the Board under clause 96 is exempted from the requirement to retire pursuant to this clause, but must be included in the number of directors upon which the calculation is based.

64.2 The directors to retire at an annual meeting will be:

(a) first, any director who wishes to retire and does not offer himself or herself for re-election; and

(b) second, if those retiring pursuant to paragraph (a) do not constitute the number of directors required to retire from office under clause 64.1, those of the other directors who have been longest in office since they were last elected or deemed elected. Persons who became directors on the same day must retire in the same order as they were elected by the security holders and persons appointed on incorporation must retire in the order determined by lot, unless the Board resolves otherwise.

64.3 In addition, any director appointed to fill a casual vacancy or as an addition to the existing directors since the last annual meeting must retire from office at the annual meeting.

64.4 A retiring director continues to hold office:

(a) until he or she is re-elected; or

(b) if he or she is not re-elected, until the meeting of security holders at which he or she retires (or any adjournment of that meeting) elects someone in his or her place; or

(c) if the meeting of security holders does not elect someone in his or her place, until the end of the meeting or any adjournment of the meeting.

64.5 A retiring director who is eligible for appointment under clause 60 is eligible for re-election.

64.6 Clause 68.2 does not prevent the appointment of a director, or require a director to vacate office, if, subject to clause 61.5, that director's appointment was approved at a general meeting of shareholders.

64.7 The security holders may by ordinary resolution fill the office vacated by a director who is retiring in accordance with this clause by electing a person who is not disqualified under the Act to that office at the annual meeting at which the outgoing director retires. If no new director is elected and if the retiring director (not being disqualified under the Act) is offering himself or herself for re-election, the retiring director shall be regarded as having been re-elected unless it is expressly resolved by ordinary resolution not to fill the vacated office or a resolution for the re-election of that director is put to the meeting and lost.

65. BOARD MAY FILL CASUAL VACANCY ON THE BOARD

The Board may appoint any person who is not disqualified under the Act to be a director to fill a casual vacancy or as an addition to the existing directors, but subject to the maximum number of directors under clause 58. Any director appointed under this clause (including any person who subsequent to his or her appointment as a director is appointed as an executive director) may hold office only until the next annual meeting, and is then eligible for re-election, but must not be taken into account in determining the directors who are to retire by rotation at that meeting.

66. NO SHAREHOLDING QUALIFICATION FOR DIRECTORS

There is no shareholding qualification for directors

CHAIRPERSON

67. DIRECTORS TO ELECT CHAIRPERSON OF THE BOARD

The directors may elect one of their number as chairperson, and if they so determine a deputy chairperson, of the Board.

VACATION OF OFFICE

68. OFFICE OF DIRECTOR VACATED IN CERTAIN CASES

68.1 The office of director is vacated immediately if the person holding that office:

- (a) dies; or
- (b) has for more than six months been absent without permission of the Board from meetings held during that period; or
- (c) becomes disqualified from being a director pursuant to section 151 of the Act; or
- (d) resigns that office in accordance with clause 69; or
- (e) is removed from office in accordance with this constitution or the Act; or
- (f) retires from office under clause 64 and is not re-elected.

68.2 The office of director is vacated at the end of the annual general meeting of shareholders occurring next after that director attains the age of 70 years, subject to clause 64.6.

69. DIRECTORS' RESIGNATION PROCEDURE

A director may resign office by delivering a signed notice of resignation in writing to the address for service of the Company. The notice is effective when it is received at that address or at any later time specified in the notice.

MANAGEMENT OF THE COMPANY

70. BOARD TO MANAGE COMPANY

The Company's business and affairs must be managed by, or under the direction or supervision of, the Board, except to the extent that the Act or this constitution provides otherwise.

71. BOARD HAS POWERS NECESSARY TO MANAGE COMPANY

The Board has all the powers necessary for managing, and for directing and supervising the management of, the Company's business and affairs, except to the extent that the Act or this constitution provides otherwise.

72. SPECIAL RESOLUTIONS NECESSARY FOR MAJOR TRANSACTIONS

The Company must not enter into a major transaction unless the transaction is:

72.1 approved by a special resolution of shareholders; or

72.2 contingent on approval by a special resolution of shareholders.

73. ORDINARY RESOLUTIONS REQUIRED FOR CERTAIN ASSET ACQUISITIONS OR DISPOSITIONS

The Company must not (subject to clause 74) enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange, or otherwise dispose of (otherwise than by way of charge) assets of the Company or assets to be held by the Company:

73.1 which would change the essential nature of the business of the Company; or

73.2 in respect of which the gross value is in excess of 50% of the lesser of the average market capitalisation or the gross value of assets of the Company;

except with the prior approval of an ordinary resolution or a special resolution if section 129 of the Act applies.

The notice of meeting containing the resolution to approve any such intended transaction must contain or be accompanied by such information, reports, valuations, and other material as are necessary to enable the holders of securities appraise the implications of the transactions.

Provided that for the purposes of clause 73.2 above:

(a) "average market capitalisation" means the average end of day market capitalisation over the business days in the calendar month before the earlier of the day the transaction is entered into or is announced to the market; and

(b) "gross value of assets" shall be calculated as the greater of the gross tangible asset backing value (from the most recently published financial statements) or market value (in both cases irrespective of and ignoring any liabilities attributable to the assets or of any subsidiaries or other entities through which the assets are held).

74. EXCEPTIONS FOR CERTAIN ACQUISITIONS AND DISPOSITIONS

Clause 73 does not apply to any transaction entered into by the Company with a bank, on arms' length terms and in the ordinary course of banking business, as a result of which transaction the Company has recourse to the credit risk of a bank.

75. ORDINARY RESOLUTIONS NECESSARY FOR MATERIAL TRANSACTIONS WITH RELATED PARTIES

The Company must not enter into a material transaction as defined in Rule 9.2.2 if a related party as defined in Rule 9.2.3 is, or is likely to become:

75.1 a direct or indirect party to the material transaction, or to at least one of a related series of transactions of which the material transaction forms part; or

75.2 in the case of a guarantee or other transaction of the nature referred to in paragraph (c) of the definition in the Rules of a material transaction, a direct or indirect beneficiary of such guarantee or other transaction;

unless that material transaction is approved by an ordinary resolution

76. EXCEPTIONS FOR CERTAIN MATERIAL TRANSACTIONS

Clause 75 does not apply to:

76.1 any transaction entered into by the Company with a bank which is a related party of the Company, on arms' length terms and in the normal course of banking business, as a result of which transaction the Company has recourse to the credit risk of a bank; or

76.2 the issue, acquisition or redemption by the Company of securities of the Company, or the giving by the Company of financial assistance for the purposes of, or in connection with, the purchase of securities, or the payment of a distribution to holders of securities, if all holders of securities of the class in question are treated in the same way, so that each such holder has an opportunity to receive the same benefit in respect of securities held by that holder. For the purposes of this clause 76.2, a transfer, by the Company, of shares held in the Company by itself, is deemed to constitute an issue of securities; or

76.3 any employment or service contracts which are material transactions under Rule 9.2.2(d) where the Exchange is satisfied that the terms of the contract have been set on an arms' length, commercial basis; or

76.4 any transaction indemnifying any director or employee (as defined in clause 17.7) of the Company or any related company which would be a material transaction under Rule 9.2.2(c), where such director or employee, at the time the indemnity is to be granted, has not been involved in any proceedings, threatened proceedings or circumstances in any capacity which are likely to result in a claim by the director or employee under the proposed indemnity; or

76.5 arrangements, amalgamations or compromises pursuant to Part XV of the Act.

77. ORDINARY RESOLUTIONS REQUIRED FOR CONTROL TRANSACTIONS

Notwithstanding the provisions of clauses 13 to 18 and 37 to 43, the Company must not issue, acquire, or redeem securities if:

77.1 there is a significant likelihood that the issue, acquisition, or redemption will result in any person or group of associated persons materially increasing their ability to exercise, or direct the exercise of (either then or at any future time) effective control of the Company; and

77.2 that person or group of associated persons is entitled before the issue, acquisition, or redemption to exercise or direct the exercise of, not less than 1% of the total votes attaching to securities of the Company;

unless the precise terms and conditions of the issue, acquisition or redemption have been approved by an ordinary resolution.

PROCEEDINGS OF THE BOARD

78. MEETINGS OF THE BOARD

The Seventh Schedule governs the proceedings at meetings of the Board except where otherwise agreed by all directors for the time being in relation to a particular meeting or meetings. The Third Schedule to the Act does not apply to proceedings of the Board.

79. WRITTEN RESOLUTIONS OF BOARD PERMITTED

A resolution in writing signed or assented to by a majority of the directors then entitled to receive notice of a meeting of the Board (or their alternate directors) is as valid and effective as if it had been passed at a meeting of the Board duly convened and held.

80. WRITTEN RESOLUTIONS MAY BE IN COUNTERPARTS

Any written resolution may consist of several copies of the resolution, each signed or assented to by one or more of the directors (or their alternate directors). A copy of a written resolution, which has been signed and is sent by facsimile or any similar means of communication, will satisfy the requirements of this clause.

DELEGATION OF POWERS

81. RESTRICTION ON BOARD'S RIGHT TO DELEGATE ITS POWERS

The Board may delegate to a committee of directors, a director, an employee of the Company or any other person, any one or more of its powers other than its

powers under any of the sections of the Act set out in the Second Schedule to the Act.

82. BOARD DELEGATES TO COMPLY WITH REGULATIONS

In exercising the Board's delegated powers, any committee of directors, director, employee of the Company, or any other person must comply with any regulations that the Board may impose.

83. COMMITTEE PROCEEDINGS

The provisions of this constitution relating to meetings and proceedings of the Board shall, so far as they are not altered by regulations made by the Board, also apply to meetings and proceedings of any committee of directors.

INTERESTED DIRECTORS

84. DIRECTORS MUST DISCLOSE THEIR INTERESTS

As soon as a director becomes aware of the fact that he or she is interested in a transaction or proposed transaction with the Company, that director must cause to be entered in the interests register, and disclose to the Board:

84.1 the nature and monetary value of his or her interest (if the monetary value of the interest is able to be quantified); or

84.2 the nature and extent of his or her interest (if the monetary value of the interest cannot be quantified).

85. GENERAL DISCLOSURE IN CERTAIN CASES WILL SUFFICE

For the purposes of clause 84 a general notice entered in the interests register or disclosed to the Board to the effect that a director:

85.1 is a shareholder, director, officer, or trustee of another named company or other person; and

85.2 is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that other company or person,

is a sufficient disclosure of that interest in relation to that transaction.

86. FAILURE TO DISCLOSE DOES NOT AFFECT VALIDITY OF TRANSACTION

Any failure by a director to comply with clause 84 does not affect the validity of a transaction entered into by the Company or the director. However, the transaction may be avoided under clause 87.

87. COMPANY MAY AVOID TRANSACTION IF DIRECTOR INTERESTED

Where the Company enters into a transaction in which a director is interested, the Company may avoid that transaction in accordance with the Act.

88. INTERESTED DIRECTOR MUST NOT VOTE

A director of the Company who is interested in a transaction entered into, or to be entered into, by the Company must not:

88.1 vote on a matter relating to that transaction; or

88.2 be included among the directors present at a meeting of directors, at which a matter relating to that transaction arises, for the purpose of a quorum,

except that a director may vote in respect of, and be counted in the quorum for the purposes of, a matter relating to that transaction in which that director is interested if the matter is one in respect of which, pursuant to an express provision of the Act, directors are required to sign a certificate or one which relates to the grant of an indemnity pursuant to section 162 of the Act.

A director who is interested in a transaction may:

(a) attend a meeting of directors at which a matter relating to the transaction arises; or

(b) sign a document relating to the transaction on behalf of the Company; or

(c) do anything else as a director in relation to the transaction as if he or she were not interested in the transaction.

REMUNERATION

89. BOARD'S POWER TO AUTHORISE REMUNERATION IS LIMITED

The power of the Board to authorise the payment of remuneration or the provision of other benefits by the Company to a director for services as a director or in any other capacity except as executive director is subject to authorisation by ordinary resolution.

Nothing in this clause affects the remuneration of executive directors, or the provision of other benefits to executive directors, in their capacity as executives.

90. FIXING DIRECTORS' REMUNERATION

Each ordinary resolution approving directors' remuneration must express the remuneration as either:

90.1 a monetary sum per annum payable to all directors taken together; or

90.2 a monetary sum per annum payable to any person who from time to time holds office as a director.

If remuneration is expressed in accordance with clause 90.1, then in the event of an increase in the total number of directors holding office, the Board may, without the authorisation of an ordinary resolution, increase the total remuneration by such amount as is necessary to enable the Company to pay to the additional director or directors remuneration not exceeding the average amount then being paid to each of the other non-executive directors (other than the chairperson).

An ordinary resolution which increases the amount of remuneration fixed pursuant to a previous resolution must not be passed at a meeting of shareholders unless notice of the amount of increase has been given in the notice of meeting.

91. EXPENSES AND SPECIAL REMUNERATION

91.1 A Director is entitled to be paid or reimbursed for reasonable travelling, accommodation and other expenses incurred in relation to management of the Company; and

91.2 The Board may authorise the payment of special remuneration to a director undertaking work additional to that expected of other directors without requiring authorisation of shareholders; and

91.3 The Board may authorise the payment of remuneration to a director for work not in the capacity of a director without requiring authorisation of shareholders, subject to clause 75 (if applicable).

92. PAYMENTS UPON CESSATION OF OFFICE

The Company may make a payment to a director or former director, or his or her dependants, by way of a lump sum or pension, upon or in connection with the retirement or cessation of office of that director, only if:

92.1 the total amount of the payment (or the base for the pension) does not exceed the total remuneration of the director in his or her capacity as a director in any three years chosen by the Company; or

92.2 the payment is authorised by an ordinary resolution.

Nothing in this clause affects any amount paid to an executive director upon or in connection with the termination of his or her employment with the Company, or the payment of any amount attributable to the contribution (or any related normal subsidy) made by a director to a superannuation scheme.

ALTERNATE DIRECTORS

93. DIRECTORS MAY APPOINT AND REMOVE ALTERNATE DIRECTORS

Every director may:

93.1 appoint any person who is not a director and is not disqualified by the Act or this constitution from being a director, and whose appointment has been approved in writing by a majority of the other directors, to act as an alternate director in his or her place either for a specified period, or generally during the absence or inability to act from time to time of such director; and

93.2 remove his or her alternate director from that office,

by giving written notice to that effect to the Company. A majority of the other directors may similarly remove an alternate of a director from that office. No director may appoint a deputy or agent otherwise than by way of appointment of an alternate director.

94. ALTERNATE DIRECTOR HAS POWERS OF APPOINTOR

While acting in the place of the director who appointed him or her, an alternate director:

94.1 has, and may exercise and discharge, all the powers, rights, duties and privileges of that director (including the right to receive notice of, and participate in meetings, of the Board, and the power to sign any document, including a written resolution, and to act as chairperson, but excluding the right to appoint an alternate);

94.2 is also subject to the same terms and conditions of appointment as that director, except that he or she is not entitled to receive remuneration other than such proportion (if any) of the remuneration otherwise payable to his or her appointor as the appointor may direct by notice in writing to the Company.

95. TERMINATION OF APPOINTMENT OF ALTERNATE DIRECTOR

The appointment of an alternate director terminates automatically if the director who appointed him or her ceases to be a director or if an event occurs which would cause him or her to vacate office if he or she were a director. A director retiring by rotation and being re-elected is not to be treated as having ceased to be a director for the purposes of this clause.

MANAGING DIRECTOR

96. BOARD MAY APPOINT MANAGING DIRECTOR

The Board may appoint one of the directors to the office of managing director for a term not exceeding 5 years and on such other terms as the Board thinks fit. A managing director may be reappointed at any time within 3 months before expiry of a term of appointment for a further period not exceeding 5 years, and that term may be likewise extended. Subject to the terms of any agreement entered into between the Board and the director concerned, the Board may revoke the appointment. The appointment of a managing director shall terminate automatically if he or she ceases to be a director.

97. REMUNERATION OF MANAGING DIRECTOR SUBJECT TO RESTRICTIONS ON DIRECTORS' REMUNERATION

A managing director will receive in addition to remuneration for services as a director such remuneration and benefits as the Board may determine.

98. POWERS CONFERRED ON MANAGING DIRECTOR

Subject to clause 81, the Board may:

98.1 confer on a managing director any of the powers exercisable by the Board; and

98.2 without affecting the powers of a managing director to act as a member of the Board, impose such terms and conditions and such restrictions as the Board thinks fit; and

98.3 alter or revoke any of the powers it confers under this clause.

99. MANAGING DIRECTOR HAS NO POWER TO APPOINT ALTERNATE MANAGING DIRECTOR

The power to appoint an alternate director conferred on directors by this constitution does not confer on any managing director the power to appoint an alternate managing director.

PART D: GENERAL

CHANGE OF COMPANY NAME

100. A DIRECTOR MAY APPLY TO CHANGE COMPANY NAME

A director may apply to the Registrar of Companies to change the name of the Company if the Board has approved the director doing so.

INDEMNITY AND INSURANCE FOR DIRECTORS AND EMPLOYEES

101. COMPANY MAY INDEMNIFY DIRECTORS AND EMPLOYEES FOR CERTAIN LIABILITIES The Company is authorised to indemnify a director or employee of the Company or a related company for any liability or costs for which a director or employee may be indemnified under the Act. The Board may determine the terms and conditions of such an indemnity.

102. COMPANY MAY EFFECT INSURANCE FOR DIRECTORS AND EMPLOYEES The Company may, with the prior approval of the Board, effect insurance for a director or employee of the Company or a related company for any liability or costs for which a company may effect insurance for a director or employee under the Act. The Board may determine the amounts and the terms and conditions of any such insurance.

EXECUTION OF CONTRACTS

103. MANNER OF EXECUTION

A contract or other enforceable obligation may be entered into by the Company as follows:

- 103.1 an obligation which, if entered into by a natural person, would, by law, be required to be by deed, may be entered into on behalf of the Company in writing signed under the name of the Company by
 - (a) two or more directors; or
 - (b) a director whose signature must be witnessed; or
 - (c) one or more attorneys appointed by the Company in accordance with clause 104;
- 103.2 an obligation which, if entered into by a natural person, is by law, required to be in writing, may be entered into on behalf of the Company in writing by a person acting under the Company's express or implied authority; and
- 103.3 an obligation which, if entered into by a natural person, is not, by law, required to be in writing, may be entered into on behalf of the Company in writing or orally by a person acting under the Company's express or implied authority.

104. COMPANY MAY APPOINT ATTORNEYS

The Company may, by an instrument in writing executed in accordance with clause 103.1, appoint one or more persons as its attorney or attorneys either generally or in relation to a specified matter or matters. An act of an attorney in accordance with the instrument binds the Company.

REMOVAL OF COMPANY FROM REGISTER

105. DIRECTORS MAY REMOVE COMPANY FROM NEW ZEALAND REGISTER

If the Company:

- 105.1 has ceased to carry on business, discharged in full its liabilities to all known creditors, and distributed its surplus assets in accordance with the Act; or
- 105.2 has no surplus assets after paying its debts in full or in part, and no creditor has applied to the Court for an order putting the Company into liquidation,

the Board may request the Registrar to remove the Company from the New Zealand register.

**FIRST SCHEDULE
MINORITY VETO PROVISIONS**

INTERPRETATION

1. CONSTRUCTION

Unless stated otherwise, references to clauses are references to clauses in this Schedule.

NOTICE

2. NOTICE REQUIREMENTS

A restricted transfer of quoted equity securities must not take place unless:

2.1 Notice is given to the Company, and to the Exchange in a manner complying with Rule 10.2.3 for release to the market, at least 15 business days before the transfer containing the following particulars:

- (a) the price or consideration, either specified as a fixed amount or expressed as a range with the higher price or consideration being not greater than 20% more than the lower price or consideration of that range;
- (b) any conditions or arrangements directly or indirectly associated with the transfer which could be material to the assessment of the price by prospective transferors of the equity securities;
- (c) identification of the class, and the maximum number of securities and percentage of the relevant class, to which the transfer proposal relates;
- (d) the identity of all persons reasonably expected to acquire relevant interests in the equity securities as a result of the transfer proposal;
- (e) the number of equity securities (expressed in each case as a percentage of the total number in each relevant class of securities) which will be held, or in which relevant interests will be held, upon completion of the proposed transactions, by each transferee and associated persons of each transferee;
- (f) the times within which the transfers are intended to occur;

(g) how the transfers are to be effected (for example through the Exchange's order matching market, by widespread direct offer, private treaty etc.); and

(h) the date the notice is given.

2.2 Subject to clause 3, notice of any change in, or addition to, particulars notified under clause 2.1, is given, at least two business days before the change takes effect in the case of a change to price or other consideration, and at least 15 business days before the change takes effect in the case of a change to any other particulars listed in clause 2.1.

3. EXCHANGE TRANSACTIONS

If:

3.1 a restricted transfer is effected solely by trades matched through the Exchange's order matching market;

3.2 no transferee is an insider; and

3.3 the conditions specified in the next sentence are satisfied;

then the period of notice referred to in clause 2.1 shall be five business days, and the periods of notice referred to in clause 2.2 shall be two business days, and five business days, respectively. The conditions referred to above are:

3.4 before notice is given, the brokers instructed to make the offers must be satisfied that the entire offer in the notice has been the subject of instructions accepted by brokers;

3.5 the consideration must be readily capable of settlement through the FASTER system;

3.6 the transferee must have previously undertaken to the brokers through whom its orders are placed, for the benefit of holders of the relevant securities, to complete the transaction in accordance with the notice given, if offers or acceptances are sufficient to enable it to do so;

3.7 the instructions must be in terms that orders will be matched and completed by the Exchange's order matching system even if the entire offer is not accepted completely; and

3.8 the period during which transactions will be effected does not end before one business day after it begins or until transfers have been agreed to

complete the maximum number of securities to which the transfer proposal relates, whichever is the earlier.

RESPONSE REQUIREMENTS

4. IMMEDIATE RESPONSE REQUIREMENTS

If the quoted equity securities of the Company are the subject of a notice under clause 2.1, the directors must give notice as soon as can be achieved, and before the expiry of the notice periods referred to in clause 2.1 or clause 3 of:

4.1 whether any director or associated person of a director is expected by any director to be a transferee in the notified transaction;

4.2 whether there is any relevant information pertaining to the Company which any director believes is likely to be available to any transferee in the proposed transaction, which has not been made generally available to the market;

4.3 whether any director considers there is any undisclosed relevant information which should materially affect the decision of a reasonably informed prospective transferor in the proposed transfer and, if so, an indication whether the director would consider the transfer to be made more or less desirable to the prospective transferor by the relevant information; and

4.4 a statement as to the timing, and expected significance of any further action, investigation, report, or disclosure which the directors or any of them, intend to make in respect to the relevant proposals for transfers.

5. GENERAL RESPONSE REQUIREMENT

If the quoted equity securities of the Company are the subject of a notice under clause 2.1, or the directors become aware that a restricted transfer proposal is more likely than not in the immediate future, the directors must:

5.1 take all steps necessary to ensure that they and the Company are in a position to respond to the offer as required by the Rules, including under Rule 10.1;

5.2 not be relieved of their disclosure obligations under the Rules by reason of a conflict of interests arising from involvement as or with a prospective transferee or transferor, but such directors must disclose in any notice or statement the nature of their possible conflict;

5.3 in the case of a conflict of interests or of views as to how to proceed, if necessary release separate statements or notices to inform the Exchange promptly, with appropriate explanation; and

5.4 ensure that holders of the relevant equity securities are well informed to consider competitive offers for the control of votes attached to the equity securities where there is any reasonable prospect of competition emerging to the completion of a restricted transfer proposal.

TAKEOVER REQUIREMENTS

6. NATURE OF TAKEOVER

Subject to clause 7, a restricted transfer of quoted equity securities must not take place unless:

6.1 all transfers involved in that restricted transfer are pursuant to:

(a) an offer in writing to all holders of equity securities of the class or classes which are the subject of the restricted transfer, on the same terms; or

(b) orders are placed through a sharebroker pursuant to clause 3; and

6.2 those transfers do not result from differential offers, other than differences which arise from a change in the price offered in an offer pursuant to clause 3.

7. EXCEPTION

Clause 6 does not apply to the extent that any departure from the requirements of that clause is authorised by a resolution of each affected group (passed by a simple majority of votes).

REPORT

8. REPORT REQUIRED UNLESS AN EXCHANGE TRANSACTION

Unless the restricted transfer in question is made pursuant to clause 3, subject to Rule 4.5.9, the directors must, forthwith upon a notice being given under clause 2.1 in respect of that restricted transfer, commission a report from an independent appropriately qualified person previously approved by the Exchange in respect of that restricted transfer. That report must:

8.1 be addressed to the holders of securities of the class or classes the subject of the restricted transfer referred to in the notice;

8.2 express the opinion of the reporter as to the consideration and other terms of the proposed transaction;

8.3 state whether the reporter has obtained all information which the reporter believes desirable for the purposes of preparing the report, including all relevant information which is or should have been known to any director of the Company and made available to the directors;

8.4 state any material assumptions on which the reporter's opinion is based;

8.5 state any term of reference which may have materially restricted the scope of the report; and

8.6 if it contains a disclaimer of liability, not purport to absolve the reporter from liability for an opinion expressed recklessly or in bad faith.

The report may contain such reasonable qualifications and limitations as are needed to recognise the deadlines within which it is required to be produced. The report must also:

(a) be delivered to the Exchange for release to the market at least two business days before expiration of the relevant notice, accompanied by a summary (approved by the reporter) suitable for release to the market; and

(b) be copied to the Company and to any holder of quoted equity securities of the Company upon request; and

(c) be despatched to all holders of securities to whom the offer may be made at least three business days before the expiration of the relevant notice; or

(c) where the offer is a written offer made pursuant to section 4 of the Companies Amendment Act 1963, be despatched to all holders of securities to whom this offer may be made no later than the despatch to those holders of the statement required by section 5(2) of that Act.

9. RESTRICTED TRANSFER STATUS REPORT

If a restricted transfer is not completed within three months of the notice required to be given under clause 2.7, or any status report given under this clause 9 then, before continuing with the restricted transfer, additional market information on the status of the restricted transfer must be provided to the Company and the

Exchange in a manner complying with Rule 10.2.3 for release to the market. The additional market information shall include:

- (a) when the restricted transfer is intended to be completed; and
- (b) details of the transfer(s) that comprise the restricted transfer which have not been completed.

10. COMPANY RESPONSE TO RESTRICTED TRANSFER STATUS REPORT

On receipt of the information provided under clause 9, the directors must promptly advise the Exchange:

- (a) of any change in circumstances (and the implications of the change) which would affect the continuing relevance and currency of any report or the response initially provided under clause 4; and
- (b) that they are complying with Rule 10.1

CHANGES TO TAKEOVER PROVISIONS

11. PROCEDURES AT MEETINGS ON TAKEOVER PROVISIONS

The Sixth Schedule governs the proceedings at any meeting to consider deletion of minority veto provisions, or adoption of modifications to notice and pause provisions (so that the notice and pause provisions apply only to restricted transfers in which any transferee is an insider), with all necessary consequential modifications, except that a quorum for a meeting of a relevant group shall be security holders holding 5% or more of the quoted equity securities of that relevant group.

12. RELEVANT GROUPS MAY VOTE AT ONE MEETING

For the purposes of voting by relevant groups, one meeting may be held of holders constituting each relevant group so long as voting is by way of poll, and proper arrangements are made to distinguish between the votes of members of each relevant group.

**SECOND SCHEDULE
ENFORCEMENT PROVISIONS**

INTERPRETATION

1. DEFINED TERMS

In this Schedule:

default means any act or omission constituting non-compliance with the First Schedule;

defaulter means a person with a relevant interest in quoted equity securities which has been acquired in breach of the First Schedule (other than a breach committed by the Company or the Board);

defaulter's securities means all securities in which a defaulter has a relevant interest.

2. CONSTRUCTION

Unless stated otherwise, references to clauses are references to clauses in this Schedule.

ENFORCEMENT

3. RIGHT TO ENFORCE

The Company may, following a default, exercise a power described in clauses 4.1 or 4.2 in respect of all or any defaulter's securities.

4. DEFAULT CONSEQUENCES

In the event of a default:

4.1 no vote may be cast in respect of a defaulter's securities on a poll, and if it is cast must be disregarded, while the default is unremedied;

4.2 a defaulter's securities may be sold by the Company. This power may not be exercised until one month after the Company has given notice to the defaulter of its intention to exercise this power. It must not be exercised if, during that month:

- (a) the defaulter has remedied the default (where it can be remedied); or
- (b) the defaulter has transferred its relevant interest in the securities to a person who is not a defaulter;

If the power to sell is exercised, the Company must sell the defaulter's securities through the Exchange, or in some other manner approved by the Exchange, and must account to the holder of those securities for the proceeds of sale after deduction of all sale expenses. The Company is deemed to be authorised to take all steps, and sign all documents, necessary to effect the sale of the defaulter's securities;

4.3 neither the Company nor its directors is liable to a defaulter or apparent defaulter for or in connection with the exercise or purported exercise of the powers permitted by this clause 4;

4.4 the Company shall have a lien on the defaulter's securities for, and deduct from the proceeds of sale pursuant to clause 4.2, any costs to the Company of determining whether a person is a defaulter and exercising powers permitted by this clause 4;

4.5 the Company may treat as its costs for the purposes of clause 4.4, reimbursement by it of expenses of members of any affected group acting pursuant to clause 5; and

4.6 if the Exchange (or the Market Surveillance Panel or any delegate of the Panel) makes a ruling dealing with the matters dealt with by section 4 of the Rules, or with provisions of this constitution required or permitted by section 4 of the Rules, that ruling is binding upon the Company and all holders of securities and takes effect as if that ruling were itself incorporated in this constitution.

5. POWERS OF AFFECTED GROUP

The directors must, if so directed by a resolution of an affected group (passed by a simple majority of votes) exercise the power referred to in clause 4.2, if that power has become exercisable. The holders of 5% or more of the securities of an affected group may by notice to the directors require the directors to convene a meeting of the affected group for the purpose of considering such a resolution.

6. VOTING RESTRICTION

The Company must use reasonable endeavors to ascertain for the purposes of clause 4.1 whether any securities are defaulter's securities, and accordingly whether a holder of those securities is entitled to vote. If any holder of securities, or the Exchange, alleges that any securities are defaulter's securities, the Company must properly consider and investigate that allegation.

7. PROCEEDINGS AT MEETINGS

7.1 The Sixth Schedule governs proceedings at any meeting of an affected group, with all necessary consequential modifications, except that the quorum for a meeting of an affected group shall be security holders holding 5% or more of the securities of that group having the right to vote at that meeting.

7.2 The ruling of the chairperson of any meeting as to whether any holder of securities is or is not entitled to vote at that meeting pursuant to clause 4.1 is, for the purposes of proceedings at that meeting, conclusive, and the proceedings of, or any resolution passed at, any meeting must not be impugned by reason of a breach of clause 4.1. This clause does not prejudice any action which any person may have against a holder of any securities by reason of that holder having cast a vote at any meeting in breach of clause 4.1.

8. LIMITATION OF REMEDIES

Subject to clause 9, the sole remedy of the Company, a holder of securities, a director or any other person, in respect of a breach or alleged breach of section 4 of the Rules, or of the provisions in this constitution required or permitted by section 4 of the Rules, is to exercise, or require the Company or its directors to exercise, the powers referred to in clause 4.1 and 4.2. Without limiting the preceding sentence, no person is entitled to seek any injunction or other remedy to prevent a transaction alleged to be in breach of section 4 of the Rules, or of the provisions in the constitution required or permitted by section 4 of the Rules.

9. EXCEPTION

Nothing in clause 8 affects the remedies of a holder of securities against the directors in respect of a breach of section 4 of the Rules, or the provisions of this constitution referred to in clause 8 by that director.

**THIRD SCHEDULE
COMPULSORY ACQUISITION**

INTERPRETATION

1. DEFINED TERMS

In this Schedule:

affected securities means the class of quoted equity securities in respect of which a person or a group of associated persons is a majority holder;

majority holder means a person or group of associated persons beneficially holding 90 percent or more of a class of quoted equity securities provided that when calculating the total number of quoted equity securities in that class, treasury stock shall not be regarded as part of that class;

remaining holders means the holders of a class of quoted equity securities other than those securities held by a majority holder;

remaining securities means the securities held by the remaining holders or, where the context requires, any one or more of them.

2. CONSTRUCTION

Unless stated otherwise, references to clauses are references to clauses in this Schedule.

ACQUISITION NOTICE

3. MAJORITY HOLDER MUST GIVE ACQUISITION NOTICE

A majority holder must, within 20 business days after becoming a majority holder, give an acquisition notice to the remaining holders and at the same time to the Company and the Exchange.

4. ACQUISITION NOTICE MUST SET OUT CERTAIN MATTERS

The acquisition notice must:

4.1 state that the majority holder has beneficial ownership of 90 percent or more of the affected securities; and

4.2 state either:

(a) that the majority holder intends to acquire all affected securities held by the remaining holders; or

(b) that any remaining holder may require the majority holder to acquire the affected securities held by that remaining holder by giving notice to that effect to the majority holder within one month after the date of the acquisition notice; and

4.3 specify the consideration proposed to be provided by the majority holder for the affected securities; and

4.4 inform the remaining holders of their rights under this Schedule; and

4.5 specify the majority holder's address; and

4.6 specify the date of the notice and the date it was sent to the remaining holders.

5. OBLIGATION OF MAJORITY HOLDER

Upon giving an acquisition notice, a majority holder is entitled and bound:

5.1 If the acquisition notice contains the statement in clause 4.2(a), to acquire all affected securities held by the remaining holders; or

5.2 If the acquisition notice contains the statement in clause 4.2(b), to acquire all affected securities held by the remaining holders in respect of which the holder, within one month after the date of the acquisition notice, gives notice requiring the majority holder to acquire.

CONSIDERATION

6. CALCULATION OF CONSIDERATION FOR REMAINING SECURITIES

The consideration for the affected securities which a majority holder is entitled and bound to acquire is determined as follows:

6.1 The acquisition notice shall specify the consideration which the majority holder is prepared to provide. The majority holder must, before giving the acquisition notice, provide to the Exchange a report from an independent appropriately qualified person, previously approved by the Exchange, confirming that that consideration is fair to the remaining holders using the same criteria set out in clause 6.3(d).

6.2 If, within 10 business days after the date of the acquisition notice, the Company receives written objections to the consideration specified in the acquisition notice from the holders of 10 percent or more of the affected securities held by the remaining holders, then the consideration shall be determined in accordance with clauses 6.3 and 6.4. If objections are

received, the Company shall forthwith notify the majority holder and the Exchange of that fact. If no such objections are received, the consideration shall be as specified in the acquisition notice.

6.3 If objections to the consideration of the nature referred to in clause 6.2 are received by the Company, the consideration must be determined by an independent appropriately qualified person. That person must:

- (a) be a different person from the person referred to in clause 6.1; and
- (b) act as an expert and not as an arbitrator; and
- (c) be directed to provide a decision within 20 business days after his or her appointment; and
- (d) be directed to determine the consideration on the basis that it is fair to the remaining holders and is the pro-rated value of the affected securities based on the value of the Company as a whole and the rights and obligations attached to those securities without taking into account any strategic or hold out value of the affected securities or any other factors relating to the remaining holders, the majority holder, their respective holdings in the Company or the relative extent of those holdings; and
- (e) be appointed by the disinterested directors (as defined in Rule 4.5.9) of the Company (if any, and otherwise by the directors of the Company) after approval by the Exchange.

6.4 If the consideration determined by the person appointed in accordance with clause 6.3:

- (a) exceeds the consideration specified in the acquisition notice, the fee and expenses of that person must be borne by the majority holder. The majority holder must pay the balance owing to the remaining holders within 10 business days in accordance with clause 7, in the same manner as the consideration specified in the acquisition notice is paid, or hold the consideration on trust in accordance with clause 8; or
- (b) is less than, or the same as, the consideration specified in the acquisition notice, the fee and expenses of that person must be borne by the remaining holders who made the objections referred to in clause 6.2. The majority holder must deduct that amount from the consideration payable by the majority holder to the

objectors, in proportion to their holdings (and may, if the consideration is not cash, deduct and sell sufficient of that consideration to produce sufficient cash).

7. MAJORITY HOLDER MUST PAY WITHIN 10 BUSINESS DAYS

A majority holder must send the consideration to the remaining holders within 12 business days after the majority holder becomes bound to acquire the affected securities of the remaining holders under clause 5, or if the consideration has to be determined pursuant to clause 6.3, within 2 business days after the consideration is determined.

8. MAJORITY HOLDER MUST HOLD CONSIDERATION ON TRUST IF HOLDER NOT FOUND

The consideration payable or to be provided by a majority holder to remaining holders who cannot be found shall be held in trust for those holders for at least five years. The majority holder must pay the consideration into an interest bearing trust account with a registered bank.

9. COMPANY TO REGISTER MAJORITY HOLDER AS HOLDER

Upon the payment or provision of the consideration by a majority holder, the Company must effect transfers on behalf of the remaining holders and take all other steps as are necessary under this Constitution to transfer the affected securities of the remaining holders to the majority holder.

10. FAILURE OF MAJORITY HOLDER TO COMPLY RESULTS IN DEFAULT

If a majority holder fails to give an acquisition notice, or, after having become bound to acquire the affected securities of remaining holders in accordance with this Schedule, fails to do so, then the provisions of clauses 3 to 7 of the Second Schedule shall apply with the following modifications:

10.1 the affected securities held by the majority holder shall be deemed to be defaulter's securities;

10.2 the failure to comply with this Schedule shall be deemed to be a default; and

10.3 the remaining holders shall be deemed to be an affected group.

**FOURTH SCHEDULE
SALE OF MINIMUM HOLDINGS**

INTERPRETATION

1. CONSTRUCTION

Unless stated otherwise, references to clauses are references to clauses in this Schedule.

NOTICE

2. NOTICE TO HOLDER WITH LESS THAN A MINIMUM HOLDING

Where securities registered in the name of a holder are less than a minimum holding, the Board may at any time give written notice of that fact and of the provisions of clause 3 to that holder. Notice must not be given before enquiry has been made as to whether any further transfers which may affect the number of securities registered in the name of the holder are pending and the effect of those transfers has been taken into account.

3. COMPANY MAY SELL LESS THAN MINIMUM HOLDINGS

Where notice has been given under clause 2, the Company may at any time not less than 3 months after a notice has been given under clause 2, if the securities then registered in the name of the holder are less than a minimum holding, sell the securities through the Exchange or in some other manner approved by the Exchange.

4. SALE PROCEDURES

The Board may authorise the transfer of the securities sold to a purchaser of the securities through the Exchange or in some other manner approved by the Exchange. The purchaser is not bound to see to the application of the purchase money, nor shall the title to the securities be affected by any irregularity or invalidity in the procedures under this constitution relating to the sale. The remedy of any person aggrieved by the sale is in damages only and against the Company exclusively. Where the certificate for those securities, if any, is not delivered to the Company, the Board may issue a new certificate in such manner as it thinks fit and the certificate not delivered is deemed to be cancelled.

5. APPLICATION OF PROCEEDS

The proceeds of the sale of any securities sold under clause 3 and 4 must be applied as follows:

5.1 first, in payment of any reasonable sale expenses;

5.2 second, in satisfaction of any unpaid calls or any other amounts owing to the Company in respect of the securities;

5.3 the residue, if any, must be paid to the person who was the holder immediately before the sale or his or her executors, administrators or assigns.

6. EVIDENCE OF SALE

A certificate signed by a director which records that a power of sale under this Schedule has arisen and is exercisable by the Company is conclusive evidence of the facts stated in that certificate.

**FIFTH SCHEDULE
CALLS, FORFEITURE AND LIENS**

INTERPRETATION

1. CONSTRUCTION

Unless stated otherwise, references to clauses are references to clauses in this Schedule.

CALLS ON SHARES

2. SHAREHOLDERS MUST PAY CALLS

Every shareholder on receiving at least 10 working days' notice specifying the time or times and the place of payment must pay, in accordance with that notice, the amount called to be paid in respect of any shares that shareholder holds. The Board may revoke or postpone a call, or require a call to be paid by instalments.

3. CALL MADE WHEN BOARD RESOLUTION PASSED

A call is regarded as having been made at the time when the Board resolution authorising the call was passed.

4. JOINT HOLDERS ARE JOINTLY AND SEVERALLY LIABLE

The joint holders of a share are jointly and severally liable to pay all calls for that share.

5. UNPAID CALLS WILL ACCRUE INTEREST

If an amount called is not paid in full at the time specified for payment, the person from whom the amount is due must pay the Company interest on the amount that remains unpaid at a rate determined by the Board and calculated from the time specified for payment until the day of actual payment. The Board may waive some or all of the payment of that interest.

6. AMOUNTS PAYABLE UNDER TERMS OF ISSUE TREATED AS CALLS

Any amount that becomes payable on issue or at any specified date under this constitution or under the terms of issue of shares or under a contract for the issue of shares, will be regarded as being a call duly made and payable on the specified date. If the payment is not made, the relevant provisions of this constitution will apply as if the amount had become payable by virtue of a call made in accordance with this constitution.

7. BOARD MAY DIFFERENTIATE BETWEEN HOLDERS AS TO CALLS

On the issue of shares, the Board may differentiate between the shareholders as to the amount of calls to be paid and the times of payment.

8. BOARD MAY ACCEPT PAYMENT IN ADVANCE FOR TALK

8.1 Where a shareholder is willing to advance some or all of the money unpaid and uncalled on any share of that shareholder, the Board may accept the amount advanced on the Company's behalf. The Board may pay interest on that amount at a rate agreed between the Board and that shareholder for the period between the date that the amount is accepted and the date that the amount becomes payable pursuant to a call or the date specified for its payment.

8.2 The Board may at any time repay to any shareholder the whole or any portion of any money so advanced upon giving that holder at least 10 working days' notice in writing and as from the date of such repayment interest (if any) shall cease to accrue on the money so repaid.

8.3 A shareholder is not entitled as of right to any payment of interest on any amount so paid in advance and the Board may decline to pay any interest. Any amount so paid in advance must not be taken into account in (i) ascertaining the amount of any dividend or other distribution payable upon the shares concerned, or (ii) determining the entitlement to vote attaching to the shares concerned.

FORFEITURE OF SHARES

9. BOARD MAY BY NOTICE REQUIRE FORFEITURE OF SHARES IF CALLS UNPAID

The Board may during the time that a call, instalment, or other amount remains unpaid on a share, serve a notice on the holder of that share requiring payment of the unpaid call, instalment, or other amount, together with any accrued interest and any expenses incurred by the Company by reason of non-payment.

10. NOTICE OF FORFEITURE MUST SATISFY CERTAIN REQUIREMENTS

The notice served on a shareholder under clause 9 must specify a date not earlier than 10 working days after the date the notice is served by which the payment is to be made. The notice must also state that in the event of non-payment by the appointed time, the equity securities to which the call, instalment, or other amount relates, will be liable to be forfeited by the shareholder.

11. FAILURE TO COMPLY WITH NOTICE MAY LEAD TO FORFEITURE

Where a valid notice under clause 9 is served on a shareholder and the shareholder fails to comply with the notice, then the Board

11.1 may resolve that any share for which that notice was given and all distributions authorised and not paid before the notice was served be forfeited; and

11.2 may cancel any certificate relating to any share which has been forfeited pursuant to any such resolutions.

12. BOARD MAY DEAL WITH FORFEITED SHARE

A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit. However, the Board may cancel the forfeiture at any time before the sale or other disposition on such terms as the Board thinks fit if the call, instalment or other amount which remains unpaid on the share is paid.

13. SHAREHOLDER WHOSE SHARES ARE FORFEITED LOSES RIGHTS

A person whose shares have been forfeited immediately ceases to be a shareholder in respect of those shares notwithstanding any other provision of this constitution, and remains liable to pay the unpaid amount that the shareholder owes the Company, but that liability shall cease if the Company receives payment in full of all money owing for those shares.

14. EVIDENCE OF FORFEITURE

A certificate signed by a director that a share has been duly forfeited on a stated date is conclusive evidence of the facts stated in that certificate.

15. COMPANY MAY SELL FORFEITED SHARE

The Company may receive consideration, if any, given for a forfeited share following a sale or disposition, and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of, and register that person as the holder of the share. That person is not bound to see to the application of the purchase money, if any, nor is the title to the share affected by any irregularity or invalidity in the procedures under this constitution in respect of the forfeiture, sale or disposal of that share. Where the certificate, if any, for the forfeited share is not delivered to the Company, the Board may issue a new certificate distinguishing it as it thinks fit from the certificate not delivered, which is deemed to be cancelled. Any residue after satisfaction of unpaid calls, instalments, premiums or other amounts and interest, and expenses, shall be paid to the previous owner, or to his or her executors, administrators or assigns.

LIEN ON SHARES

16. COMPANY'S LIEN

The Company has a lien, ranking in priority over all other equities, on:

16.1 all shares registered in the name of a shareholder (whether solely or jointly with others);

16.2 all dividends authorised in respect of such shares; and

16.3 the proceeds of sale of such shares,

for:

16.4 unpaid calls and instalments payable in respect of any such shares;

16.5 interest on any such calls or instalments;

16.6 sale expenses owing to the Company in respect of any such shares;

16.7 any amounts that the Company may be called on to pay under any statute, regulation, ordinance or other legislation in respect of the shares of that shareholder, whether the period for payment has arrived or not.

17. WAIVER OF LIEN

Registration of a transfer of shares on which the Company has any lien will operate as a waiver of the lien, unless the Company gives notice to the contrary to the transferee prior to registration.

18. COMPANY MAY SELL SHARES ON WHICH IT HAS A LIEN

The Company may sell a share on which it has a lien in such manner as the Board thinks fit, where:

18.1 the lien on the share is for a sum which is presently payable; and

18.2 the registered holder of the share, or the person entitled to it on his or her death or bankruptcy, has failed to pay that sum within 10 working days after the Company has served that registered holder written notice demanding payment of that sum.

19. COMPANY MAY TRANSFER SHARE AND APPLY PROCEEDS

19.1 The Company may receive consideration given for a share sold under clause 18, and may execute a transfer of a share in favour of the person to whom the share is sold, and register that person as the holder of the share discharged from all calls due prior to the purchase. The purchaser is not bound to see to the application of the purchase money, and the purchaser's title to the share is not affected by any irregularity or invalidity in the proceedings relating to the sale. The remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. If the certificate, if any, for the share is not delivered to the Company, the Board may issue a new certificate distinguishing it as it thinks fit from the certificate not delivered, which shall be deemed to have been cancelled.

19.2 The Company must apply the sale proceeds in payment of the sum presently payable on the lien, and the balance, if any, shall (subject to the satisfaction of unpaid calls, instalments, premiums or other amounts, and any interest payable on such amounts, and expenses) be paid to the person entitled to the share immediately before the date of sale or to his or her executors, administrators or assigns.

**SIXTH SCHEDULE
PROCEEDINGS AT MEETINGS OF SHAREHOLDERS**

INTERPRETATION

1. CONSTRUCTION

1.1 Unless stated otherwise, references to clauses are references to clauses in this Schedule.

1.2 A reference in this Schedule to a shareholder present at a meeting or entitled to vote at a meeting includes a reference to a proxy of a shareholder, a representative of a corporate shareholder, an attorney of a shareholder, and any person who may lawfully act on behalf of a shareholder.

NOTICE

2. WRITTEN NOTICE MOST BE GIVEN TO SHAREHOLDERS, DIRECTORS AND AUDITORS

Written notice of the time and place of a meeting of shareholders must be sent to every shareholder entitled to receive notice of the meeting and to every director and any auditor of the Company not less than 10 working days before the meeting.

3. SERVICE OF NOTICES OUTSIDE NEW ZEALAND

If a shareholder has no registered address within New Zealand and has not supplied to the Company an address within New Zealand for the giving of notices, but has supplied an address outside New Zealand, then notices must be posted to that shareholder at such address and shall be deemed to have been received by that shareholder 24 hours after the time of posting.

4. NOTICE MUST STATE NATURE OF BUSINESS

The notice must:

4.1 state the nature of the business to be transacted at the meeting in sufficient detail to enable a shareholder to form a reasoned judgment in relation to it;

4.2 state the text of any special resolution to be submitted to the meeting; and

4.3 contain or be accompanied by sufficient explanation to enable a reasonable person to understand the effect of the resolutions proposed in the notice.

Without limiting this clause, notices in respect of proposed changes to this constitution must be sufficiently explicit to enable the effect of such changes to be

understood without reference to the existing or proposed constitution. The notice must state that the changes have been approved by the Exchange.

5. PROXY FORM MUST BE SENT WITH NOTICE

A proxy form must be sent with each notice of meeting of quoted equity security holders.

6. IRREGULARITIES IN NOTICE MAY BE WAIVED

Any irregularity in a notice of a meeting is waived if all the shareholders entitled to attend and vote at the meeting attend the meeting without protest as to the irregularity or if all such shareholders agree to the waiver.

7. COMPANY'S ACCIDENTAL FAILURE TO SEND NOTICE DOES NOT INVALIDATE MEETING

The accidental omission to send notice of a meeting to, or the failure to receive notice by, any person entitled to that notice, does not invalidate the proceedings at that meeting.

8. NOTICE OF AN ADJOURNMENT

8.1 If a meeting is adjourned for less than 30 days no notice of the time and place of the adjourned meeting need be given other than by announcement at the meeting from which the adjournment took place.

8.2 If a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given in the same way as notice was given of the meeting from which the adjournment took place.

MEETING AND QUORUM

9. METHODS OF HOLDING MEETINGS

A meeting of shareholders may be held either:

9.1 by a number of shareholders, who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or

9.2 by means of an audio, or audio and visual, communication by which all shareholders participating and constituting a quorum can simultaneously hear each other throughout the meeting.

The Company is not required to hold meetings of shareholders in the manner specified in clause 9.2. Meetings will be held in that manner only if the notice of meeting so specifies or the Board otherwise decides that the Company should do so.

10. BUSINESS TO BE TRANSACTED ONLY IF A QUORUM IS PRESENT

Subject to clauses 12 and 13, business may be transacted at a meeting of shareholders only if a quorum is present at the time when the meeting proceeds to business.

11. QUORUM FOR SHAREHOLDERS' MEETING

A quorum for a meeting of shareholders is present if 6 or more shareholders are present.

12. MEETING CONVENED AT SHAREHOLDERS' REQUEST DISSOLVED IF NO QUORUM

If a quorum is not present within 30 minutes after the time appointed for the meeting convened on the written request of shareholders holding shares together carrying at least 5 percent of the voting rights entitled to be exercised, the meeting will be dissolved automatically.

13. OTHER MEETINGS TO BE ADJOURNED IF NO QUORUM

If a quorum is not present within 30 minutes after the time appointed for a meeting (other than a meeting convened under clause 56.2 of this constitution), the meeting will be adjourned to the same day in the following week at the same time and place, or to such other day, time, and place as the directors may appoint. If at the adjourned meeting a quorum is not present within 30 minutes after the time appointed for the meeting, the shareholders present will constitute a quorum.

CHAIRPERSON

14. CHAIRPERSON OF BOARD TO BE CHAIRPERSON OF MEETING

The chairperson of the Board, if one has been elected by the directors and is present at a meeting of shareholders, will chair the meeting.

15. DIRECTORS MAY ELECT CHAIRPERSON IF CHAIRPERSON OF BOARD NOT AVAILABLE

If no chairperson of the Board has been elected or, if at any meeting of shareholders the chairperson of the Board is not present within 15 minutes of the time appointed for the commencement of the meeting or is unwilling to act, the deputy chairperson of the Board (if any) shall be the chairperson, or failing him or her, the directors present may elect one of their number to be chairperson of the meeting.

16. AS A LAST RESORT SHAREHOLDERS MAY ELECT CHAIRPERSON

If at any meeting of shareholders, no director is willing to act as chairperson or if no director is present within 15 minutes of the time appointed for the commencement of the meeting, the shareholders present may elect one of their number to be chairperson of the meeting.

17. CHAIRPERSON'S POWER TO ADJOURN MEETING

The chairperson of a meeting at which a quorum is present:

17.1 may adjourn the meeting with the consent of the shareholders present who are entitled to attend and vote at that meeting; and

17.2 must adjourn the meeting if directed by the meeting to do so.

The only business that may be transacted at any adjourned meeting is the business left unfinished at the meeting from which the adjournment took place.

VOTING

18. VOTING BY SHOW OF HANDS OR VOICE VOTE AT MEETING

In the case of a meeting of shareholders held under clause 9.1, unless a poll is demanded, voting at the meeting will be by a show of hands or by voice vote, as the chairperson may determine.

19. VOTING BY VOICE IF AUDIO-CONFERENCE MEETING

In the case of a meeting of shareholders held under clause 9.2, unless a poll is demanded, voting at the meeting will be by the shareholders signifying individually their assent or dissent by voice or by such other manner as the chairperson may decide.

20. VOTES OF JOINT HOLDERS

Where two or more persons are registered as the holders of a share, the vote of the person named first in the share register and voting on a matter must be accepted to the exclusion of the votes of the other joint holders.

21. CHAIRPERSON NOT ALLOWED CASTING VOTE

In the case of an equality of votes, whether on a show of hands, voice vote or on a poll, the chairperson does not have a casting vote.

22. CHAIRPERSON'S DECLARATION OF RESULT

Unless a poll is demanded, a declaration by the chairperson of the meeting that a resolution on a show of hands or voice vote is carried by the requisite majority or lost, shall be conclusive evidence of that fact.

POLLS

23. POLL MAY BE DEMANDED BY CHAIRPERSON OR SHAREHOLDER

At a meeting of shareholders, a poll may be demanded, either before or after a vote by show of hands or voice vote, by:

23.1 the chairperson, at his or her absolute discretion; or

23.2 at least 5 shareholders having the right to vote at the meeting; or

23.3 a shareholder or shareholders having the right to exercise at least 10 percent of the total votes entitled to be exercised on the business to be transacted at the meeting; or

23.4 a shareholder or shareholders holding shares that confer a right to vote at the meeting and on which the total amount paid up is at least 10 percent of the total amount paid up on all the shares that confer that right.

24. TIE AT WHICH POLLS TO BE TAKEN

A poll demanded on the election of a chairperson of a meeting or on a question of adjournment must be taken immediately. A poll demanded on any other question is to be taken at such time as the chairperson of the meeting directs. The meeting may proceed to deal with any business other than that upon which a poll has been demanded pending the taking of the poll.

25. COUNTING VOTES CAST IN A POLL

If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder present and voting.

26. RESULT OF A POLL TO BE TREATED AS RESOLUTION OF THE MEETING

The result of a poll declared by the chairperson of the meeting will be treated as the resolution of the meeting at which the poll was demanded on the issue for which the poll was taken.

27. PROXY ALLOWED TO DEMAND A POLL

The instrument appointing a proxy to vote at a meeting confers authority to demand, or join in demanding a poll, and a demand by a person as proxy for a shareholder has the same effect as a demand by the shareholder.

SHAREHOLDER PROPOSALS

28. SHAREHOLDER PROPOSALS BY WRITTEN NOTICE

A shareholder may give written notice to the Board of a matter the shareholder proposes to raise for discussion or resolution at the next meeting of shareholders at which the shareholder is entitled to vote.

29. BOARD TO GIVE NOTICE OF PROPOSAL AT COMPANY'S EXPENSE

If the Board receives the notice at least 20 working days before the last day on which notice of the relevant meeting of shareholders is required to be given by the Board, the Board must, at the expense of the Company, give notice of the

shareholder proposal and the text of any proposed resolution to all shareholders entitled to receive notice of the meeting.

30. BOARD TO GIVE NOTICE OF PROPOSAL AT SHAREHOLDER'S EXPENSE

If the Board receives the notice at least 5 working days and not more than 20 working days before the last day on which notice of the relevant meeting of shareholders is required to be given by the Board, the Board must, at the expense of the shareholder, give notice of the shareholder proposal and the text of any proposed resolution to all shareholders entitled to receive notice of the meeting.

31. BOARD MAY GIVE NOTICE OF PROPOSAL ON SHORT NOTICE

If the notice is received by the Board less than 5 working days before the last day on which notice of the relevant meeting of shareholders is required to be given by the Board, the Board may, if practicable, and at the expense of the shareholder, give notice of the shareholder proposal and the text of any proposed resolution to all shareholders entitled to receive notice of the meeting.

32. PROPOSING SHAREHOLDER MAY INCLUDE STATEMENT

If the directors intend that shareholders may vote on the proposal by proxy, they must give the proposing shareholder the right to include in or with the notice given by the Board a statement of not more than 1000 words prepared by the proposing shareholder in support of the proposal, together with the name and address of the proposing shareholder.

33. BOARD MAY EXCLUDE STATEMENT IN SOME CASES

The Board is not required to include in or with the notice given by the Board a statement prepared by a shareholder which the directors consider to be defamatory, frivolous or vexatious.

34. SHAREHOLDER TO GIVE SECURITY FOR COSTS FOR PROPOSAL WITH SHORT NOTICE

Where the costs of giving notice of the shareholder proposal and the text of any proposed resolution are required to be met by the proposing shareholder, the proposing shareholder must, on giving notice to the Board, deposit with the Company or tender to the Company a sum sufficient to meet those costs.

PROXIES

35. PROXIES PERMITTED

A shareholder may exercise the right to vote by being present in person or represented by proxy.

36. PROXY TO BE TREATED AS SHAREHOLDER

A proxy for a shareholder is entitled to attend and be heard at a meeting of shareholders as if the proxy were the shareholder.

37. APPOINTMENT OF PROXY MUST BE IN WRITING AND SPECIFY RESTRICTIONS

A proxy must be appointed by a notice in writing that is signed by the shareholder, and the notice must state whether the appointment is for a particular meeting or a specified term not exceeding 12 months. A proxy need not be a shareholder of the Company.

38. NOTICE OF PROXY TO BE PRODUCED AT LEAST 48 HOURS BEFORE MEETING

No proxy is effective in relation to a meeting unless a copy of the notice of appointment is sent to the registered office, or such other place within New Zealand as is specified for that purpose in the notice convening the meeting, at least 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the notice proposes to vote. If the written notice appointing a proxy is signed under power of attorney, a copy of the power of attorney and a signed certificate of non-revocation of the power of attorney must accompany the notice.

39. FORM OF NOTICE OF PROXY

A notice appointing a proxy shall be in the form set out in the Eighth Schedule or in a form as near to it as circumstances allow, or in such other form as the Board may direct.

40. VOTE BY PROXY VALID WHERE COMPANY NOT NOTIFIED BEFORE MEETING OF DISQUALIFIED PROXY

Where:

40.1 the shareholder has died or become incapacitated; or

40.2 the proxy, or the authority under which the proxy was executed, has been revoked; or

40.3 the share in respect of which the notice of proxy is given has been transferred,

before a meeting at which a proxy exercises a vote in terms of a notice of proxy but the Company does not receive written notice of that death, incapacity, revocation, or transfer before the start of the meeting, the vote of the proxy is valid.

POSTAL VOTES

41. POSTAL VOTES ARE NOT PERMITTED

A shareholder may not exercise the right to vote at a meeting by casting a postal vote.

CORPORATE REPRESENTATIVES

42. CORPORATIONS MAY ACT BY REPRESENTATIVE

A body corporate which is a shareholder may appoint a representative to attend any meeting of shareholders on its behalf in the same manner as that in which it could appoint a proxy. The representative shall be entitled to attend and be heard at a meeting of shareholders as if the representative were the shareholder.

MINUTES

43. BOARD MUST KEEP MINUTES OF PROCEEDINGS

The Board must ensure that minutes are kept of all proceedings at meetings of shareholders and that a record is kept of all written resolutions of shareholders. Minutes which have been signed correct by the chairperson of the meeting are evidence of the proceedings at the meeting unless they are shown to be inaccurate.

OTHER PROCEEDINGS

44. MEETING MAY REGULATE OTHER PROCEEDINGS

Except as provided in this Schedule, a meeting of shareholders may regulate its own procedure.

**SEVENTH SCHEDULE
PROCEEDINGS OF THE BOARD**

NOTICE OF MEETING

1. DIRECTOR OR EMPLOYEE UNDER DIRECTOR'S INSTRUCTIONS TO CONVENE MEETINGS

A director or an employee of the Company at the request of a director, may convene a meeting of the Board by giving written notice in accordance with this Schedule.

2. NOTICE TO CONTAIN CERTAIN DETAILS

The notice of meeting must include the date, time and place of the meeting an indication of the matters to be discussed in sufficient detail to enable a reasonable director to appreciate the general import of the matters.

3. PERIOD OF NOTICE REQUIRED TO BE GIVEN TO DIRECTORS IN NEW ZEALAND

A meeting of the Board may be summoned at any time. Notice of a meeting of the Board must be given to every director who is in New Zealand, but if he or she has an alternate director who is in New Zealand, then notice must be given to that person.

4. NOTICE TO BE SENT TO DIRECTOR'S ADDRESS

The notice of meeting must be given to each director personally or sent to the address or facsimile number which the director provides to the Company for that purpose, but if an address or facsimile number is not provided, then to his or her last place of employment or residence or facsimile number known to the Company.

5. DIRECTORS MAY WAIVE IRREGULARITIES IN NOTICE

Any irregularity in the notice of a meeting is waived if all directors entitled to receive notice of the meeting attend the meeting without protest as to the irregularity, or if all directors entitled to receive notice of the meeting agree to the waiver.

MEETING AND QUORUM

6. METHODS OF HOLDING MEETINGS

A meeting of the Board may be held either:

6.1 By a number of directors who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or

6.2 By means of audio, or audio and visual, communication by which all directors participating can simultaneously hear each other throughout the meeting.

7. QUORUM FOR BOARD MEETING

Unless otherwise determined by the Board, the quorum necessary for the transaction of business at a meeting of the Board is 4. No business may be transacted at a meeting of the Board unless a quorum is present.

8. MEETING ADJOURNED IF NO QUORUM

If a quorum is not present within 30 minutes after the time appointed for a meeting of the Board, the chairperson will adjourn the meeting to a specified day, time and place, the day being within the next 2 days. If no such adjournment is made the meeting will be adjourned automatically until the following working day at the same time and place. If at the adjourned meeting a quorum is not present within 30 minutes after the time appointed for the meeting, the directors present will constitute a quorum.

CHAIRPERSON

9. CHAIRPERSON TO CHAIR MEETINGS

The chairperson or, in the absence of the chairperson, the deputy chairperson of the Board will chair all meetings of the Board.

10. DIRECTORS MAY ELECT CHAIRPERSON OF MEETING IF CHAIRPERSON OF BOARD IS NOT PRESENT

If no chairperson or deputy chairperson is elected, or if at a meeting of the Board the chairperson or deputy chairperson is not present within 15 minutes after the time appointed for the commencement of the meeting, then the directors present may elect one of their number to be chairperson of the meeting.

VOTING

11. VOTING ON RESOLUTIONS

Each director has one vote. A resolution of the Board is passed if it is agreed to by all directors present without dissent or if a majority of the votes cast on it are in favour of it. A director must not vote where that voting by that director is restricted by the Rules or this constitution. A director present at a meeting of the Board may abstain from voting on a resolution, and any director who abstains from voting on a resolution will not be treated as having voted in favour of it for the purposes of the Act.

12. CHAIRPERSON DOES NOT HAVE A CASTING VOTE IN SOME CASES

The chairperson has a casting vote, except in the case of an equality of votes where two directors form a quorum, the chairperson at a meeting at which only two directors are present does not have a casting vote.

MINUTES

13. BOARD MUST KEEP MINUTES OF PROCEEDINGS

The Board must ensure that minutes are kept of all proceedings at meetings of the Board and that a record is kept of all written resolutions of directors.

Minutes which have been signed correct by the chairperson of the meeting are evidence of the proceedings at the meeting unless they are shown to be inaccurate.

OTHER PROCEEDINGS

14. BOARD MAY REGULATE OTHER PROCEEDINGS

Except as set out in this Schedule, the Board may regulate its own procedure.

EIGHTH SCHEDULE

PROXY

SECTION 1: SHAREHOLDER DETAILS (PLEASE PRINT CLEARLY)

Full name:

Full address:

If shares are held jointly, enter details of other joint holders:

Full name:

Full address:

Full name:

Full address:

SECTION 2: APPOINTMENT OF PROXY

(Please note that if the shares are held jointly, the appointment made in this section is made on behalf of each joint holder).

I appoint

Full name:

Full address:

as my proxy to exercise my vote at the [annual/special] meeting of shareholders of the Company to be held on [date], and at any adjournment of that meeting. If the person I have appointed is unable to be my proxy then I appoint

Full name:

Full address:

SECTION 3: VOTING INSTRUCTIONS

(Please note that if the shares are held jointly, the voting instructions given in this section are given on behalf of each joint holder).

I direct my proxy to vote in the following manner:

(Tick the box that applies)

For Against

General Business

- 1.
- 2.
- 3.

Special Business

- 4. [Identify resolution]

SIGNED BY EACH SHAREHOLDER NAMED IN SECTION 1

DATE:

NOTES

1. As a shareholder you may attend the meeting and vote, or you may appoint a proxy to attend the meeting. A proxy need not be a shareholder of the Company.
2. If you are joint holders of shares each of you must sign this proxy form. If you are a Company this proxy form must be signed on behalf of the Company by a person acting under this Company's express or implied authority.
3. For this proxy form to be valid, you must complete it and send it to [addresses] at [full postal address] so as to ensure that it is received by [time] on [day and date]. If it has been signed under a power of attorney please send a copy of the power of attorney and a signed certificate of non-revocation of the power of attorney with this proxy form.
4. If you return this form without directing the proxy how to vote on any particular matter, the proxy will vote as he or she thinks fit.

**NINTH SCHEDULE
HOLDING BY BARE TRUSTEE**

1. Bare Trustee

For the purposes of the First Schedule, the Second Schedule and the Third Schedule and notwithstanding anything in those Schedules:

1.1 the transfer of quoted equity securities, or of any interest in quoted equity securities, to a bare trustee shall be deemed to be a transfer to the person or persons for whom that bare trustee holds those securities or that interest as trustee (the "Beneficial Owners");

1.2 quoted equity securities, or any interest in quoted equity securities, held by a bare trustee shall be deemed to be held by the Beneficial Owners; and

1.3 a trustee may be a bare trustee notwithstanding that that trustee is entitled as a trustee to be remunerated out of the income or property of the relevant trust.

2. Specific issues

Without limiting clause 1 above:

2.1 a bare trustee and a beneficial owner shall not, by reason solely of their relationship as bare trustee and Beneficial Owner, be associated persons;

2.2 a bare trustee of quoted equity securities shall not, solely by reason of its position as bare trustee for the Beneficial Owner, have a relevant interest in those quoted equity securities; and

2.3 a Beneficial Owner of quoted equity securities shall not have a relevant interest in the quoted equity securities of another Beneficial Owner solely because the same bare trustee acts as trustee for both of those Beneficial Owners.

3. Separate registration of Defaulter's Securities

In the event of a default, if any quoted equity securities held by a person as bare trustee on behalf of different Beneficial Owners include any defaulter's securities:

3.1 the bare trustee shall, on request by the Company or the Exchange, provide to the Company and the Exchange details of the Beneficial Owners of those defaulter's securities; and

3.2 the Company may at any time, and shall upon request by the bare trustee or any Beneficial Owner, take appropriate steps to ensure that those defaulter's securities are separately designated in the register recording those quoted equity securities.

EXHIBIT 5.1

[LETTERHEAD OF BELL GULLY]

13 September 2001

Fisher & Paykel Industries Limited
15 Maurice Paykel Place
Auckland

Dear Sirs

1. We have acted as New Zealand counsel to Fisher & Paykel Industries Limited, a company incorporated in New Zealand (the "Registrant"), in connection with a Registration Statement on Form F-1 (File No. _____ (the "Registration Statement")) filed by the Registrant with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Act"), relating to an offering (the "Offering") of American Depositary Shares ("ADSs"), each ADS representing four ordinary shares of no par value of Fisher & Paykel Industries Limited, by a stockholder of the Registrant (such shares, including any shares that may be sold upon exercise of underwriters' over-allotment option and any additional shares that may be registered in accordance with Rule 462(b) under the Act for sale in the Offering, referred to as the "Shares").

2. In so acting, we have examined and relied upon the originals, or copies certified or otherwise identified to our satisfaction, of such records, documents, certificates and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below.

3. Based on this examination and reliance, we are of the opinion that when the ADSs are sold under the Offering the Shares they represent will be legally issued, fully paid and non-assessable under the laws of New Zealand.

4. In giving the opinion set out in paragraph 3 above, we have assumed that all money recorded in the books and records of Fisher & Paykel Industries Limited examined by us as having been paid and received in respect of the shares has in fact been paid and received.

5. The term "non-assessable" used above is not a term commonly used under New Zealand law to describe shares. In this opinion the term "non-assessable" means that the issuer cannot make calls for further amounts to be paid to it in respect of the shares.

6. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement, to the reference to our firm under the caption "Legal Matters" in the Prospectus forming a part thereof and to the incorporation by reference of this opinion and consent as exhibits to any registration statement filed in accordance with Rule 462(b) under the Act relating to the Offering. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Yours faithfully

Bell Gully

/s/ JAMES GIBSON
James Gibson
Partner

EXHIBIT 8.1

[Letterhead of Debevoise & Plimpton]

September 13, 2001

Fisher & Paykel Industries Limited
15 Maurice Paykel Place
East Tamaki
Auckland, New Zealand

FORM F-1 TAX OPINION

Ladies and Gentlemen:

We have acted as special United States counsel to Fisher & Paykel Industries Limited, a company organized under the laws of New Zealand (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "1933 Act"), by the Company of a Registration Statement on Form F-1 (No. 333-_____) (the "Registration Statement") in connection with the proposed offering of American Depositary Shares, each representing four of the Company's ordinary shares. We confirm that the discussion under the heading "Taxation -- United States Federal Income Tax Considerations" contained in the Registration Statement, to the extent such discussion relates to matters of law or legal conclusion, represents the opinion of Debevoise & Plimpton.

We hereby consent to the filing of this Opinion as an exhibit to the Registration Statement and to the reference to our firm in the Registration Statement under the heading referred to in the preceding paragraph. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under Section 7 of the 1933 Act, as amended or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ Debevoise & Plimpton

EXHIBIT 10.1

CONSULTANCY AGREEMENT

FISHER & PAYKEL INDUSTRIES LIMITED & DAVID BRIAN HENRY

THIS AGREEMENT is made this 10th day of September 2001

B E T W E E N

FISHER & PAYKEL INDUSTRIES LIMITED with its registered office at 78 Springs Road, East Tamaki, Auckland (hereinafter called "Healthcare") of the one part

A N D

DAVID BRIAN HENRY of 140 Clovelly Road, Bucklands Beach, Auckland (hereinafter called "Mr Henry") of the other part

1. Appointment

1.1 Healthcare hereby appoints Mr Henry as a consultant to Healthcare to provide general financial and taxation advice to Healthcare and to any related or subsidiary company of Healthcare for the period and upon and subject to the terms and conditions set out in this agreement.

1.2 Nothing in this agreement shall be read or construed so as to constitute Mr Henry as an employee of Healthcare or to restrain or restrict his other activities save and except as specifically set out herein.

1.3 It is contemplated that Mr Henry will attend Healthcare's office when carrying out his duties hereunder but Mr Henry may also utilise his place of business as and when appropriate to the performance of such duties. Attendance at Healthcare's office for any period of less than 4 hours shall be taken as one half day and when working in his own premises a day shall be deemed to consist of 7 hours.

1.4 Mr Henry shall be provided with all necessary facilities in the office of Healthcare and with full and free access to all such information, reports and other material in the possession of the company as may be required by him in order to provide the required consultancy service.

2. Availability of Mr Henry

2.1 Healthcare recognises that Mr Henry will be providing consultancy services to third parties and accordingly save and except in cases where there is an urgent requirement for his services, Healthcare shall give Mr Henry the longest practicable notice of the days on which his attendance is required.

2.2 Services to be provided by Mr Henry in his own premises shall be subject to existing commitments by Mr Henry to third parties.

2.3 The parties recognise that at any time and from time to time Healthcare may need urgent advice from Mr Henry and in any such case Mr Henry shall use his best endeavours to provide such urgent advice as and when required by Healthcare.

3. Payment for Services

3.1 Mr Henry shall be paid a retainer of \$75,000 per annum (plus GST) and in consideration for such payment Mr Henry shall provide services for up to 52 days in each calendar year.

3.2 If Healthcare requires Mr Henry to provide services for a period in excess of 52 days in any year of this agreement Mr Henry shall not unreasonably decline to provide such additional services but before agreeing so to do shall be entitled to take into account his obligations to third parties and other commitments. Any such additional services shall be subject to payment of such sum and upon such terms and conditions as may be mutually agreed.

3.3 Mr Henry shall tender an invoice each calendar month, being the sum of \$6,250.00 plus GST, together with any sum due as reimbursement of expenses, on or before the 5th day of the next successive calendar month and payment shall be made by Healthcare prior to the 20th day of the month in which each such invoice is received.

4. Expenses

Mr Henry shall not be entitled to travel expenses between his place of business and Healthcare's office in Auckland, but otherwise shall be entitled to his out-of-pocket expenses and travel costs when travelling elsewhere at Healthcare's request.

5. Responsibility

Mr Henry shall be responsible to the Chairman of the Board of Directors of Healthcare as regards his conduct and the administration of this agreement. If any dispute or issue arises in respect of his conduct or the services provided or agreed to be provided in accordance with this agreement then Mr Henry and the Chairman of the Board of Directors shall confer together with the object of resolving the matter in dispute in an amicable manner but in default of agreement each party may then take such action as he or it deems fit.

6. Confidentiality

Mr Henry recognises that in order to provide the services to Healthcare contemplated by this agreement he will necessarily be possessed of information relating to the business and affairs of Healthcare which is of commercial value to Healthcare or to its competitors. Accordingly Mr Henry agrees that during the term of this agreement he will not without the prior written approval of Healthcare:

6.1 Enter into a consultancy or employment agreement with any third party which carries on a business which is in the same field of activity as Healthcare or which manufactures, designs, imports, produces or sells any products which can be substituted for or compete with products produced or marketed by Healthcare or any subsidiary or associated company of Healthcare or provide services to any such third party.

6.2 Divulge any information concerning the business or affairs of Healthcare to any third party being information which is not already in the public domain at the time of such disclosure.

7. Full Time Employment

If during the term of this Agreement Mr Henry secures full time employment with a third party which renders him incapable of carrying out and performing his duties and obligations hereunder then Mr Henry may terminate this agreement by not less than thirty days prior written notice to Healthcare.

8. Term of Agreement

This agreement has been entered into by the parties on the understanding that Fisher & Paykel Healthcare Corporation Limited will be listed under that name on the New Zealand Stock Exchange and that the registered office will be transferred to 15 Maurice Paykel Place, East Tamaki, Auckland, and accordingly shall commence on the separation of the Healthcare business and of the Appliances business of the Fisher & Paykel group into separate companies, each listed on the New Zealand Stock Exchange (the Separation), or on 1 January 2002 (whichever shall last occur) provided however that if the Board of Directors of Healthcare resolve at any time that the Separation shall not proceed, then this agreement shall terminate forthwith.

9. Termination

9.1 Each party shall have a right to terminate this agreement by a notice in writing if the other party is in breach of any material term or condition thereof and does not remedy the breach within thirty days of the date of a notice in writing specifying the breach and requiring its remedy.

9.2 Termination of this agreement shall be without prejudice to the other rights or remedies of either party arising out of any default prior to termination and shall also be without prejudice to any sum payable as at the date of termination or services performed or liabilities accrued prior to such date.

10. Consultancy After Termination

On termination of this agreement for any reason, and if so requested by Healthcare at any time thereafter, Mr Henry shall provide information and assistance concerning the financial affairs of Healthcare during his previous employment or during his consultancy under this agreement for a period of five years from the date of the Separation. Any such information and assistance is to be provided in such manner as may be mutually agreed subject always to any pre-existing commitments made by Mr Henry to third parties existing at the time information is requested. Payment to Mr Henry shall be at an hourly rate of \$300 plus GST per hour or otherwise as may be mutually agreed.

11. Indemnity

Healthcare shall indemnify Mr Henry against all loss, damages or costs suffered or incurred by Mr Henry in performing his services under the Agreement, except where such loss, damage and/or costs are the direct result of the gross negligence of, or wilful misconduct by, Mr Henry.

12. Waiver

No waiver of any breach of this agreement shall be deemed to be a waiver of any other or any subsequent breach. The failure of either party to enforce any provision of this agreement at any time shall not be interpreted as a waiver of the provision.

13. Force Majeure

Neither Healthcare nor Mr Henry shall be liable to perform its or his obligations if the failure results from force majeure which, in the case of Mr Henry shall include serious accident or illness.

14. Notices

Any notice to be given by either party to the other party shall be deemed to have been duly given if in writing and delivered or posted to the other party at its address as set out in this agreement or to such other address as notified to the other party in accordance with this clause and if delivered shall be deemed to have been received on the day of delivery and if posted on the day next following the day after posting.

Signed by
FISHER & PAYKEL INDUSTRIES LIMITED:

/s/ William Lindsay Gillanders

Director

/s/ Gary Albert Paykel

Director

Signed by
DAVID BRIAN HENRY:

/s/ David Brian Henry

Signature

EXHIBIT 10.2

CONSULTANCY AGREEMENT

FISHER & PAYKEL INDUSTRIES LIMITED

and

LRS MANAGEMENT LIMITED

THIS AGREEMENT is made this 10th day of September 2001

B E T W E E N

FISHER & PAYKEL INDUSTRIES LIMITED with its registered office at 78 Springs Road, East Tamaki, Auckland (hereinafter called "Healthcare" of the one part)

AND

LRS MANAGEMENT LIMITED with its registered office at 2 Pompallier Terrace, Ponsonby, Auckland (hereinafter called "Management Company") of the other part.

INTRODUCTION

A. Healthcare requires the services of an experienced consultant able to provide legal and commercial advice to Healthcare and to any related or subsidiary company of Healthcare for the period and upon and subject to the terms and conditions set out in this agreement.

B. The Management Company now has offered to provide the services required by Healthcare and has agreed to designate Mr W L Gillanders as the consultant in its employment who will assume responsibility for the provision of such services upon and subject to the terms and conditions of this agreement.

IT IS AGREED

1. Services to be provided by Management Company
- 1.1 The Management Company agrees to make the services of Mr W L Gillanders available to Healthcare and to its related and subsidiary companies upon and subject to the terms and conditions of this agreement.

- 1.2 The services to be provided pursuant to this agreement shall be provided by Mr Gillanders on the basis of 2 1/2 days in each working week (subject to public holidays).
- 1.3 The Management Company shall ensure that Mr Gillanders exercises the same standard of care as would reasonably be expected to be exercised by a Senior Executive of Healthcare in the performance of his duties hereunder.
- 1.4 Healthcare agrees that it has been informed that the Management Company has entered into (or will enter into) an agreement with Fisher & Paykel Appliances Holdings Limited pursuant to which it will provide similar services to that company as are to be provided by it to Healthcare pursuant to this agreement. Accordingly, if from time to time Fisher & Paykel Appliances Holdings Limited requires the services of Mr Gillanders for longer than a 2-1/2 day period in any week or requires him to travel overseas, then the provision of such services to Fisher & Paykel Appliances Holdings Limited shall not constitute a breach of this agreement, provided that a like clause to this Clause 1.4 is included in the agreement between the Management Company and Fisher & Paykel Appliances Holdings Limited.
- 1.5 During the term of this agreement the Management Company agrees that it will not enter into any agreement with a third party (other than Fisher & Paykel Appliances Holdings Limited as aforesaid) which will require the Management Company to provide the services of Mr Gillanders to such third party without the prior consent of Healthcare.
2. Provision of Services
- 2.1 It is intended that Mr Gillanders will provide the consultancy services in Healthcare's office and accordingly Healthcare shall provide such secretarial and other services and facilities to Mr Gillanders as may reasonably be required in relation thereto and shall also ensure that Mr Gillanders has full and free access to all such information, reports and other material in the possession or under the control of Healthcare as he may require in order to provide the required consultancy services.
- 2.2 Whilst it is contemplated that Mr Gillanders will provide consultancy services in Healthcare's office from time to time Mr Gillanders may also utilise the Management Company's office or his residence for the provision of consultancy services.
3. Fee for Services
- 3.1 Healthcare shall pay the Management Company the sum of \$200,000 per annum (plus GST) for the consultancy services to be provided hereunder.

- 3.2 In addition to the consultancy fee Healthcare shall refund to the Management Company all out of pocket costs and expenses of the Management Company necessarily incurred in the provision of the consultancy services with the exception of the travel costs of Mr Gillanders when travelling between his residence or the Management Company's office to Healthcare's office in Auckland.
- 3.3 The Management Company shall tender invoices for services provided in each calendar month during the term of this agreement, being the sum of \$16,666.67 (plus GST) together with any sum due as reimbursement of expenses on or before the 5th day of the next successive calendar month and payment shall be made by Healthcare to the Management Company prior to the 20th day of the month in which each such invoice is received.
- 4. Availability of Mr Gillanders

Healthcare agrees that it has been advised that under its agreement with Management Company Mr Gillanders is entitled to 30 days holiday in each year (which he may take in at the one time or in segments) as well as all New Zealand public holidays. The Management Company shall give Healthcare reasonable notice of any holidays (other than public holidays) to be taken by Mr Gillanders.

5. Responsibility

If Healthcare shall have any reason to question the conduct of Mr Gillanders, the services provided by Management Company or the operation of this agreement, the matter shall first be raised between the Chairman of Directors of Healthcare and the Management Company who shall endeavour to resolve the actual or perceived problem. In the absence of agreement, each company may then take such action as it deems fit.

- 6. Confidentiality
 - 6.1 The Management Company recognises that in order to provide the services to Healthcare contemplated by this agreement Mr Gillanders and the Management Company will necessarily be possessed of information relating to the business and affairs of Healthcare which is of commercial value to Healthcare or to its competitors. Accordingly the Management Company agrees and will procure the agreement of Mr Gillanders that during the term of this agreement neither the Management Company nor Mr Gillanders will:
 - 6.1.1 Enter into an agreement to provide or provide consultancy services to any third party which carries on a business which is in the same field of activity as Healthcare or which manufactures, designs, imports, produces or sells any products which can be substituted for or compete with products produced or marketed by Healthcare or any subsidiary or associated company of Healthcare or provide services to any such third party.

- 6.1.2 Divulge any information concerning the business or affairs of Healthcare to any third party being information which is not already in the public domain at the time of such disclosure.
- 6.2 Notwithstanding the foregoing if so required by Healthcare Management Company shall require Mr Gillanders to enter into a separate confidentiality agreement with Healthcare which imposes restrictions which are not inconsistent with the foregoing.
- 7. Term of Agreement

This agreement has been entered into by the parties on the understanding that Fisher & Paykel Healthcare Corporation Limited will be listed under that name on the New Zealand Stock Exchange and that its registered office will be transferred to 15 Maurice Paykel Place, East Tamaki, Auckland and accordingly, shall commence on the separation of the Healthcare business and of the Appliances business of the Fisher & Paykel group into separate companies, each listed on the New Zealand Stock Exchange (the Separation) or on the 1st January 2002 (whichever shall last occur) provided however that if the Board of Directors of Healthcare resolve at any time that the Separation shall not proceed then this agreement shall terminate forthwith.

- 8. Termination
 - 8.1 Each party shall have a right to terminate this agreement by a notice in writing if the other party is in breach of any material term or condition thereof and does not remedy the breach within thirty days of the date of a notice in writing specifying the breach and requiring its remedy.
 - 8.2 Termination of this agreement shall be without prejudice to the other rights or remedies of either party arising out of any default prior to termination and shall also be without prejudice to any sum payable as at the date of termination or services performed or liabilities accrued prior to such date.
- 9. Waiver

No waiver of any breach of this agreement shall be deemed to be a waiver of any other or any subsequent breach. The failure of either party to enforce any provision of this agreement at any time shall not be interpreted as a waiver of the provision.

10. Force Majeure

The Management Company shall not be liable to Healthcare for a failure to perform or carry out its obligations hereunder if the failure results from force majeure.

11. Indemnity

Healthcare shall indemnify the Management Company and Mr W L Gillanders against all loss, damages or costs suffered or incurred by the Management Company and/or Mr W L Gillanders in performing services under the Agreement, except where such loss, damage and/or costs are the direct result of the gross negligence of, or wilful misconduct by, the Management Company and/or Mr W L Gillanders.

12. Illness and Accident

If Mr Gillanders is incapacitated by illness or accident so that the Management Company is unable to provide services in accordance with this agreement for a period of six consecutive months, then Healthcare may at its discretion terminate this agreement by a notice in writing to the Management Company.

13. Notices

Any notice to be given by either party to the other party shall be deemed to have been duly given if in writing and delivered or posted to the other party at its address as set out in this agreement or to such other address as notified to the other party in accordance with this clause and if delivered shall be deemed to have been received on the day of delivery and if posted on the day next following the day after posting.

14. Assignment

This agreement is personal to the parties and may not be assigned.

Signed by
FISHER & PAYKEL INDUSTRIES LIMITED:

/s/ Gary Albert Paykel

Director

/s/ David Brian Henry

Director

Signed by
LRS MANAGEMENT LIMITED:

/s/ William Lindsay Gillanders

Director

/s/ Bronwen Gillanders

Director

EXHIBIT 11.1

Computation of per share earnings

The following table sets forth the computation of basic and diluted earnings per share for the period indicated:

	Year Ended March 31,		
	1999	2000	2001
	(in thousands of U.S. dollars, except per share data)		
Numerator:			
Profit (loss) from continuing operations after taxation	\$ 9,304	\$ 29,052	\$ 3,511
Profit (loss) from discontinued operations after taxation	387	(935)	425
Group profit	\$ 9,691	\$ 28,117	\$ 3,936
	=====	=====	=====
Denominator:			
Shares used in computing basic and diluted earnings per share (in thousands of shares)	117,549	117,643	118,111
	=====	=====	=====
Basic and diluted earnings per share from continuing operations	\$ 0.08	\$ 0.25	\$ 0.03
Basic and diluted earnings per share from discontinued operations	--	(0.01)	--
	-----	-----	-----
Basic and diluted net earnings per share	\$ 0.08	\$ 0.24	\$ 0.03
	=====	=====	=====

EXHIBIT 21.1

SUBSIDIARIES OF FISHER & PAYKEL INDUSTRIES LIMITED

Subsidiaries	Jurisdiction
Fisher & Paykel Limited.....	New Zealand
Fisher & Paykel Finance Limited.....	New Zealand
Fisher & Paykel Healthcare Limited.....	New Zealand
Fisher & Paykel Healthcare Properties Limited.....	New Zealand
Fisher & Paykel Holdings, Inc.....	California
Fisher & Paykel (Singapore) Pte Limited.....	Singapore
Fisher & Paykel Production Machinery Limited.....	New Zealand
Fisher & Paykel Healthcare Limited.....	United Kingdom
Fisher & Paykel Healthcare Pty Limited.....	Australia
Consumer Finance Limited.....	New Zealand
Equipment Finance Limited.....	New Zealand
Fisher & Paykel Appliances, Inc.....	California
Fisher & Paykel Healthcare, Inc.....	California
Fisher & Paykel Healthcare SAS.....	France
Fisher & Paykel Healthcare GmbH & Co KG.....	Germany
Fisher & Paykel Australia Holdings Limited.....	Australia
Fisher & Paykel Australia Pty Limited.....	Australia
Fisher & Paykel Manufacturing Pty Limited.....	Australia

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form F-1 of our reports dated June 6, 2001, except for Notes 30 and 31, for which the date is August 21, 2001, relating to the financial statements and financial statement schedule of Fisher & Paykel Industries Limited, which appear in such Registration Statement. We also consent to the references to us under the headings "Experts" in such Registration Statement.

*/s/ PricewaterhouseCoopers
PricewaterhouseCoopers*

*Auckland, New Zealand
September 13, 2001*

EXHIBIT 23.3

CONSENT of DELOITTE TOUCHE TOHMATSU

We hereby consent to (i) the inclusion of our Independent Report In Respect of the Proposed Separation of Fisher & Paykel Industries Limited, dated August 23, 2001, delivered to the Board of Directors of Fisher & Paykel Industries Limited, as Appendix B to the Registration Statement of Fisher & Paykel Industries Limited on Form F-1, and (ii) the reference made to our firm and such opinion in such Registration Statement under the caption entitled "The Reorganization." In giving such consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, and the Rules and Regulations promulgated thereunder, and we do not admit that we are experts with respect to any part of the Registration Statement within the meaning of the term "expert" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

DELOITTE TOUCHE TOHMATSU

/s/ Deloitte Touche Tohmatsu

Auckland, New Zealand
September 13, 2001