

Fisher & Paykel Appliances Holdings Limited

**ANNUAL REPORT**  
**2006/07**

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## Offshore market growth continues...

- Record total Appliances sales revenue of \$1.29 billion
- Record Appliances sales revenues in the USA, Europe and Rest of World markets
- The purchase of Elba S.p.A. in Italy from De'Longhi
- Opening of China procurement office
- The introduction of new platform products – *AquaSmart™* washer, Ice & Water refrigeration series, and French Door refrigerator
- Celebrated 35 year association with JFE Corporation, a major Japanese steel supplier
- Re-launch of Finance Group's Securitisation Funding Programme

	2007 NZ\$000	2006 NZ\$000
Total revenue	1,411,954	1,209,117
Operating profit before taxation	93,818	96,658
Group profit after taxation	61,180	63,945
Earnings per share (cents)	22.0	24.2



Gary Paykel

## Results

Group profit after taxation for the year ended 31 March 2007 was \$61.2 million, compared with \$63.9 million for the previous year.

The result includes restructuring costs of \$4.372 million (\$6.525 million before tax) and an unexpected bad debt write-off of \$2.312 million (\$3.302 million before tax) arising from the receivership of an Australian customer Retravision (NSW) Limited. These were offset by a profit of \$4.989 million (\$7.127 million before tax) on the sale of surplus land in Australia.

Appliances sales grew strongly as we continued the expansion of the Fisher & Paykel brand name globally. Record sales in the United States, Europe and Rest of World markets lifted total revenue by 16.8 percent over the previous year in what was pleasing top line growth, supplemented by the purchase in June 2006 of Elba S.p.A. (Elba).

The acquisition of Elba will help us to establish the Fisher & Paykel brand throughout Europe and the United Kingdom. These are important markets for us, setting the platform for the next phase of growth in the years ahead. Elba has an established distribution network that we will leverage to attain this goal. Elba will also provide additional products to the USA, New Zealand and Australian markets.

The latest year has been an exciting one for the Company. As well as the purchase of

Elba, we have opened a procurement office in China, celebrated a 35-year association milestone with our longest serving steel supplier in Japan and seen the first product (the water saving top loader autowasher) co-developed with Whirlpool Corporation enter the market.

The trading conditions experienced were similar to those of the previous year, with continuing strength in the New Zealand dollar, non abatement of high raw material prices and a competitive selling environment in most markets, and as a consequence, continued pressure on margins.

Normalised operating profit before interest and taxation for the Appliances Group was \$87.4 million (previous \$81.3 million), up 7.6 percent for the year. Improved operating margins of 7.2 percent in the second half, up from 6.3 percent in the first half, lifted the overall margin to 6.8 percent for the year.

The Finance Group contributed an increased operating profit totalling \$29.2 million before acquisition interest and taxation. Major factors in this performance were improved operating efficiencies and synergies arising from the integration of the Farmers Finance business.

The Finance Group experienced its own macro set of trading conditions. Competition in the New Zealand finance sector is intense and has resulted in some rationalisation of the industry. Increasing domestic interest rates throughout the year have narrowed margins, but these have been offset by the efficiency gains mentioned above.

	2007 NZ\$000	2006 NZ\$000	% Change
<b>Operating profit before interest and taxation</b>			
Appliances	85,286	81,447	4.7
Finance	29,227	28,399	2.9
	114,513	109,846	4.2
Interest expense *	(20,695)	(13,188)	(56.9)
<b>Operating profit before taxation</b>	<b>93,818</b>	96,658	(2.9)
<b>Taxation</b>	<b>(32,638)</b>	(32,713)	0.2
<b>Group profit after taxation</b>	<b>61,180</b>	63,945	(4.3)

\* Excludes Finance Group operating interest

## CHAIRMAN'S REVIEW

### International Financial Reporting Standards (NZ IFRS)

The Group has adopted NZ IFRS effective 1 April 2007 and thus its first set of NZ IFRS financial statements will be for the half-year ending 30 September 2007. Comparatives for the previous September half-year will be restated to NZ IFRS. The effect of NZ IFRS transition adjustments on the opening balance sheet position is reported at Note 31 to the Financial Statements.

Subject to any further changes in the Standards or our interpretation of them, the Group anticipates only one significant impact on future reported profits as a consequence of the change to NZ IFRS. This affects goodwill which will now be subject to an annual impairment review instead of being routinely amortised over a 20 year period. In the absence of any impairment, we estimate that this change will add approximately \$6.6 million to profit after taxation in 2007/08.

### Dividend

The final dividend of 9 cents per share for the year ended 31 March 2007 brings the total dividend for the year to 18 cents per share, representing 81.8 percent of total earnings per share. For New Zealand tax resident shareholders, the final dividend carries a partial imputation credit, equivalent to 26.5 cents in the dollar. Non-resident shareholders will receive a supplementary dividend of 1.164 cents per share.

	Cents per share		
	2006/07	2005/06	2004/05
Interim	9.0	9.0	9.0
Final	9.0	9.0	9.0
<b>Total dividend</b>	<b>18.0</b>	18.0	18.0
<b>Earnings per share (cents)</b>	<b>22.0</b>	24.2	26.1

## People

The Board continues to offer an experienced blend of knowledge and skills. As the Company expands offshore, the Board's input and guidance will be invaluable. This has proven to be the case particularly in the past 12 months. The Board functions with three sub-committees.

The Audit and Risk Management Committee, chaired by our Deputy Chairman, John Gilks, is responsible for assisting the Board in its oversight of all matters relating to the financial accounting and reporting of the Company. The Audit and Risk Management Committee also monitors the Company's internal compliance and controls with the support of the internal audit and risk management team.

The Finance Group maintains its own separate Board of Directors which is chaired by John Bongard. This separate Board provides additional governance over the affairs of the Finance Group.

The Remuneration Committee is chaired by myself. It is responsible for assisting the Board in establishing coherent remuneration policies and practices. This is important given the global environment in which the Company now operates.

Lindsay Gillanders and Ralph Waters retire as Directors by rotation and will stand for re-election at this year's Annual Shareholders Meeting.



**Julian Williams**

I would like to acknowledge the retirement of Julian Williams from the Board. Julian has been an enthusiastic and key member of the Board for 22 years, firstly with Fisher & Paykel Industries Limited and latterly with Fisher & Paykel Appliances Holdings Limited.

Julian has been inspirational, with his vision of technical innovation guiding the Company through many technological milestones. Often referred to as the "Father of *Smart Drive™*", Julian and his team have overseen through the years the introduction of pre-painted steel in appliances, flexible manufacturing and leading edge products like *Smart Drive™* and *DishDrawer®*. This technical direction and excellence has kept the Company ahead in appliance innovation globally.

I would like to sincerely thank Julian for his outstanding contribution and wish him all the best for his future retirement.

**Gary Paykel**  
Chairman



John Bongard

## Overview

The Company has again been faced with an unhelpful New Zealand dollar exchange rate and continuing high raw material prices. Combined with rising interest rates, the past 12 months trading period has been difficult.

I am pleased to say, however, that our internal cost out programme, combined with an increase in top line revenue, has mitigated many of these negatives. I would like to thank everyone for their efforts in realising these gains.

The Appliances Group again achieved record sales levels. Growth from our offshore markets, assisted by the purchase of Elba S.p.A. in Italy from the De'Longhi Group, lifted revenue to more than \$1.29 billion. Even

aside from the Elba purchase, we managed record sales levels in the USA, Europe and Rest of World markets. This growth in top line revenue was important as we continued to face headwinds in both currency and raw material pricing.

The Finance Group performed well this year given the difficult market conditions. Rising domestic interest rates contracted margins. Reduced revenue was compensated by efficiency gains following the integration of the Farmers Finance business into the Group. The significant growth of Q Card lifted the receivables for this product by 14 percent over that for the previous year. The cost to income ratio was again reduced, contributing to an overall increase in operating profit to \$29.2 million.



PROJECT LUNA

## Appliances Group

The Appliances Group lifted its sales revenue 19.5 percent. A strong fourth quarter saw annual record sales in the USA, Europe and Rest of World markets. The release of new product platforms into some markets late in the year contributed to this result.

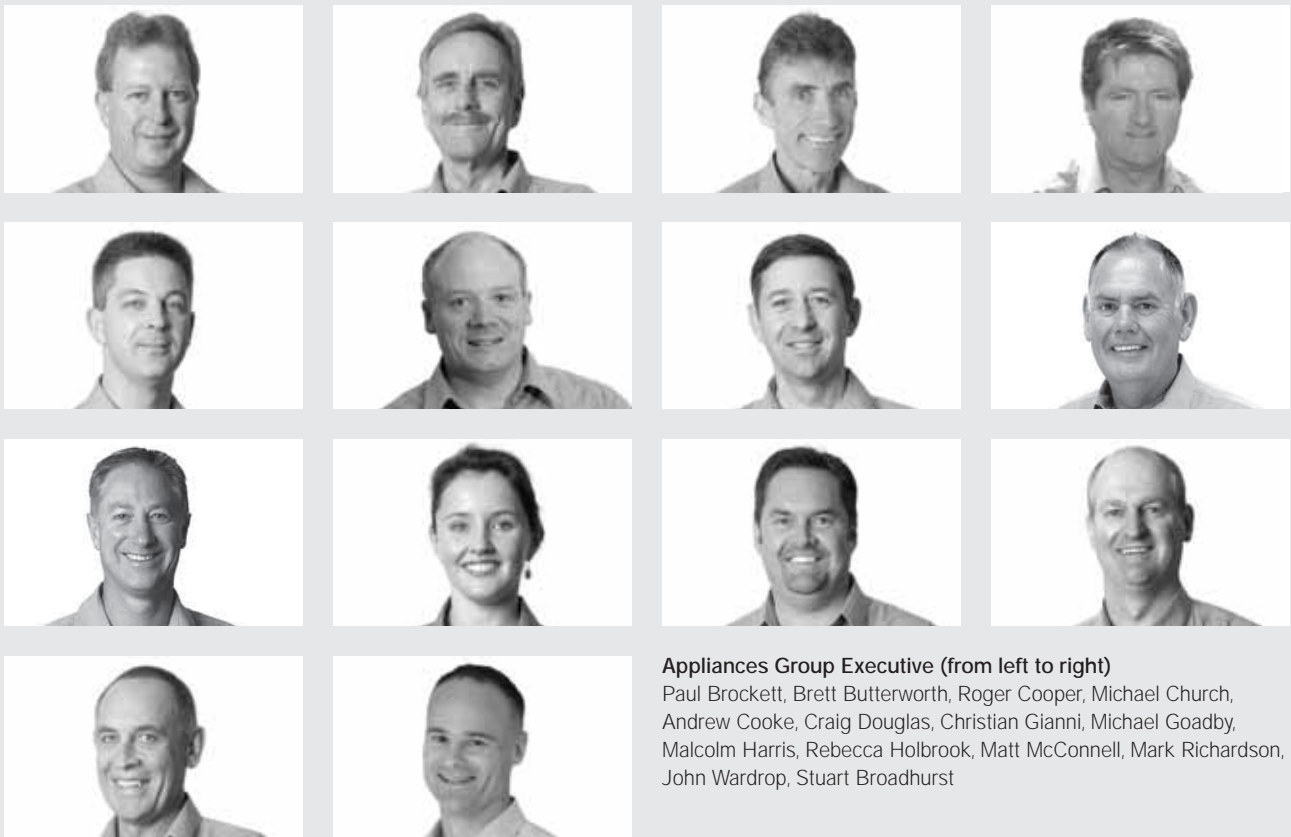
The purchase of Elba S.p.A. was a major step in the Company's push for expansion into European markets. Elba has a strong export focus to more than 54 countries, with particular strength in the United Kingdom.

While we are pleased with the acquisition, high stainless steel prices and the disruption in the Italian market as we transition to direct distribution, affected earnings in the final quarter. This impact was partially offset by the introduction, late in the fiscal year, of the Fisher & Paykel branded range of Italian manufactured cookers.

The manufacturing synergies foreshadowed at the time of the acquisition are being realised progressively into the three cooking plants in New Zealand, USA and Italy.

The Company continues to progress its vigorous internal cost down programme. This has partially offset the effects of the current high prices for raw materials. The recent opening of the procurement office in Qingdao, China, is a further illustration of this effort, and potentially large cost savings have already been identified for various components and materials.

As noted in the Chairman's Review, the Company's trading performance increased in the second half when operating margins improved from 6.3 percent to 7.2 percent.



### Appliances Group Executive (from left to right)

Paul Brockett, Brett Butterworth, Roger Cooper, Michael Church, Andrew Cooke, Craig Douglas, Christian Gianni, Michael Goadby, Malcolm Harris, Rebecca Holbrook, Matt McConnell, Mark Richardson, John Wardrop, Stuart Broadhurst

# CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S REVIEW

## Market Comment

### New Zealand

New Zealand revenue was down 3.0 percent from the previous year. This was due to a declining market (down by 5 to 6 percent) compounded by difficult trading conditions. Our market shares increased, although this came at a cost to margin.

The settled distribution network in New Zealand continues to perform well against increased competition. The high value of the New Zealand dollar has intensified competition and resulted in increased discounting in the market.

The purchase of Prime Distributors in 2005, strengthened the Company's spare parts distribution and back up service. This, along with our 24 hour per day, seven days per week Customer Care Centre in Auckland, servicing the entire country, is seen as a distinct advantage in our home market.

### Australia

The Australian market remained flat year-on-year. The Christmas / New Year sales period was unseasonably slow with a combination of cooler weather affecting refrigeration sales and consumers directing their Christmas expenditure towards digital products.

The release of new products in the fourth quarter, combined with retailers chasing annual target incentives, resulted in Australian sales finishing up 7.5 percent in Australian dollar revenue terms and a gain in market share.

The *AquaSmart™*, water efficient autowasher has been extremely well received in the market by both retailers and consumers. Launched in December, this has become the biggest selling washer model in Australia in just four months. The appeal of a low water consumption washer and the ease of use offered by top loading autowashers have been contributing factors to the success of this product.

The initial rollouts of the Ice & Water and French door refrigeration ranges have been completed. These models offer high feature levels and contribute greater margin returns.

	2007 NZ\$000	2006 NZ\$000
Revenue	1,293,759	1,082,650
Normalised operating profit before interest & taxation	87,395	81,251
- Restructuring costs	(5,934)	(998)
- Retravision (NSW) Ltd bad debt	(3,302)	-
- Profit on sale of surplus land	7,127	1,194
Reported operating profit before interest and taxation	85,286	81,447
Assets employed	1,018,532	778,728
Operating margin *	6.8	7.5

\* Normalised operating profit before interest and taxation to revenue

The restructuring costs incurred were for staff redundancies and other costs due to the relocation of plant closer to our major markets, the integration of acquired businesses and component outsourcing.

**United States**

The overall market in the USA remained in decline. This led to intensified competitor activity, particularly prior to Christmas, as major suppliers fought to retain sales volumes. Under these conditions it is pleasing that our sales revenue increased by 5.2 percent over the previous year in US dollar terms. The USA continues to be our largest revenue market.

The increased distribution of the Fisher & Paykel and DCS brands through the Sears Outlet Stores and Builder Division, and through the US-wide distribution company DSI late in the year, has initially progressed well. This change will take time to realise its full potential.

The Canadian segment of the North American operation continues to grow at a pleasing rate. Our product line-up, especially in the refrigeration range, suits the Canadian market requirements.

The production facilities in Clyde, Ohio, have developed well, with a top-loading washer line, a dryer line and two motor lines now fully operational. The Clyde team has developed its own unique and close-knit culture, with a combination of New Zealand, Australian and USA backgrounds.

**Europe**

Following the Elba acquisition, European sales increased 627 percent to \$98.640 million (\$13.571 million for the previous year). On a like-for-like basis sales were \$25.394 million (an 87.1 percent increase). We have recently centralised the European sales office in Italy. This team will service not only the European market, but also Africa, the Middle East and South America.

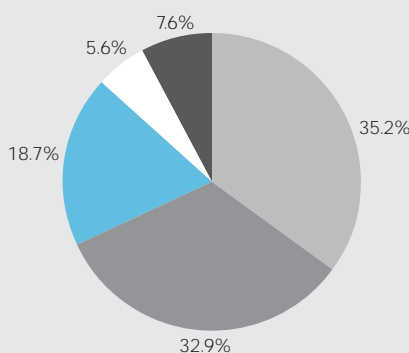
The United Kingdom operations have also been amalgamated with the opening of a new sales and distribution centre in Milton Keynes, just north of London. These facilities will service the United Kingdom for both sales and retailer training. A similar operation has been established in Ireland.

**Rest of World**

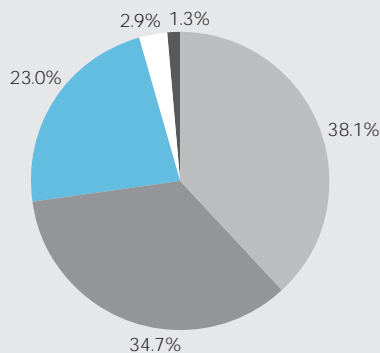
Sales in Rest of World markets increased 132 percent. On a like-for-like basis, (ie. excluding Elba), sales were up 17.4 percent. This was a very pleasing result given the strength of the New Zealand currency. There was some good growth in the Asian markets – predominantly in Hong Kong, Singapore and Vietnam. Good groundwork has also been completed for future commercial prospects in the Middle East, including Dubai.

The Pacific, a traditional stronghold, had a mixed year. The Fijian market in particular, suffered a downturn after the military coup in December, resulting in slower fourth quarter sales.

**Appliances Revenue by Market 2006/07**



**Appliances Revenue by Market 2005/06**



■ USA   ■ Australia   ■ New Zealand   ■ Rest of World   ■ Europe

MEASURED FILL CHILL TEMPERATURE ICE SETTINGS

The control panel features a 'MEASURED FILL' section with a small blue dot and a glass icon. The 'CHILL' button is highlighted. The 'TEMPERATURE' section includes a gauge with a blue indicator and labels for 'colder' and 'warmer'. The 'ICE' section has a button labeled 'off' and 'TRIP IC'. The 'SETTINGS' button is also present.



ICE & WATER

## Community

The Company continues to support the local and international communities in which it participates, through sponsorships that assist major community events and expose the Fisher & Paykel brand.

The ongoing association with the Silver Ferns Netball team in New Zealand remains strong. This was our 11th year with Netball New Zealand – an association that has very high recognition, from the elite national team right through to junior levels. We regularly reach most households in the country through this sponsorship.

Our International growth reaffirms our decision to link the Fisher & Paykel brand with the New Zealand entry in the A1 motor racing circuit. This competition has a very large following across a number of international markets in which we participate.

Our role as a supplier sponsor to the Emirates Team New Zealand Americas Cup Challenge 2007 provides a high-profile platform from which to introduce our products to potential European distributors and customers. We see this as an ideal vehicle to profile the similarities between our approach to innovation in product development and that of Emirates Team New Zealand.

Fisher & Paykel Australia has sponsored women's golf in the form of the Golf Classic. This format offers club players the opportunity to compete in firstly state and then national finals timed around the Australian Women's Golf Open. In its concept year, the event attracted more than 540 clubs and in excess of 23,000 individual players.

## CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S REVIEW

### Environmental Issues

With the continuing focus on global warming and the effects it has on our climate and lifestyles, our desire to manufacture eco-friendly products has become an even more important driver for our design teams. We have always striven to produce the most energy-efficient and water-efficient products for our consumers. But this desire goes much further than just the performance of the end product – it is a part of the culture and the way we go about our business.

From the moment we put pen to paper in a new product design we consider all aspects of the process, from the way we manufacture and the materials we use, right through to the way we recycle and dispose of the product after it has completed its life cycle. We call this "cradle-to-grave" management.

In production, we utilise materials we can reprocess if required, reducing wastage to a minimum. Our recycling policies are world leading. With our home delivery service to most parts of New Zealand we are able to offer a complete recycle programme. When new products are delivered to the customer's home we have the opportunity to collect their old appliances. These are returned to our in-house recycling centre, where they are stripped down to their base components and each material type recycled accordingly.

With the numerous countries to which we market and export, we are often faced with differing Standards requirements. Our products often lead the way in terms of environmental conscience, meeting new Standards even before they are required.

Back in 1972 we were the first manufacturer in the world to use pre-painted steel in manufacturing our appliances. This is an environmentally friendly process eliminating our need for odour-emitting paint shops and this process is still used today.

In the 1980's Fisher & Paykel was the first manufacturer to introduce CFC-free refrigerators into the Australasian market. This was not only well ahead of the competition, but also before regulations enforced it.

Our product development process is still pushing the boundaries to create ecologically friendly solutions. *DishDrawer*<sup>®</sup> gives the customer the option of a true half load, using less water than would be the case if the same quantity of dishes were washed in a conventional dishwasher.

Likewise, our *AquaSmart*<sup>™</sup> washing machine addresses the water shortages that parts of the world are now facing. *AquaSmart*<sup>™</sup> was released onto the Australian market late last year, as the only top-loading washing machine qualifying for the State Government funded water rebates.



DISHDRAWER®

# CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S REVIEW

## Finance Group

The Finance Group has continued to perform steadily in a highly competitive finance market. Normalised operating profit before interest and taxation was \$29.8 million for the year, a 15.5 percent improvement over the prior year.

Rising domestic interest rates and intense competition have continued to erode finance margins. Additional integration synergies, over and above those originally expected, together with a key focus on reducing operating costs have added significantly to the overall earnings performance. The normalised cost to income ratio improved significantly to 41 percent compared with 44 percent for the previous period. Regulatory compliance costs continue to increase.

Changes to the credit approval process, together with more intensive account management, have resulted in improvements in the overall credit quality of receivables. This years bad and doubtful debts expense, net of recoveries, is lower than the prior period, whilst the level of balance sheet provisioning against possible future losses has been maintained within appropriate ratios. NZ IFRS methodologies have been applied for establishing the level of required provisioning.

The Finance Group has continued to maintain its strong market position as a leading provider of specialised retail point of sale financial services. With over 500,000 customers using the companies finance products at over 8,000 retailers throughout New Zealand, the Finance Group is making a significant contribution to assisting New Zealand households acquire the products and services to improve their quality of life.

Automated point of sale processes give customers easy access to a range of in-store financial payment options. Distribution has been broadened to include supermarkets, petrol stations, travel agencies, clothing distributors, home and garden, motor accessory stores, and health providers.

Q Card has enjoyed significant growth in the past 12 months with receivables increasing over 14 percent. Total active cardholder numbers now exceed 125,000. The unique functionality of Q Card offers fixed instalment structured finance as well as revolving credit on the same card. This provides retailers with significant benefits to support their sales, together with a variety of payment options for customers. Retailers who had previously not used point of sale finance to support their business have welcomed Q Card as an added benefit using specific finance promotions to drive sales. A significant proportion of Q Card growth in the past twelve months has come from these new retailers.



### Finance Group Executive (from left to right)

Alastair Macfarlane, Dennis Churches, Greg Shepherd,  
Richard Blackburn, Adrian Lichkus

Farmers Card continues to be a significant contributor to Finance Group earnings with over 300,000 customers actively using their cards to shop in a wide variety of different retail stores across the country. An increasing percentage of the annual spend on Farmers Card is now in stores other than Farmers Trading Company. Farmers Finance fixed instalment receivables have continued to decline as "big ticket" financing slowed.

The Consumer Insurance and Extended Warranties businesses have again contributed strongly to earnings and complement the core consumer finance business. The A- (Excellent) A M Best Company rating of the Insurance business reflects the sound claims paying ability and financial strength of these Insurance companies.

The Equipment Finance and Leasing business has reduced in size relative to the overall Finance Group. However, earnings from this activity remain sound and provide opportunities for further expansion and development. Financing office automation products and specialised equipment across a broader range of business sectors are the key areas of focus.

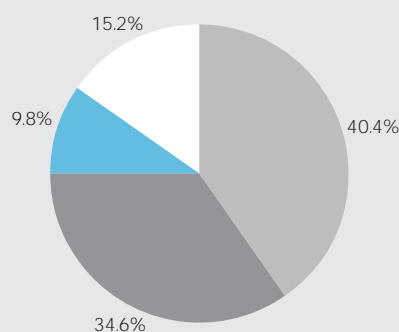
Funding support for the Finance Group's business remains strong. Retail debentures further increased and the Group's securitisation programme was re-launched during the year maintaining an A1+ Standard & Poor's rating. This funding programme together with significant committed funding facilities with banks maintains a diversified and sound Finance Group.

	2007 NZ\$000	2006 NZ\$000
Revenue	118,195	126,467
Normalised operating profit before interest and taxation *	29,818	25,810
- Restructuring costs	(591)	-
- Profit on sale of land and buildings	-	2,589
Reported operating profit before interest and taxation *	29,227	28,399
Finance receivables	536,957	571,688

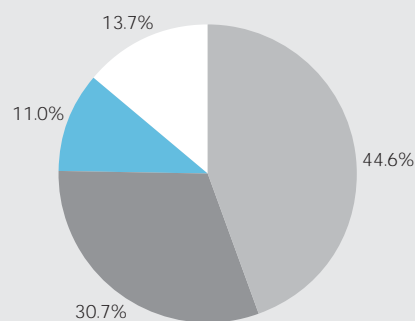
\* Includes operating interest

The restructuring costs incurred during the year were for staff redundancies arising from the continued integration of the Farmers Finance business.

**Lending Analysis  
Fisher & Paykel Finance Group  
2006/07**



**Lending Analysis  
Fisher & Paykel Finance Group  
2005/06**



■ RFS Consumer   ■ FPF Consumer   ■ Equipment Finance   ■ Bulk Funding



Fisher & Paykel

AQUASMART™

## Appreciation

Our growth strategy based on small, efficient manufacturing facilities either in or close to markets continues to go forward. With our growth in international markets we welcome new retailers, distributors and suppliers alike. We look forward to enjoying a stable and long-term working relationship with them.

To our loyal customers, we thank you for your ongoing support. We will continue to strive to bring you innovative, value added products that we trust will make your life easier. It is with your guidance that we continue to push the boundaries of appliance design to bring you pioneering products for the future.

To our shareholders who share the same vision, we also thank you. Our journey is not a short one and we express gratitude for your patience and confidence in the Company's direction. The positive feedback we receive throughout the year endorses the strategies we have in place.

We have again been faced with rising raw material costs beyond our direct control. We would like to thank the suppliers who have worked tirelessly with us to reduce the impact of these costs.

Our staff has again performed tremendously in both Appliances and Finance. Their contribution to the end result should not be underestimated. They have contributed greatly to the ongoing success of the Company and I would like to thank them again for their efforts.

I would also like to thank the Board for their support and direction throughout the year. Their guidance has been reassuring. I would like to take this opportunity to acknowledge Mr Julian Williams on his retirement and especially thank him for his years of dedicated service to the Company and for the enormous contribution that he has made.

## CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S REVIEW

### Outlook

The Appliances business expects continuing top line revenue growth. We have an exciting suite of new products lined up for release in the upcoming year and look forward to growing our markets further.

Market conditions in New Zealand are expected to soften with a similar retraction in market size as experienced in the 2006/07 year. We aim to retain our market shares.

The Australian market remains competitive. New products released late in the 2006/07 year offer consumers and retailers a point of difference with new features and other benefits. An increased model line-up following the successful *AquaSmart™* washer launch is likely to grow market share in that category and contribute better margins to the bottom line.

The USA offers the greatest opportunity for growth in the coming year. To combat the sluggish market and take the brand to the next level of exposure, the Company has targeted three key areas.

The first is distribution. Late last year we agreed to distribute the Fisher & Paykel and DCS brands through additional outlets – Sears Outlet Stores and Builder Division and DSI, a US-wide independent distributor. Initial reactions have been positive.

An increased advertising spend has been agreed to promote the brand in more mainstream advertising. Until now this has been limited to specifically targeted publications. Although this has worked well, it does not offer the greater exposure television advertising brings.

The third is the expansion of the product range. Included in this is the release of the USA version of the *AquaSmart™* washer. As in Australia, this will be the only top-loading washer to attract local authorities' water rebates. It will be released with a matching top-loading AeroSmart dryer.

Increased model lines in refrigeration include Ice & Water versions, as well as the French three-door side-by-side version. All models are expected to increase sales opportunities in the USA and Canada.

Luna, the world's first retractable gas-through-glass cooktop, is to be released in the second half. This product was again the star performer at the recent Kitchen and Bathroom Industry Show held in Las Vegas.

The DCS Liberty outdoor cooking range, a refresh of the indoor DCS product, along with the introduction of freestanding cookers from our Italian plant, will complete the line up. We are excited at the prospects these new models bring us in terms of sales opportunities.

Growth is predicted for the European market. Volumes through our Italian manufacturing plant are expected to increase with the distribution of Fisher & Paykel branded product for the UK, Italy, USA, Australia and New Zealand markets. These products have been well received. Local Italian sales are expected to recover following the transition to direct distribution for the De'Longhi and Elba brands.

Raw material pricing remains high and the outlook is uncertain. These are factors affecting all appliance manufacturers globally.

The ongoing in-house cost down programme will continue to deliver substantial savings. Our Chinese procurement office is expected to continue to deliver significant cost down opportunities.

The Company announced recently that it would be relocating its New Zealand Laundry based manufacturing and associated equipment to Thailand. The move will commence late in the third quarter of the fiscal year, with production scheduled for March/April 2008.

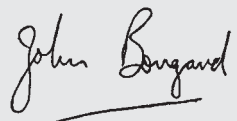
The expected financial benefits are in the vicinity of \$10-\$15 million per annum, commencing in the 2008/09 year, with a one-off cost in the order of \$20-\$25 million in the 2007/08 year, both at a pre-tax level. Additional cost savings are expected from local procurement opportunities.

Capital expenditure for Appliances in the 2007/08 fiscal year is expected to be approximately \$63 million, including \$13 million for the Thailand relocation.

Whilst the Finance Group will continue to operate in an intensely competitive market, growth is expected from the broadening of distribution of Q Card and Farmers Card across an increasingly diverse group of retailers. This growth in distribution will give customers an ever increasing choice of where they wish to use their finance facilities. The current number of 425,000 active cardholders using credit facilities is expected to grow.

With the Finance Group now operating as one company, following the successful integration of the Farmers Finance business, further benefits are expected to be realised by focusing on achieving revenue synergies from product enhancement and growing lending activities in revolving and instalment credit.

Given the uncertainty surrounding the New Zealand dollar, interest rates and raw material pricing, the Directors have decided against giving guidance for the full financial year at this time.



**John Bongard**  
Chief Executive Officer and  
Managing Director

## DIRECTORS



Peter Lucas

Ralph Waters

John Gilks

John Bongard



Gary Paykel, (CNZM)

Lindsay Gillanders

Norman Geary, (CBE)

Julian Williams

## DIRECTORS

**Gary Paykel, (CNZM)**, 65, has been Chairman of the Company since April 2004. Prior to that he was Executive Chairman since the Separation from Fisher & Paykel Industries Limited in November 2001. He also chairs the Remuneration and Nomination Committees. Mr Paykel was a director of Fisher & Paykel Industries Limited from August 1979; Managing Director from April 1987 and Chief Executive Officer from December 1989. He was appointed Chairman of Fisher & Paykel Healthcare Corporation Limited (previously Fisher & Paykel Industries Limited) following the Separation in November 2001. Mr Paykel joined Fisher & Paykel Industries Limited 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 is a Companion of the New Zealand Order of Merit.

**John Gilks**, 65, has been Deputy Chairman of the Company since the Separation. He also chairs the Audit and Risk Management Committee. Prior to the Separation, Mr Gilks was a director of Fisher & Paykel Industries Limited from May 1986, and Deputy Chairman from June 1989. Mr Gilks is Chairman of Port Otago Limited and a director of Dunedin City Holdings Limited and its four trading subsidiaries. Mr Gilks was a practising chartered accountant from 1970 to 1993. During that time he founded Motor Trade Finances Limited and was its Managing Director until 1997. Mr Gilks is a Fellow of the Institute of Chartered Accountants of New Zealand and a Distinguished Fellow of the Institute of Directors in New Zealand.

**John Bongard**, 53, was appointed Chief Executive Officer and Managing Director on 30 April 2004. He has been an Executive Director of the Company since the completion of the Separation. Prior to the Separation he was General Manager of the Appliances Whiteware Group. He has over 30 years experience in marketing appliances around the world and has established new sales companies in Australia and the USA. Mr Bongard has held a variety of management positions in the procurement and marketing departments of the appliances business of the Fisher & Paykel Group since 1973, including General Manager, Marketing from 1991 to 1998. He received a Bachelor of Commerce degree in marketing and economics from the University of Auckland.

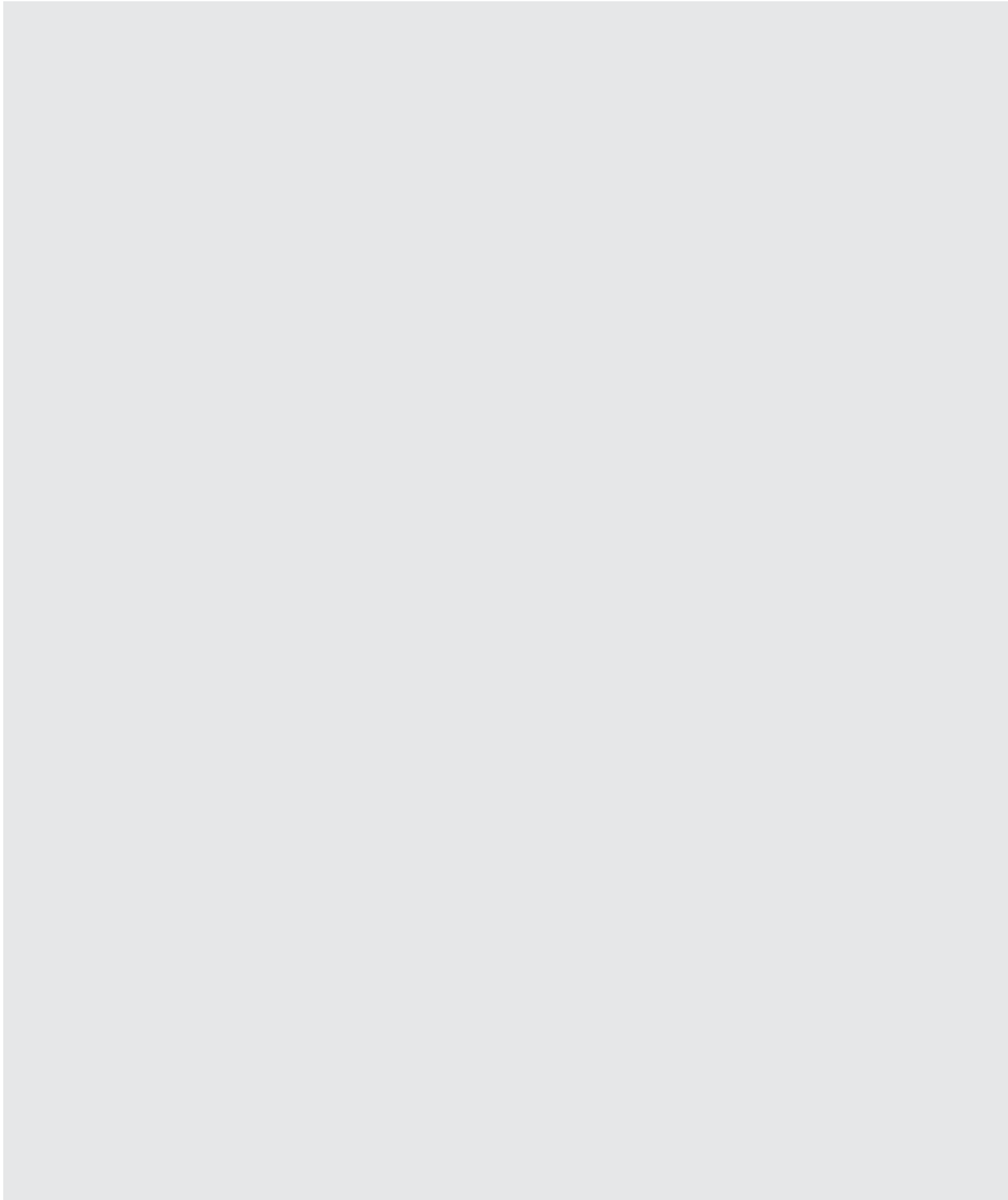
**Norman Geary, (CBE)**, 68, has been a director of the Company since completion of the Separation. Prior to that he served on the board of directors of Fisher & Paykel Industries Limited from December 1990. In New Zealand and various overseas locations, he was employed by BP for 23 years in sales, marketing and general management roles and served on its board in New Zealand and various North West Europe companies before being appointed Chief Executive of Air New Zealand from 1982-1988. Since 1988, he has served on the boards of a number of New Zealand listed and unlisted companies and is currently Chairman of Gough Gough & Hamer Limited. He is a director of DB Breweries Ltd, ANZ National Bank Ltd and Otago Innovation Ltd. He is also a board member of the New Zealand Institute of Economic Research and a member of the Advisory Committee to Comalco New Zealand Ltd. He was the President of the Institute of Directors in New Zealand in 2000 and 2001. He was elected a Distinguished Fellow of the Institute of Directors in New Zealand in 2003. Mr Geary received his Bachelor of Commerce degree from the University of Otago, is a Fellow of the Institute of Chartered Accountants of New Zealand, attended the Sloan Programme at the Graduate School of Business, Stanford University in 1974/1975 and holds a CBE.

**Lindsay Gillanders**, 57, has been a director of the Company since November 2001. Mr Gillanders has also served as a director of Fisher & Paykel Industries Limited (now Fisher & Paykel Healthcare Corporation Limited) since May 1992. He is currently Chairman of Auckland Packaging Company Limited and Vita New Zealand Limited and is also a director of Rangatira Limited. Until the Separation, Mr Gillanders was responsible for Fisher & Paykel Industries Limited's legal, regulatory, compliance and intellectual property rights, and worked on major commercial agreements including acquisitions and divestments by both the Appliances and Healthcare businesses. From November 2001 to December 2004, Mr Gillanders continued to provide legal services to the Company under a consultancy agreement. Mr Gillanders received his Bachelor of Laws degree with honours from the University of Auckland.

**Peter Lucas**, 61, has been a director of the Company since November 2001. Mr Lucas was Chief Executive Officer of Heinz New Zealand and Australia from 2002 until 31 August 2005. Previously, Mr Lucas was the Managing Director of Tegel Foods Limited from April 1996, the General Manager of J. Watties Foods Limited from August 1992 to April 1996 and General Manager of Watties Frozen Foods Limited from August 1985 to August 1992. Mr Lucas received a BE (civil) (first class hon) and Mcom (econs) (first class hon) from Canterbury University and was the recipient of a Post Graduate Scholarship to Cambridge University.

**Ralph Waters**, 58, has been a director of the Company since November 2001. Mr Waters was Chief Executive Officer of Fletcher Building Limited from June 2001 until August 2006 and is now a non-executive director of that company. Mr Waters is also a director of Fonterra Co-operative Group Limited and Westpac New Zealand Limited. Previously, Mr Waters was Managing Director of Email Limited from May 1998 to February 2001 and prior to that held a number of senior management positions at Email Limited from November 1983. Mr Waters was employed by Carrier Air Conditioning and other units of United Technologies Corporation in Australia and the UK from February 1970 to November 1983. Mr Waters has a Master of Business degree, is a Chartered Professional Engineer and a Fellow of Institution of Engineers (Australia).

**Julian Williams**, 70, was a director of the Company from the Separation in November 2001 until his retirement effective 31 March 2007. Prior to that, Mr Williams was a director of Fisher & Paykel Industries Limited from July 1985, and Technical Director from April 1987 to November 2001. Mr Williams joined Fisher & Paykel Industries Limited in 1960 and has held a variety of engineering and management positions in Appliances manufacturing. As Technical Director, he was instrumental in the development of Fisher & Paykel Industries Limited's electronics and ECM motor technology which is now used in the Appliances business. From November 2001 to December 2004, Mr Williams continued to provide engineering services to the Company under a consultancy arrangement. Mr Williams received his Bachelor of Engineering degree from the University of Auckland.



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## REPORT FROM THE DIRECTORS

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 31 March 2007.

### Principal Activities

Fisher & Paykel Appliances Holdings Limited is a New Zealand based international company, which has two principal areas of business:

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

The Appliances Group is a leading designer and manufacturer of major household appliances in New Zealand and Australia. The Group has expanded in the USA, which is now its largest market in revenue terms, and has manufacturing facilities in Huntington Beach, California and Clyde, Ohio. In mid-2006, the Group acquired Elba S.p.A. (subsequently renamed Fisher & Paykel Appliances Italy S.p.A.) located in Borso del Grappa, Italy, which manufactures and distributes cookware products.

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

### Profit

Profit after taxation was \$61.2 million, compared to \$63.9 million for the previous year. There were no abnormal items.

Earnings per share were 22 cents per share (2005/06 24 cents).

### Shareholders Equity

Shareholders equity as at 31 March 2007 totalled \$682.4 million (2006 \$601.9 million).

### Share Issues

To partially fund the acquisition of Elba S.p.A., 11,956,522 shares were issued on 23 June 2006 at an average price of \$4.60 through an institutional placement. Following this, a further 4,414,302 shares were issued on 1 August 2006 at an average price of \$4.53 through the Share Purchase Plan.

During the year 2,340,086 shares were issued following the exercise of options granted to employees under the approved Share Option Plan.

### Acquisition of Elba S.p.A.

On 15 June 2006, the Group acquired all the shares in Elba S.p.A. (Elba), a leading European manufacturer and distributor of cooking appliances.

The total consideration paid for Elba was €78.2 million (NZ\$158.2 million), which was partially funded by raising equity of approximately \$73 million (net of fees), with the remainder funded by debt. Under the terms of the acquisition agreement, the economic ownership of Elba transferred to the Group on 1 June 2006.

### Dividends

The Directors have approved a final dividend of 9 cents per share for the year ended 31 March 2007, carrying a partial imputation credit (equivalent to 26.5 cents in the dollar). Non-resident shareholders will receive a supplementary dividend of 1.164 cents per share. The dividend will be paid on 15 June 2007.

Dividends for the year ended 31 March 2007 totalled 18 cents per share (2005/06 18.0 cents).

### Directors

Mr Julian Williams retired from the Board on 31 March 2007.

In accordance with the Constitution, Messrs Lindsay Gillanders and Ralph Waters retire and, being eligible, offer themselves for re-election.

### Disclosure of Interests by Directors

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

### New Zealand Stock Exchange Waivers

NZSX Listing Rule 7.3.2 (a)

At the Company's Annual Shareholders Meeting held on 16 August 2004, shareholders approved a cancellation facility for option holders (the Cancellation Offer), whereby option holders accepting the Cancellation Offer would not exercise their relevant options but instead those options would, at the option holders' notice, be cancelled in return for the issue of ordinary shares in the Company. The Cancellation Offer was designed to reduce the number of shares the Company is required to issue in relation to options granted under the Company's Employee Share Option Plan, thus reducing the dilution effect to existing shareholders from the exercise of options.

The NZXR granted a waiver subject to certain conditions (including the review of the waiver in respect of any options issued after the third anniversary date of the waiver) from compliance with NZSX Listing Rule 7.3.2(a), which provides that an issue of securities that has been approved by shareholders must be made within 36 months of the approval. The Company requested a review of this waiver in accordance with the conditions imposed by the NZXR, and on 14 March 2007 the Company was granted a renewed waiver from compliance with NZSX Listing Rule 7.3.2(a), again subject to certain conditions.

The Company sought this waiver and the renewed waiver in order to be able to issue shares under the Cancellation Offer outside the time frame set out in the NZSX Listing Rules as some of the options issued under the Company's Employee Share Option Plans may be exercisable outside this time frame. The terms of the renewed waiver prohibit the Company from materially changing the terms and conditions of issue of the relevant unexercised options.

NZSX Listing Rule 7.3.5(a)

As part of the funding package for the Company's purchase of Elba S.p.A. in June 2006, a placement of \$55 million of ordinary shares was made to a number of institutional investors via a book build process. An inadvertent outcome of this placement could have been the issue of the Company's shares to Company Directors or Associated Persons of Directors, which is prohibited by Listing Rule 7.3.5(a).

The Company therefore successfully applied to NZXR for a waiver from Listing Rule 7.3.5(a) to the extent required, so that institutional investors, whose only association with the Company is through common directors, were able to participate in the placement.

NZSX Listing Rules 7.10.10, 7.11.1 and 7.12.2

Also as part of its funding package for the purchase of Elba S.p.A. in June 2006, the Company offered shares through a share purchase plan to certain existing shareholders. Because of timetabling issues and

other special features of the Elba S.p.A. purchase and fundraising, the Company applied to NZXR for waivers from Listing Rules 7.10.10, 7.11.1 and 7.12.2. These waivers allowed the Company to provide notification of the record date for the share purchase plan in a shortened period of one Business Day, and to allow the allotment date for the share purchase plan to be extended to twelve Business Days after the close of the offer.

#### Remuneration of Directors

The remuneration of the Directors for the year ended 31 March 2007 has been disclosed on page 32 of this Report.

#### Outlook

Recently, the Group announced that it would be relocating its New Zealand based Laundry manufacturing and associated equipment to Thailand. The move will commence late in the fourth quarter of the 2007 calendar year, with production in Thailand scheduled to start in March/April 2008. The expected financial benefits are in the vicinity of \$10-\$15 million per annum, commencing in the 2008/09 year, with a one-off cost in the order of \$20-\$25 million in the 2007/08 year, both at a pre-tax level. Additional cost savings are also expected from local procurement opportunities.

Given the uncertainty surrounding the position of the New Zealand dollar, interest rates and the future trends for raw material pricing, the Directors have decided against giving guidance for the 2007/08 financial year at this time.



G A Paykel  
Chairman



J H Bongard  
Chief Executive Officer and  
Managing Director

24 May 2007

## CORPORATE GOVERNANCE

The Board and management of the Company is committed to ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Board has agreed to regularly review and assess the Company's governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The Company operates under a dual listed company structure, being listed in both New Zealand and Australia. Corporate governance requirements apply in both jurisdictions. These requirements include the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, the NZX Corporate Governance Best Practice Code, and the New Zealand Securities Commission's Corporate Governance Principles and Guidelines contained in its report entitled "Corporate Governance in New Zealand – Principles and Guidelines" (the Principles).

The Board has adopted a Governance Manual for the Company, consisting of various charters and policies, which reflect the Principles.

The Board considers that the Company's corporate governance practices and procedures are not materially different to the Principles.

### Code of Conduct (Ethics)

The Company expects its employees and Directors to maintain high ethical standards. A Code of Conduct for the Company and a separate Directors Code of Conduct apply.

Both codes of conduct address, amongst other things:

- conflicts of interest;
- receipt of gifts;
- corporate opportunities;
- confidentiality;
- expected behaviours;
- delegated authority;
- reporting issues regarding breaches of the Code of Conduct, legal obligations or other policies of the Company; and
- obligations for a Director to act in good faith and in what the Director believes to be the best interests of the Company.

The full content of the Company's Codes of Conduct can be found on the Company's website ([www.fisherpaykel.com](http://www.fisherpaykel.com)). At the date of this annual report, no serious instances of unethical behaviour have been reported under the Company's Code of Conduct.

### Responsibilities of the Board and Management

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

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

The Board Charter regulates internal Board procedure and describes the Board's specific role and responsibilities. A copy of the Board Charter is provided on the Company's website.

The Board delegates management of the day-to-day affairs and management responsibilities of the Company to the executive team under the leadership of the Chief Executive Officer and Managing Director to deliver the strategic direction and goals determined by the Board.

### The Board

#### Board Composition

Until the retirement of Mr Julian Williams on 31 March 2007, seven of eight Directors were non-executive Directors. At present, there are seven Directors on the Board, of which six are non-executive Directors.

The Executive Director is Mr John Bongard, who is the Chief Executive Officer and Managing Director of the Company.

Mr Gary Paykel relinquished the position of Executive Chairman on 30 April 2004, but remains as Chairman of the Board.

#### Independence of Directors

The factors the Company considers to assess the independence of its Directors are set out in its Board Charter. No materiality thresholds have been adopted, as the Company's approach is to determine independence on a case by case basis.

After consideration of these factors and criteria, the Company is of the view that:

1. No Director is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
2. There are two Directors who within the last three years have been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment. Those Directors are Mr Paykel and Mr Bongard;
3. There are two Directors who within the last three years have been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. Those Directors are Mr Lindsay Gillanders and Mr Julian Williams (retired 31 March 2007);
4. No Director is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer, other than Mr Norman Geary and Mr Ralph Waters. Mr Geary is a director of a registered bank that provides credit facilities to the Appliances Group in the ordinary course of business. Mr Waters is a director of a registered bank that provides credit facilities to the Finance Group in the ordinary course of business;
5. No Director has a material contractual relationship with the Company or another group member other than as a Director of the Company;
6. No Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
7. All Directors are free from any interest or any business or other relationship, which could or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Based on the above assessments, the Company considers that four of the current seven Directors are independent Directors, namely, Mr John Gilks, Mr Norman Geary, Mr Ralph Waters and Mr Peter Lucas. The Company considers that Mr Geary and Mr Waters are independent Directors of the Company notwithstanding their directorships of the registered banks referred to above. The Company's reasons for this conclusion include the fact that no director takes part in the individual lending decisions of the registered banks and in particular Mr Geary and Mr Waters have not taken part in the decision of the banks to make credit facilities available to group members or in setting the terms on which those facilities are made available to group members.

As Mr Paykel and Mr Bongard held executive positions and Mr Gillanders held a consultancy position either during the financial year or in the previous three financial years, these Directors are not, in the Board's opinion, independent. The Company notes that it has a minimum of two independent Directors as required by the NZX Listing Rules. Having reviewed the position, the Company considers that the Board comprises an appropriate mix of skills, expertise and independence.

## Committees

Specific responsibilities are delegated to the Audit & Risk Management Committee, the Remuneration Committee, and the Nominations Committee. These Board committees support the Board by working with management on relevant issues at a suitably detailed level and then reporting back to the Board. Each of these committees has a charter setting out the committees' objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's website.

### Audit & Risk Management Committee

The Audit & Risk Management Committee's role is to assist the Board in its oversight of all matters relating to the financial accounting and reporting of the Company. The Audit & Risk Management Committee also monitors risk management, the processes which are undertaken by management and both external and internal auditors. External auditors are monitored in accordance with the External Auditors Policy, a summary of which appears on the website.

Under the Board Charter a majority of the Audit & Risk Management Committee members must be independent. The current members of the Audit & Risk Management Committee are Mr Gilks, Mr Geary and Mr Gillanders. Messrs Gilks and Geary are independent Directors.

### Remuneration Committee

The Remuneration Committee's role is to assist the Board in establishing coherent remuneration policies and practices. The current members of the Remuneration Committee are Mr Paykel, Mr Lucas and Mr Geary. The composition of the Committee satisfies the requirement of the Committee Charter that a majority of Directors be independent.

## CORPORATE GOVERNANCE

### Nomination Committee

The procedure for the appointment and removal of Directors is ultimately governed by the Company's Constitution. A Director is appointed by ordinary resolution of the shareholders, although the Board may fill a casual vacancy.

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

The current members of the Nomination Committee are Mr Paykel, Mr Lucas and Mr Geary. The composition of the Nomination Committee satisfies the requirement of the Committee Charter that a majority of Directors be independent.

The Nomination Committee was not required to meet in the year ended 31 March 2007.

### Board Processes

The Board held 9 meetings during the year ended 31 March 2007. The table below shows attendance at the Board, Finance Group Board and Committee Meetings. With the exception of January, Board meetings are normally held monthly.

There is a separate board for the Finance Group, which Messrs Bongard, Gilks, Gillanders and Paykel sit on.

There is no formal procedure agreed by the Board to allow Directors to take independent professional advice at the expense of the Company. However, if circumstances arose where a Director needed to obtain independent advice, that Director would as a matter of practice be at liberty to seek such advice at the expense of the Company.

### Directors' Remuneration

Shareholders fix the total remuneration available to non-executive Directors. Shareholders approved the current fee pool limit in 2004 as \$700,000, effective 1 July 2004; \$800,000, effective 1 July 2005 and \$900,000, effective 1 July 2006. The fee pool limits include \$150,000 per annum, which has been set aside as a contingency to cover extraordinary Director involvement or commitments, including but not limited to involvement in sub committees and/or the board of the Finance Group.

The Company recognises the key role personnel play in the pursuit of its strategic objectives. The Remuneration Committee reviews Director remuneration, and is charged with establishing remuneration policies and guidelines to ensure a link exists between corporate performance and remuneration paid to Directors. The policies are also designed to enable the Company to attract, retain and motivate Directors who will create value for shareholders.

The Company takes advice from independent consultants, to benchmark Directors fees with fees paid to directors of comparable companies in New Zealand and Australia.

The Company's policy is to pay Directors fees in cash to its non-executive Directors. However, the Company encourages the Directors to hold shares in the Company. All Directors hold shares in the Company.

Non-executive Directors received the following Directors fees from the Company in the year ended 31 March 2007:

N M T Geary	\$ 98,900
J W Gilks	\$147,375
W L Gillanders	\$120,900
P D Lucas	\$83,900
G A Paykel	\$200,775
R G Waters	\$75,900
J J A Williams	\$75,900

	Board Meetings	Finance Board Meetings	Other Sub Committee Meetings	Audit & Risk Mgt. Committee Meetings	Remuneration Committee Meetings
J H Bongard	9	7	3	-	-
N M T Geary	9	-	2	5	3
J W Gilks	9	8	2	5	-
W L Gillanders	9	8	-	5	-
P D Lucas	9	-	-	-	3
G A Paykel	9	8	3	-	3
R G Waters	9	-	-	-	-
J J A Williams	8	-	-	-	-
<b>Total Meetings Held</b>	<b>9</b>	<b>8</b>	<b>3</b>	<b>5</b>	<b>3</b>

For the two month period to 31 May 2006, Mr M A Don received \$6,000 as the New Zealand Guardian Trust Company Limited appointed Director of Retail Financial Services Limited, which was formerly the remote securitisation company used to fund the Farmers finance business. Mr Don received a \$105,000 retirement allowance on his retirement as a Director of Retail Financial Services Limited on 31 May 2006, in accordance with an agreement made with the previous owners of the Farmers Finance business.

Mr Bongard does not receive remuneration as a Director of the Company or a subsidiary company. Mr Bongard acting in his capacity as an employee of the Company and subsidiaries received total remuneration, inclusive of the value other benefits, in respect of the year ended 31 March 2007 of \$1,077,693. Mr Bongard also holds a \$10,000 interest free loan from the Company.

Except as stated above, no employee of the Company or its subsidiaries receives or retains any remuneration or other benefits as a Director. Remuneration, inclusive of the value of other benefits received by such employees, is included in relevant bandings of employee remuneration received exceeding \$100,000 disclosed in Note 29 of this Annual Report.

Under the Company's Constitution, the Board is permitted under the NZX Listing Rules to authorise the payment of retirement allowances to any Director who was in office before 1 May 2004 and has continued to hold office since that date, where such payments do not exceed the total remuneration of a Director in any three years. The Board has resolved, however, that it will not pay out any future retirement benefits for existing Directors other than, at the Board's discretion, an amount equivalent to one years' fees calculated according to the per annum average of the fees paid to that Director in their last three years of office. Subject to Board approval, any such retirement benefit will be payable following each Director's retirement. Any new Director appointed subsequent to 1 May 2004 will not be entitled to receive any retirement benefit.

Except for Mr Don, no Director was paid a retirement benefit by the Company in the year ended 31 March 2007.

## Senior Management Remuneration

The Remuneration Committee is responsible for reviewing the remuneration of the Company's senior management in consultation with the Chief Executive Officer and Managing Director of the Company. Similar policies and principles that guide the remuneration of Directors apply to the remuneration of the Company's senior management, although remuneration packages consist of a mixture of cash and other benefits, including share options in the Company. The expected outcomes of the Company's remuneration policies for senior management are to balance motivating and retaining key employees, attracting quality management and providing performance incentives that allow executives to share the rewards of the success of the Company. In addition, the existing option plan operated by the Company is intended to encourage the retention of the senior management team and to encourage the senior management team to ensure the Company performs well for the shareholders through long-term growth and increasing shareholder value.

The Company's existing share option plan was approved by shareholders of the Company prior to the listing of the Company in 2001.

The ASX recommends that companies listed in Australia disclose the top five (5) senior management remuneration packages paid by the Company. The Company has decided that it is not appropriate for the Company to follow this recommendation as these figures are distorted by the Company having a number of senior managers who reside outside of New Zealand, where remuneration market levels differ widely. Senior management remuneration is included in the wider disclosure made by the Company in Note 29 of this Annual Report, where the Company has included in relevant bandings the number of employees or former employees, whose remuneration, inclusive of the value of other benefits received by such employees, exceeds \$100,000.

## CORPORATE GOVERNANCE

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### Performance Evaluation

The Board has a range of policies in place relating to the performance evaluation of the Board, the Board's committees, individual Directors and Executives. During the financial year the Board conducted a performance evaluation of the Board and its members in accordance with its policies. A summary of the Company's Performance Evaluation Policy is available on the Company's website.

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

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

### Risk Management

The Company has a number of risk management policies, as well as related internal compliance systems that are designed to:

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

The Board, through management, ultimately has responsibility for internal compliance and control. Twice a year a detailed audit report is prepared for and presented to the Board.

### Policies

In addition to the policies mentioned in this section on Corporate Governance, the Company has in place a number of other policies including those in relation to external auditors, remuneration, market disclosure, communication with shareholders, share trading and health & safety.

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## Auditors' Report

To the shareholders of Fisher & Paykel Appliances Holdings Limited

We have audited the financial statements on pages 36 to 66. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 40 to 43.

### Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date.

### Auditors' Responsibilities

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

### Basis of Opinion

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

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

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

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

### Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 36 to 66:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 24 May 2007 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

## STATEMENT OF FINANCIAL PERFORMANCE

### For the year ended 31 March 2007

PARENT				CONSOLIDATED	
2006	2007			2007	2006
\$000	\$000		Notes	\$000	\$000
41,000	<b>40,500</b>	Operating revenue	1	<b>1,411,954</b>	1,209,117
41,000	<b>40,500</b>	Operating profit before interest and taxation		<b>114,513</b>	109,846
		Interest expense*	2	<b>(20,695)</b>	(13,188)
41,000	<b>40,500</b>	Operating profit before taxation	2	<b>93,818</b>	96,658
(3,591)	<b>(3,632)</b>	Taxation	3	<b>(32,638)</b>	(32,713)
37,409	<b>36,868</b>	<b>Profit after taxation</b>		<b>61,180</b>	63,945

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

Earnings per share	0.22	0.24
Diluted earnings per share	0.21	0.23

\* Excludes operating interest of the Finance Group



## STATEMENT OF MOVEMENTS IN EQUITY

### For the year ended 31 March 2007

PARENT			CONSOLIDATED	
2006	2007		2007	2006
\$000	\$000	Notes	\$000	\$000
576,070	601,851	Shareholders' equity at the beginning of the year	601,851	576,070
37,409	36,868	Profit after taxation	61,180	63,945
		Movement in currency translation reserve	(9,686)	7,292
33,828	14,626	Movement in revaluation reserve		
71,237	51,494	<b>Total recognised revenues and expenses for the year</b>	51,494	71,237
2,068	78,461	Issue of share capital	78,461	2,068
(47,524)	(49,359)	Dividends	(49,359)	(47,524)
601,851	682,447	<b>Shareholders' equity at the end of the year</b>	682,447	601,851

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

# STATEMENT OF CASH FLOWS

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For the year ended 31 March 2007

PARENT			Notes	CONSOLIDATED	
2006 \$000	2007 \$000			2007 \$000	2006 \$000
		<b>Cash flows from (used in) operating activities</b>			
		Receipts from customers		1,248,898	1,167,659
		Financing interest and fee receipts		124,612	130,241
41,000	40,500	Dividends received			
		Interest received		1,084	537
(955)	(1,434)	Payments to suppliers and employees		(1,209,894)	(1,103,744)
(3,609)	(3,732)	Taxation paid		(19,318)	(38,503)
		Interest paid		(58,614)	(49,906)
36,436	35,334	Net cash flow from operations	20	86,768	106,284
		<b>Cash flows from (used in) investing activities</b>			
		Sale of fixed property, plant and equipment		22,138	1,372
		Principal on loans repaid by finance customers		678,951	704,451
		Purchase of property, plant and equipment		(40,949)	(55,153)
		Capitalisation of intangible assets	9	(6,106)	-
		New loans to finance customers		(655,415)	(720,298)
		Acquisition of Elba S.p.A.		(161,786)	-
		Acquisition of Prime Distributors Limited		-	(6,187)
-	-	Net cash flow from (used in) investing activities		(163,167)	(75,815)
		<b>Cash flows from (used in) financing activities</b>			
		Employee Share Purchase Scheme		274	782
		New term borrowings		341,555	80,725
		New finance borrowings		216,114	317,049
		Repayment of term borrowings		(219,052)	(53,223)
		Repayment of finance borrowings		(266,977)	(306,189)
2,068	78,461	Issue of share capital		78,461	2,068
(47,524)	(49,359)	Dividends paid		(49,359)	(47,524)
9,020	(64,436)	Intercompany borrowings			
(36,436)	(35,334)	Net cash flows from (used in) financing activities		101,016	(6,312)
-	-	Net increase (decrease) in cash		24,617	24,157
1	1	Opening cash		48,494	24,141
		Cash obtained from acquisition of company		(9)	77
		Effect of foreign exchange rates		(1,603)	119
1	1	Closing cash		71,499	48,494
		<b>Reconciliation of closing cash</b>			
1	1	Bank		76,773	50,382
		Bank overdrafts		(5,274)	(1,888)
1	1			71,499	48,494

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

## 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 Appliances Holdings Limited as a separate entity and the Consolidated financial statements are for the Fisher & Paykel Appliances Holdings Limited Group, which includes all its subsidiaries. The financial statements are stated in New Zealand dollars unless otherwise indicated.

### Nature of Operations

Fisher & Paykel Appliances Holdings Limited is a New Zealand based international company, which has two principal areas of business:

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

The Appliances Group is a leading designer and manufacturer of major household appliances in New Zealand and Australia. The Group has expanded in the USA, which is now its largest market in revenue terms, and has manufacturing facilities in Huntington Beach, California and Clyde, Ohio. In mid-2006, the Group acquired Elba S.p.A. (now renamed Fisher & Paykel Italy S.p.A.) located in Borso del Grappa, Italy, which manufactures and distributes cookware products.

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

### General Accounting Policies

The financial statements are based on the general principles of historical cost accounting, with the exception of 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, financial position and cash flows, have been applied.

### Specific Accounting Policies

#### Consolidation

The Company and subsidiary companies' (including special purpose entities) 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.

The Finance Group, comprising Fisher & Paykel Finance Limited and Fisher & Paykel Finance Holdings Limited (and their respective subsidiary companies), is independently funded and is not guaranteed by Fisher & Paykel Appliances Holdings Limited, or any other non Finance Group companies.

#### Revenue recognition

##### *Goods and Services*

Sales are recognised in accordance with the terms of sale when the benefits of ownership and risk of loss passes to the customer.

##### *Long term contracts*

The revenue on long term contracts is recognised over the period of the project. The percentage of completion method is used to determine the appropriate amount to recognise in a given period. The full amount of any anticipated loss, including that relating to future work on the contract, is recognised as soon as it is foreseen.

##### *Investment income*

Dividend income is recognised in the period the dividend is declared.

Interest is accounted for as earned.

##### *Income on finance receivables*

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

##### *Fee income*

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

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

##### *Insurance income*

The earned portion of premiums received and receivable is recognised as revenue. Premium income on insurance products is earned from the date of risk commencement based on a method, which approximates the pattern of risk underwritten. Warranty income is earned using methods, which match the approximate timing and cost of the underlying services provided. Income from fixed interest investments is recognised on an accrual basis.

**Insurance expenses**

Provision has been made for the estimated cost of all the claims reported at balance date but not settled. The outstanding claims reserve is calculated on the maximum potential value outstanding on the individual claims. Further provision has been made for claims incurred but not reported.

Claim handling expenses are calculated based on time and effort involved in claim processing.

Acquisition costs relating to unearned premium are deferred as they represent a future benefit. Deferred acquisition costs are amortised in accordance with the earning pattern of the associated premium.

Reinsurance is expensed on a straight line basis.

**Advertising and sales promotion costs**

All advertising and sales promotion costs are expensed as incurred.

**Earnings per share**

Earnings per share is computed by using the weighted average number of ordinary shares outstanding during each period.

**Employee share ownership plan**

The Group operates an employee share ownership scheme for employees. The initial purchase of shares by the scheme is funded by advances from within the Group. No compensatory expense is recognised in the Statement of Financial Performance.

**Employee share option plan**

The Group operates an employee share option scheme for employees. No compensatory expense is recognised in the Statement of Financial Performance.

**Employee entitlements**

Employee entitlements to salaries and wages, annual leave, long service and other benefits are recognised when they accrue to employees and are fully vested. The Group operates a pension plan for employees. While there are different entitlements under the plan, the scheme is primarily a defined contribution plan and 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 realisable value. Cost includes all charges except finance, administration, research and development, selling and distribution overheads.

**Property, plant and equipment**

Property, plant and equipment are recorded at cost, excluding interest.

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

**Depreciation**

Property, plant and equipment, other than Freehold Land and Capital Work in Progress, are depreciated on a straight line basis over their total estimated useful lives as follows:

Buildings	50 years
Plant and Equipment	3 - 15 years
Vehicles	5 years
Tooling	3 years
Software	3 - 10 years
Patents	10 years

**Intangible assets**

Licenses are amortised on a straight line basis over their estimated useful life of 20 years.

The excess of cost over the fair value of the net assets of subsidiaries is recognised as goodwill at the time of acquisition and is amortised to earnings on a straight line basis over the shorter of its estimated useful life or 20 years.

Development costs are amortised on a straight line basis over their estimated useful life of 3-5 years depending on the nature of the product platform.

Acquired brands are not amortised on the basis that they have an indefinite useful life. The carrying value of acquired brands is tested annually for impairment.

**Investments**

Subsidiary companies are valued at net tangible asset value. Other investments are valued at the lower of cost or net realisable value.

**Leases**

Operating lease payments are expensed on a straight line basis over the period of the lease.

**Research and development**

Research expenditure is expensed as it is incurred. Development expenditure is expensed as incurred, unless that expenditure relates to new product platforms where it is expected that the new product will be marketed, in which case the expenditure is capitalised and amortised on a systematic basis reflecting the period of consumption of the benefit.

**Government Grants**

The Group receives government research funding. Research grants received are recognised in the Statement of Financial Performance when the requirements under the grant have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all conditions have been met.

## STATEMENT OF ACCOUNTING POLICIES

### Finance receivables and trade debtors

Finance receivables are shown net of unearned income and financing losses that 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.

General provisions for doubtful debts and outstanding fees are maintained to cover unidentified possible losses and latent risks inherent in the overall portfolio of finance receivables.

### Provision for warranty

Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred. Warranty terms vary but generally are 2 years parts and labour.

### Finance borrowings issue expenses

Issuing costs are capitalised where they can be matched with related borrowings. Capitalised costs are amortised to interest costs evenly over the term of the borrowings.

### Taxation

The taxation expense charged against profit 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 recognised only to the extent that there is virtual certainty of recovery in subsequent periods.

### Goods and services tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

### Secured Borrowings

Secured borrowings are recognised in the Statement of Financial Position at their outstanding principal balances plus accrued interest.

### Foreign currencies

Transactions in foreign currencies are converted at the rate of exchange prevailing at the date of the transaction, or at the hedged rate if financial instruments have been used to reduce exposure.

At balance date, foreign monetary assets and liabilities are translated at the year end closing or hedged rates, and exchange variations arising from these translations are included in the Statement of Financial Performance.

The financial statements of independent foreign subsidiaries are translated at the following exchange rates:

- The year end closing exchange rate for assets and liabilities
- 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 in the Statement of Financial Position.

### 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, where the term of the call borrowings facility is less than one year. Finance operating borrowings are excluded from this definition.
- b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, 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

The Group has various financial instruments for the purpose of reducing its exposure to fluctuations in foreign currency exchange rates and interest rates. These financial instruments are subject to risk that market rates may change subsequent to acquisition. For interest rate instruments, the differential to be paid or received is accrued as interest rates change and is recognised as a component of interest expense over the life of the instrument. Exchange gains and losses arising on contracts which qualify as hedges for accounting purposes are deferred until the date the underlying transactions occur at which time they are included in the determination of Profit after taxation. Gains and losses on instruments that do not qualify as hedges are recognised in the Statement of Financial Performance as they occur.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the directors and 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.

**Impairment**

Annually, the directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the Statement of Financial Performance.

**Changes in accounting policies**

The Group has not changed its accounting policies.



PARENT			CONSOLIDATED	
2006	2007		2007	2006
\$000	\$000		\$000	\$000
<b>2</b>		<b>Operating Profit Before Taxation</b>		
41,000	<b>40,500</b>	Operating profit before taxation	<b>93,818</b>	96,658
		After charging (crediting):		
		Remuneration of auditors:		
		Audit fees paid to auditors of the Group (see note below)		
		- Relating to Current Year	<b>906</b>	644
		- Relating to Prior Year	<b>87</b>	75
		Other fees paid to auditors of the Group (see note below)		
		- Review of Group Half Year Financial Statements	<b>114</b>	63
		- Audit of Fisher & Paykel Finance Debenture Prospectus	<b>9</b>	12
		- Farmers Finance securitisation compliance audit	<b>27</b>	25
		- Advice re adopting International Financial Reporting Standards	<b>122</b>	121
		- Accounting advice re Elba S.p.A.	<b>18</b>	-
		- Statutory reporting software	<b>48</b>	-
		- Other	<b>67</b>	37
		Donations	<b>104</b>	211
		Depreciation:		
		Appliances Group - Buildings	<b>2,826</b>	2,391
		- Leasehold improvements	<b>879</b>	301
		- Plant and equipment	<b>30,955</b>	25,799
		- Computer software	<b>3,153</b>	2,433
		Finance Group - Buildings	-	459
		- Plant and equipment	<b>237</b>	242
		- Computer software	<b>1,615</b>	1,284
		Amortisation:		
		Appliances - Goodwill	<b>3,962</b>	567
		- Licenses	<b>1,576</b>	-
		- Development	<b>700</b>	-
		Finance Group - Goodwill	<b>1,918</b>	1,918
		- Licenses	<b>6,081</b>	6,081
		Gain on sale of property	<b>(7,127)</b>	(3,783)
		Due diligence costs	-	1,025
		Interest expense:		
		- Term borrowings	<b>17,975</b>	6,712
		- Bank overdraft and call borrowings	<b>2,720</b>	6,476
		Finance Group - Operating interest	<b>37,748</b>	37,919
		Research and development	<b>6,804</b>	9,697
		Rental and operating leases	<b>19,862</b>	13,821
		Bad debts written off:		
		Appliances Group	<b>3,772</b>	305
		Finance Group	<b>10,249</b>	10,395
		Bad debts recovered:		
		Finance Group	<b>(2,427)</b>	(3,082)
		Movement in provision for doubtful debts:		
		Appliances Group	<b>700</b>	108
		Finance Group	<b>(694)</b>	1,089
		GST recovery on reapportionment relating to prior years		
		Finance Group	<b>(1,601)</b>	-
606	<b>714</b>	Directors' fees	<b>915</b>	745

Notes: The increase in audit fees is substantially due to the Group's expansion of overseas operations.

The following non-audit fees paid to the Auditors of the Group were capitalised and were additional to expensed fees shown above:

Software licences	<b>25</b>	-
Review of Elba S.p.A. acquisition balance sheet	<b>128</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

PARENT			CONSOLIDATED	
2006	2007		2007	2006
\$000	\$000		\$000	\$000
<b>3 Taxation</b>				
41,000	<b>40,500</b>	Operating profit before taxation	<b>93,818</b>	96,658
13,530	<b>13,365</b>	Taxation at current rate of 33%	<b>30,960</b>	31,897
		Adjustments to taxation for:		
(13,530)	<b>(13,365)</b>	Fully imputed dividends received		
(27)	<b>(5)</b>	Other non-assessable income	<b>(1,403)</b>	(184)
		Non-deductible items	<b>4,205</b>	3,456
		Attributed foreign income	<b>(6)</b>	232
		Foreign rates other than 33%	<b>(1,458)</b>	(1,642)
(27)	<b>(5)</b>	Current year's taxation	<b>32,298</b>	33,759
3,618	<b>3,637</b>	Prior period	<b>340</b>	(1,046)
3,591	<b>3,632</b>	Income tax expense	<b>32,638</b>	32,713
		This is represented by:		
3,591	<b>3,632</b>	Current taxation	<b>36,206</b>	26,789
-	-	Deferred taxation	<b>(3,568)</b>	5,924
3,591	<b>3,632</b>		<b>32,638</b>	32,713

## 4 Debtors and Other Current Assets

		Trade receivables	<b>182,166</b>	125,454
		Less provision for doubtful accounts	<b>(1,407)</b>	(707)
18	<b>31</b>	Other debtors and prepayments	<b>180,759</b>	124,747
18	<b>31</b>		<b>20,592</b>	30,306
			<b>201,351</b>	155,053

PARENT		CONSOLIDATED	
2006	2007	2007	2006
\$000	\$000	\$000	\$000
<b>5 Finance Receivables</b>			
Receivable within one year		409,716	412,116
Less provision for unearned interest		(15,721)	(24,154)
		393,995	387,962
Less provision for bad and doubtful debts		(10,216)	(10,010)
Net receivables due within one year		383,779	377,952
Receivable beyond one year		163,529	209,261
Less provision for unearned interest		(6,274)	(10,548)
		157,255	198,713
Less provision for bad and doubtful debts		(4,077)	(4,977)
Net receivables due beyond one year		153,178	193,736
Total finance receivables		536,957	571,688

Finance receivables comprise 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.

## 6 Inventories

Materials		101,791	72,656
Spare parts		10,573	14,961
Finished products		123,026	127,391
		235,390	215,008

## NOTES TO THE FINANCIAL STATEMENTS

PARENT			CONSOLIDATED	
2006	2007		2007	2006
\$000	\$000		\$000	\$000
<b>7 Current Taxation</b>				
3,613	<b>3,638</b>	Balance at beginning of year	<b>26,430</b>	12,443
(3,591)	<b>(3,632)</b>	Total taxation expense in current year	<b>(36,206)</b>	(26,789)
3,609	<b>3,732</b>	Taxation paid	<b>19,318</b>	38,503
7	<b>1</b>	Other movements	<b>(1,915)</b>	2,273
<b>3,638</b>	<b>3,739</b>	Balance at end of year	<b>7,627</b>	26,430
This is represented by:				
		Taxation payable	<b>(1,829)</b>	(2,223)
3,638	<b>3,739</b>	Taxation recoverable	<b>6,933</b>	23,412
		Future taxation benefit	<b>2,523</b>	5,241
<b>3,638</b>	<b>3,739</b>		<b>7,627</b>	26,430

## 8 Property Plant and Equipment

Land*	<b>28,910</b>	22,199
	<b>28,910</b>	22,199
Buildings*	<b>133,718</b>	100,205
Less accumulated depreciation	<b>13,222</b>	8,703
	<b>120,496</b>	91,502
Leasehold improvements	<b>6,111</b>	4,451
Less accumulated depreciation	<b>1,671</b>	902
	<b>4,440</b>	3,549
Plant and equipment	<b>334,303</b>	243,694
Less accumulated depreciation	<b>163,497</b>	98,835
	<b>170,806</b>	144,859
Computer software	<b>29,384</b>	26,849
Less accumulated depreciation	<b>16,409</b>	14,035
	<b>12,975</b>	12,814
Capital projects	<b>7,172</b>	38,869
	<b>344,799</b>	313,792

\* The independent valuation of land and buildings in New Zealand and Australia performed by Extensor Advisory Limited as at 31 March 2007 was \$192.268 million (2006 \$166.648 million). An independent valuation of land & buildings in Italy performed by Stima S.r.l. as at 1 January 2004 was \$32.188 million (2006 Nil).

PARENT		CONSOLIDATED	
2006	2007	2007	2006
\$000	\$000	\$000	\$000
<b>9 Intangible Assets</b>			
<b>Goodwill</b>			
Appliances – Prime			
	Balance at beginning of the year	3,966	4,100
	Current year's amortisation	(205)	(134)
		3,761	3,966
Appliances – DCS			
	Balance at beginning of the year	8,907	5,176
	Exchange rate variance on opening balance	(1,251)	811
	Adjustment for subsequent changes in fair values ascribed to DCS acquisition	-	3,353
	Current year's amortisation	(372)	(433)
		7,284	8,907
Appliances – Elba <sup>+</sup>			
	Goodwill arising on acquisition of Elba	82,837	-
	Exchange rate variance on opening balance	(5,807)	-
	Adjustment for subsequent changes in fair values ascribed to Elba acquisition	9,193	-
	Current year's amortisation	(3,385)	-
		82,838	-
Finance			
	Balance at beginning of the year	33,724	35,642
	Current year's amortisation	(1,918)	(1,918)
		31,806	33,724
	Balance at end of year	125,689	46,597
Comprising			
	Goodwill (gross)	136,898	51,926
	Accumulated amortisation	(11,209)	(5,329)
		125,689	46,597
<b>Brand</b>			
Appliances - DCS			
	Balance at beginning of the year	46,531	40,226
	Exchange rate variance on opening balance	(6,536)	6,305
	Balance at end of year	39,995	46,531
Appliances – Elba <sup>+</sup>			
	Balance arising on acquisition of Elba	9,401	-
	Exchange rate variance on opening balance	(659)	-
	Balance at end of year	8,742	-
Comprising			
	Brands (gross)	48,737	46,531
<b>Licenses</b>			
Appliances – Elba <sup>+</sup>			
	Balance arising on acquisition of Elba	26,895	-
	Exchange rate variance on opening balance	(1,887)	-
	Current year's amortisation	(1,576)	-
	Balance at end of year	23,432	-
Finance			
	Balance at beginning of the year	106,924	113,005
	Current year's amortisation	(6,081)	(6,081)
	Balance at end of year	100,843	106,924
Comprising			
	Licenses (gross)	146,627	121,619
	Accumulated amortisation	(22,352)	(14,695)
		124,275	106,924
<b>Development</b>			
Appliances Group			
	Balance at beginning of the year*	-	-
	Balance arising on acquisition of Elba <sup>+</sup>	1,949	-
	Exchange rate variance on Elba opening balance	(137)	-
	Capitalised during the year	6,106	-
	Current year's amortisation	(700)	-
	Balance at end of year	7,218	-
	Total Intangible assets	305,919	200,052

\* Capitalised development expenditure was previously included as part of the cost of tangible fixed assets and is not separately identifiable

<sup>+</sup> Refer Note 11 - the determination of the fair value of the assets acquired was not complete at 31 March 2007.

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Employee Option and Share Ownership Plans

#### Share Purchase Plan

Share purchase loans are made by the Group under the Share Purchase Schemes to assist employees with the purchase of fully paid ordinary shares in the company.

Shares are normally issued at a discount of 20% to market price, on terms permitted by the Schemes in accordance with section DC11 of the Income Tax Act 2004, with no interest being charged on the related loans. The qualifying period between grant and vesting date is normally 3 years. Dividends paid during the qualifying period on shares allocated to employees under the Schemes are paid to the employees. Voting rights on shares under the Schemes are exercisable by the Trustees under the Schemes.

At 31 March 2007, the Schemes held 202,444 (2006 1,068,816) shares, being 0.07% (2006 0.4%) of the Group's issued and paid up share capital. Of the shares held under the Schemes, no shares were allocated to employees (2006 903,796). 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 Trustee at the lesser of market price and the price at which the shares were originally allocated to the employee, subject to repayment of the original loan. Any such repurchased shares are held by the Trustee for allocation to future Schemes. The total value of employee loans receivable is zero (2006 \$845,483).

Directors of the Employee Share Purchase Schemes are appointed by the company.

#### Share Option Plan

Fisher & Paykel Appliances Holdings Limited has established a Share Option Plan for executives, managers and other selected employees working in the Appliances and Finance businesses. Under the Plan, the Board of Directors may make annual grants of options to plan participants to subscribe for ordinary shares. For options granted in November 2001 and August 2002, the exercise price per share is equal to the market value of a share at or around the date of option grant. For options granted in August 2004, the exercise price per share is recalculated on each anniversary of the grant date and is equal to the higher of the base price at grant date or the recalculated base price. The recalculated base price is calculated by multiplying the last base price by a percentage determined by the Board to represent the Group's cost of capital and reducing the resulting figure by the amount of any net cash dividends paid by the Group.

One third of the options granted pursuant to the Share Option Plan on a particular grant date become exercisable after each of the second, third and fourth anniversaries of the grant date and all unexercised options expire on the fifth anniversary of the grant date. Options also become exercisable if a person (or group of persons acting in concert) acquires more than half of the ordinary shares on issue. On leaving employment due to death, serious illness, accident, permanent disablement, redundancy or in other circumstances determined by the Board of Directors the participant or, if applicable, the participant's executor will have one month to exercise all outstanding options.

In the current year Fisher & Paykel Appliances Holdings Limited granted no options to purchase shares under the Share Option Plan (2006 Zero options granted).

Share Options	Number Granted	Exercise Price	Expiry Date
Options:			
Granted in November 2001	4,192,000	\$2.305	November 2006
Granted in August 2002	3,740,000	\$2.525	August 2007
Granted in August 2004	5,940,000	\$4.640 *	August 2009
	13,872,000		
Options exercised in prior years	(3,888,953)		
Options lapsed in prior years	(40,000)		
Opening Balance	9,943,047		
Options exercised in current year	(2,501,024)		
Options lapsed in current year	(600,012)		
Closing Balance	6,842,011		

\* Being the weighted average exercise price of tranche 1 options exercisable at the balance date. The exercise prices for tranches 2 and 3 will be determined at a future date in accordance with the Plan rules, but will not be less than the base grant price of \$4.19.

## 11 Investments in Subsidiaries

PARENT		
2006	2007	
\$000	\$000	
218,146	232,773	Investment in subsidiary companies

The Parent's investment in subsidiaries comprises shares at net asset value. The assets and liabilities attributed to Fisher & Paykel Appliances Holdings Limited are largely owned by the following subsidiaries

Principal Subsidiaries	Country of Domicile	Interest held by Group		Principal activities
		2007	2006	
* AF Investments Limited	NZ	100%	100%	Non Trading Holding Company
* Fisher & Paykel Appliances Limited	NZ	100%	100%	Manufacture & Distribution of Appliances
Fisher & Paykel Finance Limited	NZ	100%	100%	Consumer Finance
Consumer Finance Limited	NZ	100%	100%	Consumer Finance
Equipment Finance Limited	NZ	100%	100%	Commercial Finance
Retail Financial Services Limited <sup>+</sup>	NZ	100%	99%	Consumer Finance
Consumer Insurance Services Limited	NZ	100%	100%	Consumer Insurance & Extended Warranty
Fisher & Paykel Finance Holdings Limited	NZ	100%	100%	Holding Company
Fisher & Paykel Financial Services Limited	NZ	100%	100%	Securitisation Services & Extended Warranty
Credit & General Insurance Limited	NZ	100%	100%	Consumer Insurance
* Fisher & Paykel Production Machinery Limited	NZ	100%	100%	Machinery Manufacturer
* Prime Distributors Limited	NZ	100%	100%	Non Trading Company
Fisher & Paykel Appliances Employee Share Purchase Trustee Limited	NZ	100%	100%	Employee Share Purchase Plan
* Fisher & Paykel Australia Holdings Limited	Australia	100%	100%	Non Trading Holding Company
* Fisher & Paykel Australia Pty Limited	Australia	100%	100%	Distribution of Appliances
* Fisher & Paykel Manufacturing Pty Limited	Australia	100%	100%	Manufacture of Appliances
* Fisher & Paykel Customer Services Pty Limited	Australia	100%	100%	Servicing of Appliances
* Fisher & Paykel (Singapore) Pte Limited	Singapore	100%	100%	Distribution of Appliances
* Fisher & Paykel Appliances USA Holdings Inc	USA	100%	100%	Non Trading Holding Company
* Fisher & Paykel Appliances Inc	USA	100%	100%	Distribution of Appliances
* Fisher & Paykel Laundry Manufacturing Inc	USA	100%	100%	Manufacture of Appliances
* Dynamic Cooking Systems Inc (DCS)	USA	100%	100%	Manufacture of Appliances
* Fisher & Paykel Appliances Limited	UK	100%	100%	Europe Representative Office
Fisher & Paykel Appliances Italy Holdings S.r.l.	Italy	100%	-	Non Trading Holding Company
Fisher & Paykel Appliances Italy S.p.A. (formerly Elba S.p.A.)	Italy	100%	-	Manufacture & Distribution of Appliances

All subsidiaries have a balance date of 31 March. During the year, the balance dates for Fisher & Paykel Appliances Italy Holdings S.r.l. (previously 30 June) and Fisher & Paykel Appliances Italy S.p.A. (previously 31 December) were changed to 31 March.

\* Fisher & Paykel Appliances Holdings Limited together with the above companies marked with an asterisk are the major companies in the Negative Pledge Agreement.

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

## NOTES TO THE FINANCIAL STATEMENTS

### Acquisition of Elba S.p.A. (now renamed Fisher & Paykel Appliances Italy S.p.A.)

On 15 June 2006, the company acquired all the shares in Elba S.p.A. (Elba), a leading European manufacturer and distributor of cooking appliances.

The total consideration paid for Elba was €78.2 million (NZ\$158.2 million), which was partially funded by raising equity of approximately \$73 million (net of fees), with the remainder funded by debt. Under the terms of the acquisition agreement, the economic ownership of Elba transferred to the Group on 1 June 2006.

The determination of the fair value of the assets acquired was not complete at 31 March 2007 and the asset values used to determine estimated goodwill at acquisition for these financial statements are the book values at the date of acquisition.

The operating results of Elba have been included in the Group's statement of financial performance from 1 June 2006. The financial effect of the acquisition has been summarised below:

	2007 € million	2007 NZ\$ million
Total Assets		
Current assets	34.6	70.0
Property, plant and equipment	20.7	41.9
Licenses & intangibles	24.0	48.6
Other assets	0.9	1.8
	80.2	162.3
Total Liabilities		
Current liabilities	(32.9)	(66.6)
Other liabilities	(8.3)	(16.8)
Parent company loan	(6.1)	(12.3)
Net assets acquired	32.9	66.6
Goodwill on Acquisition	41.0	82.9
Total Acquisition Cost	73.9	149.5
Comprised of:		
Purchase price	78.0	157.8
Working capital adjustment as per Agreement	0.2	0.4
	78.2	158.2
Capitalised Professional Fees	1.8	3.6
	80.0	161.8
Less assignment of vendor Parent company loan	(6.1)	(12.3)
	73.9	149.5
Contribution to operating profit before interest and taxation from 1 June 2006 to 31 March 2007	0.8	1.6

### Acquisition of Prime Distributors Limited

On 29 July 2005, the Group acquired all the shares in Prime Distributors Limited (Prime). Prime is a leading distributor of spare parts for home appliances in New Zealand.

The total consideration paid for Prime was \$6.2 million, which was funded by debt.

From 29 July 2005, the operating results of Prime were included in the Group's statement of financial performance. The financial effect of the acquisition has been summarised below:

	2006 NZ\$ million
Total Assets	
Current Assets	3.2
Property, Plant and Equipment	0.2
	3.4
Total Liabilities	
Current Liabilities	(1.3)
Net Assets Acquired	2.1
Goodwill Intangibles on Acquisition	4.1
Total Acquisition Cost	6.2
Comprised of:	
Acquisition Consideration	6.2
	6.2
Contribution to operating profit before interest and taxation from 29 July 2005 to 31 March 2006	0.6

PARENT		CONSOLIDATED	
2006	2007	2007	2006
\$000	\$000	\$000	\$000
<b>12 Deferred Taxation</b>			
Balance at beginning of year:		23,744	29,021
Fair value adjustments on purchase of DCS		-	(5,241)
Balances arising on purchase of Elba S.p.A.		(6,623)	-
Current year timing differences		3,568	(5,924)
Exchange rate variance		(215)	1,293
Other movements		(2,512)	4,595
Balance at end of year:		17,962	23,744

The Group has recognised a deferred tax asset on timing differences which are expected, with virtual certainty, to reverse in future periods. The tax effect of these timing differences is \$18.0 million (2006 \$23.7 million).

### 13 Bank Overdrafts

Bank overdrafts		5,274	1,888
Bank overdrafts in foreign currencies total:			
AUD	2.605 million (2006, 0.000 million)		
SGD	0.363 million (2006, 0.710 million)		
EUR	0.000 million (2006, 0.309 million)		
GBP	0.677 million (2006, 0.332 million)		

Bank overdrafts come under the Negative Pledge Agreement as set out in Note 16.

### 14 Provisions

Warranty			
Balance at beginning of year	- Current	26,473	28,848
	- Term	15,188	13,598
		41,661	42,446
Exchange rate variance on opening balance		(3,512)	4,645
Current year provision		27,492	28,861
Warranty expenses incurred		(31,458)	(34,291)
Balance at end of year		34,183	41,661
Comprising			
	- Current	19,820	26,473
	- Term	14,363	15,188
		34,183	41,661

Warranties offered with the Group's products vary, but are generally 2 years parts and labour, although a number of products have a limited 5 year warranty. The provision has been discounted using a discount rate of 7.69%.

## NOTES TO THE FINANCIAL STATEMENTS

PARENT		CONSOLIDATED	
2006	2007	2007	2006
\$'000	\$'000	\$'000	\$'000
<b>15 Finance Borrowings</b>			
	Secured borrowings		
(a)	Debenture stock due for repayment:	(note 1)	
	Within one year		153,657
	Between one and two years		14,954
	Over two years		4,699
			<b>173,310</b>
			<b>180,018</b>
The weighted average rate of interest is 7.5% (2006 7.3%).			
(b)	Bank borrowings:	(note 1)	
	At call		74,865
	Within one year		30,284
	Between one and two years		17,327
			<b>122,476</b>
			<b>104,666</b>
The weighted average rate of interest is 7.7% (2006 7.6%).			
(c)	Secured advances due for repayment:	(note 2)	
	Within one year		242,756
			<b>242,756</b>
			<b>202,995</b>
The weighted average rate of interest is 7.8% (2006 7.5%).			
	Total secured borrowings		<b>538,542</b>
			<b>487,679</b>
	Due within one year		501,562
	Due after one year		36,980
			<b>538,542</b>
			<b>476,381</b>
			<b>11,298</b>
			<b>487,679</b>

Finance borrowings are not guaranteed by Fisher & Paykel Appliances Holdings Limited.

Note 1. Debenture stock on issue is secured by a first ranking general security interest in favour of the Trustee over the undertaking and charging subsidiaries (the Charging Group). Currently, all subsidiaries of Fisher & Paykel Finance Limited (FPFL), except Consumer Insurance Services Limited are charging subsidiaries. All borrowings made by the issue of debenture stock are in accordance with a Debenture Trust Deed. The Deed includes a number of covenants which must be satisfied.

2. Secured advances are secured by a first ranking general security interest over the assets of the Farmers fixed instalment and Farmers credit card businesses.

PARENT		CONSOLIDATED	
2006	2007	2007	2006
\$000	\$000	\$000	\$000
<b>16 Borrowings</b>			
Borrowing facilities due for repayment:			
	Current	-	20,000
	One to two years	53,643	168,309
	Two to three years	144,833	32,719
	Over four years	111,775	-
	Term	310,251	201,028

These borrowings have been aged in accordance with the facilities' terms. All borrowings are drawn down by way of short term bills at interest rates current at draw down date (weighted average 5.75%, 2006 5.50%).

Borrowings in foreign currencies total:  
A\$75 million (2006 A\$9.0 million).  
US\$95.0 million (2006 US\$87.0 million).  
€58.0 million (2006 €0.0 million).

A Negative Pledge Deed has been executed with a number of the Group's bankers. Major trading subsidiaries operating under the Negative Pledge Deed together with the parent company are listed in Note 11.

## 17 Finance Leases

Borrowing facilities due for repayment:			
	Current	3,587	624
	One to two years	1,942	627
	Two to three years	615	648
	Three to four years	330	689
	Four to five years	17	338
	Term	2,904	2,302

Weighted average interest rate on finance leases is 7.1% (2006 6.1%).

The company leases buildings, plant and equipment under finance leases. At 31 March 2007, the aggregate cost of buildings, plant and equipment capitalised was \$773,7000 (2006 \$3,722,000) and accumulated depreciation of \$734,000 (2006 \$349,000). Under the finance leases the company has the right of renewal or option to purchase the buildings, plant and equipment at the end of the lease.

## 18 Other Liabilities

Current			
	Employee entitlements	29,537	19,742
	Other creditors and accruals	43,561	43,350
		73,098	63,092
Term			
	Employee entitlements	4,627	4,283
		4,627	4,283

## NOTES TO THE FINANCIAL STATEMENTS

PARENT			CONSOLIDATED	
2006	2007		2007	2006
\$000	\$000		\$000	\$000

### 19 Shareholders' Equity

		SHARE CAPITAL		
558,467	<b>560,535</b>	Share capital brought forward	<b>560,535</b>	558,467
2,068	<b>78,461</b>	Issue of share capital	<b>78,461</b>	2,068
560,535	<b>638,996</b>	Share capital carried forward	<b>638,996</b>	560,535

283,453,478 ordinary shares issued and paid up (2006 264,742,568). No ordinary shares issued and partially paid up (2006 Nil). All ordinary shares rank equally with one vote attaching to each fully paid ordinary share.

Refer to Note 10 for details on Employee Share Plans.

		RETAINED EARNINGS		
(66,714)	<b>(76,829)</b>	Retained surplus/(loss) brought forward	<b>43,881</b>	27,460
37,409	<b>36,868</b>	Profit after taxation	<b>61,180</b>	63,945
(47,524)	<b>(49,359)</b>	Dividends paid	<b>(49,359)</b>	(47,524)
(76,829)	<b>(89,320)</b>	Retained surplus/(loss) carried forward	<b>55,702</b>	43,881

The dividends were fully imputed. Supplementary dividends of \$3,734,000 (2006 \$3,609,000) were paid to shareholders not tax resident in New Zealand for which the Group received a foreign investor tax credit entitlement.

		RESERVES		
84,317	<b>118,145</b>	Reserves brought forward	<b>(2,565)</b>	(9,857)
33,828	<b>14,626</b>	Movement in revaluation of subsidiaries		
		Movement in currency translation reserves	<b>(9,686)</b>	7,292
118,145	<b>132,771</b>	Reserves carried forward	<b>(12,251)</b>	(2,565)
601,851	<b>682,447</b>	Total Shareholders' equity	<b>682,447</b>	601,851

### 20 Cash Flow

Reconciliation of group profit to cash flows from operating activities

37,409	<b>36,868</b>	Profit after taxation	<b>61,180</b>	63,945
		Add/(deduct) non-cash items		
		Depreciation and writedown of property, plant & equipment to recoverable amount	<b>39,665</b>	32,909
		Amortisation of intangible assets	<b>14,237</b>	8,566
		Profit on sale of fixed assets	<b>(7,127)</b>	(3,783)
		Finance group bad debts written off	<b>10,249</b>	10,395
		Accrued Finance group interest expense	<b>2,188</b>	196
		Accrued interest expense	<b>1,061</b>	1,005
		Movement in provisions	<b>(9,287)</b>	1,386
		Movement in deferred tax/future tax benefit	<b>(479)</b>	5,277
		Movement in working capital		
		Payables and accruals	<b>(12,686)</b>	24,965
4	<b>(13)</b>	Debtors and other current assets	<b>(17,766)</b>	(2,427)
		Inventories	<b>6,447</b>	(29,021)
(25)	<b>(103)</b>	Provision for taxation	<b>11,895</b>	(14,914)
(952)	<b>(1,418)</b>	Internal cashflow from financing activities		
		Foreign currency exchange translation	<b>(12,809)</b>	7,785
36,436	<b>35,334</b>	Net cash flow from operations	<b>86,768</b>	106,284

PARENT			CONSOLIDATED	
2006	2007		2007	2006
\$000	\$000		\$000	\$000
<b>21 Imputation Credit Accounts</b>				
14	410	Balance brought forward	11,130	6,203
20,194	-	Imputation credits attached to dividends received		
-	(410)	Imputation credits transferred upon joining imputation group		
		Taxation paid	9,824	24,725
(19,798)	-	Imputation credits attached to dividends paid to shareholders	(20,577)	(19,798)
410	-	Balance carried forward	377	11,130
Imputation credits directly and indirectly available to shareholders as at 31 March 2007 are:				
		Direct	96	410
		Fisher & Paykel Appliances Holdings Imputation Group		
		Indirect	281	10,720
		Subsidiaries not in Imputation Group		
		Balance carried forward	377	11,130

## 22 Contingent Liabilities

Periodically the company is 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 insurance. The Directors are unaware of the existence of any claim that would have a material impact on the operations of the company.

## 23 Commitments

Capital expenditure commitments at 31 March 2007				
		Within one year	4,824	3,805
		Between one and two years	1,540	3,023
		Total	6,364	6,828
Lease commitments under non-cancellable operating leases:				
		Within one year	20,526	19,808
		Between one and two years	17,795	18,882
		Between two and three years	14,454	17,394
		Between three and four years	10,333	14,229
		Between four and five years	7,967	11,704
		Over five years	23,149	23,005
			94,224	105,022
Operating lease commitments relate mainly to building occupancy leases.				
		Undrawn lending commitments (Finance Group)	1,318,952	1,198,398

Undrawn lending commitments include unutilised credit card limits which can be unconditionally cancelled at any time.

## 24 Currency

The following currency conversion rates have been applied at 31 March 2007:

NZ\$1.00 =	USD	0.7126	0.6125
	AUD	0.8835	0.8565
	GBP	0.3615	0.3532
	SGD	1.0810	0.9885
	EUR	0.5325	0.5050

## NOTES TO THE FINANCIAL STATEMENTS

### 25 Financial Instruments Parent Company and Appliances Group

#### Management Policies

The Appliances Group is subject to a number of financial risks, which arise as a result of its importing and exporting activities and overseas operations in Australia, USA, Canada, United Kingdom, Singapore and Italy. The currency risk which the Appliances Group is primarily exposed to is the New Zealand Dollar against the Australian Dollar, United States Dollar and the Euro.

To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of various financial instruments. These guidelines are regularly reviewed by the Board. The policies approved, and financial instruments being utilised at balance date, are outlined below:

#### Currency Trade Risk

It is the Appliances Group's current policy to monitor current and anticipated future foreign currency operating cash flows to determine net exposures, which are hedged with options and forward exchange contracts within prescribed bands up to a maximum period of 24 months.

Major capital expenditure acquisitions in foreign currency are hedged with options and forward exchange contracts.

#### Currency Balance Sheet Risk

It is the Appliances Group's policy to hedge the foreign exchange exposure to balance sheet currency translation risk by maximising borrowings in the local currency of the overseas subsidiary.

#### Currency Earnings Risk

It is the Appliances Group's policy to hedge the earnings of overseas subsidiaries, where earnings are material and reasonably certain, with options.

#### Fair Value

	2007 Carrying Amount \$000	2007 Fair Value \$000	2006 Carrying Amount \$000	2006 Fair Value \$000
Estimated fair values of the Appliances Group's financial assets and liabilities at 31 March 2007 are as follows:				
Cash at bank	45,304	45,304	14,400	14,400
Debtors	195,815	195,815	138,307	138,307
Call borrowings and bank overdrafts	(5,274)	(5,274)	(21,888)	(21,888)
Term borrowings	(310,251)	(310,251)	(201,028)	(201,028)
Creditors	(147,013)	(147,013)	(102,149)	(102,149)
Foreign currency forward exchange contracts	-	5,449	-	(3,768)
Foreign currency forward exchange options	-	-	-	(1,338)
Interest rate swaps	-	418	-	653
Commodity derivatives	-	(407)	-	-
Estimated fair values of the Parent Company's financial assets and liabilities at 31 March 2007 are as follows:				
Cash at bank	1	1	1	1
Intergroup advances	445,903	445,903	380,048	380,048
Debtors	31	31	18	18

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.

*Term borrowings*

Fair value of term borrowings is estimated based on current market interest rates available to the Appliances Group for debt of similar maturities.

*Foreign currency forward exchange contracts and option agreements*

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.

*Commodity derivatives*

Fair values are estimated based on the quoted market prices of these instruments at balance date.

*Off balance sheet risk*

- Foreign currency risk

The Appliances Group has entered into foreign currency forward exchange contracts and foreign currency option agreements 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 option agreements amounts outstanding were as follows:*

	2007	2006
	\$000	\$000
Foreign currency instruments		
Purchase commitments forward exchange contracts	18,826	20,888
Sale commitments forward exchange contracts	147,948	146,938
Option agreements sold	-	36,177
Option agreements purchased	-	41,035

- Interest rate risk

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

*Notional principal or contract amounts outstanding were as follows:*

	2007	2006
	\$000	\$000
Interest rate swaps	103,081	65,306

- Commodity price risk

The Appliances Group is subject to fluctuations in commodity prices, which can impact on the Group's financial result. Commodity price risk is routinely managed through agreements with suppliers, however when considered appropriate and in accordance with the policy, the Appliances Group enters into commodity derivatives to manage its exposure to such fluctuations. These financial instruments are subject to the risk that commodity prices may change subsequent to implementation.

	2007	2006
	\$000	\$000
Commodity derivatives	4,245	-

*Credit Risk*

Foreign currency forward exchange contracts, foreign currency option agreements, commodity swaps and interest rate swaps have been entered into with trading banks. The Appliances 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 Appliances Group incurs credit risk with trade receivables. The Appliances 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.



### Credit Risk

Interest rate swaps have been entered into with trading banks. The Finance Group's exposure to credit risk from these financial instruments is limited because it does not expect non performance of the obligations contained therein due to the credit rating of the financial institutions concerned. The Finance Group does not require collateral or other security to support financial instruments.

In the normal course of business, the Finance Group incurs credit risk from advances made to its customers which are classified as Finance Receivables. The Finance 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 amounts receivable of \$537.0 million as at 31 March 2007 (2006 \$571.7 million) includes advances to retailers secured by taking an assignment over the individual finance receivable agreements.

### Fair value

Estimated fair values of the Finance Group's financial assets and liabilities at 31 March 2007 are as follows:

	2007 Carrying Amount \$000	2007 Fair Value \$000	2006 Carrying Amount \$000	2006 Fair Value \$000
Finance Receivables	536,957	538,466	571,688	570,699
Securities	1,015	1,028	1,024	1,035
Cash at bank	11,944	11,944	17,032	17,032
Money Market deposits	19,525	19,525	18,950	18,950
Debtors	5,536	5,536	16,746	16,746
Finance Borrowings	(487,679)	(487,740)	(538,542)	(538,555)
Other current liabilities	(22,976)	(22,976)	(26,071)	(26,071)
Interest rate swaps	-	513	-	254

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.

#### *Finance Receivables and securities*

Fair value of the Finance Group's receivables and securities is estimated based upon current market interest rates available to the Finance Group for receivables and securities of similar maturities.

#### *Finance Borrowings*

Fair value of the Finance Group's finance borrowings is estimated based on current market interest rates (including margin) available to the Finance 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 Finance 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 31 March 2007 were entered into to hedge borrowings outstanding. Notional principal or contract amounts outstanding were as follows:

	2007 \$000	2006 \$000
Interest rate swaps	223,860	232,622

## NOTES TO THE FINANCIAL STATEMENTS

### 27 Related Party Information

#### Parent Company

As at 31 March 2007, the Parent company had advanced funds to Group companies of \$445,903,000 (2006 \$380,048,000). These intragroup advances are interest free and repayable on demand.

#### Separation from Fisher & Paykel Industries Limited

On separation from Fisher & Paykel Industries Limited in November 2001, the Appliances and Finance businesses were acquired at a valuation of \$309 million, which was \$275 million below book value (net of \$15 million deferred tax). This was substantially allocated to fixed assets and lowers the amount of depreciation charged over a seven year period ending 31 March 2008.

### 28 Segments

2007	USA NZ\$000	Italy NZ\$000	Australasia & Overseas Sales Companies NZ\$000	Eliminations NZ\$000	Appliances Group Total NZ\$000	Finance Group NZ\$000	Consolidated Operations NZ\$000
Operating revenue	448,609	125,639	1,138,171	(418,660)	1,293,759	118,195	1,411,954
Operating profit before interest, taxation and amortisation*	11,248	7,301	77,996	(4,988)	91,557	37,226	128,783
Operating profit before interest and taxation*	10,843	1,640	77,791	(4,988)	85,286	29,227	114,513
Total Assets	263,734	235,418	519,380	-	1,018,532	720,758	1,739,290

2006	USA NZ\$000	Italy NZ\$000	Australasia & Overseas Sales Companies NZ\$000	Eliminations NZ\$000	Appliances Group Total NZ\$000	Finance Group NZ\$000	Consolidated Operations NZ\$000
Operating revenue	410,415	-	1,079,956	(407,721)	1,082,650	126,467	1,209,117
Operating profit before interest, taxation and amortisation*	10,699	-	71,197	118	82,014	36,398	118,412
Operating profit before interest and taxation*	10,266	-	71,063	118	81,447	28,399	109,846
Total Assets	270,364	-	508,364	-	778,728	781,923	1,560,651

The Appliances Group operates predominantly in manufacturing, sales and distribution of major household appliances. Intersegment sales are on an arm's length basis.

The Finance Group operates in the financial services sector entirely within New Zealand.

\* Earnings for the USA based subsidiaries are reflective of an "arms length" return as required for taxation transfer pricing purposes. Additional profits are derived from products manufactured by the Group in New Zealand and Australia and supplied to the USA subsidiaries.

## 29 Employee Remuneration

The Appliances group operates in a number of countries where remuneration market levels differ widely. During the year, the number of employees or former employees, not being directors of Fisher & Paykel Appliances Holdings Limited received remuneration and the value of other benefits that exceeded \$100,000 as follows:

Remuneration \$	Number of employees		Remuneration \$	Number of employees	
	2007	2006		2007	2006
100,001 – 110,000	73	43	310,001 – 320,000	1	-
110,001 – 120,000	62	42	320,001 – 330,000	2	1
120,001 – 130,000	36	27	330,001 – 340,000	2	-
130,001 – 140,000	31	21	340,001 – 350,000	1	1
140,001 – 150,000	24	27	350,001 – 360,000	1	2
150,001 – 160,000	22	14	360,001 – 370,000	1	-
160,001 – 170,000	15	10	370,001 – 380,000	-	1
170,001 – 180,000	9	6	380,001 – 390,000	-	1
180,001 – 190,000	11	6	390,001 – 400,000	1	-
190,001 – 200,000	10	6	400,001 – 410,000	1	-
200,001 – 210,000	4	5	420,001 – 430,000	2	3
210,001 – 220,000	3	6	430,001 – 440,000	1	-
220,001 – 230,000	5	4	440,001 – 450,000	-	1
230,001 – 240,000	2	3	460,001 – 470,000	-	1
240,001 – 250,000	6	2	500,001 – 510,000	1	2
250,001 – 260,000	3	1	560,001 – 570,000	2	-
260,001 – 270,000	-	3	660,001 – 670,000	1	-
270,001 – 280,000	3	2	720,001 – 730,000	-	1
280,001 – 290,000	2	3	760,001 – 780,000	1	-
290,001 – 300,000	2	1	890,001 – 900,000	-	1
300,001 – 310,000	1	3			

## 30 Subsequent Events

On 24 May 2007 the Directors approved a final dividend of 9 cents per share for the year ended 31 March 2007, carrying a partial imputation credit. The dividend will be paid on 15 June 2007.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 Implementation of International Financial Reporting Standards (NZ IFRS)

The Group has previously reported that it is adopting NZ IFRS for the year ending 31 March 2008, including comparative information for the year ended 31 March 2007. This has allowed time to ensure both the best application of new or revised standards and increased shareholder and analyst understanding of the effects of the transition.

The project team, under the guidance of the Group's Audit & Risk Management Committee, has completed a NZ IFRS opening balance sheet position as at 1 April 2006. The reconciliation of differences to the position previously reported under New Zealand Financial Reporting Standards (Previous NZ GAAP) is shown below:

NOTE	CONSOLIDATED			PARENT		
	PREVIOUS NZ GAAP \$000	EFFECT OF TRANSITION TO NZ IFRS \$000	NZ IFRS \$000	PREVIOUS NZ GAAP \$000	EFFECT OF TRANSITION TO NZ IFRS \$000	NZ IFRS \$000
<b>Assets</b>						
<i>Current assets</i>						
Cash and bank balances	50,382	-	50,382	1	-	1
Debtors and other current assets	155,053	-	155,053	18	-	18
Finance receivables	377,952	-	377,952	-	-	-
Inventories	215,008	-	215,008	-	-	-
Non-current assets classified as held for sale	a	921	921	-	-	-
Derivative financial instruments	e	1,705	1,705	-	-	-
Taxation	23,412	-	23,412	3,638	-	3,638
Future Taxation Benefit	5,241	-	5,241	-	-	-
Intergroup advances	-	-	-	380,048	-	380,048
<b>Total current assets</b>	<b>827,048</b>	<b>2,626</b>	<b>829,674</b>	<b>383,705</b>	<b>-</b>	<b>383,705</b>
<i>Non-current assets</i>						
Property plant and equipment	a	(4,618)	309,174	-	-	-
Investments in subsidiaries	i	-	-	218,146	(118,145)	100,001
Other assets		-	2,261	-	-	-
Finance receivables	g	1,494	195,230	-	-	-
Intangible assets						
- Goodwill		-	46,597	-	-	-
- Brand / Licences		-	153,455	-	-	-
- Software / Patents	a	16,084	16,084	-	-	-
Derivative financial instruments	e	653	653	-	-	-
Deferred taxation	b	7,462	31,224	-	-	-
<b>Total non-current assets</b>	<b>733,603</b>	<b>21,075</b>	<b>754,678</b>	<b>218,146</b>	<b>(118,145)</b>	<b>100,001</b>
<b>Total Assets</b>	<b>1,560,651</b>	<b>23,701</b>	<b>1,584,352</b>	<b>601,851</b>	<b>(118,145)</b>	<b>483,706</b>
<b>Liabilities</b>						
<i>Current liabilities</i>						
Bank overdrafts	1,888	-	1,888	-	-	-
Current borrowings	20,000	-	20,000	-	-	-
Current finance leases	624	-	624	-	-	-
Trade creditors	83,139	-	83,139	-	-	-
Provisions	d	237	26,710	-	-	-
Finance borrowings	501,562	-	501,562	-	-	-
Derivative financial instruments	e	6,018	6,018	-	-	-
Taxation	2,223	-	2,223	-	-	-
Other liabilities	63,092	-	63,092	-	-	-
<b>Total current liabilities</b>	<b>699,001</b>	<b>6,255</b>	<b>705,256</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Non-current liabilities</i>						
Non-current borrowings	201,028	-	201,028	-	-	-
Non-current finance leases	2,302	-	2,302	-	-	-
Finance borrowings	36,980	-	36,980	-	-	-
Deferred Taxation	b	36,063	36,081	-	-	-
Other liabilities	d,h	12,992	17,275	-	-	-
Provisions	d	7,960	23,148	-	-	-
Derivative financial instruments	e	539	539	-	-	-
<b>Total non-current liabilities</b>	<b>259,799</b>	<b>57,554</b>	<b>317,353</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>958,800</b>	<b>63,809</b>	<b>1,022,609</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>601,851</b>	<b>(40,108)</b>	<b>561,743</b>	<b>601,851</b>	<b>(118,145)</b>	<b>483,706</b>
<b>Equity</b>						
Share Capital	c	(414)	560,121	560,535	-	560,535
Retained Earnings		(42,378)	1,503	(76,829)	(2,021)	(78,850)
Reserves	c,e,f,i	2,684	119	118,145	(116,124)	2,021
<b>Total Equity</b>	<b>601,851</b>	<b>(40,108)</b>	<b>561,743</b>	<b>601,851</b>	<b>(118,145)</b>	<b>483,706</b>

## Notes to the Reconciliation

### a. Property Plant & Equipment (PPE)

On transition to NZ IFRS, the Group has elected to apply the exemption available in NZ IFRS1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards and restate certain parcels of land using fair value as their deemed cost. Fair value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. This results in an increase to PPE of \$12.4 million and a corresponding increase in retained earnings.

On transition to NZ IFRS, under NZ IFRS5 the Group is required to reclassify non-current assets that meet specified criteria as held for sale. This results in reclassification of \$0.9 million from PPE to current assets in respect of a parcel of land in Australia.

On transition to NZ IFRS, under NZ IAS38 the Group is required to classify software and patent/trademark assets as intangibles. This results in a reduction to PPE of \$16.1 million, owing to reclassification of \$12.8 million of software assets and \$3.3 million of patent/trademark assets to intangible assets. Whilst the amount previously depreciated on these assets is unchanged, it is now classified as amortisation.

The above adjustments have no effect on the parent entity.

### b. Accounting for Taxation

On transition to NZ IFRS, under NZ IAS12 deferred tax has been calculated using a "balance sheet" approach and deferred tax assets and liabilities have been recognised where there are temporary differences between the accounting and tax value of balance sheet items.

Under previous NZ GAAP, depreciation on buildings was treated as a permanent difference. On transition, a deferred tax liability has been recognised on the temporary difference arising on building depreciation and certain properties revalued in 1992. In addition, several of the provisions and liabilities elsewhere in this note have a deferred tax impact under NZ IFRS as reported in each category. The net effect of all these adjustments results in an additional deferred tax asset of \$3.0 million and deferred tax liability of \$0.3 million.

On transition to NZ IFRS, an additional deferred tax asset of \$4.0 million has been recognised in respect of the DCS brand. This will transpose to a deferred tax liability over the remaining useful tax life of the brand, which crystallises only on impairment or sale of the asset.

A deferred tax liability of \$35.3 million has been recognised in respect of the Farmers Finance Licenses, which will crystallise over the finite life of the asset.

The above adjustments have no effect on the parent entity.

### c. Employee Share Ownership and Share Option Schemes

On transition to NZ IFRS, the Group has elected to apply the exemption available in NZ IFRS1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards and has not applied NZ IFRS2 to share based payment schemes that commenced prior to 7 November 2002.

On transition to NZ IFRS, under NZ IAS32 and NZ SIC12, the Group will record shares held by the trustee of the Fisher & Paykel Appliances Share Purchase Scheme as treasury stock until the shares vest, are reissued or otherwise disposed of, when any consideration received will then be included in the Group's contributed equity. This results in an adjustment of \$0.4 million between share capital and treasury stock in the consolidated entity only.

On transition to NZ IFRS, under NZ IFRS2 the Group is required to recognise the cost of the share option or share ownership schemes over the relevant vesting period for shares issued or options granted after 7 November 2002 and which had not vested by 1 April 2006. This results in an increase in reserves of \$2.0 million and a reduction in retained earnings of \$2.0 million. The effect is the same for the parent entity.

### d. Other Employee Benefits

On transition to NZ IFRS, the Group has elected to apply the exemption available in NZ IFRS1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards and has recognised cumulative actuarial gains and losses at 1 April 2006.

The Group operates a pension plan for employees. The majority of the Group's employees are members of a defined contribution plan and under previous NZ GAAP contributions to the plan are expensed when made, consistent with the treatment required under NZ IFRS. There is also a defined benefit plan for a small number of employees, which is closed to new entrants.

Under NZ IAS19, the Group has recognised a liability of \$10.6 million in respect of the defined benefit scheme with a corresponding adjustment of \$7.1 million to retained earnings (net of tax).

The Group is also required to recognise long service leave on an actuarial basis. This results in recognition of an additional \$8.0 million provision with a corresponding adjustment of \$5.3 million to retained earnings (net of tax).

The Group is also required to recognise the expected cost of short term accumulating compensated absences such as sick leave, resulting in recognition of a provision of \$0.2 million with a corresponding adjustment of \$0.1 million to retained earnings (net of tax).

The above adjustments have no effect on the parent entity.

## NOTES TO THE FINANCIAL STATEMENTS

### e. Hedge Accounting

On transition to NZ IFRS, under NZ IAS39 all derivative contracts, whether used as hedging instruments or otherwise have been recognised at fair value in the Balance Sheet. This results in recognition of an additional \$5.1 million derivative liability and \$0.9 million derivative asset with corresponding adjustments to retained earnings of \$0.5 million and reserves of \$2.3 million respectively (net of tax).

On transition, the Group has met hedge accounting requirements for the majority of its exposures and expects to continue to meet these requirements in the future.

There is no effect on the parent entity.

### f. Foreign Currencies

On transition to NZ IFRS, the Group has elected to apply NZ IFRS1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards with respect to cumulative translation differences and the balance of the foreign currency translation reserve is deemed to be zero. This results in a credit of \$2.5 million to the foreign currency translation reserve with a corresponding debit to retained earnings.

There is no effect on the parent entity.

In addition, it has been assessed, based on the criteria in NZ IAS21 and the current nature of the Group's operations, that the functional currencies of all foreign subsidiary companies are unchanged from previous NZ GAAP.

### g. Finance Receivables

On transition to NZ IFRS, under NZ IAS39 finance receivables are assessed for objective evidence of any impairment at each balance date. Impairment losses are incurred if, and only if:

- (a) objective evidence exists of impairment as a result of one or more events ("loss events") that occurred after the initial recognition of the asset and on or before the balance date; and
- (b) the loss event has an impact on the estimated future cashflows of the financial asset or group of financial assets that can be reliably measured.

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

This results in a reduction in the provision for doubtful accounts of \$1.5 million, a corresponding increase in finance receivables and an increase in retained earnings of \$1.0 million (net of tax).

There is no effect on the parent entity.

### h. Leases

On transition to NZ IFRS, under NZ IAS17, the Group is required to expense operating lease payments on a straight-line basis where there is a fixed increase in rentals, regardless of the cash basis for making those payments. This results in an additional liability of \$2.4 million with a corresponding adjustment to retained earnings of \$1.5 million (net of tax).

There is no effect on the parent entity.

### i. Investment in Subsidiaries

On transition to NZ IFRS, under NZ IAS27 the parent entity will report its investment in subsidiaries at cost. This results in the elimination of the asset revaluation reserve in the parent company of \$118 million, with a corresponding adjustment to the investment in subsidiaries.

### Additional Notes

#### j. Accounting for Goodwill

Under previous NZ GAAP the Group's accounting policy is that the excess of cost over the fair value of the net assets of subsidiaries acquired is recognised as goodwill at the time of acquisition and is amortised to earnings on a straight line basis over the shorter of its estimated useful life or 20 years.

On transition to NZ IFRS, under NZ IAS38 goodwill cannot be amortised but is subject to an impairment test annually and also whenever there is an indication that the goodwill may have been impaired. At 31 March 2007, this results in an increase in goodwill of approximately \$6 million and a corresponding increase in retained earnings, including the effect of goodwill amortisation since acquisition of Elba of approximately \$3.5 million (subject to fair value adjustments). There is no effect on the parent entity.

#### k. Business Combinations

On transition to NZ IFRS, the Group has elected to apply the exemption available in NZ IFRS1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards and has not restated business combinations that took place prior to the transition date.

The results for the year ended 31 March 2007 are subject to audit for NZ IFRS compliance and the Group will provide users of the financial statements with updated information about the impacts of NZ IFRS on the Group's earnings and financial position in its first NZ IFRS Interim Report for the period ending 30 September 2007.

There is potential for the significance of these impacts to change when the Group prepares its first set of NZ IFRS financial statements due to changes in the standards, changes in our business or changes in management's interpretation of the standards.

**\* FISHER & PAYKEL APPLIANCES HOLDINGS LIMITED owns:**

- \* AF Investments Limited

**AF INVESTMENTS LIMITED owns:**

- \* Fisher & Paykel Appliances Limited
- Fisher & Paykel Finance Limited
- Fisher & Paykel Finance Holdings Limited

**FISHER & PAYKEL APPLIANCES LIMITED owns:**

- \* Allied Industries Limited
- \* Fisher & Paykel Appliances Limited (UK)
- \* Fisher & Paykel Production Machinery Limited
- \* Fisher & Paykel (Singapore) Pte Limited
- \* Prime Distributors Limited
- \* Fisher & Paykel Appliances (USA) Holdings Inc
- Fisher & Paykel Appliances Employee Share Purchase Trustee Limited
- Fisher & Paykel Trustee Limited
- New Zealand Export Corporation Limited

**ALLIED INDUSTRIES LIMITED owns:**

Australian Subsidiaries:

- \* Fisher & Paykel Australia Holdings Limited
- \* Fisher & Paykel Australia Pty Limited
- \* Fisher & Paykel Manufacturing Pty Limited
- \* Fisher & Paykel Customer Services Pty Limited
- \* Fisher & Paykel Finance Pty Limited

**FISHER & PAYKEL APPLIANCES (USA) HOLDINGS INC owns:**

USA Subsidiaries:

- \* Fisher & Paykel Appliances Inc
- \* Dynamic Cooking Systems Inc
- \* Fisher & Paykel Laundry Manufacturing Inc

**FISHER & PAYKEL APPLIANCES LIMITED (UK) owns:**

Italian Subsidiaries:

- Fisher & Paykel Appliances Italy Holdings S.r.l.
- Fisher & Paykel Appliances Italy S.p.A. (formerly Elba S.p.A.)

\* *Companies operating under a negative pledge agreement.*

All companies are wholly owned.

**FISHER & PAYKEL FINANCE LIMITED owns:**

- CIS Insurance Limited
- Commercial Finance Limited
- Consumer Finance Corporation Limited
- Consumer Insurance Services Limited
- Consumer Finance Limited
- Burtlea Investments No. 93 Limited
- Q Card Limited
- Lifestyle Finance Limited
- Equipment Finance Limited

*Fisher & Paykel Finance Limited Group operates under its own Debenture Trust Deed.*

**FISHER & PAYKEL FINANCE HOLDINGS LIMITED owns:**

- Fisher & Paykel Financial Services Limited (Refer Note 11)
- Retail Financial Services Limited
- Credit & General Insurance Limited

## SHAREHOLDER INFORMATION

Size of Holdings	Number of Holders	%	Number of Ordinary Shares	%
1 – 999	2,626	17.48	1,459,417	0.51
1,000 – 4,999	7,857	52.32	19,326,274	6.81
5,000 – 9,999	2,527	16.83	16,763,340	5.91
10,000 – 99,999	1,873	12.47	37,581,794	13.24
Over 100,000	135	0.9	208,744,242	73.53
Total	15,018	100.0	283,875,067	100.0

338 shareholders held less than a marketable parcel of shares as per the ASX Listing Rules 4.10.8.

The details set out above were as at 31st May 2007.

### Substantial Security Holders

Pursuant to Section 26 of the Securities Amendment Act 1988, the substantial security holders as at 31st May 2007 were as follows:

	Ordinary Shares
IOOF Holdings Limited (notice dated 23 March 2007)	28,080,821
The Capital Group Companies, Inc (notice dated 13 October 2006)	17,050,000

### Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 31 May 2007 were:

Holder	Ordinary Shares	%
New Zealand Central Securities Depository Limited	103,188,367	36.34
National Nominees Limited	12,701,628	4.47
JP Morgan Nominees Australia Limited	8,286,727	2.91
HSBC Custody Nominees (Australia) Limited	6,910,810	2.43
RBC Dexia Investor Services Australia Nominees Pty Limited	5,143,087	1.81
Portfolio Custodian Limited	4,350,000	1.53
FNZ Custodians Limited	4,142,476	1.45
AMP Life Limited	2,945,204	1.03
Woolf Fisher Trust Inc	2,857,880	1.00
Citicorp Nominees Pty Limited	2,856,614	1.00
Cogent Nominees Pty Limited	2,773,823	0.97
Investment Custodial Services Limited	2,703,686	0.95
RBC Dexia Investor Services Australia Nominees Pty Limited	2,459,198	0.86
Gurshon Fisher	2,314,384	0.81
Gurshon Fisher Family Account	2,226,560	0.78
Peter Hanbury Masfen & Joanna Alison Masfen	2,200,892	0.77
Custodial Services Limited	2,042,609	0.71
Gary Albert Paykel and Dorothy Mary Paykel and Keith Raymond Rushbrook	1,975,912	0.69
Joyce Fisher and Anthony John James Agar and Graeme Louis Collinson and Noel Stuart Robinson	1,814,608	0.63
Joyce Fisher	1,712,992	0.60

New Zealand Central Securities Depository Limited provides a custodial depository service to institutional shareholders and does not have a beneficial interest in these shares. Its major holders as at 31 May 2007 were:

National Nominees New Zealand Limited	30,942,332
HSBC Nominees (NZ) Limited	21,803,497
HSBC Nominees (New Zealand) Limited	12,547,780
Citibank Nominees (New Zealand) Limited	7,376,364
ANZ Nominees Limited	6,201,068
Accident Compensation Corporation	6,193,760
Custody and Investment Nominees Limited	3,602,384
Tea Custodians Limited	2,847,466
Guardian Trust Investment Nominees (RWT) Limited	2,234,727
Cogent Nominees Limited	1,865,344

A number of these registered shareholders hold shares as nominees on behalf of other parties.

**Directors' Shareholdings**

Directors held interests in the following shares in the Company at 31 March 2007:

	2007 Ordinary Shares	2006 Ordinary Shares
<b>J H Bongard</b>		
Ordinary Shares		
Beneficially Owned	68,928	68,928
Held by an Associated Person	138,116	138,116
Options to Acquire Ordinary Shares		
Beneficially Owned	366,667	540,002
<b>N M T Geary</b>		
Ordinary Shares		
Beneficially Owned	11,012	10,144
Held by an Associated Person	21,736	20,000
<b>J W Gilks</b>		
Ordinary Shares		
Not Beneficially Owned	-	11,488
Held by an Associated Person	220,868	220,000
<b>W L Gillanders</b>		
Ordinary Shares		
Beneficially Owned	-	114,880
Held by an Associated Person	100,000	227,392
<b>P D Lucas</b>		
Ordinary Shares		
Held by an Associated Person	100,000	100,000
<b>G A Paykel</b>		
Ordinary Shares		
Beneficially Owned	115,748	114,880
Held by an Associated Person	1,975,912	1,975,912
<b>J J A Williams</b>		
Ordinary Shares		
Beneficially Owned	114,880	114,880
Held by an Associated Person	1,017,732	1,017,732
<b>R G Waters</b>		
Ordinary Shares		
Held by an Associated Person	160,000	160,000

To meet Stock Exchange requirements, the same shares may be included in more than one category.

## SHAREHOLDER INFORMATION

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### Share Dealings by Directors

In accordance with Section 148(2) of the Companies Act 1993, the Board has received disclosures from the Directors named below of acquisitions or dispositions of relevant interests in the Company between 1 April 2006 and 31 March 2007.

Particulars of such disclosures are:

Mr J H Bongard exercised options to acquire 173,335 shares on 22 June 2006 at \$2.39 per share.

Mr J H Bongard sold 173,335 shares on 22 June 2006 at \$4.55 per share.

Mr N M T Geary acquired under the Shareholder Purchase Plan 868 shares on 1 August 2006 at \$4.53 per share.

Mr N M T Geary acquired under the Shareholder Purchase Plan 1,736 shares through an associated person on 1 August 2006 at \$4.53 per share.

Mr J W Gilks sold 11,488 non-beneficially owned shares on 31 May 2006 at \$4.17 per share.

Mr J W Gilks acquired under the Shareholder Purchase Plan 868 shares through an associated person on 1 August 2006 at \$4.53 per share.

Mr W L Gillanders transferred 114,880 shares to an associated person on 30 May 2006.

Mr W L Gillanders sold 5,700 shares held by an associated person on 4 August 2006 at \$4.62 per share.

Mr W L Gillanders sold 236,572 shares held by an associated person on 4 and 7 August 2006 at \$4.62 per share.

Mr G A Paykel acquired under the Shareholder Purchase Plan 868 shares on 1 August 2006 at \$4.53 per share.

# DISCLOSURE OF INTEREST BY DIRECTORS

In accordance with Section 140(2) of the Companies Act 1993, the Directors named below have made a general disclosure of interest, by a general notice disclosed to the Board and entered in the Company's interests register.

Particulars of such disclosures are:

## **G A Paykel**

Chairman of: Fisher & Paykel Healthcare Corporation Limited  
Milly Molly Group Holdings Limited

a Director of: ACG Capital Limited  
Edison Limited  
Endeavour Yachting Limited  
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited  
Howgate Holdings Limited  
Investment 102 Limited  
104 Limited  
Keano Enterprises Limited  
Lady Ruby Investments Limited  
Levante Holdings Limited  
Levante Marine Services Ltd  
New Zealand 93 Limited  
Premier Icons New Zealand Ltd  
Sport Lemonade Corporation Limited  
Stonex Systems Limited  
Team New Zealand Ltd

a Trustee of: The Friends of Milly Molly (NZ) Ltd  
Andsar Family Trust  
Eden Park Trust Board  
Endeavour Yachting Limited  
Levante No. 2 Trust  
Maurice Paykel Charitable Trust (Inc)  
Maurice & Phyllis Paykel Trust (Inc)  
Team New Zealand Trust

a Shareholder in: Fisher & Paykel Appliances Holdings Limited

## **J W Gilks**

Chairman of: Port Otago Limited and Subsidiaries

a Director of: Botry-Zen Limited  
Business in the Community Limited  
Dublin Bay Investments Limited and Subsidiaries  
Dunedin City Holdings Limited and Subsidiaries  
Fundit Holdings Limited  
Receivables Management (NZ) Limited and Subsidiaries  
Upstart Angels Limited

a Shareholder in: Fisher & Paykel Appliances Holdings Limited

## **J H Bongard**

a Shareholder in: Fisher & Paykel Appliances Holdings Limited

## **N M T Geary**

Chairman of: Gough Holdings Limited and Subsidiaries

a Director of: ANZ National Bank Limited and Subsidiaries  
DB Breweries Limited  
Otago Innovation Limited

a Board Member of: New Zealand Institute of Economic Research

a Member of: Comalco New Zealand Advisory Committee

a Shareholder in: Fisher & Paykel Appliances Holdings Limited

## **W L Gillanders**

Chairman of: Auckland Packaging Company Limited  
Vita New Zealand Limited

a Director of: Fisher & Paykel Healthcare Corporation Limited  
LRS Management Limited  
Rangatira Limited

a Shareholder in: Fisher & Paykel Appliances Holdings Limited

## **P D Lucas**

a Shareholder in: Fisher & Paykel Appliances Holdings Limited

## **R G Waters**

a Director of: Argie Pty Ltd  
Fletcher Building Finance Limited  
Fletcher Building Limited  
Fonterra Co-operative Group Limited  
Gragill Pty Ltd  
Westpac New Zealand Limited

a Trustee of: Waters Superannuation Trust

a Shareholder in: Fisher & Paykel Appliances Holdings Limited

## **J J A Williams**

a Shareholder in: Fisher & Paykel Appliances Holdings Limited

## **M A Don (as a Director of Retail Financial Services Limited up until 31 May 2006)**

a Chairman of: The Lines Company Limited

a Director of: Angus Holdings (1991) Limited  
Counties Power Limited  
Don Nominees Limited  
Thos. Corson Holdings Limited

## **Directors Indemnity and Insurance**

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

## **Use of Company Information**

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

## ADDITIONAL INFORMATION

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The Company was incorporated in Auckland, New Zealand.

The Company is not subject to Chapters 6, 6A, and 6C of the Corporations Act 2001 (Australia) dealing with the acquisition of shares (ie substantial holdings and takeovers).

Limitations on the acquisition of securities imposed by the jurisdiction in which the Company is incorporated (New Zealand) are:

- a. In general, securities in the Company are freely transferable and the only significant restrictions in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
- b. The Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in the Company, or the increase of an existing holding of 20% or more of the voting rights in the Company, can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the shares in the Company.
- c. The Overseas Investment Act 2005 and various Overseas Investment Regulations regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the Overseas Investment Office is likely to be required where an "overseas person" acquires shares or an interest in shares in the Company that amount to more than 25% of the shares issued by the Company, or, if the overseas person already holds 25% or more, the acquisition increases that holding.
- d. The Commerce Act 1986 is likely to prevent a person from acquiring shares in the Company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

The Company's securities are quoted on the NZX and ASX.

Each of the Company's ordinary shares entitles the holder to one vote.

## EXECUTIVE

John Bongard – Chief Executive Officer and Managing Director  
 Mark Richardson – Chief Financial Officer and Company Secretary

**Appliances**

John Bongard – Managing Director  
 Stuart Broadhurst – Chief Operating Officer, Europe  
 Paul Brockett – VP Global Planning, Logistics, Investor Relations  
 Brett Butterworth – VP Corporate Planning, Customer Services,  
 Production Machinery  
 Roger Cooper – VP Operations  
 Michael Church – Chief Operating Officer, Australia  
 Andrew Cooke – VP Information Technology  
 Craig Douglas – VP Sales & Marketing  
 Christian Gianni – VP Engineering  
 Michael Goadby – President, North America  
 Malcolm Harris – Chief Operating Officer, New Zealand  
 Rebecca Holbrook – General Counsel  
 Matt McConnell – VP Procurement  
 Mark Richardson – Chief Financial Officer  
 John Wardrop – VP Human Resources, Cost Management

**Finance**

Alastair Macfarlane – Managing Director  
 Dennis Churches – Chief Financial Officer  
 Greg Shepherd – Chief Operating Officer  
 Richard Blackburn – Chief Information & Support Services Officer  
 Adrian Lichkus – Chief Credit Risk & Portfolio Performance Officer

## DIRECTORY

**Fisher & Paykel Appliances Holdings Limited****Registered Offices***New Zealand*

78 Springs Road, East Tamaki, Auckland, New Zealand

*Australia*

Weippin Street, Cleveland, Queensland 4163, Australia

**Contact Details***New Zealand*

PO Box 58546, Greenmount, Auckland 2141, New Zealand

Telephone: +64 9 2730600

Facsimile: +64 9 2730609

*Australia*

PO Box 798, Cleveland, Queensland 4163, Australia

Telephone: +61 7 38269100

Facsimile: +61 7 38212666

*USA*

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Telephone: +1 714 3727000

Facsimile: +1 714 3727002

*Europe*

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Telephone: +44 1908 585577

Facsimile: +44 1908 586235

**Internet Address**

[www.fisherpaykel.com](http://www.fisherpaykel.com)

**e-Mail**

[corporate.enquiries@fp.co.nz](mailto:corporate.enquiries@fp.co.nz)

**Share Registry***New Zealand*

Computershare Investor Services Ltd

Private Bag 92119, Auckland 1142, New Zealand

Telephone: +64 9 4888777

Facsimile: +64 9 4888787

*Australia*

Computershare Investor Services Pty Ltd

GPO Box 7045, Sydney, NSW 2001, Australia

Telephone: +61 3 94155000

Facsimile: +61 3 94732500

**Fisher & Paykel Finance Limited****Registered Office**

31 Highbrook Drive, East Tamaki, Auckland,  
 New Zealand

Telephone: +64 9 5258550

Facsimile: +64 9 5258584

**Debenture Registry**

Computershare Investor Services Limited

Private Bag 92119, Auckland 1142, New Zealand

Telephone: +64 9 4888715

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