Fisher&Paykel appliances

Fisher & Paykel Appliances Holdings Limited

75 YEARS CELEBRATION 1934 – 2009

ANNUAL REPORT 08/09

KEY HIGHLIGHTS

COST SAVINGS

Unit product conversion cost savings from the new Thailand facility exceeding initial expectations.

COST OUT ↓

Progress in the cost out programme including improvement in internal costs, raw materials costs and freight.

GLOBAL MANUFACTURING STRATEGY

Continued execution of the Global Manufacturing Strategy during the year with the completion of the washer and electronic factories from Auckland, New Zealand to Rayong, Thailand and the DCS move from Huntington Beach, USA to Reynosa, Mexico.

DISHDRAWER® TALL

Successful commissioning of the new *DishDrawer®* tall dishwasher production line at Reynosa, Mexico.

CAPITAL STRUCTURE

On 27 May 2009, announced a minimum equity raising of $189 million, under which Haier Group Corporation will take a 20% equity interest in the Company.

DELEVERAGING

Successful renegotiation of Appliances' banking facilities with a view to overall deleveraging.

CONTENTS

Key Highlights	1
Chairman's Review	4
CEO and Managing Director's Review	8
Directors	16
Directors' Report	18
Corporate Governance	20
Auditors' Report	25
Income Statement	26
Balance Sheet	27
Statement of Recognised Income and Expense	28
Cash Flow Statement	29
Contents of the Notes to the Financial Statements	30
Notes to the Financial Statements	31
Five Year Trend Statement	109
Group Structure	110
Shareholder Information	111
Susidiary Company Directors	113
Disclosure of Interest by Directors	115
Executive and Directory	117

CHAIRMAN'S REVIEW

CHAIRMAN'S REVIEW

Results

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

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

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

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

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

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

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

NET PROFIT PERFORMANCE	YEAR		6 MONTHS	
	31 Mar 2009 AUDITED NZ$000	31 Mar 2008 AUDITED NZ$000	**31 Mar 2009 UNAUDITED NZ$000**	30 Sep 2008 UNAUDITED NZ$000
Total Revenue and Other Income				
Appliances Business	**1,234,522**	1,282,372	**605,743**	628,779
Finance Business	**138,043**	123,973	**69,752**	68,291
	1,372,565	1,406,345	**675,495**	697,070
Normalised Operating Profit before Interest and Taxation				
Appliances Business	**55,570**	83,264	**22,387**	33,183
Finance Business	**21,086**	26,888	**9,514**	11,572
	76,656	110,152	**31,901**	44,755
Costs associated with implementing the Global Manufacturing Strategy	**(66,615)**	(18,263)	**(25,417)**	(41,198)
Redundancy costs	**(2,737)**	–	**(2,737)**	–
Debt restructuring costs	**(2,467)**	–	**(2,467)**	–
Impairment losses	**(69,688)**	–	**(69,688)**	–
Fair valuation of non-current assets held for sale (East Tamaki Site)	**(6,725)**	–	**(6,725)**	–
Profit on sale of land & buildings (Appliances Business)	**7,140**	5,021	**7,140**	–
One-off costs associated with the proposed sale of the Finance Business	**–**	(2,335)	**–**	–
Reported Operating Profit/(Loss) before Interest and Taxation	**(64,436)**	94,575	**(67,993)**	3,557
Interest Excluding Finance Business Operating Interest	**(29,565)**	(21,566)	**(16,411)**	(13,154)
Interest Rate Hedge Ineffectiveness	**(11,232)**	–	**(11,232)**	–
Profit/(Loss) before Taxation	**(105,233)**	73,009	**(95,636)**	(9,597)
Income tax (expense)/credit	**9,979**	(18,797)	**7,729**	2,250
Group Profit/(Loss) After Taxation	**(95,254)**	54,212	**(87,907)**	(7,347)
Normalised Group Profit After Taxation	**33,780**	65,545	**11,385**	22,395

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

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

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

Capital Structure and Haier Investment

The pro rata renounceable rights issue and placement to Haier Group Corporation, announced on 27 May 2009, will raise a minimum of $189 million in new equity. Under the arrangements agreed between the Company and Haier, China's largest home appliance brand and a leading global manufacturer of household appliances and consumer electronic products, Haier will take a 20% equity interest in the Company.

The net proceeds from the equity raising and placement will be used to reduce debt of the Appliances business, other than $15 million which will provide additional capital to the Finance business.

In addition to a placement of equity, the Company has also entered into a Cooperation Agreement with Haier, that outlines the companies' plans to work together to create value for both companies and their shareholders. The Directors are excited to have secured this partnership with

CHAIRMAN'S REVIEW

such a strong global appliances player and are confident that Haier's equity interest in the Company has enhanced the future prospects of the Company.

The Company has recently reached an agreement with its banking syndicate in respect to refinancing the debt facilities of Appliances and its subsidiaries, excluding Finance.

The renegotiated debt facilities total approximately $575 million. Under these new banking facilities, we are required to reduce Appliances' debt over the coming 10 months by $235 million. The Company intends to achieve the debt reduction using the proceeds from a combination of the equity raising, sales of the planned temporary build up of stocks of appliances, the reduction of raw materials inventories, sales of property assets and operating cash flow.

The Board is confident that, based on the current outlook, the proceeds of equity raising, together with other debt reduction initiatives, will be sufficient to meet the challenges of the current economic climate and the capital needs of the Group.

Governance

The Board has arranged for two Haier nominees to be appointed to the Board.

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

In respect of the plans of existing Board members:

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

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

Dividend

Under the renegotiated debt facilities the Group is not permitted to make distributions to shareholders until the $235 million Amortising Facility has been repaid in full and the Company has satisfied certain conditions (including that the total leverage ratio is less than 3 times). The Amortising Facility is scheduled to be repaid in full by 30 April 2010. Accordingly, there will be no final dividend for the year ended 31 March 2009. The total dividend for the year ended 31 March 2009 remains at 5 cents per share (18 cents for the previous corresponding period), being the amount of the interim dividend which was paid on 19 December 2008.

The Directors do not expect to pay a dividend during FY2010. Following the full repayment of the Amortising Facility and provided the total leverage ratio is less than 3 times, the Directors intend to reinstate dividend payments at a time they consider prudent in light of the Company's profitability and balance sheet position.

75 years

The 2009 year marks the 75th anniversary of the foundation of the Company. This milestone has been passed without much fanfare as the efforts of everyone have been directed towards establishing sound foundations for the future years.

The past 75 years have demonstrated that the Company and its people embrace change and development as an ongoing requirement of building a successful business. The future will be no different as we leverage the new partnership with Haier and continue to expand the availability of the Fisher & Paykel brand and the company's innovative products to new markets.

CEO AND MANAGING DIRECTOR'S REVIEW

CEO AND MANAGING DIRECTOR'S REVIEW

Overview

The 2008/09 financial year has proven to be a difficult trading one. Notwithstanding this we have made good progress in many areas of the business. In the past few years Appliances has accelerated its global expansion, organically and via acquisition of complementary businesses. This Global Manufacturing Strategy is now nearing completion and I am especially pleased with both the efforts of all staff directly involved with these moves and the initial financial manufacturing related savings.

The Appliances brand has been expanded in New Zealand with the highly successful introduction of the *Elba by Fisher & Paykel*™ brand during the year and the continuing relative growth of both the *Fisher & Paykel*® and *DCS by Fisher & Paykel*™ brands in North America.

The Finance business performed well with increased interest revenue of 10.5% over the previous corresponding period. This was more than offset by a significant increase in the cost of funding.

Appliances Business

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

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

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

Market Comment

New Zealand

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

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

Australia

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

North America

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

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

Europe/UK

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

Asia/ROW

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

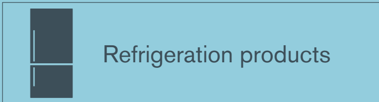
		YEAR			6 MONTHS	
		31 Mar 2009 $000	31 Mar 2008 $000	%	**31 Mar 2009 $000**	30 Sep 2008 $000
Appliances						
New Zealand	NZD	**214,435**	242,987	(11.8)	**102,411**	112,024
Australia	AUD	**376,532**	407,907	(7.7)	**186,577**	189,955
North America	USD	**239,339**	287,282	(16.7)	**97,107**	142,232
Europe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

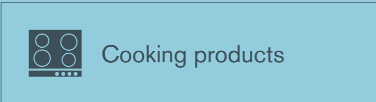
MANUFACTURING SITES

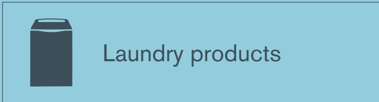
Reynosa, Mexico

Clyde, USA

Borso del Grappa, Italy







Rayong,
Thailand

Auckland,
New Zealand

CEO AND MANAGING DIRECTOR'S REVIEW

Global Manufacturing Strategy

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

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

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

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

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

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

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

Raw Materials

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

Cash Flow

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

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

Cost Out

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

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

Finance Business

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

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

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

Finance Funding

Finance obtains funding from a number of sources.

Finance sources a portion of its funding ($202.6 million as at 31 March 2009) from the retail debenture market. The retail debentures are first ranking, secured debt instruments with a fixed return and bullet repayment at maturity. As a result of the declining investor confidence in the New Zealand finance sector, Finance experienced a reduction in retail debenture funding over the course of 2008 with the rate of reinvestment becoming inconsistent. In November 2008, Finance was approved to participate in the Crown Retail Deposit Guarantee Scheme for retail deposits, resulting in a significant inflow of funds and an improvement in debenture reinvestment rates to 87%

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

CEO AND MANAGING DIRECTOR'S REVIEW

in January 2009. Reinvestment rates however declined following the Company's February announcement in relation to its capital structure and trading performance. Subsequently these rates have increased with the reinvestment rate in April 2009 at 76%.

In addition, Finance sources a portion of its funding under banking facilities ($122.3 million drawn as at 31 March 2009). In September 2008, Finance finalised a $335 million syndicated banking facility comprising tranches of $20 million (one year), $105 million (one year), $105 million (two years) and $105 million (three years) respectively.

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

Appreciation

The continuing support of shareholders, suppliers, retailers and staff through these unprecedented times has been greatly appreciated. It is your ongoing support, unwavering commitment and belief in the Group that has enabled us to tackle and overcome many of the hurdles posed during this difficult trading period.

To our shareholders, thank you for your continuing support. It is with your ongoing endorsement that we are able to pursue the Company's objectives and set in place definitive plans to take the Company forward.

The support of our suppliers and retailers has been vital to the success of our overseas expansion plans and in our ability to adjust to the trading downturn. Suppliers have been willing to pass down cost reductions in raw materials and to explore process changes for mutual benefit.

We also acknowledge and thank those retailers that have continued to support our brands. We endeavour to create world leading innovative appliances with the features and benefits that your customers need.

In what has been a challenging period for us all we acknowledge the dedication and performance of our staff. You have stepped up to the plate time and time again. I thank you for your significant contribution and devotion to the objectives of the Group.

I would also like to thank the Board for their support, guidance and direction as the Company enters its next phase of globalisation.

Outlook

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

The current Appliances forecasts also exclude the potential impact of the recently announced Cooperation Agreement with the Company's new cornerstone shareholder, Haier. The Directors are confident that the partnership with Haier is a significant opportunity to create shareholder value. However, further work by both parties is required to develop and quantify the agreed initiatives before the potential synergies can be reliably forecast.

When sales volumes increase as a result of an economic recovery, this will allow the Company to improve its operating margins due to operational leverage of the Company's new lower cost manufacturing platform.

After the FY2010 year end, and the completion of the Company's announced relocation program, it is expected there will no longer be a requirement for the large one-off restructuring expenditures outside of normal operating activities. Working capital is expected to return to normal levels during FY2010 from the higher levels required during the relocation of manufacturing facilities.

Finance expects that the difficult retail and general economic conditions will continue in FY2010. Customers will continue to face ongoing pressure to service household debt and further provisioning is expected to be necessary against a likely increase in the levels of customer contract delinquency.

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

The Directors have forecast a Normalised Group Profit after Taxation for the year ended 31 March 2010 of $32.8 million. Group profit after taxation and one-off costs for the year ended 31 March 2010 is forecast at $11.7 million.

DIRECTORS' REPORT AND FINANCIAL INFORMATION

DIRECTORS

John Bongard, 55, was appointed Chief Executive Officer and Managing Director on 30 April 2004. He has been an Executive Director of the Company since separation from Fisher & Paykel Industries Limited in November 2001 (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.

Gary Paykel, (CNZM), 67, has been Chairman of the Company since 30 April 2004. Prior to that he was Executive Chairman following the separation from Fisher & Paykel Industries Limited. 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.

Peter Lucas, 63, 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 hons) and Mcom (econs) (first class hons) from Canterbury University and was the recipient of a Post Graduate Scholarship to Cambridge University.

Ralph Waters, 60, 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).

John Gilks, 67, has been Deputy Chairman of the Company since the Separation. He also chairs the Audit & 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. 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.

Lindsay Gillanders, 59, 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 is also a director of Vita New Zealand Limited and 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.

Norman Geary, (CBE), 70, 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. He is a director of ANZ National Bank Ltd and Otago Innovation Ltd. He is also a board member of the New Zealand Institute of Economic Research. 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.

DIRECTORS' REPORT

Your Directors are pleased to submit to shareholders their Annual Report, incorporating the financial statements and the auditors' report, for the year ended 31 March 2009.

Equity Raising, New Cornerstone Shareholder and Debt Restructuring

On 27 May 2009, the Company announced a minimum $189 million equity raising, comprising a placement of $46 million to the Company's new cornerstone shareholder, Haier Group Corporation (Haier), a fully underwritten rights issue of $143 million and a top up placement of up to $12 million to Haier. This will result in Haier having 20% economic ownership in the Company.

In addition, the Company has reached agreement with its banking syndicate in respect of refinancing the debt facilities of the Appliances business and its subsidiaries (excluding the Finance business) through a renegotiated debt package totalling $575 million.

Further details on the restructured debt facilities are disclosed in Note 4 to the financial statements.

Loss/Profit

Loss after taxation was $95.3 million, compared to a profit after taxation of $54.2 million for the previous year.

Losses were 33.1 cents per share (2008 Earnings of 19.1 cents per share).

Shareholders' Equity

Shareholders equity as at 31 March 2009 totalled $565.6 million (2008 $646.4 million).

Share Issues

During the year, 5,767,863 shares were issued under the Dividend Reinvestment Plan (2008 N/A). No shares were issued during the year related to the exercise of options granted to employees under the approved Share Option Plan (2008 1,154,829 shares).

Acquisition of Maytag Mexico Appliance Products, S. de R.L. de C.V.

On 17 April 2008, the Group acquired all the shares in Maytag Mexico Appliance Products, S.de R.L. de C.V. and additional refrigeration manufacturing assets from subsidiaries of Whirlpool Corporation Inc. The total consideration payable over four years is US$31.5 million. Refer to Note 37 to the financial statements for further details.

Dividends

The Directors are not permitted to declare a final dividend for the year ended 31 March 2009 (2008 9.0 cents per share) under the restructured banking facilities until the Amortising Facility is repaid. Refer to Note 4 of the financial statements.

Dividends for the year ended 31 March 2009 totalled 5.0 cents per share (2008 18.0 cents).

Directors

In accordance with the Constitution, Messrs Gilks and Geary retire. Mr Geary is not seeking re-election and Mr Gilks, being eligible, offers himself 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.

NZX 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 holder's notice, be cancelled in return for the issue of 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.

NZX Regulation (NZXR) granted a waiver subject to certain conditions (including the review of the waiver in respect of any options issued after the third anniversary 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 relevant unexercised options.

NZSX Listing Rule 9.2

On 26 May 2009, NZXR granted the Company waivers from NZSX Listing Rule 9.2.1 to permit the Company's new cornerstone shareholder, Haier Group Corporation (Haier), to be a sub-underwriter of the Company's renounceable rights issue and to permit the Company to make a top up placement of ordinary shares to Haier at the conclusion of that rights issue.

ASX Waivers

ASX Listing Rule 7.1

On 26 May 2009, the ASX granted a waiver, subject to certain conditions, from ASX Listing Rule 7.1, which provides that an issue of securities exceeding 15% of a company's fully paid issued share capital requires shareholders' approval. The waiver requires the Company to comply with the NZSX Listing Rules in relation to issue of new securities and to confirm annually that it has complied with the NZSX requirements.

At the date of this Annual Report, the Company is in compliance with the requirements of the NZSX Listing Rules in relation to issues of new securities.

The waiver was sought to enable the Company to issue shares to Haier (as part of the capital raising announced on 27 May 2009) in accordance with the requirements of the NZSX Listing Rules.

Remuneration of Directors

The remuneration of the Directors for the year ended 31 March 2009 has been disclosed on page 22 of this report.

Outlook

During 2009/10, the Appliances business will focus on successful completion of its Global Manufacturing Strategy and reducing net debt levels. The associated reductions in conversion costs and interest costs respectively are expected to deliver a significant improvement in Normalised Profit.

The Finance business expects the difficult retail and economic conditions to continue over the next 12 months with lower levels of lending on consumer credit. The diversified funding base, focus on management of customer accounts, enhanced credit procedures and robust governance policies will assist the Finance business in managing the impact of the current economic climate, whilst positioning the Finance business to grow when market conditions improve.

The Directors have forecast a Normalised Group Profit after Taxation for the year ended 31 March 2010 of $32.8 million. Group profit after taxation and one-off costs for the year ended 31 March 2010 is forecast at $11.7 million.

For and on behalf of the Board

G A Paykel
Chairman

J H Bongard
Chief Executive Officer
& Managing Director

27 May 2009

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 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 and Recommendations, the NZX Corporate Governance Best Practice Code and the New Zealand Securities Commission's 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 Directors and employees to maintain high ethical standards. A Code of Conduct for the Company and a separate Directors' Code of Conduct apply.

Both Codes 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
- 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 Codes of Conduct can be found on the Company's website (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 strategies for achieving the Company's objectives
- manage risks
- determine the overall policy framework within which the business of the Company is conducted
- 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 of the Company to the Executive team under the leadership of the Chief Executive Officer & Managing Director to deliver the strategic direction and goals determined by the Board.

The Board

Board Composition

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 & 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.

A summary of the tenure, skills and experience of each Director is provided at pages 16 to 17 of this Annual Report.

Independence of Directors

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

After consideration of these factors and criteria, the Board 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 is one Director who within the last three years has been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment, namely Mr Bongard

3. 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 Group in the ordinary course of business. Mr Waters is a director of a registered bank that provides credit facilities to the Group in the ordinary course of business
4. No Director has a material contractual relationship with the Company or another Group member other than as a Director of the Company
5. 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
6. All Directors are free from any interest or 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 six of the current seven Directors are independent directors, namely Messrs. Geary, Gilks, Gillanders, Lucas, Paykel and Waters. The Company considers that Mr Geary and Mr Waters are independent directors of the Company notwithstanding their respective directorships of the registered banks referred to above. The Company's reasons for this conclusion include the facts 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 Bongard held an executive position during the financial year and in the previous three financial years, he is not, in the Board's opinion, independent. The Company notes it has a minimum of three 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. However, as outlined in the Chairman's Review on page 6, the Board is actively reviewing Director succession.

Committees

Specific responsibilities are delegated to the Audit & Risk Management Committee, the Remuneration Committee and the Nomination 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 committee's objectives, procedures, composition and responsibilities. These charters can be viewed on the Company's website, www.fisherpaykel.com.

Audit & Risk Management Committee

Under the Audit & Risk Management Committee Charter, the Committee Chair must be an independent Director and not the Chairman of the Board, have at least three members and a majority of the Committee's members must be independent. Pursuant to the Charter, the Committee is chaired by Mr Gilks and the other members of the Committee are Mr Geary and Mr Gillanders.

The Audit & Risk Management Committee Charter is available on the Company's website, www.fisherpaykel.com. The qualifications and expertise of each member of the Committee is outlined on pages 16 to 17 of the Annual Report.

The 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 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 Company's website.

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 the members be independent.

The Remuneration Committee Charter is available on the Company's website, www.fisherpaykel.com. The qualifications and expertise of each member of the Committee is outlined on pages 16 to 17 of the Annual Report.

Nomination Committee

The Nomination Committee Charter is available on the Company's website, www.fisherpaykel.com. The qualifications and expertise of each member of the Committee is outlined on pages 16 to 17 of the Annual Report.

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 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 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 Committee satisfies the requirement of the Committee Charter that a majority of the members be independent.

CORPORATE GOVERNANCE

	Board Meetings	Other Board Meetings	Finance Board Meetings	Sub-Committee Meetings	Audit & Risk Management Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
J H Bongard	10	12	8	4	-	-	-
N M T Geary	10	11	-	8	4	2	4
J W Gilks	9	12	10	8	4	-	-
W L Gillanders	10	12	11	8	4	-	-
P D Lucas	10	12	-	-	-	2	4
G A Paykel	10	12	9	2	-	2	4
R G Waters	10	9	-	-	-	-	-
Total Meetings Held	10	12	11	10	4	2	4

Board Processes

The Board held 10 monthly meetings during the year ended 31 March 2009. The table above shows attendance at the Board (including Board meetings additional to the scheduled monthly meetings), Finance business board, Sub-Committee and Committee meetings. With the exception of January, Board meetings are normally held monthly.

There is a separate board for the Finance business, which includes Messrs. Bongard, Gilks, Gillanders and Paykel.

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 $900,000 effective 1 July 2006. The fee pool limit includes $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 business.

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 links exist 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 its non-executive Directors fees in cash. 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 2009:

N M T Geary	$115,075
J W Gilks	$164,375
W L Gillanders	$137,075
P D Lucas	$87,200
G A Paykel	$208,200
R G Waters	$79,200

Mr Bongard does not receive remuneration as a Director of the Company or any subsidiary company. Mr Bongard acting in his capacity as an employee of the Company and subsidiaries received total remuneration, inclusive of the value of other benefits, in the year ended 31 March 2009 of $1,540,679, including bonuses paid in relation of the previous year.

Except as stated above, no employee of the Company or its subsidiaries receives or retains any remuneration or other benefits in their capacity 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 in Note 44 to the financial statements.

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 Directors appointed prior to 1 May 2004, other than at the Board's discretion, an amount equivalent to one year's 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.

Mr JJA Williams retired from the Board on 31 March 2007 and during the year ended 31 March 2008 the Board approved payment of a retirement allowance of $63,800 based on the per annum average of the fees received by Mr Williams in the previous three years. Except for Mr Williams, no Director was paid a retirement benefit by the Company in the years ended 31 March 2009 & 31 March 2008.

As at 31 March 2009, the Company has a total contingent liability of $757,125 (2008 $704,375) for non-executive Directors' retirement allowances, based on the per annum average of the fees received by the Directors in the previous three years.

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 & Managing Director of the Company. Similar policies and principles that guide 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 Company share based payments. 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 share based payment plans operated by the Company are intended 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 at Note 44 to these financial statements, where the company has included in relevant bandings the number of employees, whose remuneration, inclusive of the value of other benefits received by such employees, exceeds $100,000.

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 Chairman led a performance evaluation in accordance with its policies. A summary of the Company's Performance Evaluation Policy is available on the Company's website, www.fisherpaykel.com.

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

effects any improvements to the Board Charter deemed necessary or appropriate.

Risk Management

The Company's Risk Management Policy Summary is available on the Company's website, www.fisherpaykel.com.

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

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

The Board, through management, ultimately has responsibility for internal control and compliance. Twice yearly, management prepares a detailed review of material business risks for the Audit & Risk Management Committee. The Committee reports to the Board on the effectiveness of the Company's management of its material business risks.

Whilst Section 295A of the Corporations Act 2001 (Cth) does not apply to the Company, the Board monitors financial reporting risks in relation the financial statements and ensures they are founded on an effective system of risk management and internal control.

CORPORATE GOVERNANCE

Policies

Other than policies referred to earlier in this Corporate Governance section, the Company has in place a number of policies related to respecting the rights of shareholders and other stakeholders, which aim to:

- ensure the Company communicates effectively with them
- provides appropriate access to the Board, management and external auditors
- encourage effective shareholder participation at shareholder meetings
- prescribe the circumstances where Directors, officers and employees can trade in Company securities

All policies relating to Corporate Governance are available either in full or in summary form on the Company's website, www.fisherpaykel.com.

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland
New Zealand
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

Auditors' Report

To the shareholders of Fisher & Paykel Appliances Holdings Limited

We have audited the financial statements on pages 26 to 108. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 31 to 39.

Directors' Responsibilities

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

Auditors' Responsibilities

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

Basis of Opinion

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

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

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

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

Emphasis of matter

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

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

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

Unqualified Opinion

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

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
(b) the financial statements on pages 26 to 108:
    (i) comply with generally accepted accounting practice in New Zealand;
    (ii) comply with International Financial Reporting Standards; and
    (iii) give a true and fair view of the financial position of the Company and Group as at 31 March 2009 and their financial performance and cash flows for the year ended on that date.

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

Chartered Accountants

Auckland

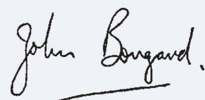
FINANCIAL STATEMENTS

Income Statement
For the year ended 31 March 2009

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

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

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



GA Paykel
Chairman

JH Bongard
Chief Executive Officer & Managing Director

Balance Sheet
As at 31 March 2009

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

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

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

FINANCIAL STATEMENTS

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

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

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

Cash Flow Statement
For the year ended 31 March 2009

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

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1	General information	31
2	Summary of significant accounting policies	31
3	Going concern	40
4	Debt restructuring	41
5	Critical accounting estimates and judgements	42
6	Financial risk management – Appliances business & Parent	44
7	Financial risk management – Finance business	49
8	Segment information	57
9	Revenue and other income	60
10	Expenses	61
11	Income tax expense	63
12	Cash & cash equivalents	64
13	Trade receivables & other current assets	65
14	Finance receivables	67
15	Inventories	70
16	Non-current assets classified as held for sale	70
17	Derivative financial instruments	71
18	Property, plant & equipment	73
19	Intangible assets	75
20	Deferred tax assets	79
21	Trade creditors	80
22	Provisions	80
23	Current borrowings	82
24	Non-current borrowings	84
25	Finance borrowings	85
26	Other current liabilities	88
27	Deferred tax liabilities	88
28	Other non-current liabilities	89
29	Contributed equity	89
30	Earnings per share	91
31	Retained earnings and reserves	91
32	Imputation credits	93
33	Defined benefit obligations	94
34	Dividends	98
35	Contingencies	99
36	Commitments	99
37	Business combinations	101
38	Investments in subsidiaries	102
39	Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities	103
40	Related party transactions	104
41	Share-based payments	105
42	Government grants	107
43	Events occurring after the Balance Sheet date	107
44	Employee remuneration	108
45	Foreign currency exchange rates	108

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

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

The Group has two principal areas of business:

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

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

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

Entities reporting and statutory base

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

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

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

Historical cost convention

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are highlighted in Note 5.

(b) Principles of consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

(c) Business combinations

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

(d) Segment reporting

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

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

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

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

(iii) Foreign Operations

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

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

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

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

(f) Revenue recognition

(i) Sales of goods

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer.

(ii) Sales of services

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

(iii) Long-term contracts

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

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

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

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

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

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

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

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

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

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

(h) Income tax
The income tax expense for the period is the total of the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction. This is then adjusted for any changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses.

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

(j) Leases
(i) Group as lessee
Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the term of the lease. Assets acquired under finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

(ii) Group as lessor

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

(k) Insurance expenses (Finance business)

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

Reinsurance is expensed on a straight-line basis.

(l) Cash & cash equivalents

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

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

(m) Trade receivables

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

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

(n) Inventories

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

(o) Financial assets

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

Financial assets at fair value through profit or loss

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

Held to maturity investments

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

Loans & receivables

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

Available-for-sale financial assets

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

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

(p) Insurance assets (Finance business)

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

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

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

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

(q) Derivatives

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

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

(i) Cash flow hedge

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

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

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

(ii) Derivatives that do not qualify for hedge accounting

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

(r) Non-current assets held for sale

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

(s) Property, plant & equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

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

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

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

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

(t) Intangible assets

Acquired intangible assets

(i) Goodwill

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

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

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

(ii) Patents, trademarks and licences

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

(iii) Computer software

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

(iv) Brands

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

(v) Customer relationships

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

Internally generated intangible assets

(vi) Research & development

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

(u) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

(v) Impairment of financial assets (Finance business)

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

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

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

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

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

Loss events include:

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

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

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

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

(w) Borrowings and borrowing costs

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

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

(x) Trade and other payables

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

(y) Employee benefits

(i) Wages & salaries, annual leave and sick leave

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

(ii) Long service leave

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

(iii) Defined contribution plan

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

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. Going concern

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

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

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

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

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

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

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

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

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

4. Debt restructuring

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

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

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

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

Repayments of the Amortising Facility

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

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

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

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

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

Repayments of the Term Loan Facility

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

NOTES TO THE FINANCIAL STATEMENTS

4. Debt restructuring (continued)

Other key terms

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

Financial covenants

The financial covenant regime is as follows:

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

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

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

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

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

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

For the purposes of the financial covenants above:

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

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

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

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

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

5. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. Critical accounting estimates and judgements (continued)

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

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

6. Financial risk management – Appliances business & Parent

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Credit risk

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

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

(i) Concentrations of credit exposure

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

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

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

(ii) Geographic concentrations of trade receivables

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

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

(c) Liquidity risk

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

The table below analyses the Appliances business' financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for interest rate swaps.

	On Call $'000	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000
At 31 March 2009				
Bank overdrafts and loans	**533,170**	**–**	**–**	**–**
Trade creditors	**–**	**151,352**	**–**	**–**
Finance lease liabilities	**–**	**776**	**408**	**24**
Interest rate swaps*	**–**	**3,738**	**2,852**	**3,792**
At 31 March 2008				
Bank overdrafts and loans	–	1,518	233,725	138,625
Trade creditors	–	119,408	–	–
Finance lease liabilities	–	3,341	556	310
Interest rate swaps*	–	945	799	1,237

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

The table below analyses the Appliances business' derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the Balance Sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and affect profit or loss at various dates between Balance Date and the following 24 months.

	Less than 1 year $'000	Between 1 and 2 years $'000
At 31 March 2009		
Forward foreign exchange contracts – cash flow hedges		
Inflow	**31,571**	**28,474**
Outflow	**34,178**	**27,397**
At 31 March 2008		
Forward foreign exchange contracts – cash flow hedges		
Inflow	96,017	7,327
Outflow	94,988	7,171

(d) Fair value estimation

The fair value of financial instruments are estimated using discounted cash flows. Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the Balance Sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Appliances business for similar financial instruments.

Unless otherwise stated, all other carrying amounts are assumed to equal or approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS

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

(e) Financial instruments by category

Assets as per Balance Sheet	Derivatives used for hedging	Loans and receivables	Total
	$'000	$'000	$'000
Appliances business			
31 March 2009			
Cash & cash equivalents	**–**	**58,646**	**58,646**
Trade receivables	**–**	**143,694**	**143,694**
Derivative financial instruments	**924**	**–**	**924**
	924	**202,340**	**203,264**
31 March 2008			
Cash & cash equivalents	–	47,269	47,269
Trade receivables	–	144,873	144,873
Derivative financial instruments	1,688	–	1,688
	1,688	192,142	193,830
Parent			
31 March 2009			
Cash & cash equivalents	**–**	**1**	**1**
Intergroup advances	**–**	**446,893**	**446,893**
	–	**446,894**	**446,894**
31 March 2008			
Cash & cash equivalents	–	1	1
Intergroup advances	–	428,058	428,058
	–	428,059	428,059

Liabilities as per Balance Sheet	Fair value through profit or loss – held for trading	Derivatives used for hedging	Measured at amortised cost	Total
	$'000	$'000	$'000	$'000
Appliances business				
31 March 2009				
Borrowings	**–**	**–**	**517,692**	**517,692**
Derivative financial instruments	**10,987**	**2,417**	**–**	**13,404**
Finance leases	**–**	**–**	**1,208**	**1,208**
	10,987	**2,417**	**518,900**	**532,304**
31 March 2008				
Borrowings	–	–	339,089	339,089
Derivative financial instruments	–	3,258	–	3,258
Finance leases	–	–	4,207	4,207
	–	3,258	343,296	346,554

7. Financial risk management – Finance business

The Finance business' activities expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. The Finance business has a separate Board of Directors, which has appointed the following committees and other specialists to manage these risks and report key outcomes to the Board in accordance with approved policy:

Asset & Liability Committee
Comprises the Managing Director, Chief Operating Officer, Chief Financial Officer (Chair) and Treasury & Funding Manager. The Committee is responsible for managing interest rate risk, liquidity risk and balance sheet and capital structure. The Committee's activities are governed by a formal charter to ensure all treasury risk management policies are followed.

Pricing Committee
Comprises the Managing Director, Chief Operating Officer (Chair) and Chief Financial Officer. The Committee's principal responsibility is to establish and review interest rates on money advanced to customers.

Credit Committee
Comprises the Managing Director, Chief Operating Officer, Chief Financial Officer and Chief Credit Risk Officer (Chair). The committee's principal responsibility is to oversee all aspects of credit risk assessment and management and operates within formal credit policies and guidelines that ensure any credit risk incurred falls within acceptable parameters.

Treasury
The Treasury function's principal responsibility is the day-to-day management of the liability side of the Balance Sheet, especially focusing on maintaining the appropriate level and mix of funding sources and ensuring that the Finance business has sufficient liquidity for its requirements. In addition, Treasury is responsible for:

(i) execution of interest rate risk management strategies including the use of derivative financial instruments in accordance with formal treasury risk management policies

(ii) ensuring compliance with all internal and external measures, covenants and ratios

(a) Market risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Finance business is exposed to fluctuations in the prevailing levels of market interest rates on both fair value and cash flow risks relating to its financial instruments. Interest margins may increase or decrease, as the case may be, as a result of changes in market interest rates.

(i) Interest rate risk management process
The Asset & Liability Committee is responsible for managing interest rate risk in accordance with its Charter and treasury risk management policy. The Pricing Committee is responsible for establishing and reviewing interest rates on money lent.

The Finance business manages interest rate risk through:

- monitoring the maturity profile of assets and liabilities and seeking, where appropriate, to match the date at which these mature and reprice
- monitoring market interest rates and reviewing the impact of these on interest rate risk exposure
- economically hedging a portion of any residual risk exposure using financial derivative instruments. This activity is undertaken in accordance with treasury risk management policies approved by the Finance business Board of Directors
- reviewing lending rates from time to time

(ii) Concentrations of interest rate exposure
The Finance business' borrowings are generally short term in nature to match the profile of the maturing assets. Borrowings issued at variable rates expose the Finance business to cash flow interest rate risk. Borrowings issued at fixed rates expose the Finance business to fair value interest rate risk.

(iii) Repricing schedule
The Finance business has a policy which establishes risk control limits for the net repricing gap. Interest rate exposure is monitored on a regular basis and reported to and reviewed monthly by the Asset and Liability Committee and the Finance business Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

7. Financial risk management – Finance business (continued)

The table below summarises the Finance business' exposure to interest rate risks. It includes the Finance business' financial instruments at carrying amounts, categorised by the earlier of their contractual repricing or expected maturity dates.

	Weighted average effective interest rate	0 to 6 months	7 to 12 months	13 to 24 months	25 to 60 months	Over 60 months	Non-interest bearing	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 March 2009								
Financial assets								
Cash & cash equivalents	**4.0**	**36,749**	**–**	**–**	**–**	**–**	**–**	**36,749**
Derivative financial instruments	**3.3**	**15**	**28**	**86**	**416**	**–**	**–**	**545**
Finance receivables	**18.3**	**455,435**	**72,335**	**48,397**	**11,010**	**149**	**–**	**587,326**
Other financial assets	**1.1**	**–**	**–**	**–**	**1,074**	**–**	**2,570**	**3,644**
		492,202	**72,363**	**48,483**	**12,500**	**149**	**2,570**	**628,264**
Financial liabilities								
Finance borrowings								
Bank loans	**4.2**	**122,286**	**–**	**–**	**–**	**–**	**–**	**122,286**
Debentures	**8.2**	**58,211**	**48,955**	**87,567**	**7,894**	**–**	**–**	**202,627**
Notes	**5.6**	**123,364**	**–**	**–**	**–**	**–**	**–**	**123,364**
Committed liquidity facilities	**4.3**	**93,561**	**–**	**–**	**–**	**–**	**–**	**93,561**
Derivative financial instruments	**6.3**	**353**	**971**	**568**	**–**	**–**	**–**	**1,892**
Other financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**4,480**	**4,480**
		397,775	**49,926**	**88,135**	**7,894**	**–**	**4,480**	**548,210**
Net effective interest rate gap		**94,427**	**22,437**	**(39,652)**	**4,606**	**149**	**(1,910)**	**80,054**
31 March 2008								
Financial assets								
Cash & cash equivalents	8.3	48,199	–	–	–	–	–	48,199
Derivative financial instruments	8.2	135	293	155	2	–	–	585
Finance receivables	17.6	431,035	84,464	53,217	16,060	155	–	584,931
Other financial assets	1.9	–	–	–	1,009	–	2,035	3,044
		473,969	84,757	53,372	17,071	155	2,035	636,759
Financial liabilities								
Finance borrowings								
Bank loans	8.9	211,456	–	–	–	–	–	211,456
Debentures	8.4	66,684	29,170	6,828	2,371	–	–	105,053
Notes	9.2	167,018	–	–	–	–	–	167,018
Committed liquidity facilities	9.1	60,648	–	–	–	–	–	60,648
Derivative financial instruments	–	–	–	30	–	–	–	30
Other financial liabilities	8.6	–	–	–	–	–	4,333	4,333
		505,806	29,170	6,858	2,371	–	4,333	548,538
Net effective interest rate gap		(26,437)	55,587	46,514	14,700	155	(2,298)	88,221

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Finance business' financial assets and liabilities to interest rate risk in terms of the effect on post-tax profit and equity. The analysis is based on the assumption that all other variables remain constant and incorporates the effect a -/+ 100 basis point movement in interest rates has on the financial assets and financial liabilities held at balance date.

		INTEREST RATE RISK			
		-1%		+1%	
	Carrying amount	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
31 March 2009					
Financial assets					
Cash & cash equivalents	**36,749**	**(255)**	**(255)**	**255**	**255**
Finance receivables	**587,326**	**(4,112)**	**(4,112)**	**4,112**	**4,112**
Derivative financial instruments	**545**	**(598)**	**(598)**	**581**	**581**
Other financial assets	**3,644**	**–**	**–**	**–**	**–**
Financial liabilities					
Finance borrowings	**541,838**	**3,780**	**3,780**	**(3,780)**	**(3,780)**
Derivative financial instruments	**1,892**	**(385)**	**(385)**	**379**	**379**
Other financial liabilities	**4,480**	**–**	**–**	**–**	**–**
Total increase/(decrease)		**(1,570)**	**(1,570)**	**1,547**	**1,547**
31 March 2008					
Financial assets					
Cash & cash equivalents	48,199	(338)	(338)	338	338
Finance receivables	584,931	(4,095)	(4,095)	4,095	4,095
Derivative financial instruments	585	(441)	(441)	643	643
Other financial assets	3,358	(7)	(7)	7	7
Financial liabilities					
Finance borrowings	544,175	3,792	3,792	(3,792)	(3,792)
Derivative financial instruments	30	(181)	(181)	179	179
Other financial liabilities	4,333	–	–	–	–
Total increase/(decrease)		(1,270)	(1,270)	1,470	1,470

The sensitivity analyses above represent the range of movements for each type of risk that are considered reasonably possible as at Balance Date. The risk profile will vary throughout the financial year.

NOTES TO THE FINANCIAL STATEMENTS

7. Financial risk management – Finance business (continued)

(b) Credit risk

The Finance business is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Finance business by failing to discharge an obligation. Credit risk arises principally on advances made to customers and deposits held with other entities and also in off-balance sheet items such as loan commitments.

(i) Credit risk management process

A Credit Committee oversees all aspects of credit risk assessment and management and operates within credit policies and guidelines approved by the Finance business Board of Directors. These policies ensure that any credit risk incurred falls within acceptable parameters.

The Finance business manages credit risk in a number of ways:

- In consumer lending, robust credit processes are employed to originate new loans to customers. These processes incorporate credit scorecards, credit checks, business rules and review of customer credit history to assess a customer's creditworthiness. Wherever appropriate, a charge will be taken by way of reservation of title over the asset financed, except for personal loans, where advances are generally unsecured. The personal loans business ceased originating business in January 2006
- In commercial lending, the integrity and financial standing of approved borrowers is relied upon. All equipment finance and rental & leasing contracts are assessed in accordance with a range of credit criteria and the amount of each advance. Criteria include credit checks, trade references and financial account analysis. These contracts are secured over the goods financed and guarantees are requested from business proprietors in certain circumstances. Assets financed include machinery and plant & equipment but do not include residential or commercial property
- In bulk funding, security is taken over the underlying Finance receivables. In addition several factors are taken into account in determining the amount of money advanced, including average yield and arrears levels. A prudential security reserve is also maintained to ensure that a margin exists between the amounts advanced and the estimated market value of the underlying Finance receivables
- Interest rate instruments have been entered into with trading banks. The Finance business' exposure to credit risk from these financial instruments is limited because it does not expect non-performance of the obligations contained therein due to the credit rating of the financial institutions concerned. The Finance business does not require collateral or other security to support these financial instruments

(ii) Concentrations of Credit Exposure

As at 31 March 2009, the Finance business had advanced $84.9 million to Smithcorp Finance Limited, a bulk finance merchant (2008 $88.5 million). Security is a general security interest charging all present and after acquired property and a specific interest over finance receivables. These receivables, taken as individual finance receivable agreements, are largely low value advances to retail customers.

Excluding Smithcorp Finance Limited, the Finance business had no exposure to retailers, commercial accounts or individual receivable agreements that exceeded 10% of Finance business equity (2008 Nil).

Maximum exposure to credit risk before collateral held or other credit enhancements is shown in the table below:

	31 March 2009 $'000	31 March 2008 $'000
Credit exposures relating to on-Balance Sheet assets:		
Cash & cash equivalents	**36,749**	48,199
Derivative financial instruments	**545**	585
Finance receivables	**587,326**	584,931
Other financial assets	**3,644**	3,044
Credit exposures relating to off-Balance Sheet items:		
Undrawn lending commitments*	**2,188,968**	2,367,145
	2,817,232	3,003,904

*Undrawn lending commitments include unutilised *Q Card*® and *Farmers Finance Card*™ limits, which can be unconditionally cancelled by the Finance business at any time.

The above table represents a maximum credit risk exposure at 31 March 2009, without taking into account any collateral, other credit enhancements attached or the cancellation of undrawn lending commitments. For on-Balance Sheet assets, the exposures set out above are based on net carrying amounts as reported in the Balance Sheet.

Further details on Finance receivables and impairment are disclosed in Note 14.

(iii) Geographic Concentrations of Finance Receivables

The table below details the geographic split of Finance receivables:

	31 March 2009 $'000	31 March 2008 $'000
Upper North Island	**202,929**	201,457
Central North Island	**134,522**	141,299
Lower North Island	**76,188**	80,647
South Island	**173,687**	161,528
	587,326	584,931

Upper North Island comprises the Auckland and Northland regions. Lower North Island comprises the Wellington and Manawatu regions.

(c) Liquidity risk

Liquidity risk is the risk that the Finance business is unable to meet its payment obligations associated with its financial liabilities when they fall due. It includes the risk that the Finance business may have insufficient liquid funds or may not be able to raise sufficient funds at short notice to meet its payment obligations associated with financial liabilities when they fall due. This situation can arise if there is a significant mismatch of its financial assets and financial liabilities.

(i) Liquidity risk management process

The Finance business operates an Asset & Liability Committee that oversees all aspects of Balance Sheet risk. This committee has a formal charter, which outlines its role and responsibilities. All treasury related activity must comply with treasury risk management policies approved by the Finance business Board of Directors.

Liquidity risk is managed through:

- Day to day funding requirements and future cash flows are monitored to ensure requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Finance Business maintains an active presence in local money markets to enable this to happen
- Regularly forecasting future cash flows to assess maturity mismatches between financial assets and financial liabilities in advance
- Not relying on one funding source, but maintaining a diverse and stable funding base
- Maintaining strong bank relationships and committed bank credit facilities
- Monitoring balance sheet liquidity ratios against internal requirements

The Asset & Liability Committee also monitors the level and type of undrawn lending commitments against committed credit facilities to ensure there is sufficient capacity.

NOTES TO THE FINANCIAL STATEMENTS

7. Financial risk management – Finance business (continued)

The table below analyses the Finance business' financial assets and financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for derivative financial instruments.

	Call	0 to 6 months	7 to 12 months	13 to 24 months	25 to 60 months	Over 60 months	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 March 2009							
Financial assets							
Cash & cash equivalents	**19,352**	**17,529**	**–**	**–**	**–**	**–**	**36,881**
Derivative financial instruments*	**–**	**26**	**(21)**	**191**	**408**	**–**	**604**
Finance receivables	**–**	**219,963**	**151,549**	**170,881**	**198,163**	**52,751**	**793,307**
Other financial assets	**–**	**2,600**	**30**	**60**	**1,060**	**–**	**3,750**
	19,352	**240,118**	**151,558**	**171,132**	**199,631**	**52,751**	**834,542**
Financial liabilities							
Finance borrowings							
Bank loans	**–**	**123,646**	**–**	**–**	**–**	**–**	**123,646**
Debentures	**14,918**	**50,039**	**53,860**	**93,796**	**8,863**	**–**	**221,476**
Notes	**–**	**124,000**	**–**	**–**	**–**	**–**	**124,000**
Committed liquidity facilities	**–**	**94,151**	**–**	**–**	**–**	**–**	**94,151**
Derivative financial instruments	**–**	**1,297**	**232**	**386**	**–**	**–**	**1,915**
Other financial liabilities	**–**	**4,480**	**–**	**–**	**–**	**–**	**4,480**
	14,918	**397,613**	**54,092**	**94,182**	**8,863**	**–**	**569,668**
31 March 2008							
Financial assets							
Cash & cash equivalents	32,797	15,768	–	–	–	–	48,565
Derivative financial instruments*	–	471	327	78	–	–	876
Finance receivables	–	216,729	152,949	169,206	192,536	51,107	782,527
Other financial assets	–	3,074	30	60	1,120	–	4,284
	32,797	236,042	153,306	169,344	193,656	51,107	836,252
Financial liabilities							
Finance borrowings							
Bank loans	–	87,761	133,314	–	–	–	221,075
Debentures	9,412	60,090	30,171	8,544	2,670	–	110,887
Notes	–	168,500	–	–	–	–	168,500
Committed liquidity facilities	–	61,461	–	–	–	–	61,461
Other financial liabilities	–	4,333	–	–	–	–	4,333
	9,412	382,145	163,485	8,544	2,670	–	566,256

*The amounts expected to be payable in relation to the derivative financial instruments have been estimated using forward interest rates applicable at the reporting date.

Effective 20 November 2008, Fisher & Paykel Finance Limited obtained a guarantee under the New Zealand Deposit Guarantee Scheme. The guarantee ends on 12 October 2010.

Further details about the Scheme, including a copy of the Crown Guarantee and the answers to some frequently asked questions, are available free of charge on the treasury website at www.treasury.govt.nz/economy/guarantee/retail.

(d) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined using generally accepted valuation techniques. The Finance business uses a variety of methods and makes assumptions that are based on market conditions existing at each Balance Date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of financial liabilities and assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Finance business for similar financial instruments. For short-term financial assets and liabilities, their carrying amount is a reasonable approximation of their fair values.

Where present value techniques are used to value future cash flows deriving from interest rate derivative contracts, the Finance business uses a valuation model licensed from a reputable third party vendor. Market data used for valuation purposes (i.e. interest rate yield curves) are provided by independent third party data providers where possible. In addition, month-end derivative portfolio valuations are obtained from all derivative counterparties for comparison with internal valuations.

NOTES TO THE FINANCIAL STATEMENTS

7. Financial risk management – Finance business (continued)

(e) Financial instruments by category

Assets as per Balance Sheet	Fair value through profit or loss – designated	Fair value through profit or loss – held for trading	Loans and receivables	Total
	$'000	$'000	$'000	$'000
31 March 2009				
Cash & cash equivalents	**23,697**	**–**	**13,052**	**36,749**
Derivative financial instruments	**–**	**545**	**–**	**545**
Finance receivables	**84,873**	**–**	**502,453**	**587,326**
Other financial assets	**–**	**–**	**3,644**	**3,644**
	108,570	**545**	**519,149**	**628,264**
31 March 2008				
Cash & cash equivalents	17,200	–	30,999	48,199
Derivative financial instruments	–	585	–	585
Finance receivables	88,512	–	496,419	584,931
Other financial assets	–	–	3,044	3,044
	105,712	585	530,462	636,759

Liabilities as per Balance Sheet	Fair value through profit or loss – held for trading	Measured at amortised cost	Total
	$'000	$'000	$'000
31 March 2009			
Finance borrowings	**–**	**541,838**	**541,838**
Derivative financial instruments	**1,892**	**–**	**1,892**
Other financial liabilities	**–**	**4,480**	**4,480**
	1,892	**546,318**	**548,210**
31 March 2008			
Finance borrowings	–	544,175	544,175
Derivative financial instruments	30	–	30
Other financial liabilities	–	4,333	4,333
	30	548,508	548,538

8. Segment information

(a) Description of segments

Business segments
The Group is organised into the following main business segments:

Appliances business
Manufacturer, distributor and marketer of major household appliances.

Finance business
Financial services sector entirely within New Zealand.

Geographic segments
The Appliances business operates in the following geographic areas:

New Zealand
Comprises corporate head office, manufacturing operations in Auckland and Dunedin (closed on 31 March 2009); product development & engineering services, customer services, sales & distribution operations.

Australia
Comprises a manufacturing operation in Cleveland, Brisbane (closed on 2 April 2009); customer services, sales & distribution operations.

North America
Comprises administration & distribution operations in Huntington Beach, California; manufacturing operations in Clyde, Ohio and Reynosa, Mexico; and sales & distribution operations in the United States and Canada.

Italy
Comprises a manufacturing operation in Borso del Grappa, near Treviso; distribution operation and the Europe sales office.

Thailand
Comprises a manufacturing operation in Amata City, Rayong Province and the Asia sales office.

Overseas sales companies
Comprises UK, Ireland, Singapore and Rest of World sales & distribution operations.

NOTES TO THE FINANCIAL STATEMENTS

8. Segment information (continued)

(b) Combined segment analysis

For the year ended 31 March 2009	New Zealand $'000	Australia $'000	North America $'000	Italy $'000	Thailand $'000	Overseas sales companies $'000	Appliances business $'000	Finance business $'000	Consolidated operations $'000
External operating revenue	268,298	452,120	326,458	134,622	–	41,115	1,222,613	136,918	1,359,531
Other income							11,909	1,125	13,034
Total revenue and other income							1,234,522	138,043	1,372,565
Cost of goods sold							(898,170)		
Gross margin							336,352		
Administration expenses							(286,681)		
Selling, marketing and distribution expenses							(135,193)		
Impairment charge for credit losses								(20,017)	
Interest expenses and similar charges								(53,226)	
Other Finance business expenses								(43,714)	
Operating (loss)/profit							(85,522)	21,086	(64,436)
Operating (loss)/profit before amortisation							(73,811)	28,244	(45,567)
Depreciation expense							(38,914)	(706)	(39,620)
Impairment loss (excluding impairments from implementing the Global Manufacturing Strategy)							(69,688)	–	(69,688)
Amortisation expense							(11,711)	(7,158)	(18,869)
[1] Employee benefits expense							(282,417)	(14,613)	(297,030)
[2] One-off costs of implementing Appliances' Global Manufacturing Strategy							(66,615)	–	(66,615)
Hedge ineffectiveness related to debt restructuring							(11,232)	–	(11,232)
[3] Other restructuring costs							(5,204)	–	(5,204)
Total assets	284,345	226,817	421,919	192,523	88,999	17,634	1,232,237	764,117	1,996,354
Total liabilities							(846,241)	(584,561)	(1,430,802)
Capital expenditure	11,431	2,793	36,937	1,576	26,501	98	79,336	2,282	81,618

[1] Includes staff redundancy costs of $26.2 million
[2] Includes staff redundancy costs of $23.5 million also reported as part of employee benefits expense
[3] Includes staff redundancy costs of $2.7 million also reported as part of employee benefits expense

For the year ended 31 March 2008	New Zealand	Australia	North America	Italy	Thailand	Overseas sales companies	Appliances business	Finance business	Consolidated operations
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External operating revenue	286,521	458,094	346,449	147,554	–	37,198	1,275,816	123,893	1,399,709
Other income							6,556	80	6,636
Total revenue and other income							1,282,372	123,973	1,406,345
Cost of goods sold							(897,812)		
Gross margin							384,560		
Administration expenses							(159,160)		
Selling, marketing and distribution expenses							(156,968)		
Impairment charge for credit losses								(13,310)	
Operating interest expenses and similar charges								(43,427)	
Other Finance business expenses								(41,093)	
Operating profit							68,432	26,143	94,575
Operating profit before amortisation							76,339	33,203	109,542
Depreciation expense							(34,510)	(846)	(35,356)
Impairment loss							(718)	(308)	(1,026)
Amortisation expense							(7,907)	(7,060)	(14,967)
Employee benefits expense							(282,615)	(14,678)	(297,293)
[4] One-off costs of implementing Appliances' Global Manufacturing Strategy							(18,263)	–	(18,263)
Costs associated with proposed sale of Finance business							(1,590)	(745)	(2,335)
Total assets	332,193	180,142	232,247	242,126	48,196	16,708	1,051,612	778,612	1,830,224
Total liabilities							(595,081)	(588,695)	(1,183,776)
Capital expenditure	22,227	3,294	2,699	1,747	8,853	510	39,330	1,632	40,962

[4] Includes staff redundancy costs of $9.2 million also reported as part of employee benefits expense

(c) Notes to and forming part of the segment information

(i) Inter-segment transfers

Inter-segment transactions between the Appliances and Finance businesses are immaterial and those that do occur are arm's length transactions.

NOTES TO THE FINANCIAL STATEMENTS

9. Revenue and other income

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
From continuing operations				
Appliances business sales of goods revenue				
New Zealand	**212,444**	241,730	**–**	–
Australia	**452,391**	460,230	**–**	–
North America	**365,397**	378,980	**–**	–
Europe	**109,987**	112,284	**–**	–
Rest of World	**73,261**	74,757	**–**	–
Appliances business sales of services	**9,133**	7,835	**–**	–
Finance business revenue	**136,918**	123,893	**–**	–
Total operating revenue	**1,359,531**	1,399,709	**–**	–
Other income			**–**	–
Interest	**1,490**	805	**–**	–
Gains on disposal of property, plant & equipment	**8,216**	4,952	**–**	–
Fee income	**1,332**	477	**–**	–
Appliances business miscellaneous income	**1,017**	402	**–**	–
Fair value gain on Finance business derivatives	**979**	61	**–**	–
Dividends	**–**	–	**50,000**	33,000
	13,034	6,697	**50,000**	33,000
	1,372,565	1,406,406	**50,000**	33,000

(a) Sales revenue

Revenue figures reported above are disclosed by location of customer and therefore do not agree directly to Segment disclosures at Note 8, where revenue is reported by country of operation.

(b) Net gains on disposal of property, plant & equipment

Net gains on disposal of property, plant & equipment for the period ending 31 March 2009 includes a net gain on sale of land & buildings of $7.1 million (2008 $5.0 million).

(c) Non-cash transactions

In the year ended 31 March 2009, the Appliances business recognised sales of goods revenue from barter transactions of $11.0 million (2008 $2.7 million).

These transactions involve the exchange of finished goods for barter credits or prepaid vouchers. The barter credits can be used to secure goods and services from members of the same barter exchange network. Barter credits arising in New Zealand are available indefinitely and those arising in the USA have a useful life of three calendar years.

The barter credit balances are actively managed to ensure they are utilised within an appropriate timeframe. In addition, the non-current portion of these balances is discounted to its net present value.

10. Expenses

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Net gains and expenses				
(Loss)/profit before income tax includes the following specific expenses:				
Total depreciation	**39,620**	35,356	**–**	–
Total amortisation	**18,869**	14,967	**–**	–
Finance costs (excludes Finance business operating interest)				
External interest expense	**30,392**	22,132	**–**	–
Interest rate hedge ineffectiveness	**11,232**	–	**–**	–
Amount capitalised – Property, plant & equipment (see 10 (i))	**(827)**	(566)	**–**	–
Finance costs expensed	**40,797**	21,566	**–**	–
Rental expense relating to operating leases				
Minimum lease payments	**23,331**	19,460	**–**	–
Foreign exchange gains and losses				
Net foreign exchange (gains)/losses	**28,813**	(3,292)	**–**	–
Defined contribution superannuation expense	**18,819**	16,771	**–**	–
Research & development	**12,044**	17,330	**–**	–
Sundry expenses				
Donations	**232**	266	**–**	–
Employee benefits	**298,934**	299,221	**11**	503
Impairment charge for credit losses				
Receivables written off during the year	**18,257**	10,970	**–**	–
Recovery of amounts previously written off	**(1,591)**	(2,564)	**–**	–
Movement in allowance for impairment	**3,351**	4,904	**–**	–
	20,017	13,310	**–**	–
Impairment of other assets (see 10 (ii))				
Land & buildings	**6,725**	–	**–**	–
Goodwill	**69,688**	–	**–**	–
Plant & equipment	**7,670**	718	**–**	–
Software	**–**	308	**–**	–
	84,083	1,026	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

10. Expenses (continued)

(i) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised was 7.8% (2008 9.3%) except for isolated costs related to construction of buildings in Thailand which have been capitalised at 4.0% (2008 4.6%). This represents the weighted average interest rate of the Group's applicable outstanding New Zealand dollar borrowings during the year.

(ii) Asset Impairments

In the year ended 31 March 2009, as a result of implementing the Appliances business' Global Manufacturing Strategy, plant & equipment assets with a book value of $7.7 million were impaired. In addition, on transferring the East Tamaki, Auckland land & buildings to Non-current Assets Held for Sale, an impairment of $6.7 million was recognised. Further details are provided in Note 18.

In addition, owing to the current downturn being experienced in all global markets, the Board impaired the goodwill allocated to its Italian cash generating unit ($69.7 million). Further details are provided in Note19.

In the year ended 31 March 2008, following the relocation of laundry manufacturing plant & equipment from New Zealand to Thailand, surplus assets were written down to their recoverable amount. In addition, the Finance business retired certain operating software during the period and wrote off the remaining book value.

Auditors' fees

During the year the following fees were paid or payable for services provided by the auditor of the Company and the Group, its related practices and non-related audit firms:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
(a) Assurance services				
Audit services				
PricewaterhouseCoopers				
Statutory audit – current year	**1,189**	925	**–**	–
Statutory audit – prior year	**19**	110	**–**	–
Compliance audits – Appliances Thailand	**43**	–	**–**	–
Fisher & Paykel Finance Limited Debenture Prospectus audit	**12**	8	**–**	–
Farmers Finance securitisation compliance audit	**25**	25	**–**	–
Other audit firm	**–**	–	**–**	–
Statutory audit – current year	**21**	16	**–**	–
Total remuneration for audit services	**1,309**	1,084	**–**	–
Other assurance services				
PricewaterhouseCoopers				
Review of Group Interim Financial Statements	**62**	100	**–**	–
Advice re International Financial Reporting Standards	**46**	117	**–**	–
Financial due diligence services	**145**	–	**–**	–
Other assurance services	**10**	24	**–**	–
Total remuneration for other assurance services	**263**	241	**–**	–
Total remuneration for assurance services	**1,572**	1,325	**–**	–
(b) Other services				
PricewaterhouseCoopers				
Statutory reporting software	**33**	30	**–**	–
Italian Statutory board of Auditors	**–**	46	**–**	–
Total remuneration for other services	**33**	76	**–**	–
Total remuneration	**1,605**	1,401	**–**	–

11. Income tax expense

	Notes	CONSOLIDATED 31 March 2009 $'000	CONSOLIDATED 31 March 2008 $'000	PARENT 31 March 2009 $'000	PARENT 31 March 2008 $'000
(a) Income tax expense					
Current tax		**24,760**	27,192	**(8)**	(166)
Deferred tax		**(35,150)**	(6,942)	**–**	–
Under/(over) provided in prior years		**411**	(1,453)	**2,468**	3,681
		(9,979)	18,797	**2,460**	3,515
Deferred income tax (revenue) expense included in income tax expense comprises:					
Decrease (increase) in deferred tax assets	20	**(33,107)**	(906)	**–**	–
(Decrease) increase in deferred tax liabilities	27	**(2,043)**	(6,036)	**–**	–
		(35,150)	(6,942)	**–**	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
(Loss)/profit from continuing operations before income tax expense		**(105,233)**	73,010	**49,974**	32,497
Tax at the New Zealand tax rate of 30% (2008 33%)		**(31,570)**	24,093	**14,992**	10,724
Tax effect of a change in tax rate to 30%		**–**	(2,590)	**–**	–
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:					
Fully imputed dividends received		**–**	–	**(15,000)**	(10,890)
Other non-assessable income		**(12,425)**	(1,279)	**–**	–
Non-deductible amounts		**33,100**	1,420	**–**	–
Attributed foreign income		**–**	103	**–**	–
USA energy tax credits		**–**	(2,851)	**–**	–
		(10,895)	18,896	**(8)**	(166)
Difference in overseas tax rates		**505**	1,354	**–**	–
Under/(over) provision in prior years		**411**	(1,453)	**2,468**	3,681
		(916)	(99)	**2,468**	3,681
Income tax (credit)/expense		**(9,979)**	18,797	**2,460**	3,515

Tax legislation passed in 2007 reduced the New Zealand company tax rate from 33% to 30%, effective 1 April 2008.

The weighted average applicable tax rate was 32.0% (2008 25.7%).

The Group has estimated New Zealand tax losses available to carry forward of $16.6 million (2008 $7.0 million), subject to shareholder continuity being maintained as required by New Zealand tax legislation.

The Group has estimated North American tax losses available to carry forward of $23.0 million. These are due to expire in a range of 10 to 20 years.

NOTES TO THE FINANCIAL STATEMENTS

12. Cash & cash equivalents

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Cash at bank and on hand	**71,695**	77,952	**1**	1
Deposits	**23,700**	17,516	**–**	–
	95,395	95,468	**1**	1

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:

		CONSOLIDATED		PARENT	
	Note	**31 March 2009 $'000**	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Balance as above		**95,395**	95,468	**1**	1
Bank overdrafts	23	**–**	(1,474)	**–**	–
Balances per statement of cash flows		**95,395**	93,994	**1**	1

(b) Cash at bank and on hand

This consists of both interest and non-interest bearing balances denominated in various currencies. The weighted average interest rate as at 31 March 2009 was 1.2% (2008 5.0%).

(c) Deposits

These are Finance business call and term deposits. The call deposits bear a weighted average interest rate of 3.0% (2008 8.7%). The term deposits bear a weighted average interest rate ranging between 3.2% to 6.9% (2008 8.7% to 9.1%) and an average maturity period of 56 days (2008 95 days).

(d) Fair value

The carrying amount for cash & cash equivalents equals the fair value.

13. Trade receivables & other current assets

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Net trade receivables				
Trade receivables	**145,377**	146,491	**–**	–
Provision for impairment of trade receivables	**(1,683)**	(1,618)	**–**	–
	143,694	144,873	**–**	–
Other debtors & prepayments	**34,443**	21,721	**24**	26
	178,137	166,594	**24**	26

(a) Impaired receivables

As at 31 March 2009 current trade receivables of the Group with a nominal value of $1.7 million (2008 $1.6 million) were impaired. The amount of the provision was $1.7 million (2008 $1.6 million). There were no impaired trade receivables in the Parent in 2009 or 2008.

The ageing of these impaired receivables is as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
0 to 60 days	**327**	285	**–**	–
61 to 120 days	**58**	376	**–**	–
Over 120 days	**1,298**	957	**–**	–
	1,683	1,618	**–**	–

As of 31 March 2009, trade receivables of $15.6 million (2008 $15.9 million) were past due but not impaired. These relate to a number of customers who pay outside terms (but consistent with custom & practice for their sector) and for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
0 to 60 days	**8,763**	11,436	**–**	–
61 to 120 days	**3,275**	2,728	**–**	–
Over 120 days	**3,607**	1,774	**–**	–
	15,645	15,938	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

13. Trade receivables & other current assets (continued)

Movements in the provision for impairment of receivables are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Carrying amount at the start of the year	**1,618**	1,406	**–**	–
Exchange rate variance on opening balance	**353**	(40)	**–**	–
Additional provision recognised	**256**	252	**–**	–
Utilised during the year	**(544)**	–	**–**	–
Carrying amount at the end of the year	**1,683**	1,618	**–**	–

The creation and release of the provision for impaired receivables has been included in Administration expenses in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other current assets do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(b) Bad and doubtful trade receivables
The Group has recognised a net gain of $234,941 in respect of bad and doubtful trade receivables during the year ended 31 March 2009 owing to recovery of debts previously written off (2008 loss of $336,747). The gain has been included in Administration expenses.

(c) Other debtors & prepayments
These amounts generally arise from transactions outside the usual operating activities of the Group.

(d) Foreign exchange and interest rate risk
A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in Note 6.

(e) Fair value and credit risk
Due to the short-term nature of these trade receivables, carrying value is assumed to approximate their fair value.

14. Finance receivables

	31 March 2009 $'000	31 March 2008 $'000
Current		
Finance receivables	**414,291**	417,660
Provision for unearned interest	**(8,803)**	(11,618)
Allowance for impairment	**(14,993)**	(12,903)
Total current Finance receivables	**390,495**	393,139
Non-current		
Finance receivables	**208,822**	203,754
Provision for unearned interest	**(4,436)**	(5,668)
Allowance for impairment	**(7,555)**	(6,294)
Total non-current Finance receivables	**196,831**	191,792
Total Finance receivables	**587,326**	584,931

The Finance business recognised a loss of $20.0 million in respect of impaired receivables for the year ended 31 March 2009 (2008 $13.3 million). Refer to Note 10.

(a) Finance business leases

The Finance business provides leasing finance to customers for office and other equipment..

	31 March 2009 $'000	31 March 2008 $'000
Finance lease receivables		
Gross receivables from finance leases:		
Not later than 1 year	**26,551**	27,684
Later than 1 year and not later than 5 years	**27,052**	28,118
Later than 5 years	**179**	174
	53,782	55,976
Unearned finance income	**(4,164)**	(4,469)
Allowance for uncollectible minimum lease payments receivable	**(536)**	(292)
	(4,700)	(4,761)
Net investment in finance leases	**49,082**	51,215
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	**23,797**	25,009
Later than 1 year and not later than 5 years	**25,141**	26,067
Later than 5 years	**144**	139
	49,082	51,215

NOTES TO THE FINANCIAL STATEMENTS

14. Finance receivables (continued)

(b) Impaired receivables

Net finance receivables are summarised as follows:

	31 March 2009 $'000	31 March 2008 $'000
Neither past due nor impaired	**535,887**	523,834
Impaired – individually	**327**	177
Impaired – collectively	**73,660**	80,117
Gross	**609,874**	604,128
Less:		
Allowance for impairment – individually	**183**	121
Allowance for impairment – collectively	**22,365**	19,076
Net	**587,326**	584,931

The Finance business' policy is to provide for impairment when receivables are one day or more in arrears.

Included within the neither past due nor impaired figures for Finance receivables are restructured receivables that would otherwise be impaired whose terms have been renegotiated. The carrying amount of Finance receivables that would otherwise be past due or impaired whose terms have been renegotiated at 31 March 2009 was $30.1 million (2008 $15.3 million).

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The table below shows a reconciliation of the movement in gross Finance receivables (after provision for unearned interest) that are collectively determined to be impaired.

	31 March 2009 $'000	31 March 2008 $'000
Balance at 1 April (Gross)	**80,117**	93,780
Net additions/(deletions) to class	**11,660**	(2,713)
Receivables written off during the year	**(18,117)**	(10,950)
Balance at 31 March (Gross)	**73,660**	80,117

The ageing of Finance receivables determined to be individually or collectively impaired is as follows:

	31 March 2009 $'000	31 March 2008 $'000
Up to 30 days	**30,465**	34,541
31 to 60 days	**11,813**	14,366
61 to 90 days	**4,173**	5,311
Over 90 days	**27,536**	26,076
	73,987	80,294

Collateral held for past due finance receivables collectively determined to be impaired is as follows:

- *Q Card*® fixed term advances are generally secured by way of a general security interest over the asset financed. Personal Loans and *Q Card*® eftpos advances are generally unsecured
- it is impractical to estimate the fair value of collateral held because of the average size of each advance outstanding, the number of advances outstanding, the term to maturity of each advance and the wide variety and condition of each asset financed. The Finance business will, in the first instance, attempt to collect the outstanding debt without recourse to the secured asset. In many instances third party collection agencies are utilised. Repossession of secured assets occurs only in limited circumstances and where it is economic to do so. The carrying amount of these collateralised assets at Balance Date was immaterial

Movements in the allowance for impairment of Finance receivables collectively determined to be impaired is as follows:

	31 March 2009 $'000	31 March 2008 $'000
Balance at 1 April	**19,076**	14,103
Movement in allowance for impairment during the year	**3,289**	4,973
Balance at 31 March	**22,365**	19,076

The creation and release of the allowance for impaired Finance receivables has been included in the 'Impairment charge for credit losses' in Note 10. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) Neither past due nor impaired receivables

The credit quality of Finance receivables which are neither past due nor impaired are summarised as follows:

	31 March 2009 $'000	31 March 2008 $'000
Very good	**469,859**	455,319
Good	**53,520**	53,379
Moderate	**12,508**	15,135
	535,887	523,833

The credit quality of the Finance receivables is determined by the use of an internal grading system. In measuring credit quality the Finance business looks at the counterparty's payment history and whether any arrears type action has been taken.

The credit quality categories are also representative of the Finance business' assessment of the likelihood of default by the counterparty on its contractual obligations for payment. The "Very good" category represents the receivables for which management has judged there is the lowest probability of default (expected future loss).

Included in the table above is the bulk financing facility advance to Smithcorp Finance Limited of $84.9 million (2008 $88.5 million). This advance has been included in the "Very good" category and is secured over individual Finance receivable agreements assigned to Smithcorp Finance Limited.

For certain products, the figures as at 31 March 2008 are based off the portfolio characteristics of other similar products.

(d) Fair values

The fair values and carrying values of Finance receivables are as follows:

	31 March 2009		31 March 2008	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Finance receivables	**587,326**	**587,009**	584,931	582,392

The fair values of Finance receivables other than bulk finance receivables are based on cash flows discounted using current lending rates ranging between 15.3% to 15.6% (2008 13.0% to 20.9%).

NOTES TO THE FINANCIAL STATEMENTS

14. Finance receivables (continued)

The fair value of finance lease receivables are based on cash flows discounted using a current lending rate of 12.4% (2008 13.0%).

The fair values of bulk Finance receivables are based on cash flows discounted using current lending rates ranging between 5.7% to 6.1% (2008 9.4% to 10.1%).

The fair value of other Finance receivables equals their carrying amount as the effect of discounting was immaterial.

(e) Interest rate risk
For an analysis of the sensitivity of Finance receivables to interest rate risk, refer to Note 7.

(f) Credit risk
Refer to Note 7 for more information on credit risk from Finance receivables including objectives, policies and processes for managing credit risk.

15. Inventories

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Raw materials	**120,253**	89,893	**–**	–
Spare parts	**15,466**	11,226	**–**	–
Work-in-progress	**21,999**	21,813	**–**	–
Finished goods	**200,075**	154,447	**–**	–
	357,793	277,379	**–**	–

(a) Inventory expense
Raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of goods sold in the year ending 31 March 2009 was $776.4 million (2008 $657.7 million).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 March 2009 amounted to $1.3 million (2008 $1.5 million). This expense has been included in Administration expenses in the Income Statement.

(b) Excess inventory
Owing to the relocation of manufacturing facilities from New Zealand, Australia and USA to Thailand and Mexico, finished goods inventory as at 31 March 2009 was temporarily $76.0 million above normal stockholding levels (2008 $20.8 million). This is expected to reverse during the 2009/10 financial year.

Owing to the decline in sales in the second half of the year ended 31 March 2009, raw materials inventory was approximately $38.0 million above normal stockholding levels at Balance Date. This is expected to be utilised during 2009/10 as the Group adjusts to the current level of output.

16. Non-current assets classified as held for sale

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Land	**38,570**	–	**–**	–
Buildings	**52,292**	–	**–**	–
Plant & equipment	**1,028**	–	**–**	–
	91,890	–	**–**	–

Pursuant to the Appliances business' Global Manufacturing Strategy, land & buildings in East Tamaki, New Zealand and Cleveland, Australia are classified as assets held for sale and stated at the lower of carrying amount or fair value less anticipated costs to sell. An impairment charge of $6.7 million has been recognised – refer to Note 10.

Following the closure of the Appliances business' manufacturing facility in Dunedin, New Zealand, selected items of plant & equipment are classified as assets held for sale and held at the lower of carrying amount or fair value less anticipated costs to sell.

17. Derivative financial instruments

	Notes	CONSOLIDATED 31 March 2009 $'000	CONSOLIDATED 31 March 2008 $'000	PARENT 31 March 2009 $'000	PARENT 31 March 2008 $'000
Current assets					
Forward foreign exchange contracts	(a)(i)	**–**	1,028	**–**	–
Interest rate swaps	(a)(ii)	**44**	585	**–**	–
Commodity hedges	(a)(iii)	**37**	504	**–**	–
Total current derivative financial instrument assets		**81**	2,117	**–**	–
Non-current assets					
Forward foreign exchange contracts	(a)(i)	**887**	156	**–**	–
Interest rate swaps	(a)(ii)	**501**	–	**–**	–
Total non-current derivative financial instrument assets		**1,388**	156	**–**	–
Total derivative financial instrument assets		**1,469**	2,273	**–**	–
Current liabilities					
Forward foreign exchange contracts	(a)(i)	**2,417**	–	**–**	–
Interest rate swaps	(a)(ii)	**12,311**	3,288	**–**	–
Total current derivative financial instrument liabilities		**14,728**	3,288	**–**	–
Non-current liabilities					
Interest rate swaps	(a)(ii)	**568**	–	**–**	–
Total non-current derivative financial instrument liabilities		**568**	–	**–**	–
Total derivative financial instrument liabilities		**15,296**	3,288	**–**	–
Total derivative financial instruments		**(13,827)**	(1,015)	**–**	–

Derivative financial assets and liabilities are classified as current or non-current according to the underlying hedge relationship. Where an effective hedged item has a remaining maturity of more than 12 months it is classified as non-current.

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and commodity prices in accordance with the Group's financial risk management policies (refer to Notes 6 & 7).

(i) Forward foreign exchange contracts

The Group hedges net receipts of Australian and Singapore dollars from related parties for products manufactured in New Zealand.

The Group hedges net receipts of US dollars from related parties for products manufactured in Thailand.

The Group hedges net payments in US dollars for imported raw materials and appliances from third parties and finished products manufactured in Thailand into New Zealand and Australia.

In addition, the Group hedges Canadian dollar receipts into the USA operations.

These contracts are hedging highly probable forecasted purchases and receipts for up to two years and the contracts are timed to mature when payments are scheduled to be made or when sales have been recognised.

The Group also hedges significant capital expenditure transactions with a policy de minimis of NZ$500,000.

NOTES TO THE FINANCIAL STATEMENTS

17. Derivative financial instruments (continued)

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the Balance Sheet by the related amount deferred in equity.

During the year ended 31 March 2009 a gain of $16.0 million (2008 gain of $3.8 million) was reclassified from equity and included in sales revenue. There was no hedge ineffectiveness in the current or prior year.

(ii) Interest rate derivatives

The Appliances business has loans totalling US$57 million, €26 million and THB900 million that form part of the core investment rather than operational floats. The Group Treasury Policy states between 30 and 70 percent of these loans should be fixed via interest rate swaps to protect the Group from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 70% (2008 67%) of the US dollar, 96% (2008 67%) of the Euro and 61% (2008 100%) of the Thai baht loan principals outstanding and the swaps are timed to expire as each loan repayment falls due. The swap cover on the Euro loan is outside policy limits (with Board approval) owing to the need for the Group to realign its Euro borrowings with its forecast Euro earnings.

The fixed interest rates average 4.95% for the US dollar loan (2008 4.95%), 4.26% for the Euro loan (2008 4.43%) and 4.62% (2008 4.62%) for the Thai baht loan. The variable rates are set at the LIBOR 90 day settlement rates for the US dollar and Euro loans and the Reuters THBFIX 180 day settlement rate for the Thai baht loan, which at Balance Date were 1.19% (2008 2.69%) for the US dollar, 1.51% (2008 4.73%) for the Euro and 2.16% (2008 2.93%) for the Thai baht.

The contracts require settlement of net interest receivable or payable each 90/180 days as appropriate. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the interest rate hedge reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. The ineffective portion was recognised in the Income Statement owing to the restructuring of the Appliances business borrowings and the interest rate hedge reserve balance of $11.2 million at 31 March 2009 was reclassified to the Income Statement.

The Finance business has not adopted hedge accounting, so its interest rate derivatives are classified as held for trading and recognised at fair value through profit or loss. The Finance business enters into interest rate derivatives in the normal course of business in order to convert floating to fixed rate exposure according to policy guidelines.

The Finance business uses interest rate swaps to economically hedge bulk funding receivables and a portion of the asset/liability gap.

The Finance business enters into interest rate options to hedge a portion of the asset/liability gap.

(iii) Commodity contracts

The Group manufactures motors under contract. To fix the cost of copper wire, copper hedge contracts are in place covering a proportion of the Group's projected copper usage on this contract, as agreed with the contracted party.

(b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. At reporting date $0.9 million is receivable (New Zealand dollar equivalents) for the Appliances business from interest rate swap contracts, commodity hedge contracts and forward foreign exchange contracts (2008 $1.7 million).

The Appliances business undertakes 100% of its transactions in foreign exchange, interest rate and commodity price contracts with financial institutions. Management spreads this risk across several counterparties, all of which are required to hold a minimum Standard & Poor's long-term credit rating of BBB+. Credit risk control limits are then applied to Board approved counterparties dependent on the rating.

The Finance business enters into interest rate derivatives with approved financial institutions. All approved counterparties have a minimum Standard & Poor's long-term credit rating of AA and the Finance business does not require collateral or other security to support these financial instruments.

At Balance Date $0.5 million (2008 $0.6 million) is receivable in respect of these financial instruments.

(c) Interest rate risk exposures

For an analysis of the sensitivity of derivatives to interest rate risk refer to Notes 6 and 7.

18. Property, plant & equipment

Consolidated	Note	Freehold land $'000	Freehold buildings $'000	Leasehold improvements $'000	Plant & equipment $'000	Fixtures & fittings $'000	Motor vehicles $'000	Capital Work-in-Progress $'000	Total $'000
1 April 2007									
Cost		43,004	129,832	6,095	317,221	7,881	2,077	7,172	513,282
Accumulated depreciation		–	(22,241)	(1,657)	(154,436)	(3,895)	(1,551)	–	(183,780)
Net book amount		43,004	107,591	4,438	162,785	3,986	526	7,172	329,502
Year ended 31 March 2008									
Opening net book amount		43,004	107,591	4,438	162,785	3,986	526	7,172	329,502
Additions		3	116	775	16,738	888	22	30,016	48,558
Disposals		–	(3)	–	(7,484)	(2)	(13)	–	(7,502)
Depreciation charge		–	(3,803)	(808)	(29,762)	(768)	(215)	–	(35,356)
Impairment charge		–	–	–	(718)	–	–	–	(718)
Exchange differences		695	1,001	(383)	(3,780)	(58)	1	(958)	(3,482)
Closing net book amount		43,702	104,902	4,022	137,779	4,046	321	36,230	331,002
31 March 2008									
Cost		43,702	121,677	6,287	312,672	9,213	2,054	36,230	531,835
Accumulated depreciation & impairment		–	(16,775)	(2,265)	(174,893)	(5,167)	(1,733)	–	(200,833)
Net book amount		43,702	104,902	4,022	137,779	4,046	321	36,230	331,002
Year ended 31 March 2009									
Opening net book amount		**43,702**	**104,902**	**4,022**	**137,779**	**4,046**	**321**	**36,230**	**331,002**
Additions		**7,715**	**21,580**	**1,011**	**71,452**	**1,059**	**9**	**(14,938)**	**87,888**
Acquisition of Mexican operations		**3,608**	**15,797**	**–**	**22,063**	**304**	**–**	**–**	**41,772**
Disposals		**(1,096)**	**(1,093)**	**(639)**	**(22,994)**	**(67)**	**–**	**–**	**(25,889)**
Transfers to assets held for sale		**(42,336)**	**(74,088)**	**–**	**(1,017)**	**(172)**	**–**	**–**	**(117,613)**
Depreciation charge		**–**	**(3,067)**	**(892)**	**(34,687)**	**(833)**	**(141)**	**–**	**(39,620)**
Impairment charge	(d)	**8,622**	**(15,348)**	**–**	**(7,568)**	**(101)**	**–**	**–**	**(14,395)**
Exchange differences		**2,155**	**3,487**	**850**	**24,842**	**77**	**–**	**5,958**	**37,369**
Closing net book amount		**22,370**	**52,170**	**4,352**	**189,870**	**4,313**	**189**	**27,250**	**300,514**
31 March 2009									
Cost		**22,370**	**57,918**	**8,441**	**492,804**	**9,741**	**2,221**	**27,250**	**620,745**
Accumulated depreciation & impairment		**–**	**(5,748)**	**(4,089)**	**(302,934)**	**(5,428)**	**(2,032)**	**–**	**(320,231)**
Net book amount		**22,370**	**52,170**	**4,352**	**189,870**	**4,313**	**189**	**27,250**	**300,514**

NOTES TO THE FINANCIAL STATEMENTS

18. Property, plant & equipment (continued)

(a) Valuations of land & buildings

Whilst held at historical cost, land & buildings are valued annually to comply with regulatory requirements. Fair market valuation for land & buildings is defined as the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. Independent assessments performed by Extensor Advisory Services Limited (New Zealand, Australia) and American Appraisal associates (Italy, Thailand & Mexico) as at 31 March 2009 totalled $175.0 million (2008 $213.0 million).

(b) Capitalised borrowing costs

Refer to Note 10 for information on capitalised borrowing costs included in property, plant & equipment.

(c) Leased assets

Plant & equipment includes the following amounts where the Group is a lessee under a finance lease:

	31 March 2009	31 March 2008
	$'000	$'000
Plant & equipment		
Cost	**4,209**	4,558
Accumulated depreciation	**(1,931)**	(1,460)
Net book amount	**2,278**	3,098

(d) Impairment loss

Following the Board's decision to dispose of land & buildings at East Tamaki, New Zealand in a sale & leaseback transaction, these assets were transferred to non-current assets held for sale at estimated fair value less costs to sell based on an average of valuations received at the time. A net impairment loss of $6.7 million was recognised in the Income Statement.

The Appliances business recognised an impairment loss of $7.7 million (2008 $718,000) in the Income Statement associated with plant & equipment not being transferred to Thailand or Mexico and whose recoverable amount was assessed as estimated fair value less costs to sell or nil if being scrapped.

(e) Mothballed assets

Included within plant & equipment are assets based in Clyde, Ohio with a net book value of US$7.0 million as at 31 March 2009. Owing to the current downturn in the North American market, the Board have made the decision to temporarily cease production on the washer line in October 2009 and transfer this production to its Thailand manufacturing facility. The washer line assets are to be mothballed and management will keep the status of these assets under constant review.

Owing to the current downturn in the North American market, the refrigeration manufacturing facility at Reynosa, Mexico is forecast to run at low capacity in the year ending 31 March 2010. The carrying amount of these assets at 31 March 2009 was US$16.0 million. Management view this as a temporary situation and these assets will continue to depreciate as normal whilst mothballed, in accordance with the Group's accounting policies.

19. Intangible assets

Consolidated	Development costs	Goodwill	Patents & trademarks	Computer software	Brands	Licences	Customer Relationships	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1 April 2007								
Cost	7,920	112,892	5,448	29,178	59,110	140,548	35,658	380,380
Accumulated amortisation	(1,002)	–	(1,938)	(16,207)	–	(32,544)	(2,939)	(44,256)
Net book amount	6,918	112,892	3,510	12,971	59,110	108,004	32,719	336,124
Year ended 31 March 2008								
Opening net book amount	6,918	112,892	3,510	12,971	59,110	108,004	32,719	336,124
Additions	5,446	–	794	2,435	–	–	–	8,675
Disposals	(79)	–	(42)	(141)	–	–	–	(262)
Amortisation charge	(1,389)	–	(618)	(2,924)	–	(6,394)	(3,642)	(14,967)
Impairment charge*	–	–	–	(308)	–	–	–	(308)
Exchange differences	(245)	3,358	286	(31)	(2,894)	(247)	1,819	2,046
Closing net book amount	10,651	116,250	3,930	12,002	56,216	101,363	30,896	331,308
31 March 2008								
Cost	13,430	116,250	6,748	31,115	56,216	140,195	37,832	401,786
Accumulated amortisation and impairment	(2,779)	–	(2,818)	(19,113)	–	(38,832)	(6,936)	(70,478)
Net book amount	10,651	116,250	3,930	12,002	56,216	101,363	30,896	331,308
Year ended 31 March 2009								
Opening net book amount	**10,651**	**116,250**	**3,930**	**12,002**	**56,216**	**101,363**	**30,896**	**331,308**
Additions	**6,301**	**–**	**1,032**	**3,671**	**–**	**45**	**–**	**11,049**
Acquisition of Mexican operations**	**–**	**1,403**	**–**	**–**	**–**	**–**	**–**	**1,403**
Disposals	**–**	**–**	**–**	**(13)**	**–**	**(26)**	**–**	**(39)**
Amortisation charge	**(2,592)**	**–**	**(668)**	**(4,014)**	**–**	**(7,388)**	**(4,207)**	**(18,869)**
Impairment charge***	**–**	**(69,689)**	**–**	**–**	**–**	**–**	**–**	**(69,689)**
Exchange differences	**460**	**18,377**	**63**	**119**	**17,640**	**984**	**5,039**	**42,682**
Closing net book amount	**14,820**	**66,341**	**4,357**	**11,765**	**73,856**	**94,978**	**31,728**	**297,845**
31 March 2009								
Cost	**19,479**	**136,030**	**7,879**	**35,149**	**73,856**	**151,017**	**44,271**	**467,681**
Accumulated amortisation and impairment	**(4,659)**	**(69,689)**	**(3,522)**	**(23,384)**	**–**	**(56,039)**	**(12,543)**	**(169,836)**
Net book amount	**14,820**	**66,341**	**4,357**	**11,765**	**73,856**	**94,978**	**31,728**	**297,845**

*In the year ended 31 March 2008, the carrying amount of certain retired operating software in the Finance business was reduced to its recoverable amount through recognition of an impairment loss.

**Fair value adjustments are detailed further in Business Combinations – refer to Note 37.

***In the year ended 31 March 2009, goodwill allocated to the Italian cash generating unit was impaired. Further details are shown in sub-note (a)(iv).

NOTES TO THE FINANCIAL STATEMENTS

19. Intangible assets (continued)

(a) Goodwill

(i) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) according to the operations expected to benefit from the synergies of the combination.

A summary of the goodwill allocation is shown below:

	Sales, marketing & distribution $'000	Manufacturing $'000	Consumer finance $'000	Other $'000	Total $'000
2009					
Appliances New Zealand	**8,914**	**–**	**–**	**–**	**8,914**
Appliances North America	**3,546**	**11,052**	**–**	**–**	**14,598**
Appliances Italy	**–**	**–**	**–**	**–**	**–**
Appliances Australia	**5,216**	**–**	**–**	**–**	**5,216**
Appliances Rest of World	**3,889**	**–**	**–**	**–**	**3,889**
Finance business	**–**	**–**	**32,118**	**1,606**	**33,724**
	21,565	**11,052**	**32,118**	**1,606**	**66,341**
2008					
Appliances New Zealand	8,187	15,812	–	–	23,999
Appliances North America	3,030	6,879	–	–	9,909
Appliances Italy	–	40,838	–	–	40,838
Appliances Australia	4,457	–	–	–	4,457
Appliances Rest of World	3,323	–	–	–	3,323
Finance business	–	–	32,118	1,606	33,724
	18,997	63,529	32,118	1,606	116,250

(ii) Key assumptions used for value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by management and approved by the Board covering a five-year period. Cash flow projections are derived using past experience, expectations for the future and external sources of financial and economic data where appropriate.

In arriving at the projected cash flows, management has made assumptions about sales revenue growth, key raw material prices and foreign currency average exchange rates based on industry and economic indicators.

The following EBITDA (operating earnings before interest, taxation, depreciation & amortisation) growth rates (Finance business uses NPBT or net profit before taxation) have been applied by management in the budgeted cash flow projections:

- EBITDA growth rate applied to Dynamic Cooking Systems goodwill: 3.0%
- EBITDA growth rate applied to Fisher & Paykel Italy goodwill: 1–2.0%
- NPBT growth rate applied to Consumer Finance goodwill: 8.6% (on average; ranges from 0%–21.9%)

The terminal growth rates used to extrapolate cash flows beyond the budget period were:

- Dynamic Cooking Systems goodwill: 2.5%
- Italy goodwill: 3.0%
- Consumer Finance goodwill: 2.0%

The following pre-tax discount rates have been applied to the cash flow projections:

- goodwill allocated to Dynamic Cooking Systems acquisition: 11.10%
- goodwill allocated to Italy acquisition: 13.30%
- goodwill allocated to Consumer Finance: 16.45%

(iii) Impact of possible changes in key assumptions

Management does not consider any reasonably possible change in key assumptions applied would reduce the recoverable amounts below their carrying amounts.

(iv) Impairment charge

The Directors' have determined the recoverable amount of the Italian CGU goodwill is nil and an impairment charge of $69.7 million has been recorded in the Income Statement in the year ended 31 March 2009. This goodwill arose on acquisition of Elba S.p.A. (since renamed Fisher & Paykel Appliances Italy S.p.A.) in 2006. Earnings from the Italian operations have been severely impacted by changes in key cross rates (notably the Euro/Sterling cross rate), increased steel prices and most recently the global recession. Projected cash flows no longer support the carrying value of goodwill.

(b) Brands

(i) Impairment tests for brands

Acquired brands are allocated to the Group's cash-generating units (CGUs) identified according to country of operation.

	DCS®	*Elba®*	Total
	$'000	$'000	$'000
2009			
Appliances North America	**50,123**	**–**	**50,123**
Appliances New Zealand	**–**	**23,733**	**23,733**
	50,123	**23,733**	**73,856**
2008			
Appliances North America	35,935	–	35,935
Appliances New Zealand	–	20,281	20,281
	35,935	20,281	56,216

(ii) Key assumptions used for relief-from-royalty calculations

The recoverable amount for brands is determined based on relief-from-royalty calculations. These calculations use cash flow projections based on financial budgets prepared by management and approved by the Board covering a five-year period. Cash flow projections are derived using past experience, expectations for the future and external sources of financial and economic data where appropriate.

In arriving at the projected cash flows, management has made assumptions about sales revenue growth and foreign currency average exchange rates based on industry and economic indicators.

The following growth rates have been applied to brand sales revenue by management in the cash flow projections:

- *DCS®*: See below
- *Elba®*: 3.0%

The royalty rates used in the relief-from-royalty calculations were as follows:

- *DCS®*: 3.0%
- *Elba®*: 2.0%

The terminal growth rates used to extrapolate cash flows beyond the budget period were:

- *DCS®*: 2.5%
- *Elba®*: 3.0%

The following pre-tax discount rates have been applied to the cash flow projections:

- *DCS®*: 9.05%
- *Elba®*: 10.61%

NOTES TO THE FINANCIAL STATEMENTS

19. Intangible assets (continued)

(iii) Impact of possible changes in key assumptions

DCS® Brand

The recoverable amount of the *DCS®* brand is estimated to be US$28.8 million. This exceeds the carrying amount of the *DCS®* brand at 31 March 2009 by US$0.3 million. The recoverable amount is based on flat sales growth in 2009/10 and an average annual sales growth of approximately 8% over the next 4 years. If sales remain flat until 2011/12, this reduces the recoverable amount to US$25.2 million, which is below the carrying amount of US$28.5 million. Sales have been adversely affected by the downturn in the North American market, however the *DCS®* branded product range has recently been extended to also include refrigerators and *DishDrawers®* to support growth in *DCS®* branded sales.

Detailed sales figures for the *DCS®* brand are considered commercially sensitive and therefore are not disclosed.

The recoverable amount is sensitive to changes in the assumed royalty rate. If the royalty rate decreased from 3.0% to 2.9%, the recoverable amount is reduced to US$27.7 million.

The recoverable amount is sensitive to changes in the assumed discount rate. If the discount rate increased from 8.0% to 8.5%, the recoverable amount is reduced to US$27.0 million.

Elba® Brand

The recoverable amount of the *Elba®* brand is estimated to be €10.6 million. This exceeds the carrying amount of the *Elba®* brand at 31 March 2009 by €0.45 million. The recoverable amount is based on average annual sales growth of approximately 3% over the next 5 years. If sales grow at 2%, rather than 3% over the next 5 years this reduces the recoverable amount to €10.2 million, which equals the carrying amount of €10.2 million. Sales continue to be adversely affected by the tightening economic conditions, however the *Elba®* branded product range has recently been introduced to the North American market and trialled in the Australian market.

Detailed sales figures for the *Elba®* brand are considered commercially sensitive and therefore are not disclosed.

The recoverable amount is sensitive to changes in the assumed royalty rate. If the royalty rate decreased from 2.0% to 1.75%, the recoverable amount is reduced to €9.3 million.

The recoverable amount is sensitive to changes in the assumed discount rate. If the discount rate increased from 8.75% to 9.25%, the recoverable amount is reduced to €9.9 million.

(c) Other material intangible assets

The Finance business has licenses with a net book value of $88.7 million as at 31 March 2009. The Finance business has an exclusive license to provide financial services to "The Farmers Trading Company" for a period of 20 years. These Licenses are expected to have a remaining amortisation period of 14.6 years.

There were no indicators of impairment in the year ended 31 March 2009.

(d) Capitalised borrowing costs

Refer to Note 10 for further information on capitalised borrowing costs included in intangible assets.

20. Deferred tax assets

	Note	CONSOLIDATED 31 March 2009 $'000	CONSOLIDATED 31 March 2008 $'000	PARENT 31 March 2009 $'000	PARENT 31 March 2008 $'000
The balance comprises temporary differences attributable to:					
Amounts recognised directly in profit or loss					
Doubtful debts		**421**	284	**–**	–
Employee benefits		**7,042**	8,853	**–**	–
Inventories		**6,112**	3,904	**–**	–
Warranty provisions		**6,132**	4,821	**–**	–
Non-deductible provisions		**8,952**	3,012	**–**	–
Property, plant & equipment		**(6,303)**	(3,448)	**–**	–
DCS® brand		**(1,017)**	474	**–**	–
Defined benefit liability		**390**	192	**–**	–
Accrued rent expense		**956**	976	**–**	–
USA energy tax credit*		**6,164**	4,419	**–**	–
Tax losses to carry forward*		**39,248**	3,925	**–**	–
Other temporary differences		**1,722**	2,130	**–**	–
		69,819	29,542	**–**	–
Amounts recognised directly in equity					
Hedge reserves		**(1,989)**	–	**–**	–
Total deferred tax assets		**67,830**	29,542	**–**	–
Movements:					
Opening balance at 1 April		**29,542**	26,834	**–**	–
Credited (charged) to the Income Statement	11	**33,107**	906	**–**	–
Credited/(charged) to equity		**(1,989)**	3,173	**–**	–
Foreign exchange differences		**7,170**	(1,371)	**–**	–
Closing balance at 31 March		**67,830**	29,542	**–**	–
Expected settlement:					
Within 12 months		**18,310**	22,279	**–**	–
In excess of 12 months		**49,520**	7,263	**–**	–
		67,830	29,542	**–**	–

*The utilisation of these deferred tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences and shareholder continuity being maintained in accordance with New Zealand tax legislation requirements. The recognition of these deferred tax assets is evidenced by forecasts of taxable income arising in the next ten years.

NOTES TO THE FINANCIAL STATEMENTS

21. Trade creditors

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Trade creditors	**152,340**	119,408	**–**	–
	152,340	119,408	**–**	–

(a) Foreign currency risk

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

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
New Zealand dollars	**11,555**	12,963	**–**	–
Australian dollars	**12,678**	15,934	**–**	–
United States dollars	**59,986**	48,206	**–**	–
Euros	**50,001**	41,104	**–**	–
Thai baht	**14,311**	–	**–**	–
British pounds	**662**	782	**–**	–
Other	**3,147**	419	**–**	–
	152,340	119,408	**–**	–

For an analysis of the sensitivity of trade creditors to foreign currency risk refer to Note 6.

22. Provisions

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits	**113**	185	**–**	–
Warranty	**26,437**	20,857	**–**	–
Redundancy	**17,986**	7,381	**–**	–
Other	**303**	259	**–**	–
Onerous contract	**2,511**	–	**–**	–
Total current provisions	**47,350**	28,682	**–**	–
Non-current				
Employee benefits	**11,024**	12,748	**–**	–
Warranty	**14,904**	11,082	**–**	–
Total non-current provisions	**25,928**	23,830	**–**	–
Total Provisions	**73,278**	52,512	**–**	–

(a) Employee benefits

Current
In certain jurisdictions, the Group is required to accrue for accumulating short-term benefits such as sick leave.

Non-current
Provision is made for both vested and unvested long service leave accruing to employees. Vested long service leave is calculated on unused entitlements according to Group policy and unvested long service leave is calculated on an actuarial basis taking into account future entitlements under Group policy. Key assumptions in the actuarial model include:

- discount rate: 5.34% (2008 6.39%)
- exit rate: Variable (2008 8.0%)
- promotion rate: 0.50% (2008 0.50%)
- wage/salary inflation rate: 3.50% (2008 3.50%)

The method for calculating the exit rate assumed in the actuarial model was changed in the year ended 31 March 2009 to provide a more accurate representation of the exit rate patterns which vary according to length of service. The revised approach uses a mix of exponential decay formulae in addition to straight-line assumptions and excludes the extreme values in the historical data. The one-off effect of this change was a reduction in the provision of $1.2 million in the year ended 31 March 2009.

(b) Warranty

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

The warranty provision has been discounted using an interest rate of 5.47% (2008 9.42%).

(c) Redundancy

Provision has been made for estimated redundancy costs from staff retrenchment, owing to the relocation of factories to Thailand and Mexico as part of the Appliances business Global Manufacturing Strategy. These amounts are expected to be paid out in the year ending 31 March 2010.

(d) Onerous contract

Pursuant to the Appliances business' Global Manufacturing Strategy announced on 17 April 2008, provision has been made for the estimated unavoidable costs associated with exiting the operating lease for a building located at Huntington Beach, California. These amounts are expected to be paid out in the year ending 31 March 2010.

(e) Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Employee benefits $'000	Warranty $'000	Redundancy $'000	Onerous contract $'000	Other provisions $'000	Total $'000
Consolidated – 2009						
Carrying amount at start of year	**12,933**	**31,939**	**7,381**	**–**	**259**	**52,512**
Exchange rate variance on opening balance	**173**	**6,665**	**–**	**–**	**44**	**6,882**
Additional provision recognised	**1,315**	**45,123**	**25,110**	**3,648**	**–**	**75,196**
Utilised during the year	**(1,091)**	**(41,171)**	**(14,505)**	**(1,137)**	**–**	**(57,904)**
Change in discounted amount arising from passage of time and effect of any change in the discount rate	**(2,193)**	**(1,215)**	**–**	**–**	**–**	**(3,408)**
Carrying amount at end of year	**11,137**	**41,341**	**17,986**	**2,511**	**303**	**73,278**
Consolidated – 2008						
Carrying amount at start of year	13,387	34,183	–	–	244	47,814
Exchange rate variance on opening balance	61	(1,488)	–	–	15	(1,412)
Additional provision recognised	107	34,222	9,189	–	–	43,518
Utilised during the year	(617)	(34,534)	(1,808)	–	–	(36,959)
Change in discounted amount arising from passage of time and effect of any change in the discount rate	(5)	(444)	–	–	–	(449)
Carrying amount at end of year	12,933	31,939	7,381	–	259	52,512

NOTES TO THE FINANCIAL STATEMENTS

23. Current borrowings

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Current borrowings	**517,692**	–	**–**	–
Total borrowings	**517,692**	–	**–**	–

As described in Notes 3, 4 and 6, the Group was renegotiating all its banking facilities at 31 March 2009 and accordingly all Appliances business debt is classified as current.

On 13 March 2009, the Group entered into a new interim bank facility to meet its temporary peak funding requirements. The agreement established a new interim NZ$80 million funding facility, repayable by 29 May 2009 and the waiver of the Group's Debt Cover and Interest Cover ratios. Previous covenants that continue to apply are:

- net tangible assets of the Guaranteeing Group (all entities excluding all Finance business entities) at all times shall not be less than NZ$300 million
- total tangible assets of the Guaranteeing Group shall constitute not less than 95% of total tangible assets and EBITDA of the consolidated Group

Under the Group's interim banking facility, there is a general security interest over all assets located in New Zealand, Australia and the United States of America and mortgage security over the manufacturing sites in Thailand, Italy and Mexico.

(a) Financing arrangements

The Appliances business had unrestricted access at 31 March 2009 to the following lines of credit (current and non-current borrowings):

Credit standby arrangements	Note	**31 March 2009**	31 March 2008
	Note	**$'000**	$'000
Total facilities			
Bank overdrafts		**17,558**	26,372
Current borrowings		**518,842**	–
Non-current borrowings		**–**	450,117
		536,400	476,489
Used at balance date			
Bank overdrafts	12	**–**	1,474
Current borrowings		**517,692**	–
Non-current borrowings		**–**	337,615
		517,692	339,089
Unused at balance date			
Bank overdrafts		**17,558**	24,898
Current borrowings		**1,150**	–
Non-current borrowings		**–**	112,502
		18,708	137,400

(b) Fair value

The carrying amounts of Appliances business' current borrowings at 31 March 2009 were equal to their fair values. There were no current borrowings as at 31 March 2008.

(c) Risk exposures

The exposure of the Appliances business' current borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Less than 12 months	**517,692**	–	**–**	–
One to two years	**–**	–	**–**	–
Two to three years	**–**	–	**–**	–
Over four years	**–**	–	**–**	–
	517,692	–	**–**	–

These borrowings have been aged in accordance with the facilities' terms.

The carrying amounts of the Appliances business' current borrowings are denominated in the following currencies:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
New Zealand dollars	**223,051**	–	**–**	–
US dollars	**135,069**	–	**–**	–
Australian dollars	**48,311**	–	**–**	–
Euros	**60,620**	–	**–**	–
Thai baht	**50,641**	–	**–**	–
	517,692	–	**–**	–

(d) Interest rate risk

For an analysis of the sensitivity of the Appliance business current borrowings to interest rate risk refer to Note 6.

NOTES TO THE FINANCIAL STATEMENTS

24. Non-current borrowings

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Non-current borrowings	**–**	323,157	**–**	–
Bills payable	**–**	14,458	**–**	–
	–	337,615	**–**	–

Full disclosure of secured assets, financing arrangements, fair values and risk exposures as at 31 March 2009 is available at Note 23, Current borrowings.

(a) Fair value
There were no non-current borrowings as at 31 March 2009. The carrying amounts of non-current borrowings at 31 March 2008 were equal to their fair values.

(b) Risk exposures
The exposure of the Appliances business' non-current borrowings to interest rate changes and the contractual repricing dates at the balance dates were as follows:

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Less than 12 months	**–**	–	**–**	–
One to two years	**–**	226,233	**–**	–
Two to three years	**–**	–	**–**	–
Over four years	**–**	111,382	**–**	–
	–	337,615	**–**	–

The borrowings were aged in accordance with the facilities' terms.

The carrying amounts of the Appliances business' non-current borrowings were denominated in the following currencies:

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
New Zealand dollars	**–**	83,801	**–**	–
US dollars	**–**	119,783	**–**	–
Australian dollars	**–**	14,458	**–**	–
Euros	**–**	111,576	**–**	–
Thai baht	**–**	7,997	**–**	–
	–	337,615	**–**	–

(c) Interest rate risk
For an analysis of the sensitivity of the Appliance business borrowings to interest rate risk refer to Note 6.

(d) Financing arrangements
Refer to Note 23(a).

25. Finance borrowings

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Current secured				
Bank loans	**122,286**	211,456	**–**	–
Debentures	**107,166**	95,854	**–**	–
Notes	**123,364**	167,018	**–**	–
Committed liquidity facilities	**93,561**	60,648	**–**	–
Total current Finance borrowings	**446,377**	534,976	**–**	–
Non-current secured				
Debentures	**95,461**	9,199	**–**	–
Total non-current Finance borrowings	**95,461**	9,199	**–**	–
Total Finance borrowings	**541,838**	544,175	**–**	–

There were no unsecured Finance borrowings as at 31 March 2009 (2008 Nil).

(a) Assets pledged as security

(i) Bank loans and debentures

Bank loans and debentures are secured by a first ranking general security interest in favour of the Trustee over the undertaking and assets of the Fisher & Paykel Finance Limited Charging Group. Bank overdrafts and bank borrowings are secured by Security Stock issued under the terms of the Trust Deed. Fisher & Paykel Finance Limited Charging Group includes Fisher & Paykel Finance Limited and all of its subsidiaries except Consumer Insurance Services Limited.

The carrying amounts of Charging Group assets pledged as security for Charging Group bank loans and debentures are:

	31 March 2009	31 March 2008
	$'000	$'000
Current		
Cash and cash equivalents	**416**	157
Finance receivables	**235,238**	230,377
Current tax receivables	**982**	1,192
Derivative financial instruments	**2**	175
Other assets	**6,642**	5,984
Total current assets pledged as security	**243,280**	237,885
Non-current		
Property, plant & equipment	**1,547**	1,538
Intangible assets	**7,838**	7,348
Finance receivables	**134,562**	130,455
Derivative financial instruments	**212**	76
	144,159	139,417
Total assets pledged as security	**387,439**	377,302

NOTES TO THE FINANCIAL STATEMENTS

25. Finance borrowings (continued)

(ii) Notes and Committed liquidity facilities

Notes issued and Committed liquidity facilities utilised under the securitisation plan are secured by a first ranking general security interest over Finance receivables purchased by the special purpose entity RFS Trust 2006-1. The book value of these Finance receivables at 31 March 2009 was $218.9 million (2008 $225.4 million).

(b) Bank loans

Bank loans are generally short term in nature and bear interest at a weighted average interest rate of 4.2% (2008 8.9%).

On 23 September 2008, Fisher & Paykel Finance Limited put in place a $335 million syndicated banking facility with three banks, replacing bilateral banking facilities totalling $320 million previously provided by those banks. As at 31 March 2009 the Charging Group had total committed banking facilities of $355 million.

The syndicated facility agreement comprises multiple tranches of one, two and three year terms with tranche sizes of $125 million, $105 million and $105 million respectively. The Charging Group may elect which tranche to draw down, and has to date drawn down on the tranches with the lowest cost of funding. The syndicated facility provides the Charging Group with significantly longer term liquidity than was provided by the previous bilateral arrangements.

The syndicated banking facility increases the number of financial covenants with which the Charging Group (consisting of Fisher & Paykel Finance Limited and all its subsidiaries excluding Consumer Insurance Services Limited) must comply and requires a formal compliance certificate to be provided to the facility agent and the lending banks on a monthly basis. The financial covenants comprise:

- a liquidity ratio
- an interest cover ratio
- a minimum capitalisation covenant
- a limit on lending concentration
- two impaired asset tests, one relating to asset net write-off levels and one relating to the level of greater than three month impaired assets compared to total receivables
- a prior charges limit

If a covenant breach occurs and depending on its nature, the Charging Group is generally able to remedy the breach by procuring additional capital from its parent in the form of equity or subordinated debt. Under the facility agreement, the Charging Group is only permitted one remedy in any twelve month period. Refer also Note 4.

The facility documentation also includes a “Change in Market Conditions” clause, which defines a “Market Disruption Event” as:

(i) circumstances, such as adverse funding conditions or market liquidity constraints, which result in a lender becoming unable to participate in an advance requested under the facility, or

(ii) notification to the facility agent by a lender that its cost of obtaining matching deposits in the interbank market would be in excess of the base rate for an advance

In the event of a market disruption event occurring, and depending on the exact circumstances, then the parties to the agreement will enter into negotiations either to agree a substitute basis for maintaining advances, or to agree the rate of interest applicable to further advances.

For the year ended 31 March 2009 no market disruption event has occurred.

(c) Debentures

Debenture stock which is issued on the basis that it is repayable on demand, may be repaid by the Finance business at any time. Other debenture stock is issued on terms ranging from 3 months to 5 years and is repayable on the maturity date. For the majority of debentures, interest is payable quarterly in arrears on the last day of March, June, September and December. On other debentures, interest is paid on the last working day of each month. The effective weighted average interest rate of the debenture stock at 31 March 2009 was 8.2% (2008 8.4%).

(d) Notes and Committed liquidity facilities

Each Note issued has a minimum subscription price of $500,000 and must be a multiple of $100,000. The term of Notes cannot exceed 364 days or the maturity of the Committed liquidity facility, whichever is earlier. Notes are normally issued on the basis that they bear no interest but are issued at a discount to their principal amount. The effective weighted average interest rate of Notes at 31 March 2009 was 5.6% (2008 9.2%).

Liquidity support for the Notes is provided under a Committed liquidity facility. The effective weighted average interest rate of the liquidity facility at 31 March 2009 was 4.3% (2008 9.1%).

(e) Financing arrangements

Unrestricted access was available at each balance date to the following lines of credit:

	31 March 2009 $'000	31 March 2008 $'000
Credit standby arrangements		
Total facilities		
Bank loans	**375,000**	360,000
Bank overdrafts	**2,000**	2,000
Notes/Committed liquidity facilities	**250,000**	300,000
	627,000	662,000
Used at balance date		
Bank loans	**123,000**	211,250
Bank overdrafts	**–**	–
Notes/Committed liquidity facilities	**215,404**	225,197
	338,404	436,447
Unused at balance date		
Bank loans	**252,000**	148,750
Bank overdrafts	**2,000**	2,000
Notes/Committed liquidity facilities	**34,596**	74,803
	288,596	225,553

The figures in the above tables for financing arrangements are principal amounts only.

The bank loan facilities of $375 million at 31 March 2009 have maturity dates in April 2009 ($20 million), August 2009 ($20 million), September 2009 ($125 million), September 2010 ($105 million) and September 2011 ($105 million).

The Liquidity Facility with a facility limit of $250 million matures on 30 April 2010. Refer Note 29.

(f) Fair value

The fair values of Finance business borrowings are:

	31 March 2009		31 March 2008	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-Balance Sheet				
Bank loans	**122,286**	122,691	**211,456**	211,456
Notes	**123,364**	123,476	**167,018**	167,006
Committed liquidity facilities	**93,561**	93,538	**60,648**	60,636
Debentures	**202,627**	208,099	**105,053**	104,670
	541,838	547,804	**544,175**	543,768

(i) On-Balance Sheet

The fair value of Bank loans for the year ended 31 March 2009 was based on cash flows discounted using a borrowing rate of 4.2%. The fair value of Bank loans for the year ended 31 March 2008 equals their carrying amount as the impact of discounting was not significant.

The fair value of Notes is based on cash flows discounted using borrowing rates averaging 4.2% based on the maturity date of those Notes (2008 variable from 9.0% to 9.8%).

The fair value of the Committed liquidity facility is based on cash flows discounted using a borrowing rate of 4.2% (2008 9.2%).

The fair values of Debentures are based on cash flows discounted using borrowing rates varying from 5.0% to 7.3%, depending on the maturity date of those debentures (2008 8.3% to 9.5%).

NOTES TO THE FINANCIAL STATEMENTS

25. Finance borrowings (continued)

(ii) Contingent liabilities

There were no interest bearing contingent liabilities as at 31 March 2009 (2008 Nil).

(g) Priority of claims

Bank loans and debentures rank equally as to the priority of claims over the assets of the Charging Group. The Notes and the liquidity facility are secured over the Finance receivables held by the special purpose entity RFS Trust 2006-1.

(h) Interest rate risk

For an analysis of the sensitivity of Finance business borrowings to interest rate risk refer to Note 7.

26. Other current liabilities

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Employee entitlements	**29,450**	39,241	**–**	–
Other creditors	**33,517**	42,898	**156**	–
	62,967	82,139	**156**	–

Employee entitlements include a statutory termination indemnity obligation (TFR) for employees of the Groups Italian operating subsidiary. Refer Note 33(2).

Other employee entitlements primarily comprise liabilities for employee leave entitlements, wage & salary withholdings and wages & salaries payable.

27. Deferred tax liabilities

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Note	**$'000**	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:					
Amounts recognised directly in profit or loss					
Provisions		**(9,364)**	(8,767)	**–**	–
Property, plant & equipment		**13,039**	12,004	**–**	–
Intangible assets		**26,604**	28,429	**–**	–
Fair value adjustments re. Elba S.p.A. acquisition		**2,157**	1,843	**–**	–
Other temporary differences		**(15)**	(116)	**–**	–
		32,421	33,393	**–**	–
Net deferred tax liabilities		**32,421**	33,393	**–**	–
Movements:					
Opening balance at 1 April		**33,393**	39,777	**–**	–
Charged/(credited) to the Income Statement	11	**(2,043)**	(6,036)	**–**	–
Foreign exchange differences		**1,071**	(348)	**–**	–
Closing balance at 31 March		**32,421**	33,393	**–**	–
Expected settlement					
Within 12 months		**(7,005)**	(5,074)	**–**	–
in excess of 12 months		**39,426**	38,467	**–**	–
		32,421	33,393	**–**	–

28. Other non-current liabilities

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Employee entitlements	**216**	266	**216**	266
Accrued rent expense	**2,733**	2,811	**–**	–
Retirement benefit obligation	**1,127**	640	**–**	–
Deferred acquisition cost	**29,019**	–	**–**	–
Other	**199**	11	**–**	–
	33,294	3,728	**216**	266

(a) Employee entitlements
Further details of the Group's Executive Long-Term Performance Incentive are provided at Note 41.

(b) Accrued rent expense
In certain jurisdictions where the Group operates, operating lease agreements for land & buildings contain periodic fixed rental increases. The associated lease payments are recognised on a straight-line basis resulting in an accrued rent expense.

(c) Retirement benefit obligation
Further details of the Group's retirement benefit obligation are provided at Note 33(1).

(d) Deferred acquisition cost
This represents the remaining instalments payable to subsidiaries of Whirlpool Corporation Inc. for the acquisition of Maytag Mexico Appliance Products, S. de R.L. de C.V. and refrigeration plant & equipment on 17 April 2008. Refer to Note 37.

29. Contributed equity

(a) Movements in ordinary share capital:

	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Shares	Shares	**$'000**	$'000
Opening balance of ordinary shares authorised and issued	**284,608,307**	283,453,478	**642,082**	639,463
Issues of ordinary shares during the year				
Dividend reinvestment plan	**5,767,683**	–	**9,428**	–
Exercise of options	**–**	1,154,829	**–**	2,619
Closing balance of ordinary shares authorised and issued	**290,375,990**	284,608,307	**651,510**	642,082

(b) Ordinary shares
All shares issued are fully paid and have no par value. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

(c) Options
Information relating to the Group Employee Share Option Scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 41.

(d) Capital risk management – Appliances business & Parent
The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company's options include adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS

29. Contributed equity (continued)

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net debt plus shareholders' equity. Net debt is calculated as total borrowings less cash & cash equivalents (excluding the Finance business).

During 2008/09, the Company's capital risk management strategy was to maintain a gearing ratio within 25% to 35%. However, due to the adverse trading conditions encountered in all markets, the inventory stockbuild required as part of the Appliances business' Global Manufacturing Strategy and the impact on the Group's reported equity from translation of foreign currency net assets at significantly lower New Zealand dollar spot rates, the gearing ratios at 31 March 2009 and 31 March 2008 were as follows:

	31 March 2009 $'000	31 March 2008 $'000
Total borrowings	**517,692**	339,089
Less: cash & cash equivalents	**(58,646)**	(47,269)
Net debt	**459,046**	291,820
Total equity	**565,552**	646,448
Total capital	**1,024,598**	938,268
Gearing ratio	**44.8%**	31.1%

(e) Capital risk management – Finance business

The Finance business' objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its shareholder and to maintain a strong capital base to support the development of its business.

Fisher & Paykel Finance Limited

The level and mix of capital in Fisher & Paykel Finance Limited (the Charging Group) is determined by its internal Corporate Governance Policies and the Debenture Trust Deed, under which Fisher & Paykel Finance Limited issues debentures.

The Debenture Trust Deed imposes three major covenants on borrowing activities:

(i) secured debts do not exceed 87.5% of security

(ii) total liabilities do not exceed 91.0% of tangible assets plus 6.5% of public sector and other approved securities

(iii) prior charges do not exceed 7.5% of security assets

Fisher & Paykel Finance Holdings Limited and Fisher & Paykel Financial Services Limited

Whilst there are no minimum levels of capital required in Fisher & Paykel Finance Holdings Limited and Fisher & Paykel Financial Services Limited, capital is maintained at a level to ensure compliance with the Finance business capital management objectives outlined above.

Fisher & Paykel Financial Services Limited is the company that owns and operates the Farmers Finance business, which is funded under a master trust securitisation programme.

The securitisation programme requires a minimum level of credit enhancement that is provided by way of a subordinated loan from Fisher & Paykel Financial Services Limited. The minimum level of credit enhancement is the greater of 5.5% of receivables or the amount established by applying a dynamic credit enhancement calculation.

The Finance business has extended the Liquidity Facility maturity date to 30 April 2010. The minimum level of credit enhancement has increased from 5.5% to 7.5% (or the amount established by applying the dynamic credit enhancement calculation).

In addition, changes have been made to the excess margin calculation such that the Total Portfolio Yield must now exceed the Average Cost of Funds plus 6.0% (previously 4.0%).

30. Earnings per share

	31 March 2009	31 March 2008
Basic (loss)/earnings per share		
Basic (loss)/earnings per share (cents)	**(33.1)**	19.1
Diluted (loss)/earnings per share (cents)	**(32.5)**	18.7

(a) Reconciliations of (loss)/earnings used in calculating earnings per share

	31 March 2009 $'000	31 March 2008 $'000
Basic earnings per share		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(95,254)**	54,212
Diluted earnings per share		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(95,254)**	54,212

(b) Weighted average number of shares used as the denominator

	31 March 2009 Number	31 March 2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**287,643,820**	284,289,219
Adjustments for calculation of diluted earnings per share:		
Share options	**5,261,397**	5,777,842
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**292,905,217**	290,067,061

(c) Information concerning the classification of securities

(i) Share options

Options granted to employees under the Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share options are set out in Note 41.

31. Retained earnings and reserves

(a) Reserves

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	31 March 2009 $'000	31 March 2008 $'000
Treasury stock	**512**	512	**–**	–
Cash flow hedge reserve	**4,642**	602	**–**	–
Share-based payments reserve	**1,970**	1,890	**1,970**	1,890
Foreign currency translation reserve	**23,521**	(14,321)	**–**	–
Interest rate hedge reserve	**–**	(3,443)	**–**	–
Commodity hedge reserve	**37**	503	**–**	–
	30,682	(14,257)	**1,970**	1,890

NOTES TO THE FINANCIAL STATEMENTS

31. Retained earnings and reserves (continued)

MOVEMENTS	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
	$'000	$'000	$'000	$'000
Treasury stock				
Opening balance	**512**	512	**–**	–
Closing balance	**512**	512	**–**	–

In the Parent Company financial statements, amounts showing as Treasury Stock in the Group financial statements are recorded as share capital. This increases share capital in the Parent Company by $0.5 million at Balance Date (2008 $0.5 million).

MOVEMENTS	Consolidated 31 March 2009 $'000	Consolidated 31 March 2008 $'000	Parent 31 March 2009 $'000	Parent 31 March 2008 $'000
Cash flow hedge reserve				
Opening balance	**602**	4,696	**–**	–
Recognised income & expense	**4,040**	(4,094)	**–**	–
Closing balance	**4,642**	602	**–**	–
Share-based payments reserve				
Opening balance	**1,890**	1,682	**1,890**	1,682
Equity settled share based payments expense	**80**	208	**80**	208
Closing balance	**1,970**	1,890	**1,970**	1,890
Foreign currency translation reserve				
Opening balance	**(14,321)**	(9,686)	**–**	–
Translation differences arising during the year	**37,842**	(4,635)		
Closing balance	**23,521**	(14,321)	**–**	–
Interest rate hedge reserve				
Opening balance	**(3,443)**	281	**–**	–
Recognised income & expense	**(4,356)**	(3,724)	**–**	–
Reclassification to Profit & Loss	**7,799**	–	**–**	–
Closing balance	**–**	(3,443)	**–**	–
Commodity hedge reserve				
Opening balance	**503**	(273)	**–**	–
Recognised income & expense	**(466)**	776	**–**	–
Closing balance	**37**	503	**–**	–

(b) Nature and purpose of reserves

(i) Treasury stock

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

(ii) Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a forward foreign currency cash flow hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options granted but not exercised and discounted employee share scheme entitlements.

(iv) Foreign currency translation reserve

Exchange differences arising on translation of foreign operations are taken to the foreign currency translation reserve. When any net investment is disposed of, the related component of the reserve is recognised in profit and loss.

(v) Interest rate hedge reserve

The interest rate hedge reserve is used to record gains or losses on a hedging instrument in an interest rate hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

When a forecast transaction is no longer expected to occur or becomes ineffective, the cumulative gain or loss that was deferred in equity is immediately transferred to the Income statement.

(vi) Commodity hedge reserve

The commodity hedge reserve is used to record gains or losses on a hedging instrument in a commodity hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(c) Retained earnings/(accumulated losses)

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Note	**$'000**	$'000	**$'000**	$'000
Opening balance		**18,623**	15,581	**(113,946)**	(91,758)
Net (loss)/profit for the year		**(95,254)**	54,212	**47,514**	28,982
Dividends	34	**(40,009)**	(51,170)	**(40,009)**	(51,170)
Closing balance		**(116,640)**	18,623	**(106,441)**	(113,946)

32. Imputation credits

	CONSOLIDATED	
	31 March 2009	31 March 2008
	$'000	$'000
Balance at beginning of year	**144**	377
Tax payments, net of refunds	**5,100**	13,098
Credits attached to dividends paid	**(4,600)**	(13,331)
Balance at end of year	**644**	144
Imputation credits are available to shareholders as follows:		
Direct – Fisher & Paykel Appliances Holdings Limited Imputation Group	**644**	144
Balance at end of year	**644**	144

NOTES TO THE FINANCIAL STATEMENTS

33. Defined benefit obligations

(1) Superannuation Scheme – New Zealand

All New Zealand employees of the Group are entitled to benefits from the Group's superannuation scheme on retirement, disability or death. Previously, the New Zealand scheme consisted of a defined benefit plan and a defined contribution plan.

The defined benefit plan provided lump sum benefits based on years of service and final average salary and has been closed to new members for several years. On 1 October 2006, all except 30 members transferred from the defined benefit plan to a new defined contribution master trust plan. There are currently 29 members remaining in the plan at Balance Date.

The remaining obligation is largely in respect of certain defined benefit guarantees provided to members who transferred from the defined benefit plan to the new defined contribution master trust plan and is fully provided for as at 31 March 2009.

The defined contribution plan receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The following tables set out details in respect of the defined benefit liabilities only.

(a) Balance sheet amounts

The amounts recognised in the Balance Sheet are determined as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Present value of the defined benefit obligation	**1,316**	886	**–**	–
Fair value of defined benefit plan assets	**(561)**	(457)	**–**	–
Present value of unfunded obligations	**755**	429	**–**	–
Adjustment for ESCT	**372**	211	**–**	–
Net liability in the Balance Sheet	**1,127**	640	**–**	–

(b) Categories of plan assets

The major categories of plan assets are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	%	%	**%**	%
Cash	**83**	77	**–**	–
Equity instruments	**8**	12	**–**	–
Debt instruments	**8**	9	**–**	–
Property	**1**	2	**–**	–
	100	100	**–**	–

(c) Reconciliations

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	**886**	6,503	**–**	–
Current service cost	**37**	47	**–**	–
Interest cost	**20**	258	**–**	–
Actuarial gains & losses	**1,828**	(4,835)	**–**	–
Benefits paid	**(1,455)**	(1,087)	**–**	–
Balance at the end of the year	**1,316**	886	**–**	–
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**457**	214	**–**	–
Expected return on plan assets	**27**	152	**–**	–
Actuarial gains & losses	**211**	(4,625)	**–**	–
Contributions by Group companies	**178**	5,803	**–**	–
Contributions by plan participants	**1,143**	(1,087)	**–**	–
Benefits paid	**(1,455)**	–	**–**	–
Balance at the end of the year	**561**	457	**–**	–

(d) Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Current service cost	**37**	47	**–**	–
Interest cost	**20**	258	**–**	–
Expected return on plan assets	**(27)**	(152)	**–**	–
Net actuarial losses (gains) recognised in year	**1,617**	(210)	**–**	–
Total included in employee benefits expense	**1,647**	(57)	**–**	–
Actual return on plan assets	**9**	382	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

33. Defined benefit obligations (continued)

(e) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
Discount rate	**3.79 %**	4.54%	**– %**	– %
Expected return on plan assets	**6.00 %**	6.00%	**– %**	– %
Future salary increases	**4.50 %**	4.50%	**– %**	– %

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories. This resulted in the selection of a 6.00% rate of return net of tax (and expenses).

(f) Employer contributions

Employer contributions to the defined benefit plan ceased on 30 September 2006.

(g) Historic summary

	31 March 2009 $'000	31 March 2008 $'000
Defined benefit plan obligation	**1,316**	886
Plan assets	**(561)**	(457)
	755	429
ESCT	**372**	211
Deficit	**1,127**	640
Experience adjustments arising on plan liabilities	**1,828**	(4,835)
Experience adjustments arising on plan assets	**211**	(4,625)

(2) Termination Indemnity (TFR) – Italy

TFR is a mandatory severance pay plan for employees of Italian entities. A lump sum payment is provided in any case of employment termination (e.g. dismissal, voluntary resignation, disability, death).

Every year, the employee accrues 6.91% of his/her salary. The accrual is fully employer sponsored. The amount accrued at the beginning of the year is revalued at the end of the year by an index stated as follows: 1.5% plus 75% of the actual inflation rate. The revaluation is reduced net of an 11% tax rate.

Advance payments can be made for house purchase and medical expenses, subject to certain conditions.

Pursuant to legislation enacted on 1 January 2007, the future annual accrual for companies with over 50 employees was transferred either to an external pension fund or to the State fund held by INPS (Instituto Nazionale Previdenza Sociale) and meets the definition of a defined contribution plan. However, the TFR liability accrued prior to 1 January 2007 remains in the Balance Sheet of the Group's Italian operating subsidiary (Fisher & Paykel Appliances Italy S.p.A.) and meets the definition of a defined benefit plan.

The following tables set out details in respect of the defined benefit liabilities:

(a) Balance sheet amounts

The amounts recognised in the Balance Sheet are determined as follows:

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Present value of the defined benefit obligation	**4,922**	4,587	**–**	–
Net liability in the Balance Sheet	**4,922**	4,587	**–**	–

(b) Reconciliations

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	**4,587**	4,913	**–**	–
Interest cost	**270**	218	**–**	–
Actuarial gains & losses	**(290)**	(274)	**–**	–
Benefits paid	**(438)**	(533)	**–**	–
Foreign currency exchange rate changes	**793**	263	**–**	–
Balance at the end of the year	**4,922**	4,587	**–**	–

(c) Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Interest cost	**270**	218	**–**	–
Total included in employee benefits expense	**270**	218	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

33. Defined benefit obligations (continued)

(d) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
Discount rate	**5.25%**	5.00%	**– %**	– %
Future salary increases	**2.00%**	2.00%	**– %**	– %
Inflation rate	**2.00%**	2.00%	**– %**	– %

(e) Employer contributions

Employer contributions to the defined benefit plan ceased on 31 December 2006.

(f) Historic summary

	31 March 2009	31 March 2008
	$'000	$'000
Defined benefit plan obligation	**4,922**	4,587
Deficit	**4,922**	4,587

34. Dividends

		CONSOLIDATED		PARENT	
		31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	Note	**$'000**	$'000	**$'000**	$'000
Prior year's final dividend of 9.0 cents per share (2008 9.0 cents)		**25,615**	25,555	**25,615**	25,555
Current year interim dividend of 5.0 cents per share (2008 9.0 cents)		**14,394**	25,615	**14,394**	25,615
Total dividends	34(b)	**40,009**	51,170	**40,009**	51,170

(a) Imputation

The prior year's final dividend carried a partial imputation credit of 1.20 cents (2008 3.25 cents), equivalent to 11.8 cents in the dollar (2008 26.5 cents).

The current year interim dividend carried a partial imputation credit of 0.67 cents (2008 2.25 cents), equivalent to 11.8 cents in the dollar (2008 20.0 cents).

(b) Dividend reinvestment plan

After subscriptions to the Dividend Reinvestment Plan were taken into account, the cash dividend paid in the year ended 31 March 2009 was $30.6 million (2008 N/A).

35. Contingencies

Periodically, the Group is party to litigation including product liability claims. To date, such claims have been settled for relatively small amounts, which have either been expensed or covered by insurance.

As at 31 March 2009 the Company had a contingent liability of $757,125 (2008 $704,375) for Directors' retirement allowances.

The Group also had contingent liabilities at 31 March 2009 in respect of:

Mexico Customs Claim
An issue has arisen in relation to the operation of Maytag Mexico Appliance Products, S de R.L. de C.V. (since renamed Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.) prior to acquisition. It is alleged that their import/export records were not properly maintained prior to acquisition in April 2008 and that inventory had not left Mexico within the prescribed 18 month time period. Fisher & Paykel Appliances Mexico faces a potential customs duty bill of approximately US$5.0 million in relation to this issue. The Stock Purchase Agreement includes an indemnity from the Sellers (jointly Maytag Corporation and Maytag Inc.) for inaccuracy or breach pertaining to representations and warranties given in relation to tax.

Italy Tax Audit
An audit report issued by the Tax Administration of Montebelluna details potential non-compliances by Elba S.p.A. (since renamed Fisher & Paykel Appliances Italy S.p.A.) with applicable tax laws and regulations with respect to the 2005 fiscal year. The report's initial assessment is the reversal of deductions totalling approximately €1.0 million for IRES, IRAP and VAT (Italian taxes) with an adverse tax payable effect of €0.4 million. Elba S.p.A. was acquired in June 2006 and the Share Purchase Agreement includes an indemnity from the Sellers (DéLonghi) for inaccuracy or breach pertaining to representations and warranties given in relation to tax.

36. Commitments

(a) Capital commitments
Capital expenditure contracted for at Balance Date but not recognised as liabilities is as follows:

	CONSOLIDATED		**PARENT**	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Within one year	**22,453**	5,949	**–**	–
	22,453	5,949	**–**	–

Capital commitments at 31 March 2009 largely relate to additional building construction in Thailand for the new refrigeration manufacturing facility as part of the Appliances business' Global Manufacturing Strategy.

The above balances have been committed in relation to future expenditure on capital projects. Amounts already spent have been included as work in progress in the current year results.

(b) Lease commitments
(i) Operating leases
These relate mainly to building occupancy leases under non-cancellable operating leases expiring within ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

NOTES TO THE FINANCIAL STATEMENTS

36. Commitments (continued)

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases:				
Within one year	**22,986**	19,864	**–**	–
Between one and two years	**16,947**	16,169	**–**	–
Between two and three years	**11,898**	12,347	**–**	–
Between three and four years	**10,039**	9,423	**–**	–
Between four and five years	**9,108**	8,519	**–**	–
Over five years	**12,533**	19,728	**–**	–
	83,511	86,050	**–**	–

(ii) Finance leases

The Appliances business leases various plant & equipment with a carrying amount of $2.3 million (2008 $3.1 million) under finance leases expiring within one to four years. Under the finance leases, the Appliances business has the right of renewal or the option to purchase the leased items at the expiry of the lease.

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
Commitments for minimum lease payments in relation to finance leases:				
Within one year	**776**	3,341	**–**	–
Between one and two years	**407**	557	**–**	–
Between two and three years	**22**	293	**–**	–
Between three and four years	**3**	16	**–**	–
	1,208	4,207	**–**	–

The weighted average interest rate implicit in the finance leases is 5.9% (2008 6.4%).

(c) Undrawn lending commitments (Finance business)

Undrawn lending commitments include unutilised credit card and fixed instalment limits, which can be unconditionally cancelled by the Finance business at any time.

	CONSOLIDATED	
	31 March 2009 $'000	31 March 2008 $'000
Undrawn lending commitments	**2,188,968**	2,367,145

37. Business combinations

(a) Acquisition of Maytag Mexico Appliance products, S. de R.L. de C.V. and refrigeration plant & equipment
On 17 April 2008, the Appliances business acquired 100% of the equity of Maytag Mexico Appliance Products, S. de R.L. de C.V. (since renamed Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.) and also refrigeration manufacturing assets located at Reynosa, Mexico from subsidiaries of Whirlpool Corporation Inc. The initial purchase consideration was US$33.4 million to be paid in four equal annual instalments. Subsequently, a completion working capital adjustment was made reducing total acquisition costs by US$1.9 million to US$31.5 million. This reduction was reflected in the first instalment – refer Cash Flow Statement.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	NZ$'000	US$'000
Purchase consideration		
Cash paid as at 31 March 2009	**18,933**	14,957
Deferred cash consideration	**20,886**	16,500
Total purchase consideration	**39,819**	31,457
Fair value of net identifiable assets acquired	**38,417**	30,348
Goodwill	**1,402**	1,109

Goodwill is attributable to the North American manufacturing cash generating unit.

The assets and liabilities arising from the acquisition are as follows as at 17 April 2008:

	Acquiree's carrying amount	**Fair value**	Acquiree's carrying amount	Fair value
	NZ$'000	**NZ$'000**	US$'000	US$'000
Current assets	**3,779**	**3,779**	2,985	2,985
Deferred assets	**112**	**112**	88	88
Land & buildings	**19,949**	**19,949**	15,760	15,760
Plant & equipment	**21,823**	**21,823**	17,240	17,240
Current liabilities	**(5,843)**	**(5,778)**	(4,616)	(4,565)
Deferred tax liabilities	**–**	**(1,468)**	–	(1,160)
Net identifiable assets acquired	**39,820**	**38,417**	31,457	30,348

Amounts in the table above are shown as at acquisition date when the applicable exchange rate was NZ$1 to US$0.7900.

Contribution to Group Operating profit for the period from 17 April 2008 to 31 March 2009 was $1.7 million. The operating profit from 1 April to 16 April 2008 was immaterial.

Revenue for the period from 17 April 2008 to 31 March 2009 was $2.9 million. The revenue for the period 1 April to 16 April 2008 was immaterial.

Fair value adjustments largely relate to a deferred tax liability arising on deductions claimed for property, plant & equipment during the transition to a new tax regime in Mexico.

NOTES TO THE FINANCIAL STATEMENTS

38. Investments in subsidiaries

The Parent Company's investment in subsidiaries comprises shares at cost plus share-based payments expensed by the Finance business. The assets and liabilities attributed to Fisher & Paykel Appliances Holdings Limited are owned by the following subsidiaries:

Name of entity	Country of incorporation	Primary activity	2009 %	2008 %
AF Investments Limited	New Zealand	Non-trading holding company	**100**	100
Appliances business				
Fisher & Paykel Appliances Limited*	New Zealand	Manufacture & distribution of appliances	**100**	100
Fisher & Paykel Production Machinery Limited*	New Zealand	Machinery manufacturer	**100**	100
New Zealand Export Corporation Limited*	New Zealand	Contract manufacture of appliances	**100**	100
Fisher & Paykel Employee Share Purchase Trustee Limited	New Zealand	Employee share purchase scheme	**100**	100
Allied Industries Limited	New Zealand	Non-trading holding company	**100**	100
Fisher & Paykel Australia Holdings Limited*	Australia	Non-trading holding company	**100**	100
Fisher & Paykel Australia Pty Limited*	Australia	Distribution of appliances	**100**	100
Fisher & Paykel Manufacturing Pty Limited*	Australia	Manufacture of appliances	**100**	100
Fisher & Paykel Customer Services Pty Limited*	Australia	Servicing of appliances	**100**	100
Fisher & Paykel Appliances (USA) Holdings Inc*	USA	Non-trading holding company	**100**	100
Fisher & Paykel Appliances Inc*	USA	Distribution of appliances	**100**	100
Dynamic Cooking Systems Inc*	USA	Manufacture of appliances	**100**	100
Fisher & Paykel Laundry Manufacturing Inc*	USA	Manufacture of appliances	**100**	100
Fisher & Paykel Appliances Canada Inc*	Canada	Distribution of appliances	**100**	100
Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.*	Mexico	Contract manufacture of appliances	**100**	–
Fisher & Paykel Appliances Limited*	UK	Distribution of appliances	**100**	100
Fisher & Paykel Appliances Italy Holdings S.r.l.*	Italy	Non-trading holding company	**100**	100
Fisher & Paykel Appliances Italy S.p.A. (formerly Elba S.p.A.)*	Italy	Manufacture & distribution of appliances	**100**	100
Fisher & Paykel (Singapore) Pte Limited*	Singapore	Distribution of appliances	**100**	100
Fisher & Paykel Appliances (Thailand) Co. Ltd*	Thailand	Manufacture of appliances	**100**	100
Finance business				
Fisher & Paykel Finance Holdings Limited	New Zealand	Non-trading holding company	**100**	100
Fisher & Paykel Finance Limited	New Zealand	Consumer & bulk finance	**100**	100
Fisher & Paykel Financial Services Limited	New Zealand	Securitisation services	**100**	100
Consumer Finance Limited	New Zealand	Consumer finance	**100**	100
Consumer Insurance Services Limited	New Zealand	Consumer insurance & extended warranty	**100**	100
Equipment Finance Limited	New Zealand	Equipment finance	**100**	100
Retail Financial Services Limited	New Zealand	Consumer finance	**100**	100

Fisher & Paykel Appliances Holdings Limited together with the companies above marked with an asterisk were the major companies in the Negative Pledge Deed, however refer to Note 4 for details of restructured banking facilities entered into since 31 March 2009.

All subsidiaries have a balance date of 31 March, except for Fisher & Paykel Appliances Italy Holdings S.r.l. and Fisher & Paykel Appliances Mexico, S. de R.L. de C.V., which have a balance date of 31 December to comply with local regulations.

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

Fisher & Paykel Appliances (Thailand) Co. Ltd's immediate parent is Fisher & Paykel (Singapore) Pte Limited (486,198 ordinary shares). Thai law requires a minimum of three shareholders, therefore in accordance with normal practice, two ordinary shares are also held individually by Company executives.

On 1 October 2007, Fisher & Paykel Finance Limited ceased to be a direct subsidiary of AF Investments Limited and became a direct subsidiary of Fisher & Paykel Finance Holdings Limited.

On 31 January 2008, Prime Distributors Limited was amalgamated into Fisher & Paykel Appliances Limited, with Fisher & Paykel Appliances Limited continuing as the amalgamated company.

On 13 March 2008, Fisher & Paykel Appliances Canada Inc was incorporated and its immediate parent is Fisher & Paykel Appliances Inc.

On 17 April 2008, the Group acquired Maytag Mexico Appliance Products, S. de R.L. de C.V., since renamed Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.

On 1 November 2008, Credit & General Insurance Limited was amalgamated into Consumer Insurance Services Limited, with Consumer Insurance Services Limited continuing as the amalgamated company.

39. Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities

	CONSOLIDATED		PARENT	
	31 March 2009 $'000	31 March 2008 $'000	**31 March 2009 $'000**	31 March 2008 $'000
(Loss)/profit for the year after income tax	**(95,254)**	54,212	**47,514**	28,982
Add/(deduct) non-cash items:				
Depreciation of property, plant & equipment to recoverable amount	**39,620**	35,356	**–**	–
Impairment loss on property, plant & equipment	**14,395**	1,026	**–**	–
Impairment loss on intangible assets	**69,688**	–	**–**	–
Amortisation of intangible assets	**18,869**	14,967	**–**	–
(Gain) on sale of non-current assets	**(8,216)**	(4,952)	**–**	–
Finance business bad debts written off	**21,608**	15,874	**–**	–
Movement in accrued interest	**(1,533)**	337	**–**	–
Net (increase) in loans and advances to customers	**(23,096)**	(63,650)	**–**	–
Movement in provisions	**20,685**	5,190	**–**	–
Movement in tax	**(36,789)**	(7,484)	**1,723**	1,275
Movement in payables and accruals	**16,303**	(8,032)	**–**	–
Movement in debtors and other current assets	**(12,244)**	32,269	**2**	6
Movement in inventories	**(80,414)**	(43,705)	**–**	–
Fair value adjustment/reclassification of derivative financial instruments	**11,141**	(566)	**–**	–
Fair value adjustments to other financial assets	**1,327**	–	**–**	–
Non-cash share-based payments expense	**30**	532	**22**	503
Internal cash flow from financing activities	**–**	–	**(1,067)**	(1,166)
Foreign currency exchange translation	**30,164**	(11,352)	**–**	–
Net cash (outflow)/inflow from operating activities	**(13,716)**	20,022	**48,194**	29,600

NOTES TO THE FINANCIAL STATEMENTS

40. Related party transactions

(a) Key management personnel compensation

The key management personnel are all the Directors of the Company and the Executive teams of both the Appliances and Finance businesses.

Compensation of key management personnel for the years ended 31 March 2009 and 31 March 2008 was as follows:

	Short-term benefits	Post-employment benefits	Other long-term benefits	Share-based payments	Total
	$	$	$	$	$
Year ended 31 March 2009	**12,678,487**	**680,613**	**496,206**	**5,146**	**13,860,452**
Year ended 31 March 2008	9,599,750	516,507	134,757	340,195	10,591,209

The cost of short-term benefits increased in 2008/09 due to currency effects ($1.5 million), bonuses paid in 2008/09 year that related to 2007/08 and Executive employee changes detailed below.

Mr A Paykel was appointed Chief Operating Officer, Asia on 25 September 2008, prior to which he was General Manager of Fisher & Paykel Appliances (Thailand) Co. Ltd. Amounts shown above for the year ended 31 March 2009 include Mr Paykel's remuneration from 1 October 2008.

Mr A Pilati was appointed Chief Operating Officer, Europe on 1 November 2007, prior to which he was Managing Director of Fisher & Paykel Appliances Italy S.p.A. Amounts shown above for the year ended 31 March 2008 include Mr Pilati's remuneration from 1 November 2007.

Key management personnel received no termination benefits.

(b) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

(i) Other transactions and balances

Key management personnel invested cash in debenture stock issued by the Finance business during the period. The debenture stock was acquired on the same terms & conditions that applied to other investors at the time the investments were made.

During the year the company sold household appliances to key management personnel on the same terms and conditions as available to all staff.

A Director, Mr John Gilks, is a director and shareholder of Receivables Management (NZ) Limited, a company which provides debt collection services to the Finance business. The services were provided on normal commercial terms and conditions.

A Director, Mr Norman Geary, is a director of ANZ National Bank Limited, a registered bank that provides credit facilities to the Group on normal commercial terms and conditions.

A Director, Mr Ralph Waters, is a director of Westpac New Zealand Limited, a registered bank that provides credit facilities to the Group on normal commercial terms & conditions.

(c) Subsidiaries

Interests in subsidiaries are set out in Note 38.

(d) Parent Company

As at 31 March 2009, the Parent company had advanced funds to Group companies of $446.9 million (2008 $428.1 million). These intra-Group advances are interest free and repayable on demand.

(e) Separation from Fisher & Paykel Industries Limited

On separation from Fisher & Paykel Industries Limited in November 2001, the Appliances and Finance businesses were acquired at a valuation of $309 million, which was $27.5 million below book value (net of $15 million deferred tax). This was substantially allocated to fixed assets and lowered the amount of depreciation charged over a seven year period ended 31 March 2008.

41. Share-based payments

(a) Share Option Plan

The Group has an established Share Option Plan (the Plan) for executives, managers and selected employees. Under the Plan, the Board may make annual grants of options to Plan participants to subscribe for ordinary shares in the Company. For options granted in August 2002, the exercise price per share was equal to the market value of a share at or around the date of option grant. This Plan has now expired. For options granted in August 2004, the exercise price per share was recalculated on each anniversary of the grant date and is equal to the higher of the base price at grant date or the recalculated base price.

One third of the options granted pursuant to the Plan on a particular grant date became exercisable after each of the second, third and fourth anniversaries of the grant date and all unexercised options expire on the fifth anniversary of the grant date.

Options also become exercisable if a person (or group of persons acting in concert) acquires more than half of the ordinary shares on issue. On leaving employment due to death, serious illness, accident, permanent disablement, redundancy or in other circumstances determined by the Board, the participant (or participant's executor) will have one month to exercise all outstanding options.

Options granted under the Plan carry no dividend or voting rights.

In the year ended 31 March 2009, the Board granted no options to acquire shares under the Plan (2008 No options granted).

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year	Exercised during the year	Lapsed/forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number
31 March 2009							
31/08/04	**31/08/09**	**$4.933***	**5,290,000**	**–**	**(85,000)**	**5,205,000**	**5,205,000**
Total			**5,290,000**	**–**	**(85,000)**	**5,205,000**	**5,205,000**
31 March 2008							
26/08/02	26/08/07	$2.525	1,432,011	(1,432,011)	–	–	–
31/08/04	31/08/09	$4.775*	5,410,000	–	(120,000)	5,290,000	3,526,667
Total			6,842,011	(1,432,011)	(120,000)	5,290,000	3,526,667

*Represents the weighted average exercise price of those options exercisable at Balance Date.

The weighted average share price during the year ended 31 March 2009 was $1.60 (2008 $3.59).

The weighted average remaining contractual life of share options outstanding at Balance Date was 0.4 years (2008 1.4 years).

Fair value of options granted

The assessed fair value of options granted in August 2004 was 37.0 cents per option, which was recognised over the vesting period.

The recalculated base price of the August 2004 Plan uses a binomial model and was calculated by multiplying the last base price by a percentage determined by the Board to represent the Group's cost of capital and reducing the resulting figure by the amount of any net cash dividends paid by the Group.

(a) weighted average exercise price: $4.933 (2008 $4.775)
(b) grant date: 31 August 2004
(c) expiry date: 31 August 2009
(d) share price at grant date: $4.190
(e) expected dividend yield: 9.6%
(f) risk-free interest rate: 6.83%

NOTES TO THE FINANCIAL STATEMENTS

41. Share-based payments (continued)

(b) Executive Long Term Performance Incentive

Effective 1 July 2007, the Board introduced an executive long-term performance incentive scheme (the Scheme) for selected senior managers to link their remuneration with shareholder returns and encourage those employees to hold and retain shares in the Company. Payment of any benefit is dependent on remaining employed during the vesting period and also on the Group's total shareholder return exceeding the 75th percentile of the total shareholder return (including imputation credits) of a comparative group of companies over a three year vesting period.

Entitlements are granted under the Scheme for no consideration. At the end of the vesting period, the Group will pay a cash bonus to the participating employees equivalent to half their allocated entitlement, which must be used to buy shares in the Company on-market (subject to Insider Trading rules) unless the employee's personal shareholding (calculated at current market values) is greater than 50% of their annual fixed remuneration. To the extent performance targets have been met, up to half of the allocated entitlement will also be paid as a cash bonus to the participating employee and this must be used to buy shares on-market (subject to Insider Trading rules) unless the employee's personal shareholding (calculated at current market values) is greater than 50% of their annual fixed remuneration.

If employment ceases prior to the vesting date due to death, serious illness, accident, permanent disablement or redundancy, the Board will make a pro-rata payment or other such payment as may be determined at their sole discretion.

Set out below is a summary of movements in the number of shares attached to cash benefits granted under the Scheme:

Grant date	Expiry date	Balance at start of the year	Granted during the year	Lapsed/forfeited during the year	Balance at end of the year
		Number	Number	Number	Number
31 March 2009					
01/10/08	**30/09/11**	**–**	**1,030,000**	**(10,000)**	**1,020,000**
01/07/07	**30/06/10**	**472,000**	**–**	**(5,000)**	**467,000**
Total		**472,000**	**1,030,000**	**(15,000)**	**1,487,000**
31 March 2008					
01/07/07	30/06/10		477,000	(5,000)	472,000
Total			477,000	(5,000)	472,000

Fair value of the Scheme

The assessed fair value of the Schemes as at 31 March 2009 was $215,779 (2008 $266,312). This fair value was derived using a Monte Carlo simulation model that takes into account the vesting criteria, the share price at grant date and the volatility of the returns on Group shares and shares of a comparative Group of companies.

(a) entitlements are granted for no consideration, vesting three years after grant date

(b) grant date: 1 July 2007/1 October 2008

(c) expiry date: 30 June 2010/30 September 2011

(d) share price at grant date: $3.45/$1.66

(e) correlation coefficient to NZSX50 returns: 0.20

(f) expected dividend yield: Nil%

(g) risk-free interest rate: 3.38%

(c) Employee Share Scheme

No employee share offers were in operation during the year ended 31 March 2009 or the year ended 31 March 2008.

As at 31 March 2009 203,316 shares (2008 203,316) were held by the Trustee, being 0.07% (2008 0.07%) of the Group's issued and paid up capital. No shares are allocated to employees (2008 Nil) as there is no current offer under the Scheme. All shares are allocated to employees at the time of issue, on the condition that should they leave the company before the qualifying period ends, their shares will be repurchased by the Trustees at the lesser of market price and the price at which the shares were originally allocated to the employee, subject to the repayment of the original loan. Any such repurchased shares are held by the Trustees for allocation to future issues under the Scheme.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED		PARENT	
	31 March 2009	31 March 2008	**31 March 2009**	31 March 2008
	$'000	$'000	**$'000**	$'000
Expenses in relation to Group Share Option Plan	**80**	267	**61**	237
Expenses in relation to Long-Term Incentive Scheme	**(50)**	266	**(50)**	266
	30	533	**11**	503

After fair value adjustments to the Long-Term Incentive Schemes at Balance Date, there was a net credit to the Income Statement of $50,000 in the year ended 31 March 2009 (2008 expense of $266,000).

42. Government grants

The Appliances business receives funding for selected research & development activities from the Foundation for Research, Science and Technology, a Crown Agent that invests in such activities on behalf of the New Zealand government. The detailed nature and extent of this funding is commercially sensitive. $2.1 million was recognised in the financial statements for the year ended 31 March 2009 (2008 $1.6 million).

Fisher & Paykel Appliances Limited has entered into the New Zealand Government's nine day working fortnight scheme covering its refrigeration assembly workforce. This is a temporary 35 hour working week arrangement running from April 2009 through until September 2009. Under the agreement employees work a 35 hour week, supplemented with an additional 3.5 hours pay shared equally between the Government and the company. There was no effect on the Income Statement in the year ended 31 March 2009.

Fisher & Paykel Appliances (Singapore) Pte Limited participates in the Jobs Credit Scheme introduced in the 2009 Singapore Budget as an incentive for employers to retain existing workers and where warranted, to employ new ones. The Job Credit is automatically granted to employers who have made Central Provident Fund (CPF) contributions for the employees (Singaporeans and Permanent Residents only). This scheme is calculated based on 12% of the first S$2,500 of the derived wage cost for each eligible employee on the employer's CPF payroll. S$35,560 income was received during the year ended 31 March 2009.

On occasion the Group also receives local government assistance, e.g. rates relief, both within and outside New Zealand.

43. Events occurring after the Balance Sheet date

(a) Debt Restructuring

Refer to Note 4.

(b) Final dividend for the year ended 31 March 2009

Under the terms of the restructured banking facilities detailed in Note 4, the Company is not permitted to pay a dividend until the Amortising Facility is repaid. Accordingly, the Directors have not declared a final dividend for the year ended 31 March 2009.

NOTES TO THE FINANCIAL STATEMENTS

44. Employee remuneration

The Group operates in a number of countries where remuneration market levels differ widely. During the year, the number of employees, not being Directors of Fisher & Paykel Appliances Holdings Limited, who received remuneration and the value of other benefits exceeding $100,000 was as follows:

Remuneration	NUMBER OF EMPLOYEES			
	2009		2008	
$	**Overseas**	**New Zealand**	Overseas	New Zealand
100,001 – 110,000	**65**	**44**	48	23
110,001 – 120,000	**48**	**28**	33	46
120,001 – 130,000	**32**	**25**	25	28
130,001 – 140,000	**37**	**11**	17	12
140,001 – 150,000	**23**	**8**	9	8
150,001 – 160,000	**21**	**1**	8	10
160,001 – 170,000	**13**	**7**	8	5
170,001 – 180,000	**15**	**10**	5	3
180,001 – 190,000	**17**	**–**	2	6
190,001 – 200,000	**10**	**4**	2	4
200,001 – 210,000	**6**	**1**	2	1
210,001 – 220,000	**4**	**1**	4	4
220,001 – 230,000	**2**	**3**	7	–
230,001 – 240,000	**6**	**–**	3	–
240,001 – 250,000	**3**	**1**	2	1
250,001 – 260,000	**2**	**–**	1	–
260,001 – 270,000	**6**	**2**	–	2
270,001 – 280,000	**2**	**–**	1	1
280,001 – 290,000	**1**	**1**	2	–
290,001 – 300,000	**1**	**1**	1	1
300,001 – 310,000	**2**	**–**	–	1
310,001 – 320,000	**–**	**1**	1	1
320,001 – 330,000	**–**	**2**	–	–
330,001 – 340,000	**1**	**1**	–	–
340,001 – 350,000	**3**	**–**	2	–

Remuneration	NUMBER OF EMPLOYEES			
	2009		2008	
$	**Overseas**	**New Zealand**	Overseas	New Zealand
350,001 – 360,000	**1**	**–**	2	1
370,001 – 380,000	**2**	**–**	–	1
380,001 – 390,000	**3**	**2**	–	1
400,001 – 410,000	**–**	**–**	1	1
410,001 – 420,000	**1**	**–**	–	1
430,001 – 440,000	**1**	**1**	1	–
450,001 – 460,000	**–**	**1**	–	–
460,001 – 470,000	**–**	**–**	1	–
470,001 – 480,000	**1**	**–**	–	–
480,001 – 490,000	**1**	**1**	–	–
490,001 – 500,000	**–**	**–**	1	1
520,001 – 530,000	**–**	**1**	–	–
530,001 – 540,000	**–**	**1**	–	–
550,001 – 560,000	**–**	**–**	1	–
560,001 – 570,000	**1**	**–**	–	–
570,001 – 580,000	**1**	**–**	–	–
580,001 – 590,000	**–**	**1**	–	–
590,001 – 600,000	**–**	**–**	1	–
630,001 – 640,000	**–**	**–**	1	–
700,001 – 710,000	**1**	**–**	–	–
740,001 – 750,000	**1**	**–**	–	–
810,001 – 820,000	**1**	**–**	–	–
830,001 – 840,000	**1**	**–**	–	–
1,040,001 – 1,050,000	**–**	**–**	1	–
1,130,001 – 1,140,000	**1**	**–**	–	–

45. Foreign currency exchange rates

	31 March 2009	31 March 2008
NZ$1.00 =		
Australian dollar	**0.8259**	0.8646
United States dollar	**0.5686**	0.7931
Euro	**0.4289**	0.5019
British pound	**0.3972**	0.3976
Thai baht	**20.2400**	25.0100
Mexican peso	**8.1308**	–

The above foreign currency exchange rates have been applied at each balance date.

FIVE YEAR TREND STATEMENT (UNAUDITED)

NZ$'000 except where stated otherwise	NZ IFRS 2009	NZ IFRS 2008	NZ IFRS 2007	NZ FRS 2007	NZ FRS 2006	NZ FRS 2005
Group						
Total operating revenue	1,359,531	1,399,709	1,410,870	1,410,870	1,208,580	1,038,358
Net profit after taxation	(95,254)	54,212	63,437	61,180	63,945	68,561
Normalised net profit after taxation [1]	33,780	65,545	62,820	60,563	62,043	68,561
Cash flow from operations						
- Before movement in Finance business receivables	9,380	83,672	86,768	86,768	106,284	28,374
- Movement in Finance business receivables	(23,096)	(63,650)	23,536	-	-	-
	(13,716)	20,022	110,304	86,768	106,284	28,374
Total assets	1,996,354	1,830,224	1,761,397	1,739,290	1,560,651	1,449,699
Earnings per share (cents)						
- Basic	(33.1)	19.1	22.8	22.0	24.2	26.1
- Diluted	(32.5)	18.7	22.2	21.4	23.3	25.2
Dividends per share (cents)	5.0	18.0	18.0	18.0	18.0	18.0
Appliances business						
Operating revenue	1,222,613	1,275,816	1,292,741	1,292,741	1,082,178	914,240
Operating profit before interest and taxation	(85,522)	68,432	85,575	85,286	81,447	77,223
One-off abnormal items	141,092	14,832	(1,193)	(1,193)	(196)	-
Normalised operating profit before interest and taxation	55,570	83,264	84,382	84,093	81,251	77,223
Normalised operating margin [2]	4.5%	6.5%	6.5%	6.5%	7.5%	8.4%
Assets employed	1,232,237	1,051,612	1,043,339	1,018,532	996,038	894,011
Finance business						
Operating revenue	136,918	123,893	118,129	118,129	126,402	124,118
Operating profit before interest and taxation [3]	21,086	26,143	28,566	29,227	28,399	30,032
One-off abnormal items	-	745	591	591	(2,589)	-
Normalised operating profit before interest and taxation	21,086	26,888	29,157	29,818	25,810	30,032
Finance receivables	587,326	584,931	536,791	536,957	571,688	567,367

[1] Excludes one-off abnormal items

[2] Normalised operating profit to operating revenue

[3] Includes operating interest

Note: Data for the years 2005-6 is reported under previous NZ GAAP (NZ FRS), 2007 is reported under NZ FRS and NZ IFRS and the years 2008-09 under NZ IFRS

GROUP STRUCTURE

*** FISHER & PAYKEL APPLIANCES HOLDINGS LIMITED owns:**
* AF Investments Limited

*** AF INVESTMENTS LIMITED owns:**
* Fisher & Paykel Appliances Limited
Fisher & Paykel Finance Holdings Limited

*** FISHER & PAYKEL APPLIANCES LIMITED owns:**
* Allied Industries Limited, which owns the 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 Limited (UK), which owns the Italian subsidiaries:
  * Fisher & Paykel Appliances Italy Holdings S.r.l.
  * Fisher & Paykel Appliances Italy S.p.A.
* Fisher & Paykel Production Machinery Limited
* Fisher & Paykel (Singapore) Pte Limited, which owns:
  * Fisher & Paykel Appliances (Thailand) Co Ltd
* Fisher & Paykel Appliances (USA) Holdings Inc, which owns the USA subsidiaries:
  * Fisher & Paykel Appliances Inc, which owns:
    * Fisher & Paykel Appliances Canada Inc
  * Dynamic Cooking Systems Inc
  * Fisher & Paykel Laundry Manufacturing Inc
* New Zealand Export Corporation Limited, which owns:
  * Fisher & Paykel Appliances Mexico, S. de R.L. de C.V. (formerly Maytag Mexico Appliance Products, S. de R.L. de C.V.)

FISHER & PAYKEL FINANCE HOLDINGS LIMITED owns:
Fisher & Paykel Finance Limited, which owns:
  Consumer Finance Limited
  Consumer Insurance Services Limited
  Equipment Finance Limited
Fisher & Paykel Financial Services Limited, which owns:
  Retail Financial Services Limited

* Companies operating under a Security Trust Deed and cross guarantee.

\# Fisher & Paykel Finance Limited operates under its own Debenture Trust Deed. All subsidiaries are charging subsidiaries under the Debenture Trust Deed, with the exception of Consumer Insurance Services Limited.

All companies are wholly owned, except for Fisher & Paykel Appliances (Thailand) Co. Ltd and Fisher & Paykel Appliances Mexico S. de R.L. de C.V.. Thai law requires a minimum of three shareholders, therefore in accordance with normal practice, two ordinary shares are held individually by Company Executives. Local regulations in Mexico require a primary and secondary shareholder, therefore Allied Industries Limited has a minority shareholding in Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.

SHAREHOLDER INFORMATION

Size of Holdings	Number of Holders	%	Number of Ordinary Shares	%
1 – 999	2,549	15.79	1,390,638	0.48
1,000 – 4,999	7,904	48.97	19,394,061	6.68
5,000 – 9,999	2,813	17.43	18,649,396	6.42
10,000 – 99,999	2,693	16.69	57,854,767	19.92
Over 100,000	181	1.12	193,087,128	66.50
Total	16,140	100.00	290,375,990	100.00

1,896 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 31 May 2009.

Substantial Security Holders

Pursuant to Section 35F of the Securities Markets Act 1988, the substantial security holders as at 31 May 2009 were as follows:

	Ordinary Shares
Orbis Investment Management (Australia) Pty Ltd (notice dated 24 February 2009)	26,017,335

Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 31 May 2009 were:

Holder	Ordinary Shares	%
New Zealand Central Securities Depository Limited	91,867,169	31.63
National Nominees Limited	10,192,606	3.51
HSBC Custody Nominees (Australia) Limited	9,280,175	3.19
J P Morgan Nominees Australia Limited	6,024,124	2.07
FNZ Custodians Limited	4,786,534	1.64
Ithaca (Custodians) Limited	4,350,000	1.49
ASB Sharebroking Services	3,890,720	1.33
Citicorp Nominees Pty Limited	2,763,499	0.95
Masfen Securities Limited	2,700,892	0.93
Investment Custodial Services Limited	2,447,223	0.84
Gurshon Fisher	2,314,384	0.79
ANZ Nominees Limited	2,254,760	0.77
Gurshon Fisher Family Account	2,226,560	0.76
Custodial Services Limited	2,209,456	0.76
Gary Albert Paykel and Dorothy Mary Paykel and Keith Raymond Rushbrook	2,091,660	0.72
NZPT Custodians (Grosvenor) Limited	1,817,603	0.62
Joyce Fisher and Anthony John James Agar and Graeme Louis Collinson and Noel Stuart Robinson	1,814,608	0.62
Maurice & Phyllis Paykel Trust Incorporated	1,381,911	0.47
Custodial Services Limited	1,340,037	0.46
Woolf Fisher Trust Inc	1,277,880	0.44

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 2009 were:

Holder	Ordinary Shares
National Nominees New Zealand Limited	29,177,784
HSBC Nominees (New Zealand) Limited	10,393,897
Accident Compensation Corporation	8,609,742
Citibank Nominees (New Zealand) Limited	7,772,414
New Zealand Superannuation Fund Nominees Limited	7,372,244
TEA Custodians Limited	6,682,104
ANZ Nominees Limited	3,951,022
Guardian Trust Investment Nominees (RWT) Limited	3,898,435
Custody and Investment Nominees Limited	2,869,989
AMP Investments Strategic Equity Growth Fund	2,844,946

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

SHAREHOLDER INFORMATION

Directors' Shareholdings

Directors held interests in the following shares in the Company at 31 March 2009:

	2009 Ordinary Shares	2008 Ordinary Shares
J H Bongard		
Ordinary Shares		
Beneficially Owned	**90,754**	90,754
Held by an Associated Person	**138,116**	138,116
Options to Acquire Ordinary Shares		
Beneficially Owned	**300,000**	300,000
N M T Geary		
Ordinary Shares		
Beneficially Owned	**11,012**	11,012
Held by an Associated Person	**21,736**	21,736
J W Gilks		
Ordinary Shares		
Held by an Associated Person	**220,868**	220,868
W L Gillanders		
Ordinary Shares		
Held by an Associated Person	**100,000**	100,000
P D Lucas		
Ordinary Shares		
Held by an Associated Person	**100,000**	100,000
G A Paykel		
Ordinary Shares		
Beneficially Owned		-
Held by an Associated Person	**2,091,660**	2,091,660
R G Waters		
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.

Share Dealings by Directors

In accordance with Section 148(2) of the Companies Act 1993, the Board has received no disclosures from Directors of acquisitions or dispositions of relevant interests in the Company between 31 March 2008 and 31 March 2009.

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors, and particulars of entries in the interests registers, made during the year ended 31 March 2009.

The remuneration and other benefits of such employees (received as employees) totalling $100,000 or more during the year ended 31 March 2009, are included in the relevant bandings for remuneration disclosed in Note 44 to the Financial Statements.

No employee of the Group appointed as a Director of the Company's subsidiaries receives or retains any remuneration or other benefits in their capacity as Director. Payments were made to persons who are not employees of the Group for their directorships of subsidiary companies. Gary Paykel, Lindsay Gillanders and John Gilks each received $30,000 (included as part of their total remuneration as Directors of the Group outlined on page 22) for their directorships in the Finance Group of companies, and Boardroom Corporate & Advisory Services Pte Limited received S$1,800 for providing a nominee director for the Company's wholly-owned subsidiary, Fisher & Paykel Singapore Pte Limited, as required by Singaporean law.

The following persons respectively held office as Directors of the Company's subsidiaries at the end of this financial year:

AF Investments Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders

Fisher & Paykel Appliances Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders

Fisher & Paykel Production Machinery Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders

Allied Industries Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders

Fisher & Paykel Appliances Share Purchase Trustee Limited
Mark Richardson, Michael Matson, Richard Kempthorne

New Zealand Export Corporation Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders

Fisher & Paykel Australia Holdings Limited
John Bongard, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper, Kevin Pullar

Fisher & Paykel Finance Pty Limited
John Bongard, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper, Kevin Pullar

Fisher & Paykel Australia Pty Limited
John Bongard, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper, Kevin Pullar

Fisher & Paykel Manufacturing Pty Limited
John Bongard, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper, Kevin Pullar

Fisher & Paykel Customer Services Pty Limited
John Bongard, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper, Kevin Pullar

Fisher & Paykel Appliances Limited (UK)
John Bongard, Mark Richardson, Lindsay Gillanders

SUBSIDIARY COMPANY DIRECTORS

Fisher & Paykel Appliances Italy Holdings S.r.l.
John Bongard, Mark Richardson

Fisher & Paykel Appliances Italy S.p.A.
John Bongard, Antonio Pilati, Stuart Broadhurst

Fisher & Paykel (Singapore) Pte Limited
John Bongard, Mark Richardson, Gary Paykel, Baey Cheng Song

Fisher & Paykel Appliances (Thailand) Co Limited
John Bongard, Mark Richardson, Gary Paykel, Roger Lonsdale-Cooper, Andrew Paykel

Fisher & Paykel Appliances (USA) Holdings Inc
John Bongard, Mark Richardson, Gary Paykel

Dynamic Cooking Systems Inc
John Bongard, Mark Richardson, Gary Paykel

Fisher & Paykel Appliances Inc
John Bongard, Mark Richardson, Gary Paykel

Fisher & Paykel Laundry Manufacturing, Inc
John Bongard, Mark Richardson, Gary Paykel

Fisher & Paykel Appliances Canada Inc
John Bongard, Mark Richardson, Gary Paykel

Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.
John Bongard, Mark Richardson, Gary Paykel

Fisher & Paykel Finance Holdings Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Fisher & Paykel Finance Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Consumer Finance Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Consumer Insurance Services Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Equipment Finance Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Fisher & Paykel Financial Services Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Retail Financial Services Limited
John Bongard, Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

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. General notices of interest were given by these Directors:

G A Paykel

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

a Director of:
- ACG Capital Limited
- Endeavour Yachting Limited
- Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited
- Howgate Holdings 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
- The Friends of Milly Molly (NZ) Ltd

a Trustee of:
- Andsar Family Trust
- 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:
- Business Mentors NZ Limited
- Dublin Bay Investments Limited
- Fundit Holdings Limited
- Receivables Management (NZ) Limited and subsidiaries
- Upstart Angels Limited
- Wanaka Storage Limited

a Shareholder in:
- Fisher & Paykel Appliances Holdings Limited

J H Bongard

a Shareholder in:
- Fisher & Paykel Appliances Holdings Limited

N M T Geary

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

a Shareholder in:
- Fisher & Paykel Appliances Holdings Limited

a Board Member of:
- New Zealand Institute of Economic Research

W L Gillanders

Chairman of:
- Auckland Packaging Company Limited

a Director of:
- Fisher & Paykel Healthcare Corporation Limited
- LRS Management Limited
- Rangatira Limited
- Vita New Zealand 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
- Tyree Australia Pty Ltd
- Tyree Holdings Pty Ltd
- Westpac New Zealand Limited

a Trustee of:
- Waters Superannuation Trust

a Shareholder in:
- Fisher & Paykel Appliances Holdings Limited

DISCLOSURE OF INTEREST BY DIRECTORS

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
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 AND DIRECTORY

EXECUTIVE

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

Appliances

John Bongard – Managing Director
Stuart Broadhurst – VP Supply Chain Management
Paul Brockett – VP Investor Relations, Logistics, Global Planning
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 – Chief Technical Officer
Michael Goadby – President, North America
Malcolm Harris – Chief Operating Officer, New Zealand
Rebecca Holbrook – General Counsel
Matt McConnell – VP Procurement
Andrew Paykel – Chief Operating Officer, Asia
Antonio Pilati – Chief Operating Officer, Europe
Mark Richardson – Chief Financial Officer
John Wardrop – VP Human Resources & Cost Management

Finance

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

DIRECTORY

Fisher & Paykel Appliances Holdings Limited

Registered Offices

New Zealand
78 Springs Road, East Tamaki, Auckland 2013, 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
5900 Skylab Road, Huntington Beach, CA 92647, USA
Telephone: +1 714 3727000
Facsimile: +1 714 3727002

United Kingdom
Maidstone Road, Kingston, Milton Keynes, MK10 0BD, UK
Telephone: +44 1908 585577
Facsimile: +44 1908 586235

Mexico
Blvd Montebello Lotes 1, 2, 3, Manzana 8, Col. Parque Industrial Colonial, Reynosa, Tamaulipas C.P 88780, Mexico
Telephone: +52 8999217200

Europe
Via Fabbian Matteo 7, Borso Del Grappa, Treviso 31030, Italy
Telephone: +39 0423 9121
Facsimile: +39 0423 9124

Singapore
5150 Ubi Avenue 4, Ubi Biz-Hub #02-00, Singapore 408825
Telephone: +65 6547 0100
Facsimile: +65 6547 0123

Thailand
7/252 Moo 6, Amata City Industrial Estate, Tambol Mapyangporn, Amphur Pluakdaeng, Rayong 21140, Thailand
Telephone: +66 38640400
Facsimile: +66 38650269

Internet Address
www.fisherpaykel.com

e-Mail
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 242, Melbourne, Victoria 3001, Australia
Telephone Within Australia: 1800 501366
Telephone Outside Australia: +61 3 94154083
Facsimile: +61 3 94732009