Fisher & Paykel Appliances Holdings Limited

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2010

KEY HIGHLIGHTS

GLOBAL MANUFACTURING STRATEGY COMPLETION

The announced Global Manufacturing Strategy is now complete. A full year of financial benefits is expected in FY2011.

LOW MANUFACTURING COST BASE

With over 52% of production now in low cost countries, conversion costs have reduced by 31% since FY2008.

STRATEGIC PARTNERSHIP WITH HAIER

Haier acquired a 20% cornerstone shareholding in the Company. Commenced distribution of *Haier*™ products in Australia and New Zealand.

DEBT REDUCTION ↓

Appliances net debt as at 31 March was $173 million, a reduction of $286 million, since 31 March 2009.

U.S. DISTRIBUTION

Recently announced the sale of *DishDrawers*® into Sears Full Line stores and Laundry products into Lowe's stores.

STRONG FINANCE BUSINESS PERFORMANCE

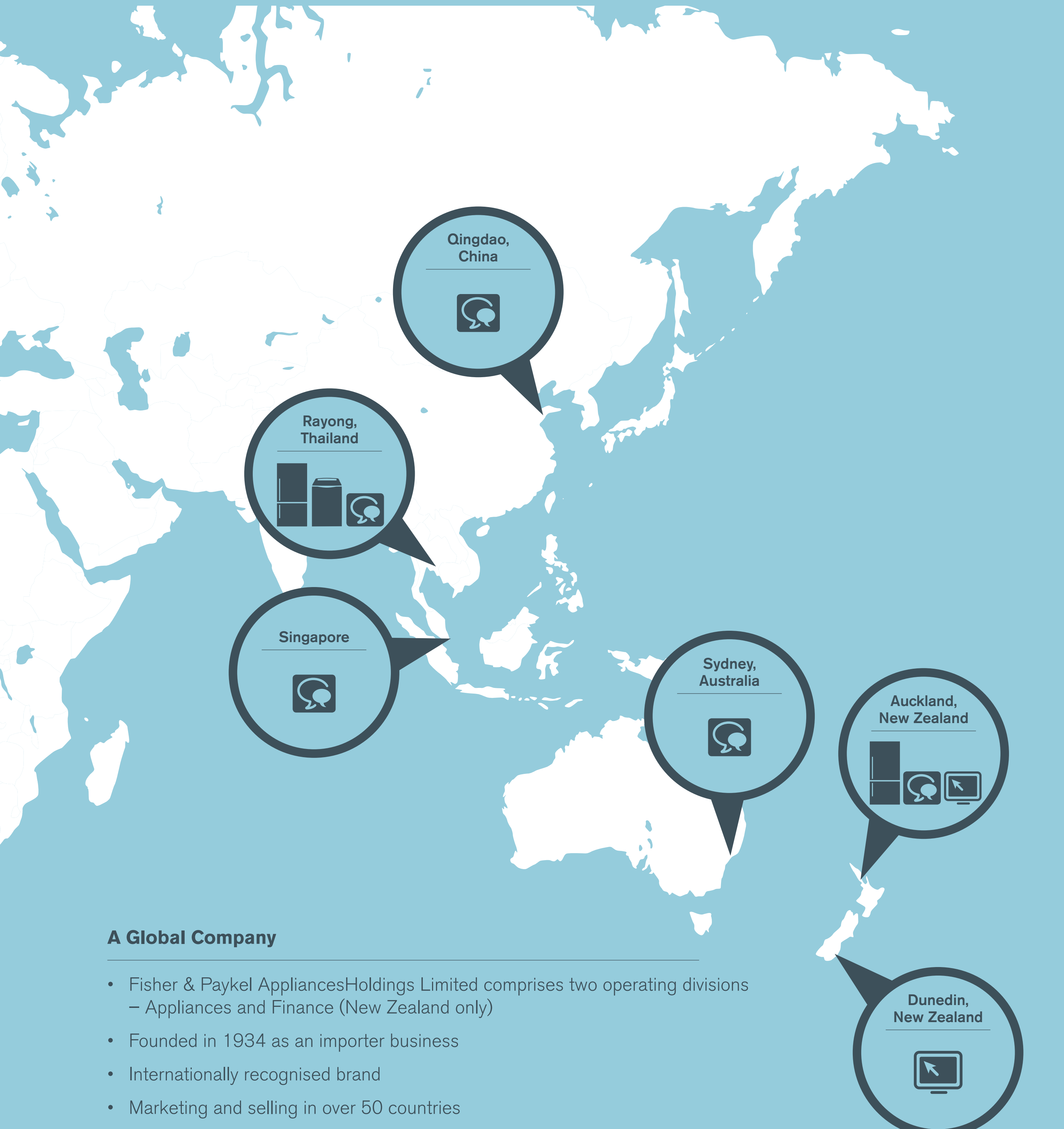
EBIT of $28.9 million in FY2010.

CHINA MARKET

First *Fisher & Paykel*® showroom opened in Hangzhou, China.

FISHER & PAYKEL APPLIANCES HOLDINGS LIMITED

Refrigeration products	Laundry products
Cooking products	*DishDrawer*® products
Regional/Sales Office	Research & Development



A Global Company

- Fisher & Paykel AppliancesHoldings Limited comprises two operating divisions – Appliances and Finance (New Zealand only)
- Founded in 1934 as an importer business
- Internationally recognised brand
- Marketing and selling in over 50 countries
- Low cost, efficient manufacturing facilities located in five countries
- Research and Development centres based in Auckland and Dunedin, New Zealand
- Over 3,300 employees

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CHAIRMAN'S REVIEW

Overview

This report covers a difficult but defining year for the Company. Following the decision in 2008 to move nearly all manufacturing to lower cost labour countries, the Company then endured a sudden and dramatic drop in demand which severely reduced earnings at a time when the global financial crisis deepened. The consequences of carrying additional debt to fund the manufacturing relocations, a delay in planned property sales and reduced earnings cumulated to increase pressure on meeting banking covenants and necessitated in March 2009, a complete restructure of the Company's balance sheet.

The Company was recapitalised with the assistance of the banking syndicate, our new partner Haier and from shareholders who participated in a rights issue. Moreover a strategic partnership was formed with Haier which will have significant mutual benefits in the long term. The progress of which is outlined later in this report.

It was a watershed year as the new manufacturing facilities are now completed, the transitional stock build has been extinguished, the banking arrangements have returned to normal commercial standards and there are no further abnormal costs associated with these matters envisaged in the year ahead. It was a year when a new Chief Executive Officer was appointed and there were significant changes to the Board with more set to follow. It was a demanding year for employees and a disappointing year for shareholders, but pleasingly, the outlook is now positive.

Results

Normalised Group Profit after Tax for the year ended 31 March 2010 was $18.0 million, down on the prior year result of $33.8 million, but within previously announced market guidance of $16.0 million to $23.0 million.

The result reflected a second half recovery for the Appliances' business, notwithstanding a continuation of difficult trading conditions in North America. The improvement on the first half Appliances business result was driven by financial benefits arising from the Global Manufacturing Strategy and market share gains in Australia. Appliances Normalised Operating Profit before Interest and Tax for the second half of the year was $23.7 million compared to $5.7 million for the first half. Appliances full year Normalised Operating Profit before Interest and Tax was $29.4 million.

With the announced Global Manufacturing Strategy now complete, one-off costs associated with the factory relocations amounted to $0.4 million in the second half compared to $15.0 million before tax for the first half.

Total impairments and fair valuation adjustments for the full financial year amounted to $102.3 million before tax.

Other one-off items included redundancy costs of $8.3 million before tax, debt restructuring costs of $11.1 million before tax and profit on the sale of land and buildings (East Tamaki Lot 1, New Zealand site) of $3.9 million before tax.

After deducting impairments and other one-off items, the Group reported a Loss after Tax of $83.3 million compared to the previous year loss of $95.3 million.

Key milestones:

- Completion of the Global Manufacturing Strategy with the successful commissioning and ramp up of the refrigeration plant, relocated from Cleveland, Australia to Rayong, Thailand.
- Regained market share in Australia through continuity of supply, increased marketing and price rebalancing as a result of a stronger Australian dollar.
- Expanded U.S. distribution into Sears Hometown stores in November 2009 and DishDrawer® into Sears Full Line stores from June 2010. The Company also agreed terms for the resupply of product into Lowe's from May 2010.
- Commenced distribution of *Haier*™ products in New Zealand (November 2009) and Australia (April 2010).
- Our strategic partner, the Haier Group, launched the *Fisher & Paykel*® brand in China and opened the first Fisher & Paykel Experience Centre in Hangzhou, China in May 2010.
- Announced plans to restructure distribution arrangements in New Zealand.

Actual Group Net Debt (excluding operating borrowings for the Finance business) was $173.1 million as at 31 March 2010. This compares favourably with previously announced guidance of Group Net Debt less than $200 million as at 31 March 2010. The Group also reverted to normal banking covenant tests from 31 March 2010.

Net Profit Performance	**YEAR**		**6 MONTHS**	
	31 Mar 2010	31 Mar 2009	**31 Mar 2010**	30 Sep 2009
	AUDITED	AUDITED	**UNAUDITED**	UNAUDITED
	NZ$'000	NZ$'000	**NZ$'000**	NZ$'000
Total Revenue and Other Income				
Appliances Business	**1,027,917**	1,234,522	**509,406**	518,511
Finance Business	**136,146**	135,797	**70,195**	65,951
	1,164,063	1,370,319	**579,601**	584,462
Normalised Operating Profit before Interest and Taxation				
Appliances Business	**29,419**	55,570	**23,686**	5,733
Finance Business	**28,904**	21,086	**16,478**	12,426
	58,323	76,656	**40,164**	18,159
Costs associated with implementing the Global Manufacturing Strategy	**(15,351)**	(66,615)	**(378)**	(14,973)
Redundancy Costs	**(8,321)**	(2,737)	**(2,797)**	(5,524)
Debt Restructuring Costs	**(11,110)**	(2,467)	**(1,235)**	(9,875)
Impairment Losses	**(76,515)**	(69,688)	**(22,158)**	(54,357)
Fair Valuation Adjustments (Barter Credits, Inventory Obsolescence)	**(21,722)**	–	**–**	(21,722)
Fair Valuation of Non-Current Assets held for Sale (East Tamaki site)	**(4,083)**	(6,725)	**(3,350)**	(733)
Profit on Sale of Land & Buildings	**3,904**	7,140	**(168)**	4,072
Reported Operating Profit/(Loss) before Interest and Taxation	**(74,875)**	(64,436)	**10,078**	(84,953)
Interest (excluding Finance Business Operating Interest)	**(28,393)**	(29,565)	**(10,692)**	(17,701)
Interest Rate Hedge Ineffectiveness	**–**	(11,232)	**–**	–
Operating (Loss)/Profit before Taxation	**(103,268)**	(105,233)	**(614)**	(102,654)
Taxation	**19,940**	9,979	**(304)**	20,244
Group (Loss)/Profit after Taxation	**(83,328)**	(95,254)	**(918)**	(82,410)
Normalised Group (Loss)/Profit after Taxation	**17,950**	33,780	**18,797**	(847)

CHAIRMAN'S REVIEW

The Finance business reported a strong result with Full Year Operating Earnings before Interest and Tax of $28.9 million, a 37% increase on the last financial year result of $21.1 million. The improved result was built on higher net margins, overhead containment, and a continued focus on asset quality and credit management. Key highlights:

- Fisher & Paykel Finance Limited obtained a long-term issuer credit rating of 'BB' (Outlook Stable) in February 2010 from Standard & Poor's.
- In May 2010, Fisher & Paykel Finance Limited was accepted to participate in the extended New Zealand deposit guarantee scheme.

The Finance Business reported a strong second half which was assisted by a $2.1 million rebate of fees (of which $0.6 million related to FY2009) paid in consideration of the New Zealand Deposit Guarantee Scheme. This followed Standard & Poor's issuance of a 'BB' Stable Outlook credit rating for Fisher & Paykel Finance Limited.

Capital Structure

As at 31 March 2009, the Appliances business had total outstanding net debt of $459 million. During FY2010 significant progress was made towards reducing debt. As at 31 March 2010, the Appliances business had total outstanding net debt of $173 million and a total leverage ratio of 2.1 times. Debt reduction was primarily achieved via:

- The pro-rata renounceable rights issue and placement to Haier raised $190 million in new equity.
- Property sales resulted in proceeds totalling $58 million.
- Reduction in inventory including finished goods stockbuild associated with the Global Manufacturing Strategy ($76 million) and underlying inventory ($48 million).

The Board is committed to further reducing debt levels. Two properties, Cleveland, Australia and East Tamaki Lot 2, New Zealand, continue to be offered for sale.

Governance

There have been a number of changes to the Board during the last year.

Two Haier nominees, Tan Lixia and Zhou Yunjie, were appointed to the Board in July 2009 and were subsequently confirmed at the 2009 Annual Shareholders Meeting. In August 2009, Simon Botherway was appointed to the Board as a replacement for Norman Geary, who retired as planned.

In November 2009, Gary Paykel stood down from the position of Chairman. The Board acknowledges Gary Paykel's long and distinguished service to the Company, approaching 50 years, including his roles of Chief Executive Officer and Chairman. Mr Paykel will continue as a non-executive Director until his previously announced retirement in 2011. Ralph Waters succeeded Mr Paykel as Chairman.

The new Directors bring with them a diverse range of talents and skills to complement those of existing Directors. The Board plans to continue with the process of refreshment over the next few years.

With respect to Director nominations and plans for selected board members:

- Simon Botherway, Director, was appointed to the Board in August 2009 and offers himself for election at the 2010 Annual Shareholders Meeting, as required by the Company's Constitution, this being the first Annual Shareholders Meeting since his appointment.
- John Gilks, Director, intends to retire in 2011.
- Lindsay Gillanders, Director, intends to retire immediately before the 2010 Annual Shareholders Meeting.
- Peter Lucas, Director, will retire by rotation and will seek re-election at the 2010 Annual Shareholders Meeting. Mr Lucas intends to retire in 2012.
- Ralph Waters, Chairman, will retire by rotation and will seek re-election at the 2010 Annual Shareholders Meeting. Mr Waters will not remain Chairman in the long term and intends to retire at a time convenient to the succession arrangements of the Board.

The Board acknowledges Lindsay Gillanders on his retirement and would like to thank Lindsay for his tremendous contribution during his long service to the Company as Legal Counsel and since separation from Fisher & Paykel Industries Limited, as a non-executive Director. Lindsay also was a valued member of the Audit & Risk Management committee and a Director of the Finance Business.

The Board intends to replace Mr Gillanders in due course.

The Finance Company maintains its own separate Board of Directors. Pursuant to the Reserve Bank Act, two independent Directors are required to join the Finance Board. Several candidates have been identified and appointments will be made prior to the end of the calendar year.

Innovative CoolDrawer refrigerator

The world's first multi temperature CoolDrawer can be set to freeze, chill, fridge, pantry or wine cooler mode, enabling you to select the mode you want whenever you choose. The convenient drawer design provides flexibility of location to optimise kitchen and entertainment spaces.

CHAIRMAN'S REVIEW

Leadership

In December 2009, the Board announced the appointment of Stuart Broadhurst as Managing Director and Chief Executive Officer. Stuart has over 22 years of industry experience in every aspect of the Company's global operations and has held a number of senior positions. Prior to accepting the role, Stuart was Acting Chief Executive Officer and Chief Operating Officer. Since his appointment, Stuart has made a number of important changes in the reporting and operational functions within the business. This process will continue during the year.

In the past year there have also been a number of changes to the senior management team. The Board is confident it has the team, strengthened by a number of senior appointments from outside the Company, in place to lead the business forward.

People

The Board would like to acknowledge the continued support and commitment from all employees during what has been a difficult and demanding year. With over 3,300 employees located across the world, the Board recognises the important contribution that each employee makes to the ongoing development of the Company. The Board would like to record its thanks to all employees.

Dividends

Under the debt Facilities Agreement, the Group was prohibited from making distributions to shareholders until the $235 million Amortising Facility was repaid and certain other conditions were satisfied (including achieving a total leverage ratio of less than 3 times). Accordingly, no dividend payments were declared during FY2010.

The Amortising Facility was repaid six months early in October 2009 and as at 31 March 2010 the Total Leverage Ratio was 2.1 times. Despite an improving Balance Sheet position, at this stage, the Directors are not yet in a position to advise when dividend payments will commence. The Directors intend to reinstate dividends as soon as financial and operating conditions permit.

John Bongard Retirement

At the 2009 Annual Shareholders Meeting, John Bongard announced his retirement from the position of Managing Director and Chief Executive Officer on medical grounds. The Board would like to thank John for his contribution and commitment to the Company over the past 35 years. John was Managing Director and Chief Executive Officer since the separation from Fisher & Paykel Industries Limited and oversaw Appliances' global expansion. More recently, John was instrumental in planning and implementing the Global Manufacturing Strategy. The Board wishes John and his family every success for the future.

Outlook

The Board shares the views of many market commentators, that the recovery from the global financial crisis is at best fragile and will be very mixed.

The Appliances business is well placed to benefit from revenue growth opportunities and a lower manufacturing cost base. That said, these benefits are likely to be partially offset by competitor activity, and cost headwinds including increasing raw material costs, freight, labour and lease costs.

The Finance business is expected to continue to perform strongly despite soft New Zealand retail conditions, although increases in interest rates will put pressure on full year earnings.

The Directors expect to give shareholders an update on year-to-date trading at the Annual Shareholders Meeting in August 2010.

MANAGING DIRECTOR & CEO'S REVIEW

MANAGING DIRECTOR & CEO'S REVIEW

Group

In New Zealand dollar terms, Total Revenue and Other Income decreased by $206.3 million (15%) to $1,164 million.

Appliances' revenue was down 17% from $1,213.5 million to $1,010.7 million in FY2010. Sales in Australia in the second half were up 17% in local currency terms on the first half, following the completion of the Global Manufacturing Strategy and resumption of continuity of supply and increased marketing. New Zealand sales through the second half were up slightly on the first half. Sales in North America continued to decline through the second half as a result of difficult trading conditions and high levels of competition.

Finance Business revenue was down slightly from $137 million to $136 million.

Asset Impairment and Fair Valuation Adjustments

The Group recorded a number of one-off asset impairment and fair valuation adjustments during the financial year, totalling $102.3 million before tax. A charge of $76.8 million before tax was made for asset impairments and fair value adjustments at the half year. These included:

- Asset impairments related to the *DCS*® brand ($22.0 million) and plant & equipment ($32.3 million).
- Fair valuation adjustments related to Barter credits ($11.8 million), inventory obsolescence ($10.0 million) and land held for sale in East Tamaki, New Zealand ($0.7 million).

Subsequently, further impairments of $25.5 million before tax were charged in the second half. These are outlined below:

- *Elba® Brand*: The *Elba*® brand carrying value has been reduced following the Company's planned shift to a two-tier brand strategy (*Fisher & Paykel*® and *Haier*™), in New Zealand, in conjunction with changes in distribution strategy. The value of the non-cash charge associated with this amounted to $14.7 million before tax.
- *Reynosa, Mexico*: A further impairment of $7.5 million before tax was attached to the Reynosa, Mexico refrigeration plant. This was due to changes in forecast accounting assumptions related to margins, pricing, competition and input costs. This resulted in a total impairment charge of $19.2 million before tax in the current financial year.
- *Property*: The East Tamaki (Lot 2), New Zealand property has been written down to the net value likely to be realised on a freehold basis. The previous estimate was prepared on a sale and leaseback basis. This resulted in a non-cash charge of $3.3 million before tax. The property continues to be offered for sale.

Group Revenue	YEAR		6 MONTHS	
	31 Mar 2010	31 Mar 2009	**31 Mar 2010**	30 Sep 2009
	NZ$'000	NZ$'000	**NZ$'000**	NZ$'000
Appliances Business				
New Zealand	**181,786**	212,444	**92,216**	89,570
Australia	**387,944**	452,391	**210,653**	177,291
North America	**271,852**	365,397	**116,237**	155,615
Europe	**102,055**	109,987	**48,688**	53,367
Rest of World	**67,025**	73,261	**34,673**	32,352
	1,010,662	1,213,480	**502,467**	508,195
Appliances Business Sales of Service	**10,304**	9,133	**5,894**	4,410
Finance Business	**136,063**	136,918	**69,710**	66,353
Other Income	**7,034**	10,788	**1,530**	5,504
Total Revenue and Other Income	**1,164,063**	1,370,319	**579,601**	584,462

Depreciation and Amortisation

Appliances' depreciation and amortisation (excluding impairments) was $38.1 million for the year ended 31 March 2010, compared to $50.6 million in FY2009. Reasons for the change include lower depreciation as a result of impairments and currency movements. Furthermore, depreciation of Cleveland refrigeration and *DishDrawer®* production assets was suspended during the relocation process.

Capital Expenditure

Total Group capital expenditure was $31.8 million for the year ended 31 March 2010, down significantly on FY2009, which included expenditure associated with the Global Manufacturing Strategy. Appliances' capital expenditure at $29.7 million included $14.9 million to complete the new refrigeration building in Thailand.

Cash Flow

Cash flow from operating activities for FY2010, before extending additional loans to Finance business customers, was $87.6 million compared to $9.4 million for the previous year.

Cash flow from investing activities was $26.7 million including proceeds of $49.3 million from the sale and leaseback of the East Tamaki (Lot 1), New Zealand site in October 2009.

Banking Facilities

Group Net Debt (excluding operating borrowings for the Finance business) as at 31 March 2010 was $173.1 million, compared to $459 million as at 31 March 2009. Substantial progress has been made in reducing net debt levels from a peak of $502 million in May 2009.

In May 2009, the Company completed the renegotiation of $575 million long-term debt facilities to support the Global Manufacturing Strategy. The banking covenant regime attached to these facilities required the repayment of a $235 million Amortising Facility by 30 April 2010 and included, among other measures, a Budget Performance Ratio whereby certain prescribed earnings thresholds had to be met through to 30 April 2010.

The Group fully repaid the $235 million Amortising facility six months early in October 2009. Effective 1 March 2010, the Company's Banking Group agreed to dispense with the Budget Performance Ratio test in March 2010 and reinstate a Total Leverage Ratio test.

MANAGING DIRECTOR & CEO'S REVIEW

Appliances Performance	YEAR		6 MONTHS	
	31 Mar 2010	31 Mar 2009	**31 Mar 2010**	30 Sep 2009
	NZ$'000	NZ$'000	**NZ$'000**	NZ$'000
Operating Revenue	**1,020,966**	1,222,613	**508,361**	512,605
Normalised Operating Profit before Interest and Taxation	**29,419**	55,570	**23,686**	5,733
Costs associated with implementing the Global Manufacturing Strategy	**(15,351)**	(66,615)	**(378)**	(14,973)
Redundancy Costs	**(8,321)**	(2,737)	**(2,797)**	(5,524)
Debt Restructuring Costs	**(11,110)**	(2,467)	**(1,235)**	(9,875)
Impairment Losses	**(76,515)**	(69,688)	**(22,158)**	(54,357)
Fair Valuation Adjustments (Barter Credits, Inventory Obsolescence)	**(21,722)**	–	**–**	(21,722)
Fair Valuation of Non-Current Assets held for Sale (East Tamaki site)	**(4,083)**	(6,725)	**(3,350)**	(733)
Profit on Sale of Land & Buildings	**3,904**	7,140	**(168)**	4,072
Operating (Loss)/Profit before Interest and Taxation	**(103,779)**	(85,522)	**(6,400)**	(97,379)
Assets Employed	**858,059**	1,232,237	**858,059**	943,872
Operating Margin *	**2.9%**	4.5%	**4.7%**	1.1%

** Normalised Operating Profit before Interest and Taxation to Operating Revenue.*

Appliances Business

Appliances' revenue at $1,021 million in FY2010 was down 16.4% compared to $1,223 million in FY2009. The result reflects an earnings recovery in the second half of the year. Operating margins in the second half increased to 4.7% compared to 1.1% in the first half, with the full year margin of 2.9%. Assets employed reduced largely due to impairments taken during the financial year and lower capital expenditure.

The Appliances business results for the years ended 31 March 2010 and 2009 are shown in the table above.

Market Reviews

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

Sales continued to be impacted by global recessionary conditions, with all markets experiencing a decline in local currency revenues compared to FY2009.

New Zealand

The New Zealand appliances market declined 9% during the current financial year. Overall, the market remained relatively stable through to September 2009, but declined sharply post Christmas. In contrast the Company's market share improved during the second half. As a result, Appliances revenue was down 14% when compared with the previous corresponding period due to lower volumes and price rebalancing on selected products as a result of a strong New Zealand dollar. In November 2009, Fisher & Paykel commenced distribution of *Haier*™ products. Distribution of Whirlpool products ceased from 1 April 2010.

Australia

Overall the Australian home appliances market declined by 6.2% over the financial year, and like New Zealand, this market decline was larger post Christmas.

As previously announced, the Company's market share fell from normal levels during the first half, due to limited availability of certain product categories included in the stock build associated with the factory relocations and strong competitor activity. In the second half, the Company recaptured market share as a result of continuity of supply, increased marketing, and price rebalancing as a result of a stronger Australian dollar. Despite an improved second half performance, revenues in Australian dollars were down 16% year-on-year.

Revenue (base currency)		YEAR			6 MONTHS	
		31 Mar 2010	31 Mar 2009		**31 Mar 2010**	30 Sep 2009
		'000	'000	%	**'000**	'000
Appliances						
New Zealand	NZD	**184,963**	214,435	(14%)	**94,749**	90,214
Australia	AUD	**315,168**	376,532	(16%)	**169,988**	145,180
North America	USD	**182,101**	239,339	(24%)	**83,487**	98,614
Europe	EUR	**48,039**	50,775	(5%)	**23,459**	24,580
Rest of World (incl. Singapore)	NZD	**67,022**	73,258	(9%)	**34,671**	32,351

North America

The Company continued to experience difficult demand conditions during the second half, particularly in the premium segment where *Fisher & Paykel®* brands are positioned. The result reflects the full year impact of reduced volumes from a major customer, reduced sales of the *DCS by Fisher & Paykel™* brand and high levels of competitor activity. As a result, North American revenues were down 24% on FY2009 in local currency terms.

Steps have been taken to improve the U.S. distribution business – see section entitled U.S. Distribution.

International

The Group's European sales were down 5% in local currency terms. Increased distribution in the United Kingdom resulted in a lift in sales in FY2010. Although the result was negatively impacted due to a weaker British pound. Trading in the Rest of World markets was down 9% in New Zealand dollar terms.

Operating Costs

With the Global Manufacturing Strategy now complete, our manufacturing cost base has reduced significantly bringing our cost structure more in line with global competitors. Product conversion costs have reduced by approximately 31% from FY2008 levels (pre-factory relocations), on lower volumes.

Raw material commodity prices, including steel, plastics, copper and chemicals reduced from historically high levels during FY2009 over the first half, but increased again over the second half. The Company did not fully realise the benefit from lower commodity prices due to higher inventory levels associated with the Global Manufacturing Strategy.

In FY2010 staff levels across the business were reduced by 14% reflecting current economic conditions. Salary package reductions of 5% across all salaried staff implemented during FY2009 were continued into FY2010.

The Company remains committed to delivering on cost down projects. The localisation of raw material sourcing in Mexico and Thailand has further reduced material costs.

Global Manufacturing Strategy

The Global Manufacturing Strategy, announced in 2007, is now complete. During the first half of the financial year the refrigeration plant was relocated from Cleveland, Australia to Rayong, Thailand. Production commenced in August 2009 and full production ramp-up occurred in line with expectations.

In FY2011, we expect to realise a full year benefit from the factory relocations, including lower conversion costs. The process of localising raw material and component supply will continue progressively over FY2011.

The location of all manufacturing sites remains under review. In the current financial year, there are no plans to relocate any manufacturing site.

MANAGING DIRECTOR & CEO'S REVIEW

HAIER – Strategic Partnership

The relationship with Haier is progressing well. A number of milestones have been achieved:

- The Company established a country presence in Qingdao, China to manage the introduction of the *Fisher & Paykel*® brand into China and coordinate other project activities.
- The first *Fisher & Paykel*® Experience Centre officially opened in Hangzhou in May 2010. There are plans to open three more Experience Centres in Beijing, Shanghai and Guangzhou over the next 12–24 months. Fisher & Paykel will offer refrigeration, dishwashing and cooking products, with plans to further develop the product range.
- Fisher & Paykel Appliances commenced distribution of *Haier*™ products in New Zealand in November 2009 and Australia in April 2010. An extensive marketing campaign for the *Haier*™ brand will be launched in New Zealand during June 2010 and Australia during July 2010.
- As previously announced, the companies are working on joint procurement opportunities. For the year ended 31 March 2010 annualised procurement benefits of $0.4 million were realised with a further $2.0 million of known projects in progress.

U.S. Distribution

The Company has made significant progress in expanding its U.S. distribution footprint. Recent developments are outlined below:

- *Sears*: Agreement was reached with Sears Holdings to sell *DishDrawers*® into 500 Sears Full Line stores commencing June 2010. The Sears Full Line Stores, comprising 848 outlets, are primarily in mall based locations. Display orders have been placed and we expect further orders commencing June 2010. This will increase production volumes at the Mexico manufacturing facility.
- *Lowe's*: In March 2010, terms were agreed with Lowe's Group on washing machines and clothes dryers. First orders were shipped to approximately 700 Lowe's outlets in April 2010. The Lowe's Group also sells *DishDrawers*® in approximately 500 outlets.

In FY2010, the Company undertook a full review of the U.S. distribution business. As a result, the business was restructured to realign staffing levels and costs for expected sales levels.

Additional initiatives are planned to further improve the U.S. position during FY2011. These include savings from optimising logistics and warehousing, exiting leases and reducing product costs from material localisation activities in Mexico. Furthermore, new product releases are expected to incrementally improve sales during FY2011. These include Energy Star rated refrigeration products, a "wide" 90cm *DishDrawer*® and refreshed *DCS*® indoor cooking products.

New Zealand Distribution

In March 2010, following an extensive review and consultation process with existing retailers, the Company announced changes to its distribution strategy in the New Zealand market. The Exclusive Distribution Arrangement will be restructured effective 1 July 2010. This change will open up new distribution opportunities for the Company. Implementation plans for the 1 July launch are well advanced.

In conjunction with the change in distribution strategy in New Zealand, the Company will move to a two tier brand strategy. The *Fisher & Paykel*® brand is positioned at the mid to high end of the market and the *Haier*™ brand positioned at the value or lower end of the market. The *Elba by Fisher & Paykel*™ brand presence will be scaled down, but will continue to be used in a limited capacity through certain channels.

Fisher & Paykel Appliances will no longer distribute the *Whirlpool*® brand in New Zealand, effective 1 April 2010, following Whirlpool's decision not to renew the distribution contract.

The Directors reiterate that the earnings impact in the first year of the new distribution strategy is expected to be immaterial.

First *Fisher & Paykel*® Experience Centre opened in Hangzhou, China

The *Fisher & Paykel*® Experience Centre is located in a luxury shopping mall in Hangzhou, China and was officially opened on 23 May 2010. There are plans to open three Experience Centres in Beijing, Shanghai and Guangzhou over the next 12–24 months.

The new *DishDrawer*® Wide

A simple solution for entertainers and large families, the *DishDrawer*® Wide is a larger version of the standard *DishDrawer*®. At 90cm wide it accommodates nine place settings, has fully adjustable racking and the tub design easily fits large platters, chopping boards, pans and roasting dishes. The *DishDrawer*® Wide sizing complements the other 90cm modular products in the Fisher & Paykel range, the CoolDrawer, ovens, cooktops and rangehoods, and is available in Stainless Steel and an integrated model that blends in with your kitchen cabinetry.

Finance Performance	YEAR		6 MONTHS	
	31 Mar 2010	31 Mar 2009	**31 Mar 2010**	30 Sep 2009
	NZ$'000	NZ$'000	**NZ$'000**	NZ$'000
Operating Revenue	**136,063**	136,918	**69,710**	66,353
Reported Operating Profit before Interest and Taxation (includes operating interest)	**28,904**	21,086	**16,478**	12,426
Net Finance Receivables	**615,693**	587,326	**615,693**	565,215

Finance Business

The Finance business reported a strong performance for the period ended 31 March 2010. Normalised Operating Profit before Interest and Tax of $28.9 million was up 37% from $21.1 million the previous year.

The improved result was built on higher net margins, cost containment, and a continued focus on asset quality and credit management.

Operating revenue was marginally down, reflecting lower volumes of new lending and lower interest rates.

Q Card® gross receivables grew by $40 million (16%) which together with more modest growth in Farmers Finance Card receivables of 4%, resulted in an overall level of Credit Card gross receivables of over $500 million at balance date. Revolving credit finance on *Q Card*® is well supported by customers and Farmers Finance Card maintains its strong position in Farmers Trading Company stores and across a widening range of other retail merchants. Declines in other receivables, which reduced by 11%, reflected the softer economic climate particularly in small to medium size business equipment financing.

In February 2010, the Finance business acquired a $22 million receivables book, comprising fixed instalment contracts for household equipment. In addition, arrangements were entered into to provide future financing.

Cash flow from customers remained strong, exceeding $545 million in FY2010.

Finance Business Funding

Total external debt funding at 31 March 2010 was $549 million. The Finance business has a diversified funding portfolio represented by retail debentures (29%), RFS commercial paper (39%) and term wholesale bank debt (32%) and continued to maintain surplus liquidity in the form of undrawn term committed bank facilities. At balance date these facilities exceeded the total level of outstanding retail debentures.

During FY2010, further steps were taken to strengthen the funding position of the Finance business. Fisher & Paykel Finance Limited, as a Non Bank Deposit Taker, has been assigned a long term issuer credit rating of 'BB' (Stable Outlook) from Standard & Poor's. This rating complements the 'A1+' rating for the Retail Financial Services (RFS) Commercial Paper funding programme, and the 'A-' rating for the Insurance business.

In May 2010, Fisher & Paykel Finance Limited was approved to participate in the extended New Zealand deposit guarantee scheme. Debenture reinvestment rates remain strong at an average of 63% for the last six months and achieved 80% in April 2010.

In addition, since balance date the committed bank standby liquidity facility to support the RFS commercial paper programme has been increased to $285 million resulting in surplus liquidity of close to $70 million. The maturity date of the liquidity facility has been extended into 2011.

Investment in the Finance business increased by $19.9 million to $199.4 million. This included a capital injection of $15.0 million in August 2009.

MANAGING DIRECTOR & CEO'S REVIEW

People

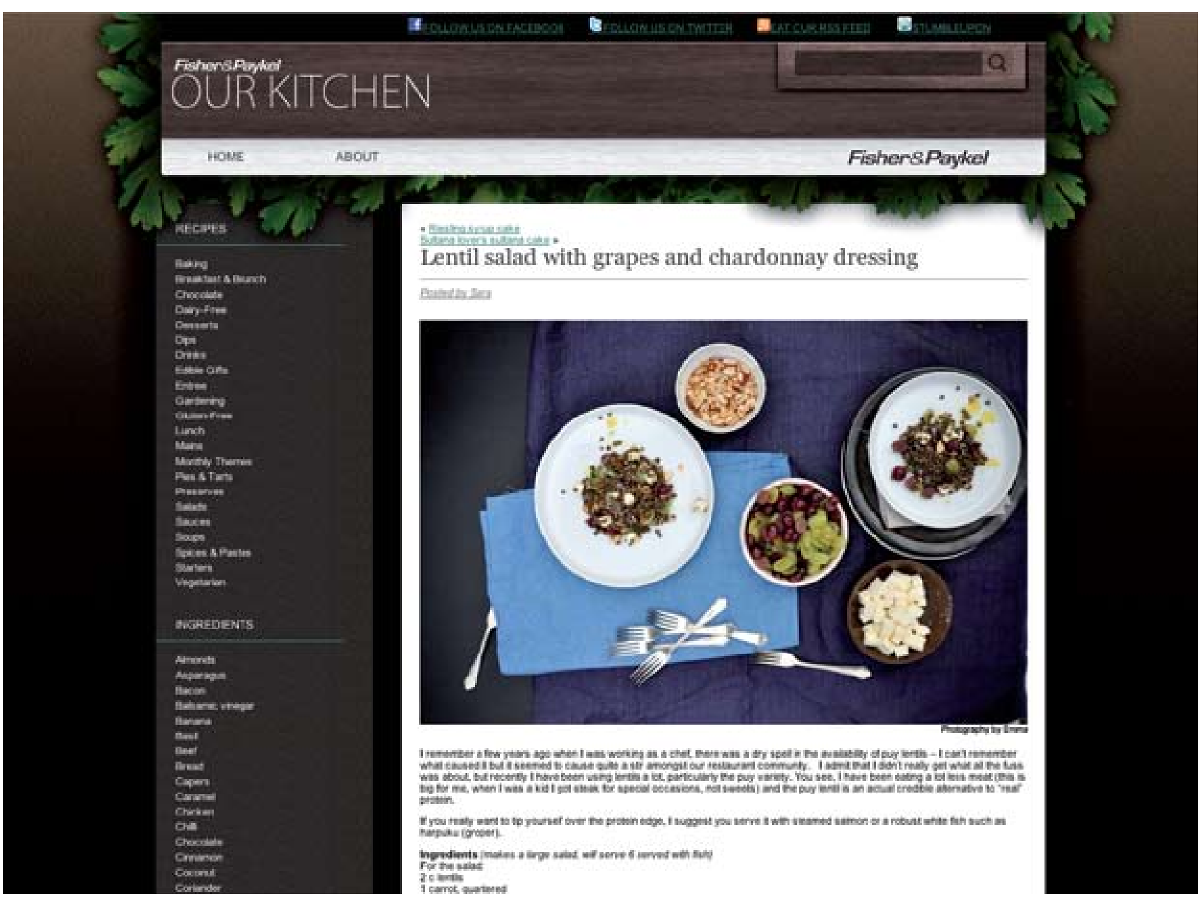
I would like to acknowledge the significant contribution of our staff and their continued support of the Company. Their talent, loyalty and dedication were essential in moving the Company through difficult times. The Global Manufacturing Strategy programme placed a huge strain on our resources and I appreciate the professional manner in which the projects were completed. I am grateful for the efforts made by the team in improving our processes and I am confident they will continue to focus on operational performance.

There have been significant changes to the team over the past six months, including a number of appointments from outside the Company. The new executives bring a fresh perspective to the business and will complement the skills and talents of the existing executive team.

Summary

It has been a difficult year for Fisher & Paykel Appliances – a year which saw the completion of the Global Manufacturing Strategy, a recapitalisation and the establishment of a framework within the business to deliver enhanced performance.

With the Global Manufacturing Strategy now complete, our focus is firmly on improving our core business and developing future quality products for our customers. While market conditions continue to remain fragile, I am confident we have the team in place to meet the challenges ahead.



Our Kitchen Cooking Blog

The passion of our people for Fisher & Paykel products and the experience they deliver to the consumer is demonstrated by our world renowned food blog. Our Kitchen is an initiative led by our staff to express their appreciation for food. We invite you to visit and share the experience at www.ourkitchen.fisherpaykel.com

DIRECTOR'S REPORT AND FINANCIAL INFORMATION

DIRECTORS

Ralph Waters
Chairman

John Gilks
Deputy Chairman

Stuart Broadhurst
Managing Director & CEO

Simon Botherway
Director

Lindsay Gillanders
Director

Tan Lixia
Director

Peter Lucas
Director

Gary Paykel
Director

Zhou Yunjie
Director

Ralph Waters, 61, was appointed Chairman of the Company on 26 November 2009 and has been a Director of the Company since November 2001. Mr Waters was appointed Chairman of Fletcher Building Limited in March 2010 and prior to that was a non Executive Director. He was Chief Executive Officer of Fletcher Building Limited from June 2001 until August 2006. 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 the Institution of Engineers (Australia).

John Gilks, 69, 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 practicing 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.

Stuart Broadhurst, 43, was appointed Managing Director and Chief Executive Officer on 11 December 2009. He was Acting Chief Executive Officer from 18 September 2009 and prior to that, he was Chief Operating Officer from 1 July 2009. Mr Broadhurst has over 22 years of industry experience in every aspect of the company's global operations. Since 1988, he has held a number of senior management positions within New Zealand and Australia. He has been employed in key leadership roles for The Fisher & Paykel Appliances Group in the USA, the United Kingdom and Europe, where he project managed, established and developed major business units. Mr Broadhurst received a Bachelor of Commerce degree from the University of Auckland.

Simon Botherway, 46, has been a Director of the company since August 2009. He was recently appointed Chairman of the Financial Markets Authority Establishment Board and is a Director of the Electricity Authority Establishment Board and the Securities Commission. Mr Botherway was the Executive Chairman of Brook Asset Management Limited. He has a Bachelor of Commerce degree from Otago University and holds the post-graduate Chartered Financial Analyst (CFA) designation from the US-based CFA Institute (CFAI). Mr Botherway is also Past-President of the CFA Society of New Zealand and previously served on the CFA Institute's Asia-Pacific Advocacy Committee. He chaired the NZX's Asset Management Advisory Board.

Lindsay Gillanders, 60, 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.

Tan Lixia, 39, has been a Director of the Company since her appointment in July 2009. Ms Tan has been the Chief Financial Officer, Vice President of Haier Group Corporation since 2007. Prior to her current role, Ms Tan was the Director of the Finance Division of Haier Group Corporation, responsible for the Group's financial management including its risk, investment and financing strategies. Between 2002 and 2006 Ms Tan was the Director of the Haier Overseas Business Division where she established Haier as a household name in overseas markets. Ms Tan has received awards for her outstanding contributions towards Haier's globalisation strategy as China's "Female Business Enterpriser and Creator" of the year, 2004, China's "Chief Accountant" of the year, 2006 and one of China's Top Ten Business Women in 2006. Ms Tan is a 1992 graduate of the Central University of Finance and Economics.

Peter Lucas, 64, 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.

Gary Paykel, (CNZM), 68, was Chairman of the Company from April 2004 until he stood down from this role on 26 November 2009. Mr Paykel remains a Director of the Company. Mr Paykel was Executive Chairman of the Company following the Separation from Fisher & Paykel Industries Limited. He 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.

Zhou Yunjie, 43, has been a Director of the Company since his appointment in July 2009. Mr Zhou (PhD Business Administration) has been the Senior Vice President and Chief Marketing Officer of Haier Group Corporation, responsible for global marketing since 2007. Immediately prior to this role Mr Zhou was in charge of Haier Group Corporation's marketing and sales in China (where he spent time as the head of the Business Process Promotion Department) and overseas and was concurrently Vice President of the Tourism and Biological Business. Mr Zhou has considerable experience in refrigeration, having headed the Refrigerator Electrical Engineering Department and the Refrigeration Product Department, following earlier senior positions at the Qingdao Refrigerator Co. Ltd where he was Vice President and President in 1995 and head of the Quality Department in 1994. Mr Zhou is a graduate of Huazhong University of Science and Technology and joined the Qingdao Refrigerator Factory in 1988.

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 2010.

Result

The Group incurred a loss after taxation of $83.3 million for the year ended 31 March 2010, compared to a loss after taxation of $95.3 million for the previous year. The $83.3 million loss for the year ended 31 March 2010 was after charges in respect to asset impairments and fair valuation adjustments of $71.7 million after tax and other one-off costs of $31.5 million after tax, as detailed in the financial statements.

Losses were 13.6 cents per share (2009 Loss of 33.1 cents per share).

Shareholders' Equity

Shareholders equity as at 31 March 2010 totalled $601.2 million (2009 $565.6 million).

Share Issues

In June/July 2009, 85,407,984 shares were issued via a placement to Haier (Singapore) Management Holding Co. Pte Ltd and in July 2009, 348,451,188 shares were issued following a pro-rata one-for-one renounceable rights issue. The Group has 724,235,162 authorised and issued shares as at 31 March 2010.

During the year, no shares were issued under the Dividend Reinvestment Plan (2009 5,767,683). No shares were issued during the year related to the exercise of options granted to employees under the approved Share Option Plan (2009 Nil shares).

Dividends

The Directors have not declared a final dividend for the year ended 31 March 2010 (2009 No final dividend).

Total dividends for the year ended 31 March 2010 were Nil (2009 5.0 cents).

Directors

In accordance with the Constitution, Messrs Peter Lucas and Ralph Waters retire by rotation and being eligible offer themselves for re-election. Following his appointment to the Board immediately after the Annual Shareholders Meeting on 17 August 2009, Mr Simon Botherway, being eligible, offers himself for election. Mr Lindsay Gillanders intends to retire immediately before the Annual Shareholders Meeting set for 23 August 2010.

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 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, through its subsidiary company Haier (Singapore) Management Holding Co. Pte Ltd (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.

NZSX Listing Rule 9.2.1

In 2009, the Company conducted an equity capital raising, a consequence of which was that Haier became a 20% shareholder in the Company, and is, accordingly a Related Party of the Company. At the time of the equity raising, it was also announced that Haier and the Company had entered into a Cooperation Agreement to work together on a number of initiatives for the benefit of both companies. It is possible that, over time, aspects of the specific agreements entered into to give effect to the terms of the Cooperation Agreement will exceed the thresholds in NZSX Listing Rule 9.2.1. The rule provides that entry by an Issuer into a Material Transaction with a Related Party must be approved by an Ordinary Resolution of the Issuer.

On 22 March 2010, NZX granted the Company a waiver, subject to certain conditions, from the requirement in NZSX Listing Rule 9.2.1 that would have required the Company to seek shareholder approval of the agreements entered into to give effect to the terms of the Cooperation Agreement.

One of the Conditions of that waiver was that the Company include details in its annual report of the values of products sold to, and purchased from, the Haier group under the agreements in the relevant financial year. In relation to the financial year ended 31 March 2010 that information is set out in Note 42 to the Financial Statements.

ASX Waivers

ASX Listing Rule 7.1
On 26 May 2009, the ASX granted a waiver, subject to certain conditions, from compliance with 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 2010 has been disclosed on page 29 of this Annual Report.

Outlook

The Board shares the views of many market commentators, that the recovery from the global financial crisis is at best fragile and will be very mixed.

The Appliances business is well placed to benefit from revenue growth opportunities and a lower manufacturing cost base. That said, these benefits are likely to be partially offset by competitor activity and cost headwinds including increasing raw material costs, freight, labour and lease costs.

The Finance business is expected to continue to perform strongly despite soft New Zealand retail conditions, although increases in interest rates will put pressure on full year earnings.

The Directors expect to give shareholders an update on year-to-date trading at the Annual Shareholders Meeting in August 2010.

For and on behalf of the Board

R G Waters
Chairman

S B Broadhurst
Managing Director & Chief Executive Officer

28 May 2010

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.

The Company meets all the best practice requirements of the ASX Corporate Governance Council, except where specifically noted in this Annual Report.

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 Company's 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 Managing Director & Chief Executive Officer to deliver the strategic direction and goals determined by the Board.

The Board

Board Composition
At present there are nine Directors on the Board, of which eight are non-executive Directors.

The Executive Director is Mr Stuart Broadhurst, who is the Managing Director & Chief Executive Officer of the Company. Mr Broadhurst was appointed to this role on 11 December 2009 and succeeded Mr John Bongard who retired due to health reasons on 30 September 2009.

Mr Zhou Yunjie and Ms Tan Lixia were appointed to the Board on 16 July 2009, following Haier (Singapore) Management Holding Co. Pte Ltd taking a 20% shareholding in the Company.

Mr Norman Geary retired from the Board on 17 August 2009.

Mr Simon Botherway was appointed to the Board on 17 August 2009, following Mr Geary's retirement.

Mr Ralph Waters replaced Mr Gary Paykel as Chairman of the Board on 26 November 2009. Mr Paykel remains as a Director of the Board

A summary of the tenure, skills and experience of each Director is provided at pages 22 to 23 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. Mr Zhou Yunjie and Ms Tan Lixia are not independent directors as they are associated directly with Haier (Singapore) Management Holding Co. Pte Ltd, a substantial shareholder of the Company. No other 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 Broadhurst
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 John Gilks and Mr Ralph Waters. Mr Waters is a director of a registered bank that provides credit facilities to the Group in the ordinary course of business. Mr Gilks is a director and shareholder of a company which provides debt collection services to the Finance business 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 nine Directors are independent directors, namely Messrs. Botherway, Gilks, Gillanders, Lucas, Paykel and Waters. The Company considers that Mr Gilks is an independent director notwithstanding his directorship and shareholding of the debt collection company referred to above as debt collection services are provided by several companies on similar terms and conditions. The Company considers that Mr Waters is an independent director of the Company notwithstanding his directorship of the registered bank referred to above. The Company's reasons for these conclusions include the fact that Mr Gilks does not take part in the selection of debt collection service providers on behalf of the Company or the day to day running of the debt collection company. Furthermore, Mr Waters does not take part in the individual lending decisions of the registered bank and in particular Mr Waters has not taken part in the decision of the bank 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 Broadhurst held an executive position during the financial year, 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 is composed of an appropriate mix of skills, expertise and independence.

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 Botherway, Mr Gillanders and Ms Tan.

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 22 to 23 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 Messrs. Waters, Botherway, Lucas, Paykel, and Zhou. 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 22 to 23 of the Annual Report.

CORPORATE GOVERNANCE

	Board Meetings	Other Board Meetings	Sub-Committee Meetings	Finance Board Meetings	Audit & Risk Management Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Total number of Meetings held	11	3	10	11	11	3	3
DIRECTORS							
S J Botherway (Appointed 17 August 2009)	6	1	–	–	9	–	–
S B Broadhurst (Appointed 11 December 2009)	3	1	–	–	–	–	–
J W Gilks	11	3	9	11	11	–	–
W L Gillanders	11	3	10	11	11	–	–
Tan Lixia (Appointed 16 July 2009)	3	–	–	–	–	–	–
P D Lucas	11	3	3	–	–	3	3
G A Paykel	11	3	3	10	–	3	3
R G Waters	11	3	2	–	–	–	–
Zhou Yunjie (Appointed 16 July 2009)	4	–	–	–	–	–	–
ALTERNATE DIRECTORS							
T Leung (alternate for Tan Lixia)	5	1	–	–	1	–	–
B Leung (alternate for Zhou Yunjie)	1	–	–	–	–	–	–
Hou Xinlai (alternate for Zhou Yunjie)	1	1	–	–	–	–	–
FORMER DIRECTORS							
J H Bongard (Retired 30 September 2009)	5	2	3	3	–	–	–
N M T Geary (Retired 17 August 2009)	5	2	9	–	2	1	–

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 22 to 23 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.

Currently, all of the Directors of the Board serve on the Nomination Committee. The composition of the Committee satisfies the requirement of the Committee Charter that a majority of the members be independent.

Board Processes

The Board held 11 monthly meetings during the year ended 31 March 2010. The table above shows attendance at the Board (including Board meetings additional to the scheduled monthly meetings), Sub-Committee, Finance business board and Committee meetings. With the exception of January and June, Board meetings are normally held monthly.

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

There is a formal procedure agreed by the Board to allow Directors to take independent professional 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 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.

Non-executive Directors received the following Directors fees from the Company in the year ended 31 March 2010:

S J Botherway	$63,420	(Appointed 17 August 2009)
N M T Geary	$38,990	(Retired 17 August 2009)
J W Gilks	$151,500	
W L Gillanders	$124,200	
P D Lucas	$87,200	
G A Paykel	$176,548	(Stepped down as Chairman 26 November 2009)
Tan Lixia	$58,808*	(Appointed 16 July 2009)
R G Waters	$113,635	(Appointed Chairman 26 November 2009)
Zhou Yunjie	$57,641*	(Appointed 16 July 2009)

* Paid to Haier (Singapore) Management Holding Co. Pte Ltd

Mr Bongard did not receive remuneration as a Director of the Company or any subsidiary company. Mr Bongard retired on 30 September 2009 and whilst serving as Managing Director & Chief Executive Officer and 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 2010 of $2,250,932. This included $1,166,669 relating to a superannuation defined benefit guarantee (refer Note 31 to the financial statements) and $412,088 in accrued leave entitlements.

Mr Broadhurst does not receive remuneration as a Director of the Company or any subsidiary company. Mr Broadhurst acting in his capacity as an employee of the Company and subsidiaries received total remuneration, inclusive of the value of other benefits, in respect of the year ended 31 March 2010 of $762,140.

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 the Regulatory Information section of this Annual Report on page 128.

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 NMT Geary retired from the Board on 17 August 2009 and during the year ended 31 March 2010 the Board approved payment of a retirement allowance of $105,392 based on the per annum average of the fees received by Mr Geary in the previous three years. Except for Mr Geary, no Director was paid a retirement benefit by the Company in the years ended 31 March 2010 and 31 March 2009.

As at 31 March 2010, the Company has a total contingent liability of $659,811 (2009 $757,125) 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 Managing Director & Chief Executive Officer 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. Options allocated pursuant to the plan were last issued in August 2004 and lapsed in August 2009.

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 on page 128 of this Annual Report, 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.

CORPORATE GOVERNANCE

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 year ended 31 March 2010, 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 s295A 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.

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

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Auditors' Report
To the shareholders of Fisher & Paykel Appliances Holdings Limited

We have audited the financial statements on pages 32 to 126. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2010 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 38 to 47.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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 2010 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 capacities as providers of audit, assurance and other services.

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 32 to 126:
    (i) comply with generally accepted accounting practice in New Zealand;
    (ii) comply with International Financial Reporting Standards; and
    (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2010 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 28 May 2010 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants — Auckland

FINANCIAL STATEMENTS

Income Statement
For the year ended 31 March 2010

		CONSOLIDATED		PARENT	
		31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	Notes	**$'000**	$'000	**$'000**	$'000
Revenue					
Operating revenue	7	**1,157,029**	1,359,531	**–**	–
Other income	7	**7,034**	10,788	**70**	50,000
Total revenue and other income		**1,164,063**	1,370,319	**70**	50,000
Items affecting comparability:					
Costs associated with implementing the Global Manufacturing Strategy	8	**(15,351)**	(66,615)	**–**	–
Redundancy costs	8	**(8,321)**	(2,737)	**–**	–
Debt restructuring costs	8	**(11,110)**	(2,467)	**–**	–
Fair valuation of other assets	8	**(21,722)**	–	**–**	–
Fair valuation of non-current assets held for sale	8	**(4,083)**	(6,725)	**–**	–
Impairment losses	8	**(76,515)**	(69,688)	**–**	–
	8	**(137,102)**	(148,232)	**–**	–
Other operating expenses		**(1,101,836)**	(1,286,523)	**(286)**	(26)
Total operating expenses		**(1,238,938)**	(1,434,755)	**(286)**	(26)
Operating (loss)/profit		**(74,875)**	(64,436)	**(216)**	49,974
Finance costs	8	**(28,393)**	(40,797)	–	–
(Loss)/profit before income tax		**(103,268)**	(105,233)	**(216)**	49,974
Income tax credit/(expense)	9	**19,940**	9,979	**(612)**	(2,460)
(Loss)/profit for the year		**(83,328)**	(95,254)	**(828)**	47,514
Loss per share attributable to the ordinary equity holders of the Company during the year:					
Basic and diluted loss per share	28	**(13.6)**	(33.1)		

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

For and on behalf of the Board
Date: 28 May 2010

R G Waters
Chairman

S B Broadhurst
Managing Director & Chief Executive Officer

Statement of Comprehensive Income
For the year ended 31 March 2010

		CONSOLIDATED		PARENT	
		31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	Notes	**$'000**	$'000	**$'000**	$'000
(Loss)/profit for the year		**(83,328)**	(95,254)	**(828)**	47,514
Other comprehensive income					
Cash flow hedges	40	**(11,275)**	10,024	**–**	–
Exchange differences on translation of foreign operations	40	**(63,539)**	37,842	**–**	–
Income tax relating to components of other comprehensive income	40	**3,383**	(3,007)	**–**	–
Other comprehensive income for the year, net of tax		**(71,431)**	44,859	**–**	–
Total comprehensive income for the year		**(154,759)**	(50,395)	**(828)**	47,514

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

FINANCIAL STATEMENTS

Statement of Financial Position
As at 31 March 2010

		CONSOLIDATED		APPLIANCES BUSINESS*		FINANCE BUSINESS		PARENT	
		31 March 2010	31 March 2009	**31 March 2010**	31 March 2009	**31 March 2010**	31 March 2009	**31 March 2010**	31 March 2009
	Notes	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Assets									
Current assets									
Cash & cash equivalents	10	**82,814**	95,395	**39,994**	58,646	**42,820**	36,749	**–**	1
Trade receivables & other current assets	11	**178,044**	178,137	**169,463**	171,844	**8,581**	6,293	**24**	24
Finance business receivables	12	**383,714**	390,495	**–**	–	**383,714**	390,495	**–**	–
Inventories	13	**205,641**	357,793	**205,641**	357,793	**–**	–	**–**	–
Non-current assets classified as held for sale	14	**40,242**	91,890	**40,242**	91,890	**–**	–	**–**	–
Derivative financial instruments	15	**729**	81	**729**	37	**–**	44	**–**	–
Current tax receivables		**13,175**	5,826	**13,175**	5,486	**–**	340	**3**	742
Intergroup advances	42	**–**	–	**–**	–	**–**	–	**637,184**	446,893
Total current assets		**904,359**	1,119,617	**469,244**	685,696	**435,115**	433,921	**637,211**	447,660
Non-current assets									
Property, plant & equipment	16	**218,374**	300,514	**217,058**	298,967	**1,316**	1,547	**–**	–
Investment in subsidiaries	36	**–**	–	**–**	–	**–**	–	**100,263**	100,263
Investment in Finance business		**–**	–	**199,426**	179,556	**–**	–	**–**	–
Intangible assets	17	**218,231**	297,845	**93,731**	167,602	**124,500**	130,243	**–**	–
Finance business receivables	12	**231,979**	196,831	**–**	–	**231,979**	196,831	**–**	–
Derivative financial instruments	15	**173**	1,388	**–**	887	**173**	501	**–**	–
Deferred taxation	18	**76,206**	67,830	**76,206**	67,830	**–**	–	**127**	–
Other non-current assets		**2,877**	12,329	**1,820**	11,255	**1,057**	1,074	**–**	–
Total non-current assets		**747,840**	876,737	**588,241**	726,097	**359,025**	330,196	**100,390**	100,263
Total assets		**1,652,199**	1,996,354	**1,057,485**	1,411,793	**794,140**	764,117	**737,601**	547,923
Liabilities									
Current liabilities									
Bank overdrafts	10	**164**	–	**164**	–	**–**	–	**–**	–
Current borrowings	19	**–**	517,692	**–**	517,692	**–**	–	**–**	–
Finance business borrowings	23	**357,190**	446,377	**–**	–	**357,190**	446,377	**–**	–
Trade creditors	21	**125,598**	152,340	**125,598**	152,340	**–**	–	**–**	–
Current finance leases		**328**	776	**328**	776	**–**	–	**–**	–
Provisions	22	**18,681**	47,350	**18,673**	47,342	**8**	8	**–**	–
Derivative financial instruments	15	**9,170**	14,728	**8,897**	13,404	**273**	1,324	**–**	–
Current tax liabilities		**5,412**	468	**2,563**	468	**2,849**	–	**–**	–
Other current liabilities	24	**66,107**	62,967	**43,777**	44,694	**22,330**	18,273	**279**	156
Total current liabilities		**582,650**	1,242,698	**200,000**	776,716	**382,650**	465,982	**279**	156
Non-current liabilities									
Non-current borrowings	20	**212,906**	–	**212,906**	–	**–**	–	**–**	–
Finance business borrowings	23	**191,466**	95,461	**–**	–	**191,466**	95,461	**–**	–
Non-current finance leases		**18**	432	**18**	432	**–**	–	**–**	–
Provisions	22	**15,650**	25,928	**15,033**	25,384	**617**	544	**–**	–
Derivative financial instruments	15	**5,894**	568	**5,392**	–	**502**	568	**–**	–
Deferred taxation	26	**27,730**	32,421	**8,251**	10,415	**19,479**	22,006	**–**	–
Other non-current liabilities	25	**14,733**	33,294	**14,733**	33,294	**–**	–	**240**	216
Total non-current liabilities		**468,397**	188,104	**256,333**	69,525	**212,064**	118,579	**240**	216
Total liabilities		**1,051,047**	1,430,802	**456,333**	846,241	**594,714**	584,561	**519**	372
Shareholders' equity									
Contributed equity	27	**841,869**	651,510	**841,869**	651,510	**–**	–	**842,381**	652,022
Accumulated losses	29	**(199,968)**	(116,640)	**(199,968)**	(116,640)	**–**	–	**(107,269)**	(106,441)
Reserves	29	**(40,749)**	30,682	**(40,749)**	30,682	**–**	–	**1,970**	1,970
Investment in Finance business		**–**	–	**–**	–	**199,426**	179,556	**–**	–
Total shareholders' equity		**601,152**	565,552	**601,152**	565,552	**199,426**	179,556	**737,082**	547,551
Total liabilities and shareholders' equity		**1,652,199**	1,996,354	**1,057,485**	1,411,793	**794,140**	764,117	**737,601**	547,923

**For disclosure purposes, the Appliances business includes both the Parent entity and AF Investments Limited.*
The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

Statement of Changes in Equity
For the year ended 31 March 2010

Consolidated		ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
		Share capital	(Accumulated losses)/ `Retained earnings	Translation of foreign operations	Foreign exchange hedges	Interest rate hedges	Commodity hedges	Treasury stock	Share-based payments	Total equity
	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2009		**651,510**	**(116,640)**	**23,521**	**4,642**	**–**	**37**	**512**	**1,970**	**565,552**
Changes in equity for issue of share capital	27	**190,359**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**190,359**
Other comprehensive income for the year		**–**	**–**	**(63,539)**	**(7,855)**	**–**	**(37)**	**–**	**–**	**(71,431)**
Loss for the year		**–**	**(83,328)**	**–**	**–**	**–**	**–**	**–**	**–**	**(83,328)**
Balance at 31 March 2010		**841,869**	**(199,968)**	**(40,018)**	**(3,213)**	**–**	**–**	**512**	**1,970**	**601,152**
Balance at 1 April 2008		642,082	18,623	(14,321)	602	(3,443)	503	512	1,890	646,448
Changes in equity for dividends	32	–	(40,009)	–	–	–	–	–	–	(40,009)
Issue of share capital	27	9,428	–	–	–	–	–	–	–	9,428
Share-based payments	37	–	–	–	–	–	–	–	80	80
Other comprehensive income for the year		–	–	37,842	4,040	3,443	(466)	–	–	44,859
Loss for the year		–	(95,254)	–	–	–	–	–	–	(95,254)
Balance at 31 March 2009		651,510	(116,640)	23,521	4,642	–	37	512	1,970	565,552
Parent										
Balance at 1 April 2009		**652,022**	**(106,441)**	**–**	**–**	**–**	**–**	**–**	**1,970**	**547,551**
Changes in equity for issue of share capital	27	**190,359**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**190,359**
Loss for the year		**–**	**(828)**	**–**	**–**	**–**	**–**	**–**	**–**	**(828)**
Balance at 31 March 2010		**842,381**	**(107,269)**	**–**	**–**	**–**	**–**	**–**	**1,970**	**737,082**
Balance at 1 April 2008		642,594	(113,946)	–	–	–	–	–	1,890	530,538
Changes in equity for 2009 dividends	32	–	(40,009)	–	–	–	–	–	–	(40,009)
Issue of share capital	27	9,428	–	–	–	–	–	–	–	9,428
Share-based payments	37	–	–	–	–	–	–	–	80	80
Loss for the year		–	47,514	–	–	–	–	–	–	47,514
Balance at 31 March 2009		652,022	(160,441)	–	–	–	–	–	1,970	547,551

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

FINANCIAL STATEMENTS

Cash Flow Statement
For the year ended 31 March 2010

	Notes	CONSOLIDATED 31 March 2010 $'000	CONSOLIDATED 31 March 2009 $'000	PARENT 31 March 2010 $'000	PARENT 31 March 2009 $'000
Cash flows from operating activities					
Receipts from customers		**1,021,130**	1,208,813	**–**	–
Financing interest and fee receipts		**133,589**	132,953	**–**	–
Interest received		**599**	1,490	**70**	–
Dividends received		**–**	–	**–**	50,000
Payments to suppliers and employees		**(1,000,734)**	(1,233,316)	**(1,265)**	(1,056)
Income taxes refunded/(paid)		**1,458**	(21,372)	**(1)**	(750)
Interest paid		**(68,440)**	(79,188)	**–**	–
		87,602	9,380	**(1,196)**	48,194
Principal on loans repaid by Finance business customers		**546,400**	601,215	**–**	–
New loans to Finance business customers		**(596,378)**	(624,311)	**–**	–
Net cash inflow/(outflow) from operating activities	38	**37,624**	(13,716)	**(1,196)**	48,194
Cash flows from investing activities					
Sale of property, plant and equipment	7	**58,448**	28,216	**–**	–
Purchase of property, plant & equipment	16	**(27,705)**	(66,817)	**–**	–
Capitalisation of intangible assets	17	**(4,069)**	(7,233)	**–**	–
Acquisition of Mexican operations – Instalments 1 & 2	35	**–**	(23,965)	**–**	–
Net cash inflow/(outflow) from investing activities		**26,674**	(69,799)	**–**	–
Cash flows from financing activities					
New non-current borrowings	20	**485,470**	327,458	**–**	–
New Finance business borrowings	23	**103,576**	284,118	**–**	–
Repayment of borrowings	20	**(755,884)**	(223,741)	**–**	–
Repayment of Finance business borrowings	23	**(96,541)**	(284,598)	**–**	–
Lease liability payments		**(731)**	(902)	**–**	–
Issue of share capital	27	**190,359**	–	**190,359**	–
Dividends paid	32	**–**	(30,427)	**–**	(30,427)
Intercompany borrowings		**–**	–	**(189,164)**	(17,767)
Net cash inflow/(outflow) from financing activities		**(73,751)**	71,908	**1,195**	(48,194)
Net increase/(decrease) in cash & cash equivalents		**(9,453)**	(11,607)	**(1)**	–
Cash & cash equivalents at the beginning of the year		**95,395**	93,994	**1**	1
Cash obtained from acquisitions		**–**	1,546	**–**	–
Effects of foreign exchange rate changes on cash & cash equivalents		**(3,292)**	11,462	**–**	–
Cash & cash equivalents at end of year	10	**82,650**	95,395	**–**	1

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

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 28 May 2010.

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, 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.

The Directors do not have the authority to amend the financial statements after issue.

2. Summary of significant accounting policies

These general purpose financial statements for the year ended 31 March 2010 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.

Going concern

The financial statements have been prepared under the going concern convention, which assumes the Group continues to operate in full compliance with banking covenants.

In May 2009, the Group completed the renegotiation of approximately $575 million long-term debt facilities for the Appliances business. The banking covenant regime attached to the new facilities required the repayment of a $235 million Amortising Facility by 30 April 2010 and included, among other measures, a Budget Performance Test, whereby certain prescribed earnings thresholds for the Guaranteeing Group (refer Note 20) had to be met through to 30 April 2010.

The Group fully repaid the $235 million Amortising Facility six months early in October 2009.

The Group's funding banks have agreed to dispense with the Budget Performance Test and revert to a 'Total Leverage Ratio', effective 1 March 2010, two months earlier than originally planned (refer also Note 20).

In the absence of an unanticipated deterioration in the Group's operating performance, the Directors consider there is reasonable headroom between the forecast financial performance of the Guaranteeing Group and that required to meet banking covenants, which include the Total Leverage Ratio. This is supportive of the financial statements being prepared on a going concern basis.

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

In accordance with NZ IAS 1 (Revised), 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 3.

(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 36. 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.

(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.

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.

(d) Segment reporting
An operating segment is presented on the same basis as that used for internal reporting purposes and its results are regularly reviewed by the chief operating decision maker, which consists of the Board of Directors together with the Executives of the Appliances and Finance businesses.

All costs are directly allocated to the segment in which they are incurred, otherwise they are presented as unallocated.

(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 Company's functional currency.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

(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 Statement of Financial Position 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 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 Statement of Financial Position 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, amounts received to encourage retention of employees 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.

(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.

Amounts paid to insurers under insurance contracts are recorded as an outwards reinsurance expense and are recognised in the Income Statement from the attachment date over the period of the indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk ceded.

(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 Statement of Financial Position.

The Finance business has determined that certain money market deposits and government stock are held to support general insurance liabilities. These assets are designated at fair value through profit or loss. Initial recognition is at fair value in the Statement of Financial Position 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

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 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 Statement of Financial Position.

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 Statement of Financial Position 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 15.

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) 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.

(iii) 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.

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 to 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

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:

- 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
- 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.

Trade and other payables are recognised initially at fair value and, if applicable, subsequently measured at amortised cost using the effective interest method.

(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 the 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.

(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 Statement of Financial Position 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

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) New and amended accounting Standards adopted by the Group
During the year the Group has adopted the following new and amended NZ IFRSs as of 1 April 2009:

(i) NZ IFRS 7 "Financial instruments – Disclosures (amendment)"
The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. As the amended accounting policy only results in additional disclosures, there is no impact on reported earnings. Refer Notes 4 & 5.

(ii) NZ IFRS 8 "Operating segments"
The revised standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the previously reported secondary geographic segments have been split into factory operations and sales & customer service segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors together with the Executives of the Appliances and Finance businesses.

Goodwill is allocated by Management to groups of cash-generating units and no reallocation between segments was required and the change in reportable segments has not resulted in any additional goodwill impairment. There has been no impact on the measurement of the Group's assets and liabilities from adoption of NZ IFRS 8. Comparatives for 31 March 2009 have been restated.

Refer Note 6.

(iii) NZ IAS 1 (revised) "Presentation of financial statements"
The revised standard prohibits 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' are required to be shown in a performance statement. 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).

The Group has elected to present two statements: an Income Statement and a Statement of Comprehensive Income. The Statement of Comprehensive Income replaces the Statement of Recognised Income and Expense and in addition a Statement of Changes in Equity is required. The financial statements have been prepared under the revised disclosure requirements.

(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 IFRS 3, Business Combinations (Revised) and NZ IAS 27, 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 on 1 April 2010, it does not expect material changes to the Group's measurement of acquisitions and disclosures of financial statements

- **NZ IFRS 5 (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 NZ IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 April 2010
- **NZ IFRS 9 Financial Instruments: Classification and Measurement** (mandatory for annual periods beginning on or after 1 January 2013). The major changes under the standard are:
  - NZ IFRS 9 replaces the multiple classification and measurement models in NZ IAS 39 *Financial Instruments: Recognition and Measurement* with a single model that has two classification categories: amortised cost and fair value
  - a financial asset is measured at amortised cost if two criteria are met: a) the objective of the business model is to hold the financial assets for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent the payment of principal and interest
  - when a financial asset is eligible for amortised cost measurement, an entity can elect to measure it at fair value if it eliminates or significantly reduces an accounting mismatch
  - no bifurcation of an embedded derivative where the host is a financial asset
  - Equity instruments must be measured at fair value however, an entity can elect on initial recognition to present the fair value changes on equity investments directly in other comprehensive income. There is no subsequent recycling of fair value gains and losses to profit or loss, however dividends from such investments will continue to be recognised in profit and loss
  - when an entity holds a tranche in a waterfall structure it must determine the classification of that tranche by looking through to the assets ultimately underlying that portfolio and assess the credit quality of the tranche compared with the underlying portfolio. If an entity is unable to look though, then the tranche must be measured at fair value

The Group intends to adopt NZ IFRS 9 from 1 April 2013.

3. 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 Note 17 for details of these assumptions and the potential impact of changes to these assumptions.

(ii) Impairment of property, plant & equipment

The Group tests for impairment of property, plant & equipment when indicators exist that an impairment may have occurred. The recoverable amount of property is based on fair market valuation less costs to sell and the recoverable amount of plant & equipment assets is based on value-in-use calculations requiring the use of assumptions. Refer Note 16 for details of these assumptions and the impact on the performance for the year ended 31 March 2010.

(iii) 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 10 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 – refer Note 22(b).

As at 31 March 2010, the Group had recognised a warranty provision amounting to $23.7 million (2009 $40.6 million).

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements (continued)

(iv) 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 2010, the Group had recognised an allowance for impairment losses amounting to $25.4 million (2009 $22.5 million).

(v) Inventories
The cost of inventory is sensitive to currency fluctuations. Management applies a blended exchange rate to account for purchases covered by forward foreign exchange contracts. As at 31 March 2010, a 10% movement in the blended rate used is estimated to have a $2.4 million impact on the value of inventory.

The provision for raw materials obsolescence has increased significantly in the year ended 31 March 2010 to $12.3 million (2009 $5.0 million). Whilst Management are satisfied the provision is fairly stated, this involves significant judgement on forecast usage of materials.

(vi) 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.

The Group has estimated New Zealand tax losses available to carry forward of $18.9 million (2009 $16.6 million), subject to shareholder continuity being maintained as required by New Zealand tax legislation.

As at 31 March 2010, the Group had recognised $48.5 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 $13.6 million of USA energy tax credits, which remain available for use until 2027 ($7.4 million) and 2028 ($6.1 million).

(vii) 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 2010, the Group had recognised a provision for unvested long service leave amounting to $8.4 million (2009 $11.0 million).

(viii) Restructuring charges
Restructuring charges comprise estimated costs for associated redundancies and relocation costs. 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 2010 resulted in restructuring charges of $15.4 million (2009 $66.6 million).

(b) Critical judgements in applying the entity's accounting policies

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 Note 36.

4. 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), credit risk and liquidity 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, foreign exchange options 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.

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 transactional currency exposures are the United States dollar cross rates with the Australian dollar and Thai baht. There are also translational currency exposures, in particular the United States dollar and the 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 2010 were as follows:

- Purchase commitments forward exchange contracts $214.0 million (2009 $97.6 million)
- Sale commitments forward exchange contracts $81.5 million (2009 $156.5 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 2010 were $127.9 million (2009 $206.1 million). Following the debt restructuring commenced in March 2009, these contracts were deemed to be ineffective and are fair valued through profit or loss.

(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 2010 were $Nil (2009 $316,000).

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

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 2010	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets													
Cash & cash equivalents	**39,994**	**(268)**	**(268)**	**536**	**536**	**8,592**	**8,592**	**(6,351)**	**(6,351)**	**–**	**–**	**–**	**–**
Trade receivables	**147,216**	**–**	**–**	**–**	**–**	**15,318**	**15,318**	**(11,322)**	**(11,322)**	**–**	**–**	**–**	**–**
Foreign exchange derivatives	**729**	**–**	**–**	**–**	**–**	**(205)**	**(205)**	**151**	**151**	**–**	**–**	**–**	**–**
Financial liabilities										**–**	**–**	**–**	**–**
Borrowings	**(212,906)**	**1,551**	**1,551**	**(3,102)**	**(3,102)**	**(13,662)**	**(13,662)**	**10,098**	**10,098**	**–**	**–**	**–**	**–**
Trade creditors	**(125,598)**	**–**	**–**	**–**	**–**	**(12,982)**	**(12,982)**	**9,595**	**9,595**	**–**	**–**	**–**	**–**
Foreign exchange derivatives	**(7,577)**	**–**	**–**	**–**	**–**	**1,755**	**(27,508)**	**(1,297)**	**20,332**	**–**	**–**	**–**	**–**
Interest rate derivatives	**(6,712)**	**(1,279)**	**(1,279)**	**2,559**	**2,559**	**1,184**	**1,184**	**(875)**	**(875)**	**–**	**–**	**–**	**–**
Total increase/ (decrease)		**4**	**4**	**(7)**	**(7)**	**–**	**(29,263)**	**(1)**	**21,628**	**–**	**–**	**–**	**–**

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													
Borrowings	(517,692)	3,714	3,714	(7,428)	(7,428)	(39,341)	(39,341)	29,078	29,078	–	–	–	–
Trade creditors	(151,352)	–	–	–	–	(15,722)	(15,722)	11,620	11,620	–	–	–	–
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)	–	–	–	–
Total increase/ (decrease)		1,267	1,267	(2,535)	(2,535)	(28,380)	(51,688)	20,976	38,204	–	(32)	–	32

PARENT		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 2010	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets													
Other current assets	**24**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Intergroup advances	**637,184**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total increase/ (decrease)		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

PARENT		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	1	–	–	–	–	–	–	–	–	–	–	–	–
Other current assets	24	–	–	–	–	–	–	–	–	–	–	–	–
Intergroup advances	446,893	–	–	–	–	–	–	–	–	–	–	–	–
Total increase/ (decrease)		–	–	–	–	–	–	–	–	–	–	–	–

(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 11.

(i) Concentrations of credit exposure

As at 31 March 2010, the Appliances business had trade receivables from certain major Australian customers of A$20.4 million (2009 A$20.6 million). However, all Australian receivables balances are covered by trade indemnity insurance, the main terms of which include:

- maximum sum insured of A$30 million
- 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 significant 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 2010 $'000	31 March 2009 $'000
New Zealand	**10,505**	17,138
Australia	**56,193**	45,870
North America	**45,224**	45,166
Europe	**31,798**	32,486
Rest of World	**3,496**	3,034
	147,216	143,694

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet contractual obligations, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Pursuant to the restructured banking facilities negotiated in May 2009 and subsequent amendments, Management is required to maintain sufficient headroom to meet facility requirements.

The Board of Directors approves all new loans and funding facilities and is updated at least monthly on liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

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

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 2010				
Bank overdrafts and loans	**173**	**–**	**–**	**245,035**
Trade creditors	**–**	**125,598**	**–**	**–**
Finance lease liabilities	**–**	**328**	**18**	**–**
Interest rate swaps *	**–**	**3,156**	**2,039**	**988**
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

** 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 to the contractual maturity date at balance 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 2010		
Forward foreign exchange contracts – cash flow hedges		
inflow	**113,097**	**19,427**
outflow	**115,474**	**19,522**
At 31 March 2009		
Forward foreign exchange contracts – cash flow hedges		
inflow	31,571	28,474
outflow	34,178	27,397

(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 balance 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.

Effective 1 April 2009, the Group adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the Statement of Financial Position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

APPLIANCES BUSINESS	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
31 March 2010				
Assets				
Derivative financial instruments – held for trading	**–**	**729**	**–**	**729**
Total assets	**–**	**729**	**–**	**729**
Liabilities				
Derivative financial instruments – held for trading	**–**	**11,815**	**–**	**11,815**
Derivative financial instruments – fair value hedges	**–**	**2,474**	**–**	**2,474**
Total liabilities	**–**	**14,289**	**–**	**14,289**
31 March 2009				
Assets				
Derivative financial instruments – fair value hedges	–	924	–	924
Total assets	–	924	–	924
Liabilities				
Derivative financial instruments – held for trading	–	13,742	–	13,742
Derivative financial instruments – fair value hedges	–	(338)	–	(338)
Total liabilities	–	13,404	–	13,404

There are no financial instruments in the Parent entity.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at balance date, with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for other financial instruments.

Note that all of the resulting fair value estimates for the Appliances business are included in Level 2.

NOTES TO THE FINANCIAL STATEMENTS

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

(e) Financial instruments by category

Assets as per Statement of Financial Position	Derivatives used for hedging $'000	Loans and receivables $'000	Total $'000
Appliances business			
31 March 2010			
Cash & cash equivalents	**–**	**39,994**	**39,994**
Trade receivables	**–**	**147,216**	**147,216**
Derivative financial instruments	**729**	**–**	**729**
	729	**187,210**	**187,939**
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
Parent			
31 March 2010			
Intergroup advances	**–**	**637,184**	**637,184**
	–	**637,184**	**637,184**
31 March 2009			
Cash & cash equivalents	**–**	**1**	**1**
Intergroup advances	**–**	**446,893**	**446,893**
	–	**446,894**	**446,894**

Liabilities as per Statement of Financial Position	Fair value through profit or loss – held for trading $'000	Derivatives used for hedging $'000	Measured at amortised cost $'000	Total $'000
Appliances business				
31 March 2010				
Borrowings	**–**	**–**	**213,070**	**213,070**
Derivative financial instruments	**11,815**	**2,474**	**–**	**14,289**
Finance leases	**–**	**–**	**346**	**346**
	11,815	**2,474**	**213,416**	**227,705**
31 March 2009				
Borrowings	–	–	517,692	517,692
Derivative financial instruments	13,742	(338)	–	13,404
Finance leases	–	–	1,208	1,208
	13,742	(338)	518,900	532,304

5. 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, Marketing & Operations Committee
Comprises the Managing Director, Chief Operating Officer (Chair) and Chief Financial Officer. Its principal responsibility is to establish and review interest rates on money advanced to customers and productivity, performance and compliance of Finance business operations.

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 Statement of Financial Position, 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) Interest rate 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. A 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

5. 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 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 2010								
Financial assets								
Cash & cash equivalents	**3.0**	**42,820**	**–**	**–**	**–**	**–**	**–**	**42,820**
Derivative financial instruments	**3.7**	**–**	**–**	**21**	**152**	**–**	**–**	**173**
Finance receivables	**17.8**	**497,701**	**62,097**	**43,141**	**12,561**	**193**	**–**	**615,693**
Other financial assets	**1.1**	**–**	**–**	**1,057**	**–**	**–**	**2,624**	**3,681**
		540,521	**62,097**	**44,219**	**12,713**	**193**	**2,624**	**662,367**
Financial liabilities								
Finance borrowings								
Bank loans	**3.8**	**176,200**	**–**	**–**	**–**	**–**	**–**	**176,200**
Debentures	**7.3**	**108,620**	**32,271**	**11,740**	**4,281**	**–**	**–**	**156,912**
Notes	**3.9**	**158,688**	**–**	**–**	**–**	**–**	**–**	**158,688**
Committed liquidity facilities	**3.8**	**56,856**	**–**	**–**	**–**	**–**	**–**	**56,856**
Derivative financial instruments	**3.8**	**135**	**138**	**329**	**173**	**–**	**–**	**775**
Other financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**4,636**	**4,636**
		500,499	**32,409**	**12,069**	**4,454**	**–**	**4,636**	**554,067**
Net effective interest rate gap		**40,022**	**29,688**	**32,150**	**8,259**	**193**	**(2,012)**	**108,300**
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
		492,199	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		94,424	22,437	(39,652)	4,606	149	(1,910)	80,054

(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 $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
31 March 2010					
Financial assets					
Cash & cash equivalents	**42,820**	**(300)**	**(300)**	**300**	**300**
Finance receivables	**615,693**	**(4,311)**	**(4,311)**	**4,311**	**4,311**
Derivative financial instruments	**173**	**(300)**	**(300)**	**292**	**292**
Other financial assets	**3,681**	**–**	**–**	**–**	**–**
Financial liabilities					
Finance borrowings	**548,656**	**3,837**	**3,837**	**(3,837)**	**(3,837)**
Derivative financial instruments	**775**	**(1,632)**	**(1,632)**	**1,595**	**1,595**
Other financial liabilities	**4,636**	**–**	**–**	**–**	**–**
Total increase/ (decrease)		**(2,706)**	**(2,706)**	**2,661**	**2,661**
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

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

5. 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, fraud detection software, 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 new loans 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 2010, the Finance business had advanced $80.1 million to Smithcorp Finance Limited, a bulk finance merchant (2009 $84.9 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 (2009 $Nil).

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

	31 March 2010 $'000	31 March 2009 $'000
Credit exposures relating to on-balance sheet assets:		
Cash & cash equivalents	**42,820**	36,749
Derivative financial instruments	**173**	545
Finance receivables	**615,693**	587,326
Other financial assets	**3,681**	3,644
Credit exposures relating to off-balance sheet items:		
Undrawn lending commitments*	**1,772,622**	2,188,968
	2,434,989	2,817,232

*Undrawn lending commitments include unutilised *Q Card*®, credit card and fixed instalment limits, which can be unconditionally cancelled at any time.

The above table represents a maximum credit risk exposure at 31 March 2010, 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 Statement of Financial Position.

Further details on Finance receivables and impairment are disclosed in Note 12.

(iii) Geographic Concentrations of Finance Receivables

The table below details the geographic split of Finance receivables:

	31 March 2010 $'000	31 March 2009 $'000
Upper North Island	**212,521**	202,929
Central North Island	**144,013**	134,522
Lower North Island	**80,528**	76,188
South Island	**178,631**	173,687
	615,693	587,326

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 Statement of Financial Position 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 balances
- 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

5. 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 2010							
Financial assets							
Cash & cash equivalents	**24,819**	**18,111**	**–**	**–**	**–**	**–**	**42,930**
Derivative financial instruments*	**–**	**(118)**	**4**	**67**	**247**	**–**	**200**
Finance receivables	**–**	**229,304**	**157,832**	**179,861**	**205,255**	**53,559**	**825,811**
Other financial assets	**–**	**2,654**	**30**	**1,060**	**–**	**–**	**3,744**
	24,819	**249,951**	**157,866**	**180,988**	**205,502**	**53,559**	**872,685**
Financial liabilities							
Finance borrowings							
Bank loans	**–**	**3,350**	**3,333**	**178,586**	**–**	**–**	**185,269**
Debentures	**6,732**	**105,488**	**33,448**	**13,664**	**4,751**	**–**	**164,083**
Notes	**–**	**159,400**	**–**	**–**	**–**	**–**	**159,400**
Committed liquidity facilities	**–**	**57,101**	**–**	**–**	**–**	**–**	**57,101**
Derivative financial instruments*	**–**	**1,214**	**181**	**(194)**	**(449)**	**–**	**752**
Other financial liabilities	**–**	**4,636**	**–**	**–**	**–**	**–**	**4,636**
	6,732	**331,189**	**36,962**	**192,056**	**4,302**	**–**	**571,241**
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

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

(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 financial 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 an MS Excel based 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.

Effective 1 April 2009, the Finance business adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the Statement of Financial Position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The following table presents the Finance business' assets and liabilities that are measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
31 March 2010				
Assets				
Deposits	**–**	**20,128**	**–**	**20,128**
Derivative financial instruments – held for trading	**–**	**173**	**–**	**173**
Bulk finance receivables	**–**	**–**	**11,292**	**11,292**
Government stock	**1,057**	**–**	**–**	**1,057**
Total assets	**1,057**	**20,301**	**11,292**	**32,650**
Liabilities				
Derivative financial instruments – held for trading	**–**	**599**	**–**	**599**
Derivative financial instruments – fair value hedges	**–**	**176**	**–**	**176**
Total liabilities	**–**	**775**	**–**	**775**
31 March 2009				
Assets				
Deposits	–	19,226	–	19,226
Derivative financial instruments – held for trading	–	545	–	545
Bulk finance receivables	–	–	84,873	84,873
Government stock	1,074	–	–	1,074
Total assets	1,074	19,771	84,873	105,718
Liabilities				
Derivative financial instruments – held for trading	–	1,892	–	1,892
Total liabilities	–	1,892	–	1,892

NOTES TO THE FINANCIAL STATEMENTS

5. Financial risk management – Finance business (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Government stock has been included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

Note that all of the resulting fair value estimates are included in Level 2 except for bulk finance receivables as explained below.

The following table presents the changes in Level 3 instruments.

	Bulk finance receivables $'000
31 March 2010	
Balance at the beginning of the year	**84,873**
Gains & losses recognised in the Income Statement	**(609)**
Interest & similar charges	**2,790**
Repayments	**(75,762)**
Balance at the end of the year	**11,292**
31 March 2009	
Balance at the beginning of the year	88,512
Gains & losses recognised in the Income Statement	882
Advances	93,303
Interest & similar charges	7,995
Repayments	(105,819)
Balance at the end of the year	84,873

Total loss for the year ended 31 March 2010 included in the Income Statement (included within Finance business revenue) for assets held at 31 March 2010 was $357,000 (2009 gain of $69,000).

(e) Financial instruments by category

Assets as per Statement of Financial Position	Fair value through profit or loss – designated $'000	Fair value through profit or loss – held for trading $'000	Loans and receivables $'000	Total $'000
31 March 2010				
Cash & cash equivalents	**20,128**	**–**	**22,692**	**42,820**
Derivative financial instruments	**–**	**173**	**–**	**173**
Finance receivables	**11,292**	**–**	**604,401**	**615,693**
Other financial assets	**1,057**	**–**	**2,624**	**3,681**
	32,477	**173**	**629,717**	**662,367**
31 March 2009				
Cash & cash equivalents	19,226	–	17,523	36,749
Derivative financial instruments	–	545	–	545
Finance receivables	84,873	–	502,453	587,326
Other financial assets	1,074	–	2,570	3,644
	105,173	545	522,546	628,264

Liabilities as per Statement of Financial Position	Fair value through profit or loss – held for trading $'000	Derivatives used for hedging $'000	Measured at amortised cost $'000	Total $'000
31 March 2010				
Finance borrowings	**–**	**–**	**548,656**	**548,656**
Derivative financial instruments	**599**	**176**	**–**	**775**
Other financial liabilities	**–**	**–**	**4,636**	**4,636**
	599	**176**	**553,292**	**554,067**
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

NOTES TO THE FINANCIAL STATEMENTS

6. Segment information

Chief Operating Decision Maker
The 'Chief Operating Decision Maker' has been identified as the Board of Directors together with Executive Management, who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Reportable segments
The Appliances business' reportable segments are based primarily on the nature of activities undertaken (factory operations and sales/customer service companies) and are then split by geographic location. Factory operations include sites that manufacture goods for both the Group and external customers. Sales & service includes sales & distribution operations and also customer service operations.

The Finance business is considered as one reportable segment.

Other segment information
Performance of operating segments is assessed based on a measure of earnings before interest and taxation (operating profit or loss). This excludes interest costs associated with core funding and other overheads that are held at Group level and cannot be allocated.

Intersegment revenue is recognised on the basis of arm's length transactions and reflects returns required for taxation transfer pricing purposes where applicable.

Other information provided, except as noted below, is measured in a manner consistent with that in the financial statements.

Significant one-off costs have been excluded from the segment disclosures to reflect underlying segment operating performance.

Segment total assets exclude certain elements of deferred tax that are associated with adjustments held for consolidation purposes, derivative financial instruments and non-current assets held for sale that are managed on a central basis and fair value adjustments held on consolidation. These form part of the reconciliation to total assets in the Statement of Financial Position.

Segment revenue & profit analysis

	31 MARCH 2010				31 MARCH 2009			
	Revenue from external customers	Inter-segment revenue	Total segment revenue	Operating profit	Revenue from external customers	Inter-segment revenue	Total segment revenue	Operating profit
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Factory operations								
New Zealand	32,656	133,939	166,595	13,243	20,110	337,812	357,922	39,933
Australia	2,225	10,892	13,117	10,231	4,551	54,005	58,556	1,814
North America	39,856	244,222	284,078	(4,765)	32,341	198,664	231,005	(13,372)
Thailand	3,861	381,999	385,860	33,495	498	231,922	232,420	35,736
Europe	122,889	24,118	147,007	(5,655)	134,622	27,673	162,295	(5,135)
	201,487	795,170	996,657	46,549	192,122	850,076	1,042,198	58,976
Sales & customer service								
New Zealand	185,128	6,457	191,585	14,164	247,604	14,112	261,716	1,558
Australia	388,132	5,306	393,438	26,336	447,572	–	447,572	20,301
North America	211,451	–	211,451	(15,185)	294,199	–	294,199	(5,038)
Europe	21,832	–	21,832	620	26,526	–	26,526	388
Rest of World	12,936	–	12,936	1,073	14,590	–	14,590	851
	819,479	11,763	831,242	27,009	1,030,491	14,112	1,044,603	18,060
Unallocated overheads	–	–	–	(34,698)	–	–	–	(50,279)
Currency Fluctuations	–	–	–	(9,441)	–	–	–	28,813
One-off expenses*	–	–	–	(137,102)	–	–	–	(148,232)
One-off income*	–	–	–	3,904	–	–	–	7,140
Appliances business	1,020,966	806,933	1,827,899	(103,779)	1,222,613	864,188	2,086,801	(85,522)
Finance business	136,063	–	136,063	28,904	136,918	–	136,918	21,086
Total	1,157,029	806,933	1,963,962	(74,875)	1,359,531	864,188	2,223,719	(64,436)

** Refer Notes 8, 11, 13, 16 & 17*

Segment revenue reconciliation to the Income Statement

	31 March 2010	31 March 2009
	$'000	$'000
Total segment revenue	**1,963,962**	2,223,719
Inter-segment revenue elimination	**(806,933)**	(864,188)
Interest income	**194**	1,490
Other miscellaneous income	**6,840**	9,298
Total revenue & other income as per the Income Statement	**1,164,063**	1,370,319

NOTES TO THE FINANCIAL STATEMENTS

6. Segment information (continued)

Other Segment disclosures	Depreciation		Amortisation		Interest Expense*		Interest Income**		Capital Expenditure		Working Capital	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009	**31 March 2010**	31 March 2009	**31 March 2010**	31 March 2009	**31 March 2010**	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Factory operations												
New Zealand	**5,960**	15,604	**1,752**	1,961	**–**	–	**335**	(957)	**–**	–	**–**	–
Australia	**696**	3,692	**–**	–	**394**	624	**–**	(7)	**–**	–	**–**	–
North America	**10,520**	9,582	**534**	598	**3,173**	2,278	**–**	–	**–**	–	**–**	–
Thailand	**6,052**	3,090	**12**	67	**2,454**	1,760	**(2)**	(7)	**–**	–	**–**	–
Europe	**2,847**	2,981	**6,034**	6,177	**3,474**	6,318	**(25)**	(111)	**–**	–	**–**	–
	26,075	34,949	**8,332**	8,803	**9,495**	10,980	**308**	(1,082)	**–**	–	**–**	–
Sales & customer service												
New Zealand	**15**	155	**133**	136	**–**	–	**–**	–	**–**	–	**–**	–
Australia	**241**	766	**686**	926	**1,793**	1,958	**(423)**	(237)	**–**	–	**–**	–
North America	**1,091**	989	**11**	12	**399**	1,589	**(1)**	(21)	**–**	–	**–**	–
Europe	**159**	192	**–**	–	**4**	52	**–**	(4)	**–**	–	**–**	–
Rest of World	**34**	60	**–**	–	**2**	–	**–**	–	**–**	–	**–**	–
	1,540	2,162	**830**	1,074	**2,198**	3,599	**(424)**	(262)	**–**	–	**–**	–
Inter-segment eliminations	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated	**(239)**	1,803	**1,558**	1,834	**16,700**	14,987	**–**	–	**–**	–	**–**	–
One-off Costs	**–**	–	**–**	–	**–**	11,232	**–**	–	**–**	–	**–**	–
Appliances business	**27,376**	38,914	**10,720**	11,711	**28,393**	40,797	**(116)**	(1,344)	**29,737**	79,336	**227,260**	349,143
Finance business	**564**	706	**7,446**	7,158	**–**	–	**(78)**	(146)	**2,037**	2,282	**–**	–
Total	**27,940**	39,620	**18,166**	18,869	**28,393**	40,797	**(194)**	(1,490)	**31,774**	81,618	**227,260**	349,143

Refer also Note 8

**Excludes Finance business operating interest*

***Excludes interest on Finance business receivables, which forms part of revenue from external customers*

Segment total assets

	31 March 2010 $'000	31 March 2009 $'000
Factory operations		
New Zealand	**66,013**	99,940
Australia	**–**	33,945
North America	**164,280**	299,238
Thailand	**111,106**	88,999
Europe	**125,521**	159,939
	466,920	682,061
Sales & customer service		
New Zealand	**53,077**	77,947
Australia	**147,431**	180,808
North America	**71,428**	110,209
Europe	**8,426**	25,361
Rest of World	**5,396**	7,280
	285,758	401,605
Inter-segment eliminations	**(42,716)**	(44,696)
Unallocated assets	**148,097**	193,267
Appliances business	**858,059**	1,232,237
Finance business	**794,140**	764,117
Total assets as per the Statement of Financial Position	**1,652,199**	1,996,354

NOTES TO THE FINANCIAL STATEMENTS

7. Revenue and other income

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Appliances business sales of goods revenue				
New Zealand	**181,786**	212,444	**–**	–
Australia	**387,944**	452,391	**–**	–
North America	**271,852**	365,397	**–**	–
Europe	**102,055**	109,987	**–**	–
Rest of World	**67,025**	73,261	**–**	–
Appliances business sales of services revenue	**10,304**	9,133	**–**	–
Finance business revenue	**136,063**	136,918	**–**	–
Total operating revenue	**1,157,029**	1,359,531	**–**	–
Other income				
Interest	**194**	1,490	**70**	–
Gains on disposal of property, plant & equipment	**4,017**	8,216	**–**	–
Fee income	**827**	1,332	**–**	–
Appliances business miscellaneous income	**1,991**	1,017	**–**	–
Finance business fair valuation adjustments (refer (d) below)	**5**	(1,267)	**–**	–
Dividends	**–**	–	**–**	50,000
	7,034	10,788	**70**	50,000
	1,164,063	1,370,319	**70**	50,000

(a) Sales revenue
Revenue figures reported above are disclosed by location of customer and therefore do not agree directly to Segment disclosures at Note 6, where revenue is reported by country or region 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 2010 includes a net gain on sale of land & buildings of $3.9 million (2009 $7.1 million).

(c) Non-cash transactions
In the year ended 31 March 2010, the Appliances business recognised no sales of goods revenue from barter transactions (2009 $11.0 million).

(d) Fair valuation of Finance business financial assets and liabilities
In the year ended 31 March 2010, all fair valuation adjustments for Finance business financial assets and derivatives have been presented within Other Income and the 2009 comparative restated. Certain fair valuation adjustments were previously reported within 'Interest expense & similar charges' – refer also Note 8.

8. Expenses

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Net gains and expenses				
(Loss)/profit before income tax includes the following specific expenses:				
Appliances business				
Cost of goods sold (COGS)	**735,767**	898,170	**–**	–
Items affecting comparability (Note (i))	**137,102**	148,232	**–**	–
Foreign currency (gains)/losses	**9,441**	(28,813)	**–**	–
Other administration expenses	**125,216**	167,262	**–**	–
Administration expenses	**271,759**	286,681	**–**	–
Selling, marketing & distribution expenses	**124,170**	135,193	**–**	–
Total operating expenses – Appliances business	**1,131,696**	1,320,044	**–**	–
The above expenses include:				
Movement of inventory within COGS (Note 13)	**635,233**	736,658	**–**	–
Employee benefits	**192,237**	282,417	**–**	–
Depreciation	**27,376**	38,914	**–**	–
Amortisation	**10,720**	11,711	**–**	–
Rental expense relating to operating leases	**23,141**	21,904	**–**	–
Defined contribution superannuation expense*	**13,230**	17,958	**–**	–
Research & development*	**10,596**	12,044	**–**	–
Donations	**45**	211	**–**	–

** also reported as part of Employee benefits or some components also included within Employee benefits*

Impairment/fair valuation of assets – Appliances business (Note (ii))				
Land & buildings (assets held for sale)	**4,083**	6,725	**–**	–
Barter credits – fair valuation	**11,762**	–	**–**	–
Raw materials inventory – fair valuation	**9,960**	–	**–**	–
Plant & equipment impairment	**34,915**	7,670	**–**	–
Brand impairment	**36,682**	–	**–**	–
Capitalised research & development impairment	**4,918**	–	**–**	–
Goodwill impairment	**–**	69,688	**–**	–
	102,320	84,083	**–**	–
Appliances business finance costs				
External interest expense	**28,393**	29,850	**–**	–
Interest rate hedge ineffectiveness	**–**	11,232	**–**	–
Amount capitalised – Property, plant & equipment (Note (iii))	**–**	(285)	**–**	–
Finance costs expensed	**28,393**	40,797	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

8. Expenses (continued)

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Finance business				
Impairment charge for credit losses				
Receivables written off during the year	**18,114**	18,257	**–**	–
Recovery of amounts previously written off	**(1,474)**	(1,591)	**–**	–
Movement in allowance for impairment	**2,835**	3,351	**–**	–
	19,475	20,017	**–**	–
Interest expense & similar charges	**38,814**	50,980	**–**	–
Other Finance business expenses before unearned premium movements	**45,073**	44,696	**–**	–
Movement in unearned insurance and warranty premiums	**3,880**	(982)	**–**	–
Other Finance business expenses	**48,953**	43,714	**–**	–
Total operating expenses – Finance business	**107,242**	114,711	**–**	–
Other Finance business expenses includes:				
Employee benefits	**14,940**	14,613	**–**	–
Depreciation	**564**	706	**–**	–
Amortisation	**7,446**	7,158	**–**	–
Marketing & promotion	**4,361**	4,095	**–**	–
Insurance and warranty commissions & claims	**3,161**	3,531	**–**	–
Rental expense relating to operating leases	**1,514**	1,427	**–**	–
Defined contribution superannuation expense*	**780**	861	**–**	–
Donations	**41**	21	**–**	–

** also reported as part of Employee benefits*

(i) Items affecting comparability
Refer also Note 45 – Prospective financial information (Income Statement sub-notes (c) – (h)).

(ii) Asset impairments and writedowns
In the year ended 31 March 2010, as a result of adverse trading conditions affecting North American performance, plant & equipment assets were impaired by $34.9 million, intangible assets impaired by $26.9 million and other assets written down by $21.7 million. In addition, on fair valuing the remaining East Tamaki, Auckland land & buildings, an impairment of $4.1 million was recognised.

In addition, owing to a change in brand strategy in the New Zealand market, the *Elba*® brand was impaired by $14.7 million.

In the year ended 31 March 2009, as a result of implementing the Appliances business' Global Manufacturing Strategy, plant & equipment assets were impaired by $7.7 million. In addition, an impairment of $6.7 million was recognised on transferring the East Tamaki, Auckland land & buildings to Non-current Assets Held for Sale and $69.7 million goodwill allocated to the Fisher & Paykel Italy factory operations cash generating unit (CGU) was impaired.

Further details on impairments in the years ended 31 March 2010 and 31 March 2009 are provided in Notes 16 and 17.

(iii) Capitalised borrowing costs
No borrowing costs were capitalised in the year ended 31 March 2010. The capitalisation rate used to determine the amount of borrowing costs to be capitalised in 2009 was 7.8%, except for isolated costs related to construction of buildings in Thailand which were capitalised at 4.0%. This represented the weighted average interest rate of the Group's applicable outstanding New Zealand dollar borrowings during 2008/09.

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 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
(a) Assurance services				
Audit services				
PricewaterhouseCoopers				
Statutory audit – current year	**1,260**	1,189	**–**	–
Statutory audit – prior year	**181**	19	**–**	–
Compliance audits – Appliances Thailand	**31**	43	**–**	–
Fisher & Paykel Finance Limited Debenture Prospectus audit	**14**	12	**–**	–
Farmers Finance securitisation compliance audit	**25**	25	**–**	–
Other audit firm				
Statutory audit – current year	**20**	21	**–**	–
Share register audit	**4**	3	**–**	–
Total remuneration for audit services	**1,535**	1,312	**–**	–
Other assurance services				
PricewaterhouseCoopers				
Review of Group Interim Financial Statements	**116**	62	**–**	–
Advice re International Financial Reporting Standards	**41**	46	**–**	–
Financial due diligence services[1]	**1,195**	145	**–**	–
Other assurance services[2]	**206**	10	**–**	–
Total remuneration for other assurance services	**1,558**	263	**–**	–
Total remuneration for assurance services	**3,093**	1,575	**–**	–
(b) Other services				
PricewaterhouseCoopers				
Statutory reporting software	**32**	33	**–**	–
Total remuneration for other services	**32**	33	**–**	–
Total remuneration	**3,125**	1,608	**–**	–

[1] Fees for financial due diligence services comprised assurance work performed in conjunction with the debt restructuring and equity raising in May/June 2009.

[2] Other assurance services primarily relates to assurance work performed directly on behalf of the Audit & Risk Management Committee or the Board and specific technical advice.

NOTES TO THE FINANCIAL STATEMENTS

9. Income tax expense

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	$'000	$'000	$'000	$'000
(a) Income tax expense				
Current tax	**(4,620)**	24,760	**(65)**	(8)
Deferred tax	**(14,913)**	(35,150)	**–**	–
Under/(over) provided in prior years	**(407)**	411	**677**	2,468
	(19,940)	(9,979)	**612**	2,460
Deferred income tax (credit)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (Note 18)	**(12,002)**	(33,107)	**–**	–
(Decrease)/increase in deferred tax liabilities (Note 26)	**(2,911)**	(2,043)	**–**	–
	(14,913)	(35,150)	**–**	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
(Loss)/profit from continuing operations before income tax expense	**(103,268)**	(105,233)	**(216)**	49,974
Tax at the New Zealand tax rate of 30%	**(30,980)**	(31,570)	**(65)**	14,992
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Fully imputed dividends received	**–**	–	**–**	(15,000)
Other non-assessable income	**(2,290)**	(12,425)	**–**	–
Forfeited NRWT and CFC income not sheltered by foreign tax credits	**3,689**	3,352	**–**	–
Unrealised losses/(gains) on New Zealand FC1 debenture	**2,845**	(2,645)	**–**	–
Other non-deductible amounts	**8,699**	32,393	**–**	–
	(18,037)	(10,895)	**(65)**	(8)
Difference in overseas tax rates	**(1,496)**	505	**–**	–
Under/(over) provision in prior years	**(407)**	411	**677**	2,468
	(1,903)	916	**–**	2,468
Income tax (credit)/expense	**(19,940)**	(9,979)	**612**	2,460

The weighted average applicable effective tax rate was 31.2% (2009 32.0%).

The Group has estimated New Zealand tax losses available to carry forward of $18.9 million (2009 $16.6 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 $8.9 million (2009 $23.0 million). These are due to expire between 2020 and 2025.

Abbreviations
NRWT – Non-resident withholding tax
CFC – Controlled foreign company
FC1 – Income Tax Act 2004, section FC1

10. Cash & cash equivalents

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**54,364**	71,695	**–**	1
Deposits	**28,450**	23,700	**–**	–
	82,814	95,395	**–**	1

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

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

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Balance as above	**82,814**	95,395	**–**	1
Bank overdrafts (Note 19)	**(164)**	–	**–**	–
Balances per Cash Flow Statement	**82,650**	95,395	**–**	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 2010 was 1.9% (2009 1.2%).

(c) Deposits

These are Finance business call and term deposits. The call deposits bear a weighted average interest rate of 2.5% (2009 3.0%). The term deposits bear a weighted average interest rate ranging between 3.4% to 4.0% (2009 3.2% to 6.9%) and an average maturity period of 61 days (2009 56 days).

(d) Fair value

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

NOTES TO THE FINANCIAL STATEMENTS

11. Trade receivables & other current assets

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Net trade receivables				
Trade receivables	**148,784**	145,377	**–**	–
Provision for impairment of trade receivables	**(1,568)**	(1,683)	**–**	–
	147,216	143,694	**–**	–
Other debtors & prepayments	**30,828**	34,443	**24**	24
	178,044	178,137	**24**	24

(a) Impaired receivables

As at 31 March 2010 current trade receivables of the Group with a nominal value of $1.6 million (2009 $1.7 million) were impaired. The amount of the provision was $1.6 million (2009 $1.7 million). There were no impaired trade receivables in the Parent in 2010 or 2009.

The ageing of these impaired receivables is as follows:

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
0 to 60 days	**65**	327	**–**	–
61 to 120 days	**79**	58	**–**	–
Over 120 days	**1,424**	1,298	**–**	–
	1,568	1,683	**–**	–

As of 31 March 2010, trade receivables of $9.8 million (2009 $15.6 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 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
0 to 60 days	**5,011**	8,763	**–**	–
61 to 120 days	**3,178**	3,275	**–**	–
Over 120 days	**1,576**	3,607	**–**	–
	9,765	15,645	**–**	–

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

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Carrying amount at the start of the year	**1,683**	1,618	**–**	–
Exchange rate variance on opening balance	**(289)**	353	**–**	–
Additional provision recognised	**733**	256	**–**	–
Utilised during the year	**(559)**	(544)	**–**	–
Carrying amount at the end of the year	**1,568**	1,683	**–**	–

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 loss of $911,000 in respect of bad and doubtful trade receivables during the year ended 31 March 2010 (2009 gain of $235,000). The loss has been included in Administration expenses.

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

Barter credits
In conjunction with the Board's review of the carrying value of North American assets as at 30 September 2009, indicators of a material decrease in the fair value were observed in respect of barter credit transactions.

These transactions involved the exchange of finished goods for barter credits or prepaid vouchers, which can be used to secure goods and services from members of the same barter exchange network. Whilst the useful life of these credits had been extended and they had been discounted to present value, based on projections at that time the Board considered the fair value was less than the carrying amount.

Fair value was determined through a value-in-use calculation using estimates of likely utilisation over the maturity period. An overlay was then applied based on Management's view of the most economic use of future expenditure. Fair value was determined as nil.

A fair value loss of $11.8 million has been recognised in respect of North American barter credits in the year ended 31 March 2010.

(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 4.

(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.

NOTES TO THE FINANCIAL STATEMENTS

12. Finance receivables

	31 March 2010 $'000	31 March 2009 $'000
Current		
Finance receivables	**406,036**	414,291
Provision for unearned interest	**(6,503)**	(8,803)
Allowance for impairment	**(15,819)**	(14,993)
Total current Finance receivables	**383,714**	390,495
Non-current		
Finance receivables	**245,475**	208,822
Provision for unearned interest	**(3,932)**	(4,436)
Allowance for impairment	**(9,564)**	(7,555)
Total non-current Finance receivables	**231,979**	196,831
Total Finance receivables	**615,693**	587,326

The Finance business recognised an impairment charge for credit losses of $19.5 million in respect of impaired receivables for the year ended 31 March 2010 (2009 $20.0 million). Refer to Note 8.

(a) Finance business leases

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

	31 March 2010 $'000	31 March 2009 $'000
Finance lease receivables		
Gross receivables from finance leases:		
Not later than 1 year	**23,727**	26,551
Later than 1 year and not later than 5 years	**21,808**	27,052
Later than 5 years	**221**	179
	45,756	53,782
Unearned finance income	**(3,166)**	(4,164)
Allowance for uncollectible minimum lease payments receivable	**(1,129)**	(536)
	(4,295)	(4,700)
Net investment in finance leases	**41,461**	49,082

The net investment in finance leases is analysed as follows:

	31 March 2010 $'000	31 March 2009 $'000
Not later than 1 year	**21,200**	23,797
Later than 1 year and not later than 5 years	**20,072**	25,141
Later than 5 years	**189**	144
	41,461	49,082

(b) Impaired receivables

Net finance receivables are summarised as follows:

	31 March 2010 $'000	31 March 2009 $'000
Neither past due nor impaired	**568,580**	535,887
Impaired – individually	**637**	327
Impaired – collectively	**71,859**	73,660
Gross	**641,076**	609,874
Less:		
Allowance for impairment – individually	**456**	183
Allowance for impairment – collectively	**24,927**	22,365
Net	**615,693**	587,326

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 have otherwise been impaired except terms have been renegotiated. The carrying amount of Finance receivables that would otherwise have been past due or impaired and whose terms have been renegotiated at 31 March 2010 was $37.3 million (2009 $30.1 million).

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

	31 March 2010 $'000	31 March 2009 $'000
Balance at 1 April (gross)	**73,660**	80,117
Net additions/(deletions) to class	**16,157**	11,660
Receivables written off during the year	**(17,958)**	(18,117)
Balance at 31 March (gross)	**71,859**	73,660

NOTES TO THE FINANCIAL STATEMENTS

12. Finance receivables (continued)

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

	31 March 2010 $'000	31 March 2009 $'000
Up to 30 days	**28,607**	30,465
31–60 days	**11,235**	11,813
61–90 days	**4,123**	4,173
Over 90 days	**28,531**	27,536
	72,496	73,987

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

- *Q Card®* advances are generally secured by way of reservation of title over the asset financed. Personal Loans are generally unsecured
- Farmers credit card receivables are unsecured. Farmers fixed instalment receivables are generally secured over the goods financed
- It is impracticable 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 2010 $'000	31 March 2009 $'000
Balance at the beginning of the year	**22,365**	19,076
Movement in allowance for impairment during the year	**2,562**	3,289
Balance at the end of the year	**24,927**	22,365

The creation and release of the allowance for impaired Finance receivables has been included in the 'Impairment charge for credit losses' in Note 8. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) Fair values

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

	31 MARCH 2010		31 MARCH 2009	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Finance receivables	**615,693**	**610,082**	587,326	587,009

The fair values of Finance receivables other than bulk finance receivables are based on cash flows discounted using current lending rates ranging between 15.8% to 15.9% (2009 15.3% to 15.6%).

The fair value of finance lease receivables are based on cash flows discounted using a current lending rate of 17.3% (2009 12.4%).

The fair values of bulk Finance receivables are based on cash flows discounted using current lending rates ranging between 7.2% to 8.5% (2009 5.7% to 6.1%).

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

(d) Interest rate risk
For an analysis of the sensitivity of Finance receivables to interest rate risk, refer to Note 5.

(e) Credit risk
Refer to Note 5 for more information on credit risk from Finance receivables including objectives, policies and processes for managing credit risk.

13. Inventories

	CONSOLIDATED		PARENT	
	31 March 2010 $'000	31 March 2009 $'000	**31 March 2010 $'000**	31 March 2009 $'000
Raw materials	**56,513**	120,253	**–**	–
Spare parts	**16,234**	15,466	**–**	–
Work-in-progress	**14,558**	21,999	**–**	–
Finished goods	**118,336**	200,075	**–**	–
	205,641	357,793	**–**	–

(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 2010 was $635.2 million (2009 $736.7 million).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 March 2010 amounted to $11.5 million (2009 $1.3 million), largely owing to the fair valuation adjustment to raw materials inventory in conjunction with the downturn in North American performance. This expense has been included in Administration expenses in the Income Statement.

(b) Inventory stockbuild
There was no inventory stockbuild as at 31 March 2010 (2009 $76.0 million).

NOTES TO THE FINANCIAL STATEMENTS

14. Non-current assets classified as held for sale

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Land	**12,493**	38,570	**–**	–
Buildings	**27,558**	52,292	**–**	–
Plant & equipment	**191**	1,028	**–**	–
	40,242	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. In October 2009, part of the land & buildings on the East Tamaki site was sold for $53.0 million to Direct Property Fund Limited. $3.75 million of the sale proceeds were deferred and received after balance date in April 2010 – refer also Note 7.

An impairment charge of $4.1 million has been recognised in the year ended 31 March 2010 relating to fair value adjustments on the remaining land & buildings comprising the East Tamaki site.

Non-current assets held for sale are included within "Unallocated assets" for the purposes of segment reporting – refer Note 6.

15. Derivative financial instruments

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Current assets				
Forward foreign exchange contracts ((a)(i))	**729**	–	**–**	–
Interest rate swaps ((a)(ii))	**–**	44	**–**	–
Commodity hedges ((a)(iii))	**–**	37	**–**	–
Total current derivative financial instrument assets	**729**	81	**–**	–
Non-current assets				
Forward foreign exchange contracts ((a)(i))	**–**	887	**–**	–
Interest rate swaps ((a)(ii))	**173**	501	**–**	–
Total non-current derivative financial instrument assets	**173**	1,388	**–**	–
Total derivative financial instrument assets	**902**	1,469	**–**	–
Current liabilities				
Forward foreign exchange contracts ((a)(i))	**6,561**	2,417	**–**	–
Interest rate swaps ((a)(ii))	**2,609**	12,311	**–**	–
Total current derivative financial instrument liabilities	**9,170**	14,728	**–**	–
Non-current liabilities				
Forward foreign exchange contracts ((a)(i))	**1,016**	–	**–**	–
Interest rate swaps ((a)(ii))	**4,878**	568	**–**	–
Total non-current derivative financial instrument liabilities	**5,894**	568	**–**	–
Total derivative financial instrument liabilities	**15,064**	15,296	**–**	–
Total derivative financial instruments	**(14,162)**	(13,827)	**–**	–

Derivative financial assets and liabilities are classified as current or non-current according to the underlying hedge relationship. Where an affective 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 Notes 4 & 5).

(i) Forward foreign exchange contracts

The Appliances business hedges net payments in US dollars for related party and third party product imports into Australia, United Kingdom, Canada and Singapore.

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

These contracts are hedging highly probable forecasted currency exposures for up to one year and in exceptional circumstances 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 Appliances business also hedges significant capital expenditure transactions with a policy de minimis of NZ$500,000.

NOTES TO THE FINANCIAL STATEMENTS

15. 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 Appliances business adjusts the initial measurement of the component recognised in the Statement of Financial Position by the related amount deferred in equity.

During the year ended 31 March 2010 a loss of $11.5 million (2009 gain of $16.0 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
Appliances business
As at 31 March 2010, the Appliances business had loans totalling US$21 million, €16 million and THB800 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.

Owing to the adverse trading conditions experienced in the second half of 2008/09 and the subsequent debt restructuring completed in May 2009, all interest rate derivatives held as at 31 March 2009 were deemed ineffective and consequently the fair value movements on these derivatives are recognised in profit or loss in each period.

Swaps currently in place cover approximately 190% (2009 70%) of the US dollar, 156% (2009 98%) of the Euro and 69% (2009 61%) of the Thai baht loan principals outstanding. The swap cover on the US dollar and Euro loans is outside policy limits (with Board approval) owing to the reduction in these loans as part of the debt restructuring and subsequent debt reduction.

The fixed interest rates average 4.91% for the US dollar loan (2009 4.95%), 4.26% for the Euro loan (2009 4.26%) and 4.63% (2009 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 0.29% (2009 1.19%) for the US dollar, 0.64% (2009 1.51%) for the Euro and 1.55% (2009 2.16%) 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.

Finance business
The Finance business only applies fair value hedge accounting for hedging fixed interest on a portion of its bulk Finance receivables. The Finance business uses fair value hedges to protect against movements in the fair value of its fixed rate receivables due to movements in market interest rates. Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the Income Statement (within "Finance business fair value adjustments" in Other Income – refer Note 7), together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

The fair value gain on the hedging instrument (interest rate swaps) for the year ended 31 March 2010 was $106,000. The fair value loss on the hedged item (attributable risk of bulk Finance receivables) for the year ended 31 March 2010 was $106,000.

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

(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 $729,000 is receivable (New Zealand dollar equivalents) for the Appliances business from interest rate swap contracts, commodity hedge contracts and forward foreign exchange contracts (2009 $924,000).

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 $173,000 (2009 $545,000) 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 4 and 5.

16. Property, plant & equipment

Consolidated	Notes	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 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 Maytag Mexico Appliance Products, S. de R.L. de C.V.		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	(a)	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
Year ended 31 March 2010									
Opening net book amount		**22,370**	**52,170**	**4,352**	**189,870**	**4,313**	**189**	**27,250**	**300,514**
Additions		**–**	**11,043**	**69**	**26,182**	**1,231**	**6**	**(19,542)**	**18,989**
Disposals		**–**	**(252)**	**–**	**(3,627)**	**–**	**(2)**	**–**	**(3,881)**
Transfers (to)/from assets held for sale		**–**	**–**	**–**	**653**	**10**	**–**	**–**	**663**
Depreciation charge		**–**	**(724)**	**(1,067)**	**(24,964)**	**(1,045)**	**(140)**	**–**	**(27,940)**
Impairment charge	(d)	**–**	**–**	**(292)**	**(34,626)**	**–**	**–**	**–**	**(34,918)**
Exchange differences		**(3,155)**	**(5,500)**	**(679)**	**(22,421)**	**(338)**	**5**	**(2,965)**	**(35,053)**
Closing net book amount		**19,215**	**56,737**	**2,383**	**131,067**	**4,171**	**58**	**4,743**	**218,374**
31 March 2010									
Cost		**19,215**	**61,387**	**6,317**	**529,132**	**11,131**	**1,984**	**4,743**	**633,909**
Accumulated depreciation & impairment		**–**	**(4,650)**	**(3,934)**	**(398,065)**	**(6,960)**	**(1,926)**	**–**	**(415,535)**
Net book amount		**19,215**	**56,737**	**2,383**	**131,067**	**4,171**	**58**	**4,743**	**218,374**

(a) Capitalised borrowing costs

Refer to Note 8 for information on capitalised borrowing costs included in property, plant & equipment.

NOTES TO THE FINANCIAL STATEMENTS

16. Property, plant & equipment (continued)

(b) Leased assets

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

	31 March 2010 $'000	31 March 2009 $'000
Plant & equipment		
Cost	**3,373**	4,209
Accumulated depreciation	**(1,945)**	(1,931)
Net book amount	**1,428**	2,278

(c) Impairment charges

North America factory operations

Total impairment charges for property, plant & equipment in the year ended 31 March 2010 were $34.9 million. Refer also Note 17 for details of impairment charges relating to associated intangible assets.

Washer production was transferred from Ohio to Thailand in November 2009 and the plant is currently idle. The current state of trading in North America has increased uncertainty over timing of a resumption of washing machine production in Ohio and therefore the assets have been fully impaired, resulting in an impairment loss of $7.7 million.

Following the downturn in the North American market, an impairment review was performed on the Ohio clothes dryer production line. Projected cash flows for this line did not support the carrying value and it has been fully impaired, resulting in an impairment loss of $5.1 million.

The downturn in the North American market has been especially pronounced in the premium segment. Impairment reviews in the year ended 31 March 2010 on assets associated with refrigeration production in Mexico, resulted in a total impairment loss of $19.2 million on plant & equipment as projected cash flows indicated the recoverable amount was lower than the carrying amount. Intangible assets were also impaired as part of the review – refer Note 17.

The recoverable amount is based on value-in-use calculations and in calculating the value-in-use, Management has made the following assumptions:

- growth rate: budgeted sales in 2010/11, adjusted forecast sales in 2011/12, 10% growth 2012/13, 15% growth 2013/14 with a growth rate of 2.5% thereafter
- 10 year useful economic life
- pre-tax discount rate: 20.7%
- budgeted margins for 2010/11 and thereafter

Owing to the current state of trading 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 2011. The carrying amount of these assets at 31 March 2010 was $10.3 million. Management view this as a temporary situation and these assets will continue to depreciate as normal, in accordance with the Group's accounting policies.

New Zealand factory operations

Reduced demand for premium products in the current global downturn resulted in an indicator of impairment for assets associated with production of CoolDrawer product. Following an impairment review, the Board impaired plant & equipment assets associated with CoolDrawer by $2.5 million as projected cash flows indicated that the recoverable amount was lower than the carrying amount. The review also resulted in impairment of intangible assets associated with production of CoolDrawer – refer Note 17.

The recoverable amount is based on value-in-use calculations and in calculating the value-in-use, Management has made the following assumptions:

- growth rate: budgeted sales in 2010/11, with a growth rate of 15% thereafter
- 10 year useful economic life
- pre-tax discount rate: 17.9%
- budgeted margins for 2010/11 and thereafter

North America sales & customer service

Leasehold improvements related to closed warehouse facilities totalling $0.3 million have also been impaired in the year ended 31 March 2010.

Year ended 31 March 2009 – New Zealand factory operations

In the year ended 31 March 2009, a net impairment loss of $6.7 million was recognised in the Income Statement in relation to land & buildings at East Tamaki, Auckland transferred to Non-current assets held for sale.

The Appliances business recognised an impairment loss of $7.7 million 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.

17. Intangible assets

Consolidated	Development costs $'000	Goodwill $'000	Patents & trademarks $'000	Computer software $'000	Brands $'000	Licences $'000	Customer Relationships $'000	Total $'000
1 April 2008								
Cost	13,430	116,250	6,748	31,115	56,216	140,195	37,832	401,786
Accumulated amortisation & 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 Maytag Mexico Appliance Products, S. de R.L. de C.V.	–	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 & 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
Year ended 31 March 2010								
Opening net book amount	**14,820**	**66,341**	**4,357**	**11,765**	**73,856**	**94,978**	**31,728**	**297,845**
Additions	**5,240**	**–**	**470**	**2,306**	**–**	**–**	**–**	**8,016**
Disposals	**–**	**–**	**–**	**(228)**	**–**	**–**	**–**	**(228)**
Amortisation charge	**(3,273)**	**–**	**(1,685)**	**(3,277)**	**–**	**(5,963)**	**(3,968)**	**(18,166)**
Impairment charge*	**(4,918)**	**–**	**–**	**–**	**(36,682)**	**–**	**–**	**(41,600)**
Exchange differences	**(1,638)**	**(5,357)**	**(20)**	**95**	**(15,073)**	**8**	**(5,651)**	**(27,636)**
Closing net book amount	**10,231**	**60,984**	**3,122**	**10,661**	**22,101**	**89,023**	**22,109**	**218,231**
31 March 2010								
Cost	**23,820**	**117,422**	**6,579**	**34,844**	**22,101**	**147,430**	**35,853**	**388,049**
Accumulated amortisation & impairment	**(13,589)**	**(56,438)**	**(3,457)**	**(24,183)**	**–**	**(58,407)**	**(13,744)**	**(169,818)**
Net book amount	**10,231**	**60,984**	**3,122**	**10,661**	**22,101**	**89,023**	**22,109**	**218,231**

** In the year ended 31 March 2010, the Elba® brand allocated to the factory operations Italy cash generating unit was impaired and further details are shown in sub-note (b)(iv). In the year ended 31 March 2009, goodwill allocated to the factory operations Italy cash generating unit was impaired and further details are shown in sub-note (a)(iv).*

NOTES TO THE FINANCIAL STATEMENTS

17. 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 & Customer Services	Factory operations	Consumer finance	Other	Total
	$'000	$'000	$'000	$'000	$'000
2010					
Appliances New Zealand	**7,974**	**–**	**–**	**–**	**7,974**
Appliances North America	**2,872**	**9,040**	**–**	**–**	**11,912**
Appliances Australia	**4,224**	**–**	**–**	**–**	**4,224**
Appliances Rest of World	**3,150**	**–**	**–**	**–**	**3,150**
Finance business	**–**	**–**	**32,118**	**1,606**	**33,724**
	18,220	**9,040**	**32,118**	**1,606**	**60,984**
2009					
Appliances New Zealand	8,914	–	–	–	8,914
Appliances North America	3,546	11,052	–	–	14,598
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

(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 North American factory operations goodwill: Nil
- EBITDA growth rate applied to sales & customer services goodwill: Nil
- NPBT growth rate applied to consumer finance goodwill: 8.8% (on average; ranges from 0% –15.6%)

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

- North American factory operations goodwill: Nil
- Sales & customer services goodwill: 2.0%
- Consumer finance goodwill: 2.0%

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

- Goodwill allocated to North American factory operations: 12.20%
- Goodwill allocated to sales & customer services: ranges between 10.83% and 11.00%[1]
- Goodwill allocated to consumer finance: 15.97%

[1] Impairment review of remaining goodwill arising on acquisition of Fisher & Paykel Appliances Italy S.p.A. in June 2006 is tested discretely against each applicable sales & customer service segment.

(iii) Impact of possible changes in key assumptions

The recoverable amount of the North American factory operations CGU was $87.2 million, which exceeded the carrying amount by $28.1 million. If the pre-tax discount rate applied to the cash flow projections of the North American factory operations CGU was 17.80% instead of 12.20%, the recoverable amount of the CGU would equal its carrying amount.

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

(iv) Impairment charge

In the year ended 31 March 2009, the Directors determined the recoverable amount of the Italian factory operations CGU goodwill was nil and an impairment charge of $69.7 million was recorded in the Income Statement. This goodwill arose on acquisition of Fisher & Paykel Appliances Italy S.p.A. (formerly Elba S.p.A.) in 2006.

(b) Brands

(i) Impairment tests for brands

Acquired brands are allocated to the Group's CGUs identified according to country of operation.

	DCS® $'000	*Elba*® $'000	Total $'000
2010			
Sales & customer services North America	**18,325**	**–**	**18,325**
Sales & customer services New Zealand	**–**	**3,776**	**3,776**
	18,325	**3,776**	**22,101**
2009			
Sales & customer services North America	50,123	–	50,123
Sales & customer services New Zealand	–	23,733	23,733
	50,123	23,733	73,856

(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*®: Nil
- *Elba*®: Nil

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*®: Nil
- *Elba*®: Nil

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

- *DCS*®: 7.54%
- *Elba*®: 12.21%

(iii) Impact of possible changes in key assumptions

DCS® brand

The recoverable amount of the *DCS*® brand at 31 March 2010 is estimated to be $23.7 million, which exceeds the carrying amount by $5.4 million.

Detailed sales figures for the *DCS*® brand are considered commercially sensitive and therefore are not disclosed. Consistent with the impairment review performed at 30 September 2009, Management has used sales revenues 20% lower than budgeted for 2010/11, with a growth rate of 0% thereafter for the following 4 years.

NOTES TO THE FINANCIAL STATEMENTS

17. Intangible assets (continued)

The recoverable amount is sensitive to changes in the assumed royalty rate. If the royalty rate decreased from 3.0% to 2.5%, the recoverable amount is reduced to $21.4 million.

The recoverable amount is sensitive to changes in the assumed discount rate. If the pre-tax discount rate increased from 7.54% to 10.95%, the recoverable amount would equal the carrying amount.

Management does not consider any reasonably possible change in other key assumptions would reduce the recoverable amount below the carrying amount.

Elba® brand
The recoverable amount of the *Elba®* brand at 31 March 2010 is estimated to be $3.8 million, which equals the carrying amount. The recoverable amount is based on nil sales growth over the next 5 years.

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 1.5%, the recoverable amount is reduced to $3.0 million.

Management does not consider any reasonably possible change in other key assumptions would reduce the recoverable amount below the carrying amount.

(iv) Impairment charges

Elba® brand
Following a change in distribution strategy in New Zealand planned for the first half of the year ended 31 March 2011, the Board assessed the recoverable amount of the *Elba®* brand as at 31 March 2010 as equal to $3.8 million, resulting in an impairment loss of $14.7 million from the carrying amount. This impairment loss is disclosed within "Unallocated assets" in Segment Reporting as the brand was recognised on consolidation following purchase price allocation on acquisition of Fisher & Paykel Appliances Italy S.p.A. (formerly Elba S.p.A.) in June 2006 – refer Note 6.

Please refer above for details of the assumptions resulting in the impairment loss on the *Elba®* brand.

North America factory operations
Pursuant to a Board review of North American asset carrying values at 30 September 2009, an impairment loss of $22.0 million was recognised in the interim financial statements to reduce the carrying value of the *DCS®* brand to its recoverable amount of $18.0 million. The impairment review made the following assumptions:

- growth rate: 20% lower sales in 2010/11 than current 2009/10 forecast, with a growth rate of 0% thereafter for the following 4 years
- royalty rate used in the relief from royalty calculation: 3%
- terminal growth rate: Nil
- pre-tax discount rate: 7.1%

(c) Other intangible asset impairments
North America factory operations
As part of the impairment review on assets associated with refrigeration production in Mexico, $4.1 million of capitalised research & development assets were impaired as projected cash flows indicated a recoverable amount lower than the carrying amount. Refer also Note 16 for the assumptions made in determining the value-in-use.

New Zealand factory operations
As part of the impairment review on assets associated with CoolDrawer production, $0.8 million of capitalised research & development assets were impaired as projected cash flows indicated a recoverable amount lower than the carrying amount. Refer also Note 16 for the assumptions made in determining the value-in-use.

(d) Other material intangible assets
The Finance business has a license with a net book value of $82.6 million as at 31 March 2010 (2009 $88.7 million). This is an exclusive license to provide financial services to the "Farmers Trading Company" for a period of 20 years. The license is expected to have a remaining amortisation period of 13.6 years.

There were no indicators of impairment in the year ended 31 March 2010.

(e) Capitalised borrowing costs
Refer to Note 8 for further information on capitalised borrowing costs included in intangible assets.

18. Deferred tax assets

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised directly in profit or loss				
Doubtful debts	**209**	421	**–**	–
Employee benefits	**4,651**	7,042	**127**	–
Inventories	**10,145**	6,112	**–**	–
Warranty provisions	**4,430**	6,132	**–**	–
Non-deductible provisions	**3,708**	8,952	**–**	–
Property, plant & equipment	**(5,800)**	(6,303)	**–**	–
Impairment of barter credits	**4,667**	–	**–**	–
Cessation of business (Australian manufacturing)	**2,649**	–	**–**	–
DCS® brand	**5,142**	(1,017)	**–**	–
Defined benefit liability	**141**	390	**–**	–
Accrued rent expense	**739**	956	**–**	–
USA energy tax credit*	**4,941**	6,164	**–**	–
Tax losses to carry forward*	**39,989**	39,248	**–**	–
Other temporary differences	**546**	1,722	**–**	–
	76,157	69,819	**127**	–
Amounts recognised directly in equity				
Hedge reserves	**49**	(1,989)	**–**	–
Total deferred tax assets	**76,206**	67,830	**127**	–
Movements:				
Opening balance at 1 April	**67,830**	29,542	**–**	–
Credited (charged) to the Income Statement (Note 9)	**12,002**	33,107	**127**	–
Credited/(charged) to equity	**1,999**	(1,989)	**–**	–
Foreign exchange differences	**(5,625)**	7,170	**–**	–
Closing balance at 31 March	**76,206**	67,830	**127**	–
Expected settlement:				
Within 12 months	**11,851**	18,310	**55**	–
In excess of 12 months	**64,355**	49,520	**72**	–
	76,206	67,830	**127**	–

** 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

19. Current borrowings

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Current borrowings	**–**	517,692	**–**	–
Total borrowings	**–**	517,692	**–**	–

As at 31 March 2009, the Group had an interim funding facility in place pending a debt restructuring, which was completed on 27 May 2009. For detailed disclosures on borrowings as at 31 March 2010 (including comparatives) refer Note 20, Non-current borrowings.

20. Non-current borrowings

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Non-current borrowings	**212,906**	–	**–**	–
	212,906	–	**–**	–

As at 31 March 2009 all borrowings were classified as current – refer Note 19, Current borrowings.

(a) Assets pledged as security

The Guaranteeing Group comprises Fisher & Paykel Appliances Holdings Limited and the subsidiary companies as disclosed in Note 36.

For bank covenant calculation purposes, the Guaranteeing Group includes the Appliances business plus any dividends or interest paid by the Finance business to its parent AF Investments Limited, a subsidiary of the ultimate parent Fisher & Paykel Appliances Holdings Limited.

Non-current and current borrowings are secured by a Security Trust Deed with the Group's banking syndicate. The Guaranteeing Group, under the Security Trust Deed, excludes all Finance business entities. All borrowings are drawn down at interest rates current at draw down date. The weighted average interest rate at 31 March 2010 was 5.33% (2009 4.67%).

The Security Trust Deed, together with subsequent amendments, imposes certain covenants on the Group including to limit any other security over its assets and to ensure the following financial ratios are met (refer also Note 27):

(i) Total Leverage ratio of the Guaranteeing Group each month < 3.0 times (converts to a quarterly test if the Total Leverage ratio is < 2.5 times for three consecutive months

(ii) Total Interest Cover ratio of the Guaranteeing Group > 2.0 times as at balance date, > 2.5 times from 1 April 2010 to 30 September 2010, > 3.0 times from 1 October 2010 to 30 April 2012. The ratio is tested on a quarterly basis.

(iii) Total secured tangible assets of the Guaranteeing Group shall constitute not less than 95% of Total tangible assets of the Consolidated Group for each period

(iv) maximum capital expenditure must not exceed $40 million in the year ended 31 March 2010, $33 million in the year ending 31 March 2011 and $44 million in the year ending 31 March 2012

Item (i) above replaced the Normalised EBITDA ratio following renegotiation of banking facilities with the Group's banking syndicate on 29 March 2010. Items (ii) – (iv) above are unchanged from 30 September 2009.

For the purposes of the financial covenants above:

- "Normalised EBITDA" means operating earnings before interest, tax, depreciation and amortisation for the last 12 months adjusted to exclude certain non-recurring items.
- "Total Leverage Ratio" is the ratio of total net bank debt to Normalised EBITDA.
- "Total Interest Cover" means the ratio of Normalised EBITDA to Total Interest.
- "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").

(b) Financing arrangements

The Appliances business had unrestricted access at balance date to the following lines of credit:

	31 March 2010 $'000	31 March 2009 $'000
Total facilities		
Bank overdrafts	**46,757**	17,558
Current borrowings	**–**	518,842
Non-current borrowings	**212,906**	–
	259,663	536,400
Used at balance date		
Bank overdrafts (Note 10)	**164**	–
Current borrowings	**–**	517,692
Non-current borrowings	**212,906**	–
	213,070	517,692
Unused at balance date		
Bank overdrafts	**46,593**	17,558
Current borrowings	**–**	1,150
Non-current borrowings	**–**	–
	46,593	18,708

(c) Fair value

The carrying amounts of non-current borrowings at 31 March 2010 were equal to their fair values (2009 equal).

(d) Risk exposures

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

	CONSOLIDATED		PARENT	
	31 March 2010 $'000	31 March 2009 $'000	31 March 2010 $'000	31 March 2009 $'000
Less than 12 months	**164**	517,692	**–**	–
One to two years	**–**	–	**–**	–
Two to three years	**212,906**	–	**–**	–
	213,070	517,692	**–**	–

The borrowings are aged in accordance with the facility's terms.

NOTES TO THE FINANCIAL STATEMENTS

20. Non-current borrowings (continued)

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

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
New Zealand dollars	**117,683**	223,051	**–**	–
US dollars	**29,602**	135,069	**–**	–
Australian dollars	**–**	48,311	**–**	–
Euros	**30,210**	60,620	**–**	–
Thai baht	**35,411**	50,641	**–**	–
	212,906	517,692	**–**	–

(e) Interest rate risk

For an analysis of the sensitivity of the Appliance business borrowings to interest rate risk refer to Note 4.

21. Trade creditors

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Trade creditors	**125,598**	152,340	**–**	–
	125,598	152,340	**–**	–

(a) Foreign currency risk

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

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
New Zealand dollars	**9,095**	11,555	**–**	–
Australian dollars	**13,464**	12,678	**–**	–
United States dollars	**34,278**	59,986	**–**	–
Euros	**40,882**	50,001	**–**	–
Thai baht	**27,072**	14,311	**–**	–
British pounds	**275**	662	**–**	–
Other	**532**	3,147	**–**	–
	125,598	152,340	**–**	–

For an analysis of the sensitivity of trade creditors to foreign currency risk refer to Note 4.

22. Provisions

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits	**76**	113	**–**	–
Warranty	**16,609**	26,437	**–**	–
Redundancy	**1,410**	17,986	**–**	–
Onerous contract	**234**	2,511	**–**	–
Other	**352**	303	**–**	–
Total current provisions	**18,681**	47,350	**–**	–
Non-current				
Employee benefits	**8,364**	11,024	**–**	–
Warranty	**7,094**	14,904	**–**	–
Onerous contracts	**116**	–	**–**	–
Other provisions	**76**	–	**–**	–
Total non-current provisions	**15,650**	25,928	**–**	–
Total provisions	**34,331**	73,278	**–**	–

(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: 6.02% (2009 5.34%)
- Exit rate: Variable (2009 Variable)
- Promotion rate: 0.50% (2009 0.50%)
- Wage/salary inflation rate: 3.50% (2009 3.50%)

The method for calculating the exit rate assumed in the actuarial model uses exit rate patterns which vary according to length of service and a mix of exponential decay formulae in addition to straight-line assumptions and excludes the extreme values in the historical data.

(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 10 years for washing machine motor 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.

There has been a substantial reduction in the level of warranty provision during the year ended 31 March 2010. A significant component of this reduction was the change in offering in North America from a 24 month to 12 month warranty period in accordance with industry norms in that market. In addition, foreign exchange rate volatility in the years ended 31 March 2010 and 2009 has increased the translation effects on warranty costs recognised throughout each period in addition to balance date.

The warranty provision has been discounted using an interest rate of 5.67% (2009 5.47%).

NOTES TO THE FINANCIAL STATEMENTS

22. Provisions (continued)

(c) Redundancy

Provision has been made for estimated redundancy costs from ongoing staff retrenchment and these amounts are expected to be paid out in the year ending 31 March 2011.

(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 operating leases in North America and Australia. These amounts are largely expected to be paid out in the year ending 31 March 2011.

(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 – 2010						
Carrying amount at start of year	**11,137**	**41,341**	**17,986**	**2,511**	**303**	**73,278**
Exchange rate variance on opening balance	**134**	**(3,248)**	**716**	**(876)**	**(58)**	**(3,332)**
Additional provision recognised	**160**	**13,005**	**8,650**	**730**	**270**	**22,815**
Utilised during the year	**(1,753)**	**(27,395)**	**(25,942)**	**(2,015)**	**(87)**	**(57,192)**
Change in discounted amount arising from passage of time and effect of any change in the discount rate	**(1,238)**	**–**	**–**	**–**	**–**	**(1,238)**
Carrying amount at end of year	**8,440**	**23,703**	**1,410**	**350**	**428**	**34,331**
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

23. Finance borrowings

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Current secured				
Bank loans	**755**	122,286	**–**	–
Debentures	**140,891**	107,166	**–**	–
Notes	**158,688**	123,364	**–**	–
Committed liquidity facilities	**56,856**	93,561	**–**	–
Total current Finance borrowings	**357,190**	446,377	**–**	–
Non-current secured				
Bank loans	**175,445**	–	**–**	–
Debentures	**16,021**	95,461	**–**	–
Total non-current interest bearing Finance borrowings	**191,466**	95,461	**–**	–
Total non-current Finance borrowings	**191,466**	95,461	**–**	–
Total Finance borrowings	**548,656**	541,838	**–**	–

There were no unsecured Finance borrowings as at 31 March 2010 (2009 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. The 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 2010	31 March 2009
	$'000	$'000
Current		
Cash and cash equivalents	**363**	416
Finance receivables	**227,857**	235,238
Current tax receivables	**–**	982
Derivative financial instruments	**–**	2
Other assets	**6,216**	6,642
Total current assets pledged as security	**234,436**	243,280
Non-current		
Property, plant & equipment	**1,316**	1,547
Intangible assets	**8,176**	7,838
Finance receivables	**168,812**	134,562
Derivative financial instruments	**118**	212
Total non-current assets pledged as security	**178,422**	144,159
Total assets pledged as security	**412,858**	387,439

23. Finance borrowings (continued)

(ii) Notes and Committed liquidity facilities

Notes issued and Committed liquidity facilities utilised under the securitisation programme are secured by a first ranking general security interest over the cash & cash equivalents and Finance receivables in the special purpose entity RFS Trust 2006-1. The book value of these assets as at 31 March 2010 totalled $232.5 million (2009 $230.4 million).

(b) Bank loans

The bank loans are a combination of call and short-term loans (with fixed interest rates for periods of approximately 90 days) and bear interest at a weighted average interest rate (excluding line fees, establishment fees and extension fees) of 3.8% (2009 4.2%).

Fisher & Paykel Finance Limited has a $335 million syndicated banking facility and on 25 November 2009 this was amended resulting in termination date extensions as follows:

- Tranche A ($20 million) extended to 10 April 2011
- Tranche B ($105 million) extended to 10 April 2011
- Tranche C ($105 million) extended to 10 October 2012
- Tranche D ($105 million) termination date unchanged at 25 September 2011

As at 31 March 2010 the Charging Group had total committed banking facilities of $335 million.

The syndicated banking facility imposes a number of financial covenants with which the Charging Group 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 immediate parent (Fisher & Paykel Finance Holdings Limited) 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.

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 it’s 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.

During the year ended 31 March 2010 and up to and including the signing date, no market disruption event 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 weighted average interest rate of the debenture stock (excluding brokerage and New Zealand Deposit Guarantee fees) at 31 March 2010 was 7.3% (2009 8.2%).

Fisher & Paykel Finance Limited has a guarantee under the New Zealand Deposit Guarantee Scheme. This guarantee applies to all its debentures other than its Excluded Securities which are not guaranteed. When the current guarantee expires on 12 October 2010 it will be replaced by an extended guarantee, which expires on 31 December 2011. Interest and deposit repayments after this date will not be covered by the guarantee. Special eligibility criteria, a maximum guarantee cap and terms and conditions apply to each guarantee. Further information about the New Zealand Deposit Guarantee Scheme is available on www.treasury.govt.nz.

(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 weighted average interest rate of Notes at 31 March 2010 was 3.9% (2009 5.6%).

Liquidity support for the Notes is provided under a Committed liquidity facility. The weighted average interest rate of the liquidity facility (excluding line fees, establishment fees and extension fees) at 31 March 2010 was 3.8% (2009 4.3%).

(e) Financing arrangements

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

	31 March 2010 $'000	31 March 2009 $'000
Credit standby arrangements		
Total facilities		
Bank loans	**335,000**	375,000
Bank overdrafts	**3,500**	2,000
Notes/Committed liquidity facilities	**250,000**	250,000
	588,500	627,000
Used at balance date		
Bank loans	**176,625**	123,000
Bank overdrafts	**–**	–
Notes/Committed liquidity facilities	**214,535**	215,404
	391,160	338,404
Unused at balance date		
Bank loans	**158,375**	252,000
Bank overdrafts	**3,500**	2,000
Notes/Committed liquidity facilities	**35,465**	34,596
	197,340	288,596

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

The bank loan facilities of $335 million at 31 March 2010 have maturity dates in April 2011 ($125 million), September 2011 ($105 million) and October 2012 ($105 million).

As at 31 March 2010, the $250 million committed liquidity facility had a maturity date of 30 October 2010. Refer also Note 43.

(f) Fair value

The fair values of Finance business borrowings are:

	31 MARCH 2010		**31 MARCH 2009**	
	Carrying amount $'000	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
On-balance sheet				
Bank loans	**176,200**	**176,210**	122,286	122,691
Notes	**158,688**	**158,720**	123,364	123,476
Committed liquidity facilities	**56,856**	**56,857**	93,561	93,538
Debentures	**156,912**	**158,602**	202,627	208,099
	548,656	**550,389**	541,838	547,804

NOTES TO THE FINANCIAL STATEMENTS

23. Finance borrowings (continued)

(i) On-balance sheet
The fair value of Bank loans for the year ended 31 March 2010 was based on cash flows discounted using a borrowing rate of 3.7% (2009 4.2%).

The fair value of Notes is based on cash flows discounted using borrowing rates averaging 3.7% based on the maturity date of those Notes (2009 averaging 4.2%).

The fair value of the Committed liquidity facility is based on cash flows discounted using a borrowing rate of 3.7% (2009 4.2%).

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 (2009 5.0% to 7.3%).

(ii) Contingent liabilities
There were no interest bearing contingent liabilities as at 31 March 2010 (2009 Nil).

(g) Priority of claims
In the event the Finance business was liquidated or ceased trading, 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 5.

24. Other current liabilities

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Employee entitlements	**22,012**	29,450	**183**	–
Other creditors	**44,095**	33,517	**96**	156
	66,107	62,967	**279**	156

Employee entitlements include a statutory termination indemnity obligation (TFR) for employees of the Group's Italian operating subsidiary – refer Note 31(2).

Also included within employee entitlements are liabilities for employee leave entitlements, wage & salary withholdings and wages & salaries payable.

Other creditors includes $11.6 million for an instalment payable in April 2010 to subsidiaries of Whirlpool Corporation Inc. for the acquisition of Maytag Mexico Appliance Products, S. de R.L. de C.V. and refrigeration manufacturing assets – refer Note 35. In the year ended 2009, all deferred acquisition costs were non-current – refer Note 25.

25. Other non-current liabilities

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Employee entitlements	**240**	216	**240**	216
Accrued rent expense	**2,393**	2,733	**–**	–
Retirement benefit obligation	**470**	1,127	**–**	–
Deferred acquisition cost	**11,630**	29,019	**–**	–
Other	**–**	199	**–**	–
	14,733	33,294	**240**	216

(a) Employee entitlements
Further details of the Group's Executive Long-Term Performance Incentive are provided at Note 37.

(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 31.

(d) Deferred acquisition cost
Deferred acquisition cost as at 31 March 2010 represents the remaining instalment payable in April 2011 to subsidiaries of Whirlpool Corporation Inc. for the acquisition of Maytag Mexico Appliance Products, S. de R.L. de C.V. and refrigeration manufacturing assets – refer Note 35.

26. Deferred tax liabilities

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised directly in profit or loss				
Provisions	**(9,283)**	(9,364)	**–**	–
Property, plant & equipment	**11,638**	13,039	**–**	–
Intangible assets	**24,780**	26,604	**–**	–
Fair value adjustments re Elba S.p.A. acquisition	**610**	2,157	**–**	–
Other temporary differences	**(15)**	(15)	**–**	–
	27,730	32,421	**–**	–
Net deferred tax liabilities	**27,730**	32,421	**–**	–
Movements:				
Opening balance at 1 April	**32,421**	33,393	**–**	–
Charged/(credited) to the Income Statement (Note 9)	**(2,911)**	(2,043)	**–**	–
Foreign exchange differences	**(1,780)**	1,071	**–**	–
Closing balance at 31 March	**27,730**	32,421	**–**	–
Expected settlement				
Within 12 months	**(7,460)**	(7,005)	**–**	–
In excess of 12 months	**35,190**	39,426	**–**	–
	27,730	32,421	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

27. Contributed equity

(a) Movements in ordinary share capital:

	31 March 2010 Shares	31 March 2009 Shares	31 March 2010 $'000	31 March 2009 $'000
Opening balance of ordinary shares authorised and issued	**290,375,990**	284,608,307	**651,510**	642,082
Issues of ordinary shares during the year				
Dividend reinvestment plan	**–**	5,767,683	**–**	9,428
Issue of shares re placement with Haier Group and Rights Issue on placement shares	**85,407,984**	–	**57,667**	–
Issue of shares re pro-rata renounceable rights offer	**348,451,188**	–	**132,692**	–
Closing balance of ordinary shares authorised and issued	**724,235,162**	290,375,990	**841,869**	651,510

(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) Dividend reinvestment plan
The plan was not operational in 2009/10.

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 2.5% discount of the average of the volume weighted average sale price for the Company's ordinary shares, calculated on all price setting trades that take place on the NZSX and ASX over a period of 10 trading days commencing on the third business day after the shares first trade ex-entitlement on the NZSX.

(d) Placement and Rights Issue
Following the placement of shares with Haier Group Corporation and subsequent Rights Issue, Haier Group Corporation has a 20% shareholding in the Company. The ordinary shares issued under the Placement and Rights Issue rank equally with existing ordinary shares.

On 27 May 2009, the Parent Company announced a fully underwritten equity raising, including a pro-rata one-for-one renounceable rights issue. The issue price for ordinary shares under the Rights Issue was $0.41 per share. The ordinary shares issued under the Rights Issue ranked equally with existing ordinary shares.

(e) Capital risk management – Appliances business & Parent
The Company's objective when managing capital is to safeguard its ability to continue as a going concern.

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.

The Appliances business manages capital risk by ensuring there is an adequate amount of headroom above the minimum requirements of the banking covenants. The principal indicator used is the Total Leverage Ratio, which is calculated as Net Bank Debt divided by Normalised Operating Earnings before Interest, Tax, Depreciation and Amortisation of the Guaranteeing Group (refer Note 20). Net Bank Debt is calculated as total bank borrowings less cash & cash equivalents (excluding the Finance business).

The capital risk management policy for the Appliances business is to maintain the Total Leverage Ratio below 2.5 times compared to the current maximum permitted level under the Guaranteeing Group's banking facilities of 3.0 times.

As at 31 March 2010, the Total Leverage Ratio was within covenant limits at 2.12 times.

(f) 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, the Debenture Trust Deed under which Fisher & Paykel Finance Limited issues debentures and financial covenants contained in the syndicated banking facility documentation.

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

The New Zealand financial sector is in the process of significant regulatory reform including the September 2008 amendment to the Reserve Bank of New Zealand Act 1989, which has extended the Reserve Bank's responsibility to being a regulator of non-bank deposit takers such as finance companies and provides for further regulations to be made.

The new regulations and proposed regulatory changes will affect the Company, which is a "non-bank deposit taker". The proposed changes include minimum capital ratio requirements and these are being gradually introduced, with full compliance expected by 1 September 2010.

During the year ended 31 March 2010, Fisher & Paykel Finance Limited increased it share capital by $27 million to $70 million as at 31 March 2010.

Fisher & Paykel Financial Services Limited

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 7.5% (2009 5.5%) of receivables or the amount established by applying a dynamic credit enhancement calculation.

Fisher & Paykel Finance Holdings Limited

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

28. Earnings per share

	31 March 2010	31 March 2009
Basic and diluted loss per share (cents)	**(13.6)**	(33.1)

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

	31 March 2010 $'000	31 March 2009 $'000
Basic and diluted loss per share		
(Loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	**(83,328)**	(95,254)

NOTES TO THE FINANCIAL STATEMENTS

28. Earnings per share (continued)

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

	31 March 2010 $'000	31 March 2009 $'000
Weighted average number of ordinary shares used as the denominator in calculating basic (loss) per share	**614,345,346**	287,643,820
Adjustments for calculation of diluted (loss) per share:		
Share options	**2,181,822**	5,261,397
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss) per share	**616,527,168**	292,905,217

(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 37.

Owing to losses in both the year ended 31 March 2010 and 31 March 2009, issued options have an anti-dilutive effect in the calculation of diluted earnings per share and therefore the diluted amount is assumed to equal the basic amount.

29. Retained earnings and reserves

(a) Reserves

	CONSOLIDATED		PARENT	
	31 March 2010 $'000	31 March 2009 $'000	31 March 2010 $'000	31 March 2009 $'000
Treasury stock	**512**	512	**–**	–
Foreign exchange cash flow hedge reserve	**(3,213)**	4,642	**–**	–
Share-based payments reserve	**1,970**	1,970	**1,970**	1,970
Foreign currency translation reserve	**(40,018)**	23,521	**–**	–
Commodity cash flow hedge reserve	**–**	37	**–**	–
	(40,749)	30,682	**1,970**	1,970

MOVEMENTS	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'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 $512,000 at balance date (2009 $512,000).

Foreign exchange cash flow hedge reserve				
Opening balance	**4,642**	602	**–**	–
Recognised income & expense	**(7,855)**	4,040	**–**	–
Closing balance	**(3,213)**	4,642	**–**	–
Share-based payments reserve				
Opening balance	**1,970**	1,890	**1,970**	1,890
Equity settled share based payments expense	**–**	80	**–**	80
Closing balance	**1,970**	1,970	**1,970**	1,970
Foreign currency translation reserve				
Opening balance	**23,521**	(14,321)	**–**	–
Translation differences arising during the year	**(63,539)**	37,842	**–**	–
Closing balance	**(40,018)**	23,521	**–**	–
Interest rate cash flow hedge reserve				
Opening balance	**–**	(3,443)	**–**	–
Recognised income & expense	**–**	(4,356)	**–**	–
Reclassification to Profit & Loss	**–**	7,799	**–**	–
Closing balance	**–**	–	**–**	–
Commodity cash flow hedge reserve				
Opening balance	**37**	503	**–**	–
Recognised income & expense	**(37)**	(466)	**–**	–
Closing balance	**–**	37	**–**	–

29. Retained earnings and reserves (continued)

(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) Foreign exchange 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 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Opening balance	**(116,640)**	18,623	**(106,441)**	(113,946)
Net (loss)/profit for the year	**(83,328)**	(95,254)	**(828)**	47,514
Dividends (Note 32)	**–**	(40,009)	**–**	(40,009)
Closing balance	**(199,968)**	(116,640)	**(107,269)**	(106,441)

30. Imputation credits

	CONSOLIDATED	
	31 March 2010	31 March 2009
	$'000	$'000
Balance at beginning of year	**644**	144
Tax payments, net of refunds	**991**	5,100
Credits attached to dividends paid	**–**	(4,600)
Balance at end of year	**1,635**	644
Imputation credits are available to shareholders as follows:		
Direct – Fisher & Paykel Appliances Holdings Limited Imputation Group	**1,635**	644
Balance at end of year	**1,635**	644

31. 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 21 members remaining in the plan as at 31 March 2010.

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 2010.

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) Statement of Financial Position amounts

The amounts recognised in the Statement of Financial Position are determined as follows:

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Present value of the defined benefit obligation	**662**	1,316	**–**	–
Fair value of defined benefit plan assets	**(371)**	(561)	**–**	–
Present value of unfunded obligations	**291**	755	**–**	–
Adjustment for ESCT	**143**	372	**–**	–
Net liability in the Statement of Financial Position	**434**	1,127	**–**	–

(b) Categories of plan assets

The major categories of plan assets are as follows:

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	%	%	**%**	%
Cash	**71**	83	**–**	–
Equity instruments	**14**	8	**–**	–
Debt instruments	**13**	8	**–**	–
Property	**2**	1	**–**	–
	100	100	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

31. Defined benefit obligations (continued)

(c) Reconciliations

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'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	**1,316**	886	**–**	–
Current service cost	**27**	37	**–**	–
Interest cost	**25**	20	**–**	–
Actuarial gains & losses	**558**	1,828	**–**	–
Benefits paid	**(1,264)**	(1,455)	**–**	–
Balance at the end of the year	**662**	1,316	**–**	–
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**561**	457	**–**	–
Expected return on plan assets	**34**	27	**–**	–
Actuarial gains & losses	**(21)**	211	**–**	–
Contributions by Group companies	**1,017**	178	**–**	–
Contributions by plan participants	**44**	1,143	**–**	–
Benefits paid	**(1,264)**	(1,455)	**–**	–
Balance at the end of the year	**371**	561	**–**	–

(d) Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Current service cost	**27**	37	**–**	–
Interest cost	**25**	20	**–**	–
Expected return on plan assets	**(34)**	(27)	**–**	–
Net actuarial losses (gains) recognised in year	**579**	1,617	**–**	–
Total included in employee benefits expense	**597**	1,647	**–**	–
Actual return on plan assets	**17**	9	**–**	–

(e) Principal actuarial assumptions

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

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
Discount rate	**4.17%**	3.79%	**– %**	– %
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 2010 $'000	31 March 2009 $'000
Defined benefit plan obligation	**662**	1,316
Plan assets	**(371)**	(561)
	291	755
ESCT	**143**	372
Deficit	**434**	1,127
Experience adjustments arising on plan liabilities	**558**	1,828
Experience adjustments arising on plan assets	**(21)**	211

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 statement of financial position of the Group's Italian operating subsidiary (Fisher & Paykel Appliances Italy S.p.A.) and meets the definition of a defined benefit plan.

NOTES TO THE FINANCIAL STATEMENTS

31. Defined benefit obligations (continued)

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

(a) Statement of Financial Position amounts

The amounts recognised in the Statement of Financial Position are determined as follows:

	CONSOLIDATED		PARENT	
	31 March 2010 $'000	31 March 2009 $'000	**31 March 2010 $'000**	31 March 2009 $'000
Present value of the defined benefit obligation	**4,218**	4,922	**–**	–
Net liability in the Statement of Financial Position	**4,218**	4,922	**–**	–

(b) Reconciliations

	CONSOLIDATED		PARENT	
	31 March 2010 $'000	31 March 2009 $'000	**31 March 2010 $'000**	31 March 2009 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	**4,922**	4,587	**–**	–
Interest cost	**233**	270	**–**	–
Actuarial gains & losses	**239**	(290)	**–**	–
Benefits paid	**(203)**	(438)	**–**	–
Foreign currency exchange rate changes	**(973)**	793	**–**	–
Balance at the end of the year	**4,218**	4,922	**–**	–

(c) Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	CONSOLIDATED		PARENT	
	31 March 2010 $'000	31 March 2009 $'000	**31 March 2010 $'000**	31 March 2009 $'000
Interest cost	**233**	270	**–**	–
Total included in employee benefits expense	**233**	270	**–**	–

(d) Principal actuarial assumptions

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

	CONSOLIDATED		PARENT	
	31 March 2010 $'000	31 March 2009 $'000	**31 March 2010 $'000**	31 March 2009 $'000
Discount rate	**4.80%**	5.25%	**– %**	– %
Expected return on plan assets	**2.00%**	2.00%	**– %**	– %
Future salary increases	**2.00%**	2.00%	**– %**	– %

(e) Employer contributions

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

(f) Historic summary

	31 March 2010 $'000	31 March 2009 $'000
Defined benefit plan obligation	**4,218**	4,922
Deficit	**4,218**	4,922

32. Dividends

	CONSOLIDATED		PARENT	
	31 March 2010 $'000	31 March 2009 $'000	**31 March 2010 $'000**	31 March 2009 $'000
Prior year's final dividend of Nil cents per share (2009 9.0 cents)	**–**	25,615	**–**	25,615
Current year interim dividend of Nil cents per share (2009 5.0 cents)	**–**	14,394	**–**	14,394
Total dividends	**–**	40,009	**–**	40,009

(a) Imputation

The 2008/09 year interim dividend carried a partial imputation credit of 0.67 cents, equivalent to 11.8 cents in the dollar.

(b) Dividend reinvestment plan

No dividends were paid in the year ended 31 March 2010. After subscriptions to the Dividend Reinvestment Plan were taken into account, the cash dividend paid in the year ended 31 March 2009 was $30,581,000.

33. 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 2010 the Company had a contingent liability of $659,811 (2009 $757,125) for Directors' retirement allowances.

The Group also had contingent liabilities at 31 March 2010 in respect of:

Pending Proceedings

Fisher & Paykel Financial Services Limited is currently involved in legal proceedings with a former software supplier, which are being vigorously defended. The Board does not consider that these proceedings will have a material adverse effect on the operations or the financial position of the Group.

34. Commitments

(a) Capital commitments

Capital expenditure contracted for at balance date but not recognised as liabilities is as follows:

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Within one year	**2,115**	22,453	**–**	–
	2,115	22,453	**–**	–

Capital commitments at 31 March 2009 largely related 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 15 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases:				
Within one year	**22,729**	22,986	**–**	–
Between one and two years	**18,236**	16,947	**–**	–
Between two and three years	**15,624**	11,898	**–**	–
Between three and four years	**14,106**	10,039	**–**	–
Between four and five years	**10,925**	9,108	**–**	–
Over five years	**57,536**	12,533	**–**	–
	139,156	83,511	**–**	–

The large increase in lease commitments over five years is due to the sale & leaseback for 15 years of part of the Group's East Tamaki, Auckland site in October 2009.

(ii) Finance leases

The Appliances business leases various plant & equipment with a carrying amount of $1.4 million (2009 $2.3 million) under finance leases expiring within one to three 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 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to finance leases:				
Within one year	**328**	776	**–**	–
Between one and two years	**15**	407	**–**	–
Between two and three years	**3**	22	**–**	–
Between three and four years	**–**	3	**–**	–
	346	1,208	**–**	–

The weighted average interest rate implicit in the finance leases is 5.9% (2009 5.9%).

(c) Undrawn lending commitments (Finance business)

Undrawn lending commitments include unutilised *Q Card*®, credit card and fixed instalment limits, which can be unconditionally cancelled at any time.

	CONSOLIDATED	
	31 March 2010	31 March 2009
	$'000	$'000
Undrawn lending commitments	**1,772,622**	2,188,968

NOTES TO THE FINANCIAL STATEMENTS

35. Business combinations

(a) Acquisition of Maytag Mexico Appliance products, S. de R.L. de C.V.

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 and 2010	**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 NZ$'000	Fair value NZ$'000	Acquiree's carrying amount US$'000	Fair value US$'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.

36. 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	2010 %	2009 %
AF Investments Limited*	New Zealand	Non-trading holding company	**100**	100
Fisher & Paykel Appliances Employee Share Purchase Trustee Limited	New Zealand	Employee share purchase scheme	**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
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**	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	Commercial 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 are the companies in the Security Trust Deed for the purposes of Group borrowings – refer Notes 19 & 20.

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36. Investments in subsidiaries (continued)

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 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. On the same date, the extended warranty business of Fisher & Paykel Financial Services Limited was sold to Consumer Insurance Services Limited.

37. 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 2010, the Board granted no options to acquire shares under the Plan (2009 No options granted). All remaining share option entitlements lapsed in August 2009.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year	Lapsed/ forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number
31 March 2010						
31/08/04	**31/08/09**	**$4.933***	**5,205,000**	**(5,205,000)**	**–**	**–**
Total			**5,205,000**	**(5,205,000)**	**–**	**–**
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

**Represents the weighted average exercise price of those options exercisable at balance date.*

The weighted average share price during the year ended 31 March 2010 was $0.67 (2009 $1.60).

The remaining 5,205,000 options from the August 2004 scheme lapsed in August 2009.

(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 Number	Granted during the year Number	Vested during the year Number	Lapsed/forfeited during the year Number	Balance at end of the year Number
31 March 2010						
01/10/08	**30/09/11**	**1,020,000**	**–**	**(240,000)**	**(60,000)**	**720,000**
01/07/07	**30/06/10**	**467,000**	**–**	**(119,000)**	**(29,000)**	**319,000**
Total		**1,487,000**	**–**	**(359,000)**	**(89,000)**	**1,039,000**
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

Rights vesting early are due to retirement or redundancy of the employees concerned.

Fair value of the Scheme

The assessed fair value of the Schemes as at 31 March 2010 was $424,000 (2009 $216,000). 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 Company 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 NZX50 returns: 0.20

(f) expected dividend yield: Nil%

(g) risk-free interest rate: 2.7%/3.8%

(c) Employee Share Scheme

No employee share offers were in operation during the year ended 31 March 2010 or the year ended 31 March 2009.

As at 31 March 2010 203,316 shares (2009 203,316) were held by the Trustee, being 0.03% (2009 0.07%) of the Group's issued and paid up capital. No shares are allocated to employees (2009 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.

Following the Rights Issue commenced in May 2009 (refer Note 27), in June 2009 the Trustee sold the rights in shares held for $53,376 and returned these surplus funds to the Company in accordance with the Scheme Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

37. Share-based payments (continued)

(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 2010 $'000	31 March 2009 $'000	**31 March 2010 $'000**	31 March 2009 $'000
Expenses in relation to Group Share Option Plan	**–**	80	**–**	61
Expenses in relation to Long-Term Incentive Schemes	**286**	(50)	**286**	(50)
	286	30	**286**	11

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

	CONSOLIDATED		PARENT	
	31 March 2010 $'000	31 March 2009 $'000	**31 March 2010 $'000**	31 March 2009 $'000
(Loss)/profit for the year after income tax	**(83,328)**	(95,254)	**(828)**	47,514
Add/(deduct) non-cash items:				
Depreciation of property, plant & equipment to recoverable amount	**27,940**	39,620	**–**	–
Amortisation of intangible assets	**18,166**	18,869	**–**	–
Impairment loss on property, plant & equipment	**34,915**	14,395	**–**	–
Impairment loss on intangible assets	**41,600**	69,688	**–**	–
Fair valuation adjustments – North America, East Tamaki	**25,805**	–	**–**	–
(Gain) on sale of non-current assets	**(4,017)**	(8,216)	**–**	–
Finance business bad debts written off	**21,621**	21,608	**–**	–
Movement in accrued interest	**1,117**	(1,533)	**–**	–
Net (increase) in loans and advances to customers	**(49,978)**	(23,096)	**–**	–
Movement in provisions	**(39,403)**	20,685	**–**	–
Movement in tax	**(15,468)**	(36,789)	**612**	1,723
Movement in payables and accruals	**(31,311)**	16,303	**–**	–
Movement in debtors and other current assets	**(19,980)**	(12,244)	**–**	2
Movement in inventories	**142,190**	(80,414)	**–**	–
Fair value adjustment/reclassification to derivative financial instruments	**(3,016)**	11,141	**–**	–
Fair value adjustments to other financial assets	**(5)**	1,327	**–**	–
Non-cash share-based payments expense	**286**	30	**286**	22
Internal cash flow from financing activities	**–**	–	**(1,266)**	(1,067)
Foreign currency exchange translation	**(29,510)**	30,164	**–**	–
Net cash inflow / (outflow) from operating activities	**37,624**	(13,716)	**(1,196)**	48,194

39. Disclosure of components of other comprehensive income

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Other comprehensive income:				
Exchange differences on translating foreign operations	**(63,539)**	37,842	**–**	–
Cash flow hedges:				
Gains/(losses) arising during the year	**12,876**	(12,454)	**–**	–
Reclassification adjustments for gains/(losses) included in profit or loss	**(24,151)**	22,478	**–**	–
	(11,275)	10,024	**–**	–
Income tax relating to components of other comprehensive income	**3,383**	(3,007)	**–**	–
Other comprehensive income for the year	**(71,431)**	44,859	**–**	–

Exchange differences
The Appliances business has substantial foreign operations with assets and liabilities denominated in functional currencies other than the New Zealand dollar (NZD). The value of these investments, when translated to NZD, fluctuates with exchange rate movements. Due to the substantial appreciation of the NZD during the year ended 31 March 2010 (refer Note 44) and the reduction in foreign currency borrowings that partially offset these movements, a $63.5 million adverse translation difference has arisen (2009 gain of $37.8 million).

40. Disclosure of tax effects relating to each component of other comprehensive income

Consolidated	**Before tax amount**	**Tax (expense)/ credit**	**Net-of-tax amount**
	$'000	**$'000**	**$'000**
31 March 2010			
Exchange differences on translating foreign operations	**(63,539)**	**–**	**(63,539)**
Cash flow hedges	**(11,275)**	**3,383**	**(7,892)**
Other comprehensive income	**(74,814)**	**3,383**	**(71,431)**
31 March 2009			
Exchange differences on translating foreign operations	37,842	–	37,842
Cash flow hedges	10,024	(3,007)	7,017
Other comprehensive income	47,866	(3,007)	44,859

41. 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. $3,947,000 was recognised in the financial statements for the year ended 31 March 2010 (2009 $2,120,000).

Fisher & Paykel Appliances Limited entered into the New Zealand Government's nine day working fortnight scheme covering its refrigeration assembly workforce, which was a temporary 35 hour working week arrangement running from April 2009 through until September 2009. Under the agreement employees worked a 35 hour week, supplemented with an additional 3.5 hours pay shared equally between the Government and the company. This resulted in a credit to the Income Statement in the year ended 31 March 2010 of $174,000.

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$119,000 grant income was received during the year ended 31 March 2010 (2009 S$36,000).

On occasion the Group also receives local government assistance, e.g. rates relief, both within and outside New Zealand.

42. 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 2010 and 31 March 2009 was as follows:

	Short-term benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
	$	$	$	$	$	$
Year ended 31 March 2010	**11,150,932**	**2,305,666**	**1,295**	**2,238,660**	**227,077**	**15,923,630**
Year ended 31 March 2009	12,678,487	680,613	496,206	–	5,146	13,860,452

During the year there have been a number of new appointments and resignations of key management personnel. Remuneration for these employees has been appropriately pro-rated and termination benefits included where applicable.

(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.

The Chairman, 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.

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 are provided on normal commercial terms and conditions.

(c) Subsidiaries

Interests in subsidiaries are set out in Note 36.

(d) Parent Company

As at 31 March 2010, the Parent company had advanced funds to Group companies of $637.2 million (2009 $446.9 million). These intra-Group advances are interest free and repayable on demand.

(e) Transactions with related parties

The following transactions occurred with Haier Group Corporation (and its associated entities) during the year ended 31 March 2010 (refer also Note 27):

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Sales of goods and services				
Sales of goods	**273**	–	**–**	–
Sales of services	**103**	–	**–**	–
	376	–	**–**	–
Purchases of goods and services				
Purchases of goods	**17,599**	–	**–**	–
Purchases of services	**113**	–	**–**	–
	17,712	–	**–**	–
Other transactions				
Subscriptions for ordinary shares by Haier Group Corporation	**57,667**	–	**57,667**	–
Directors Fees paid to employees of Haier Group Corporation	**113**	–	**113**	–
	57,780	–	**57,780**	–

(f) Outstanding balances with related parties

The following balances are outstanding at balance date in relation to transactions with Haier Group Corporation:

	CONSOLIDATED		PARENT	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	$'000	$'000	**$'000**	$'000
Current receivables (sales of goods and services)	**350**	–	**–**	–
Current payables (purchases of goods)	**4,780**	–	**–**	–

No allowances for impairment have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from Haier Group Corporation.

(g) Terms & conditions of related party transactions

Transactions relating to subscriptions for new ordinary shares following the Rights Issue were on the same terms & conditions that applied to other shareholders.

All other transactions were made on normal commercial terms & conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

NOTES TO THE FINANCIAL STATEMENTS

43. Events occurring after the Statement of Financial Position date

On 1 April 2010, the Board announced Direct Property Fund Limited was not proceeding with the purchase of East Tamaki Lot 2 assets (refer Note 14) and was now reviewing options for the site, including the sale of individual titles.

On 9 April 2010, deferred proceeds of $3.75 million were received in accordance with the October 2009 sale & leaseback agreement for East Tamaki Lot 1 assets – refer also Note 14.

On 16 April 2010, the third instalment of $12.4 million relating to the Reynosa acquisition (refer Note 35) was paid.

On 30 April 2010 the availability period of the RFS Trust 2006-1 liquidity facility was extended to 29 April 2011. On the same date, the facility amount was increased from $250 million to $285 million.

On 10 May 2010, the Board announced indicative results from a continuing review of the carrying values of North American assets and also Non-current assets held for sale – refer Notes 16 and 17 for details of the related adjustments to the 31 March 2010 year-end financial statements.

On 18 May 2010, the Board announced Fisher & Paykel Finance Limited had received approval from the Treasury to participate in the extended New Zealand retail deposit guarantee scheme until 31 December 2011.

On 20 May 2010, the New Zealand Government announced the taxation rate for companies would reduce from 30% to 28% effective 1 April 2011. The financial statements for the year ended 31 March 2010 have not been restated for this change, but the estimated effect on balances as at 31 March 2010 is a net reduction in deferred tax assets of less than $0.5 million on a Group basis.

44. Foreign currency exchange rates

	31 March 2010	31 March 2009
NZ$1.00 =		
Australian dollar	**0.7758**	0.8259
United States dollar	**0.7094**	0.5686
Euro	**0.5296**	0.4289
British pound	**0.4708**	0.3972
Thai baht	**22.5923**	20.2400
Mexican peso	**8.7799**	8.1308

The above foreign currency exchange rates have been applied at each balance date.

45. Prospective financial information

On 27 May 2009 Fisher & Paykel Appliances Holdings Limited issued an investment statement & prospectus in relation to a rights offer of ordinary shares. The following Note is a comparison of, and explanations for major variances between, the prospective financial statements of the Group for the year ended 31 March 2010 disclosed in the investment statement & prospectus and the actual results for the year.

General commentary on actual versus prospective results

The actual EBITDA was $108.3 million (before items affecting comparability) for the year ended 31 March 2010, which was 28% lower than the prospective EBITDA of $149.6 million (before items affecting comparability). The primary factors that caused the actual results to be lower than the prospective results were:

- lower sales in the USA and Australia
- impairment of asset carrying values
- foreign exchange rates were different to those assumed

These primary factors are described in more detail below:

Foreign exchange rates

The table below sets out the actual exchange rates at 31 March 2010 and the average monthly rates for the year ended 31 March 2010 versus those assumed in the prospective financial statements for the translation of revenues and expenses throughout the year ended 31 March 2010 and balance sheet amounts as at 31 March 2010:

	As at 31 March 2010 Actual	**Year ended 31 March 2010 Actual**	Prospectus
United States dollar	**0.7094**	**0.6791**	0.5100
Australian dollar	**0.7758**	**0.7971**	0.7800
Euro	**0.5296**	**0.4801**	0.3900
British pound	**0.4708**	**0.4252**	0.3900
Thai baht	**22.5923**	**22.8677**	18.5000

The appreciation of the New Zealand dollar (NZD) against these currencies has led to significant variations, on a line by line basis, between the prospective financial statements and the actual results.

The translation of transactions and balances from local currencies to NZD has led to lower NZD values than had been assumed. The impact of these translation differences on individual items are described further in the sub-notes. The net impact on the Group's earnings has been to marginally increase the earnings as a higher proportion of raw materials costs and expenses are denominated in foreign currencies than revenues. The net impact on the balance sheet is to reduce net assets as more assets are denominated in foreign currencies than liabilities.

Despite the appreciation of the NZD, an overall positive impact on the earnings has not been achieved as there have been a number of negative impacts that have more than offset the expected benefit from the appreciation. Most notably these have included the lower revenues (refer Prospective Income Statement sub-note (a)) and higher manufacturing costs.

NOTES TO THE FINANCIAL STATEMENTS

45. Prospective financial information (continued)

Prospective Income Statement		CONSOLIDATED	CONSOLIDATED	
		31 March 2010	31 March 2010	
		Actual	Prospectus	Variance
For the year ended 31 March 2010	Notes	$'000	$'000	$'000
Revenue				
Operating revenue	(a)	**1,157,029**	1,353,595	(196,566)
Other income	(b)	**7,034**	4,033	3,001
Total revenue and other income		**1,164,063**	1,357,628	(193,565)
Items affecting comparability:				
Costs associated with execution of Global Manufacturing Strategy	(c)	**(15,351)**	(12,691)	(2,660)
Redundancy costs	(d)	**(8,321)**	(4,038)	(4,283)
Debt restructuring costs	(e)	**(11,110)**	(9,084)	(2,026)
Impairment losses	(f)	**(76,515)**	–	(76,515)
Fair valuation of non-current assets held for sale	(g)	**(4,083)**	–	(4,083)
Fair value adjustments (barter credits, inventory)	(h)	**(21,722)**	–	(21,722)
EBITDA	(i), (k)	**(28,769)**	123,809	(152,578)
Depreciation expense	(j)	**(27,940)**	(38,768)	10,828
Amortisation expense	(l)	**(18,166)**	(19,963)	1,797
Operating (Loss)/Profit		**(74,875)**	65,078	(139,953)
Finance costs		**(28,393)**	(31,015)	2,622
(Loss)/Profit before income tax	(i)	**(103,268)**	34,063	(137,331)
Income tax credit/(expense)	(l)	**19,940**	(22,394)	42,334
(Loss)/Profit for the year		**(83,328)**	11,669	(94,997)

Explanation of variances

(a) Appliance's actual operating revenue of $1,021.0 million was $208.7 million lower than the prospective operating revenue of $1,229.7 million due to the appreciation of the NZD ($143.6 million impact) and lower sales in local currencies ($65.1 million)

– in Australia sales were 9% lower than forecast in local currency terms due to: supply shortages during the period before the new factory in Thailand became operational and after the commissioning of the factory as supply was unable to match the demand; intense market competition as other manufacturers reduced their prices in response to the appreciation of the Australian dollar and caused the Group to also lower its prices; a change in the mix of products sold (less cookers and dishwashers); unanticipated shipping delays from the Thailand factory, particularly during the peak season of sales over summer; and a fall in market demand in the fourth quarter. Due to these issues the Group saw its market share decrease during the year, but this share recovered in the final months of the year

– in New Zealand it had been anticipated that market demand would remain steady throughout the year, however there was a decrease in demand during the second half of the year, which resulted in sales for the year being 1% lower than forecast. There were also some supply issues that lead to stock shortages

– in the USA, sales were 16% lower than forecast in local currency terms. The market in the USA remained depressed throughout the year, particularly in the high-end segment of the market. Sales were impacted due to reduced sales through a major customer.

(b) the gain on sale of East Tamaki Lot 1 ($3.9 million) was higher than forecast, which more than offset the gain that had been expected on sale of the Cleveland property that did not eventuate. The remainder of the favourable actual result was higher than anticipated income from a number of miscellaneous fees and sales of scrap materials

(c) Global Manufacturing Strategy costs were higher than forecast due to higher than anticipated costs incurred in the commissioning phase due to the complexity of the relocation exercise

(d) redundancy costs were higher than forecast as there have been additional retrenchments that had not been anticipated or forecast

(e) debt restructuring costs (comprising financial, legal and other professional fees associated with the refinancing of the Appliances business debt facilities) were higher than forecast due to additional professional fees for advisors

(f) impairment losses were not forecast and mainly comprise North American related assets (refer Notes 16 and 17), the *DCS®* brand (Note 17) and capitalised research & development (refer Note 17), which were all impaired in the first half of the year. During the second half of the year, there were further impairments recognised mainly in relation to the *Elba®* brand due to a change in the brand strategy in New Zealand that will reduce *Elba®*'s presence, and further impairments to North American assets due to reductions in expected margins from these operations

(g) East Tamaki Lot 2 is now valued on a lower vacant possession basis after the anticipated sale to Direct Property Fund Limited did not proceed, which has resulted in an impairment to its carrying value

(h) fair value adjustments were not forecast and comprise the North American barter credits (refer Note 11) and raw materials inventory at Reynosa, Mexico (refer Note 13)

(i) depreciation, amortisation and financing costs were lower than forecast due to the higher NZD and depreciation is also lower due to the impairment of a number of assets

(j) the gross margins of the Appliances business were lower than forecast due to the pricing pressure and changes in sales mixes in the markets. Furthermore manufacturing costs at the new Reynosa factory in Mexico have been higher than expected. Lower production volumes, which are reflective of lower sales, have adversely affected the recovery of manufacturing overheads and the outsourcing of injection moulding and press metal processing has initially been more expensive than assumed. A number of cost saving opportunities have been identified and these are being implemented. Other operating expenses were largely in line with expectations.

(k) the operating profit of the Finance business of $28.9 million was higher than the forecast of $19.4 million owing to:
- higher receivables due to a combination of increased lending as consumers purchased more on credit than anticipated, a $22 million receivables acquisition and less principal repayments than had been forecast
- tighter credit acceptance criteria, resulting in an improvement in the quality of more recently originated finance receivables and an intense focus on customer account management that reduced the bad debt expense below the level forecast
- cost control measures that reduced overheads below the forecast amounts

(l) the income tax credit is higher due to the increased loss before taxation compared to forecast

Prospective Statement of Changes in Equity

For the year ended 31 March 2010	Notes	**CONSOLIDATED 31 March 2010 Actual $'000**	CONSOLIDATED 31 March 2010 Prospectus $'000	Variance $'000
Opening equity		**565,552**	565,552	–
Issue of share capital	(a)	**190,359**	178,800	11,559
Total other comprehensive income for the year	(b)	**(71,431)**	43,399	(114,830)
Changes in equity		**684,480**	787,751	(103,271)
(Loss)/profit for the year		**(83,328)**	11,669	(94,997)
Closing equity		**601,152**	799,420	(198,268)

Explanation of variances

(a) the Company raised more equity from the rights offer and share placement earlier in the financial year than had been assumed

(b) other comprehensive income primarily relates to exchange differences on the translation of overseas operations; this actual amount was different to the forecast as the actual exchange rates during the year were different to the forecasts

NOTES TO THE FINANCIAL STATEMENTS

45. Prospective financial information (continued)

Prospective Statement of Financial Position

For the year ended 31 March 2010	Notes	CONSOLIDATED 31 March 2010 Actual $'000	CONSOLIDATED 31 March 2010 Prospectus $'000	Variance $'000
Assets				
Current assets				
Cash and cash equivalents		**82,814**	86,112	(3,298)
Trade receivables and other current assets	(a)	**178,044**	193,114	(15,070)
Finance receivables	(b)	**383,714**	379,699	4,015
Inventories	(c)	**205,641**	272,000	(66,359)
Non-current assets classified as held for sale	(d)	**40,242**	–	40,242
Derivative financial instruments		**729**	1,106	(377)
Current tax receivables	(e)	**13,175**	1,256	11,919
Total current assets		**904,359**	933,287	(28,928)
Non-current assets				
Property, plant and equipment	(f)	**218,374**	325,273	(106,899)
Other non-current assets	(g)	**2,877**	15,496	(12,619)
Finance receivables	(b)	**231,979**	131,027	100,952
Intangible assets	(h)	**218,231**	294,864	(76,633)
Derivative financial instruments		**173**	–	173
Deferred taxation		**76,206**	61,972	14,234
Total non-current assets		**747,840**	828,632	(80,792)
Total assets		**1,652,199**	1,761,919	(109,720)
Liabilities				
Current liabilities				
Bank overdraft		**164**	–	164
Current finance leases		**328**	864	(536)
Trade creditors	(i)	**125,598**	134,758	(9,160)
Provisions	(j)	**18,681**	22,466	(3,785)
Finance borrowings	(k)	**357,190**	423,537	(66,347)
Derivative financial instruments		**9,170**	3,459	5,711
Current tax liabilities	(e)	**5,412**	1,328	4,084
Other current liabilities		**66,107**	82,501	(16,394)
Total current liabilities		**582,650**	668,913	(86,263)
Non-current liabilities				
Non-current borrowings	(l)	**212,906**	197,822	15,084
Non-current finance leases		**18**	484	(466)
Finance borrowings	(k)	**191,466**	27,833	163,633
Deferred taxation		**27,730**	31,144	(3,414)
Other non-current liabilities		**14,733**	17,351	(2,618)
Provisions	(j)	**15,650**	18,952	(3,302)
Derivative financial instruments		**5,894**	–	5,894
Total non-current liabilities		**468,397**	293,586	174,811
Total liabilities		**1,051,047**	962,499	88,548
Shareholders' equity				
Contributed equity		**841,869**	830,310	11,559
(Accumulated losses)/retained earnings		**(199,968)**	(104,971)	(94,997)
Reserves		**(40,749)**	74,081	(114,830)
Total shareholders' equity		**601,152**	799,420	(198,268)
Total liabilities and shareholders' equity		**1,652,199**	1,761,919	(109,720)

Explanation of variances

(a) the appreciation of the NZD caused the actual closing balance to be $27 million lower than if the foreign currency balances had been translated at the forecast exchange rates. Excluding the impact of the exchange rate the receivables were higher than forecast due to seasonal extended credit terms given to selected customers

(b) Finance receivables were higher than forecast due to increased lending as consumers purchased more on credit than had been anticipated and lower principal repayments than had been anticipated

(c) the appreciation of the NZD caused the actual closing balance to be $42 million lower than if the foreign currency balances had been translated at the forecast exchange rates. Excluding the impact of the exchange rate the inventories were still $23 million lower than forecast due to improved working capital management

(d) the prospective financial statements assumed that the Cleveland, Australia property and the East Tamaki site would be sold during the year. The actual outcome has been that Lot 1 of East Tamaki was sold for $53 million, while a conditional sale of the balance of the East Tamaki site did not proceed, as announced on 1 April 2010, and the Cleveland property has not been sold. The Cleveland property continues to be actively marketed, while options are being investigated for the remainder of the East Tamaki site, including the sale of individual titles

(e) the tax receivable and liability balances are different to forecast due to the variance between the actual and forecast profit

(f) property, plant & equipment was lower than forecast due to the higher NZD, which reduced the carrying value by approximately $57 million, and impairment charges for the Reynosa and Ohio plants (refer Notes 16 and 17) of approximately $32 million

(g) other non-current assets were lower than forecast due to a write-down in the value of the North American barter credits (refer Note 11)

(h) intangible assets were lower than forecast due to the impairment of the *DCS*® brand and capitalised research & development. The foreign currency translation has also caused the balance to be lower than forecast

(i) the appreciation of the NZD caused the actual closing balance to be $28 million lower than if the foreign currency balances had been translated at the forecast exchange rates. Excluding the impact of the exchange rate the trade creditors were higher than forecast due to timing differences for raw materials purchases

(j) provisions were lower than forecast as the warranty provision is lower due to less sales than had been forecast

(k) Finance borrowings were higher than forecast in order to fund the higher than forecast Finance receivables balances

(l) Group borrowings were higher than anticipated primarily as the Cleveland and East Tamaki Lot 2 properties were not sold, as had been anticipated, partially offset by the appreciation of the NZD which decreased the NZD value of the borrowings by approximately $30 million

NOTES TO THE FINANCIAL STATEMENTS

45. Prospective financial information (continued)

Prospective Cash Flow Statement For the year ended 31 March 2010	Notes	CONSOLIDATED 31 March 2010 Actual $'000	CONSOLIDATED 31 March 2010 Prospectus $'000	Variance $'000
Cash flows from operating activities				
Receipts from customers	(a)	**1,021,130**	1,215,669	(194,539)
Financing interest and fee receipts		**133,589**	117,102	16,487
Interest received		**599**	–	599
Payments to suppliers and employees	(b)	**(1,000,734)**	(1,126,107)	125,373
Income taxes paid		**1,458**	(8,784)	10,242
Interest paid		**(68,440)**	(71,798)	3,358
		87,602	126,082	(38,480)
Principal on loans repaid by Finance business customers	(c)	**546,400**	601,700	(55,300)
New loans to Finance business customers	(c)	**(596,378)**	(546,900)	(49,478)
Net cash inflow/(outflow) from operating activities		**37,624**	180,882	(143,258)
Cash flows from investing activities				
Sale of property, plant & equipment	(d)	**58,448**	105,606	(47,158)
Purchase of property, plant & equipment		**(27,705)**	(39,924)	12,219
Capitalisation of intangible assets		**(4,069)**	–	(4,069)
Net cash inflow/(outflow) from investing activities		**26,674**	65,682	(39,008)
Cash flows from financing activities				
New Appliances business borrowings		**485,470**	549,762	(64,292)
New Finance business borrowings	(c)	**103,576**	33,100	70,476
Repayment of former Appliances business borrowings		**(483,519)**	(547,873)	64,354
Repayment of the Appliances business' Amortising Facility	(e)	**(233,005)**	(235,000)	1,995
Repayment of the Appliances business' Term Facility		**(39,360)**	(113,291)	73,931
Repayment of Finance business borrowings	(c)	**(96,541)**	(123,300)	26,759
Lease liability payments		**(731)**	(864)	133
Issue of share capital (net of issue costs)	(f)	**190,359**	178,800	11,559
Net cash inflow/(outflow) from financing activities		**(73,751)**	(258,666)	184,915
Net increase/(decrease) in cash & cash equivalents		**(9,453)**	(12,102)	2,649
Cash & cash equivalents at the beginning of year		**95,395**	95,395	–
Effects of foreign exchange rate changes on cash & cash equivalents		**(3,292)**	2,819	(6,111)
Cash & cash equivalents at end of year		**82,650**	86,112	(3,462)

Explanation of variances

(a) refer Prospective Income Statement sub-note (a)

(b) refer Prospective Income Statement sub-note (k) and Prospective Balance Sheet sub-note (b)

(c) refer Prospective Statement of Financial Position sub-note (d)

(d) refer Prospective Statement of Financial Position sub-note (k)

(e) refer Prospective Statement of Financial Position sub-note (l)

(f) refer Prospective Statement of Changes in Equity sub-note (a)

FIVE YEAR TREND STATEMENT (UNAUDITED)

NZ$'000 except where stated otherwise	NZ IFRS 2010	NZ IFRS 2009	NZ IFRS 2008	NZ IFRS 2007	NZ FRS 2007	NZ FRS 2006
Group						
Total operating revenue	**1,157,029**	1,359,531	1,399,709	1,410,870	1,410,870	1,208,580
Net profit after taxation	**(83,328)**	(95,254)	54,212	63,437	61,180	63,945
Normalised net profit after taxation[1]	**17,950**	33,780	65,545	62,820	60,563	62,043
Cash flow from operations						
– Before movement in Finance business receivables	**87,602**	9,380	83,672	86,768	86,768	106,284
– Movement in Finance business receivables	**(49,978)**	(23,096)	(63,650)	23,536	–	–
	37,624	(13,716)	20,022	110,304	86,768	106,284
Total assets	**1,652,199**	1,996,354	1,830,224	1,761,397	1,739,290	1,560,651
Earnings per share (cents)						
– Basic	**(13.6)**	(33.1)	19.1	22.8	22.0	24.2
– Diluted	**(13.6)**	(33.1)	18.7	22.2	21.4	23.3
Dividends per share (cents)	**–**	5.0	18.0	18.0	18.0	18.0
Appliances business						
Operating revenue	**1,020,966**	1,222,613	1,275,816	1,292,741	1,292,741	1,082,178
Operating profit before interest and taxation	**(103,779)**	(85,522)	68,432	85,575	85,286	81,447
One-off abnormal items	**133,198**	141,092	14,832	(1,193)	(1,193)	(196)
Normalised operating profit before interest and taxation	**29,419**	55,570	83,264	84,382	84,093	81,251
Normalised operating margin[2]	**2.9%**	4.5%	6.5%	6.5%	6.5%	7.5%
Assets employed	**858,059**	1,232,237	1,051,612	1,043,339	1,018,532	996,038
Finance business						
Operating revenue	**136,063**	136,918	123,893	118,129	118,129	126,402
Operating profit before interest and taxation[3]	**28,904**	21,086	26,143	28,566	29,227	28,399
One-off abnormal items	**–**	–	745	591	591	(2,589)
Normalised operating profit before interest and taxation	**28,904**	21,086	26,888	29,157	29,818	25,810
Finance receivables	**615,693**	587,326	584,931	536,791	536,957	571,688

[1] *Excludes one-off abnormal items*
[2] *Normalised operating profit to operating revenue*
[3] *Includes operating interest*

Note: Data for 2006 is reported under previous NZ GAAP (NZ FRS), 2007 is reported under NZ FRS and NZ IFRS and the years 2008-10 under NZ IFRS.

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				Remuneration	NUMBER OF EMPLOYEES			
	2010		2009			**2010**		2009	
$	**Overseas**	**New Zealand**	Overseas	New Zealand	**$**	**Overseas**	**New Zealand**	Overseas	New Zealand
100,001 – 110,000	**51**	**40**	65	44	370,001 – 380,000	**–**	**–**	2	–
110,001 – 120,000	**33**	**31**	48	28	380,001 – 390,000	**–**	**–**	3	2
120,001 – 130,000	**22**	**24**	32	25	390,001 – 400,000	**1**	**–**	–	–
130,001 – 140,000	**20**	**11**	37	11	400,001 – 410,000	**1**	**1**	–	–
140,001 – 150,000	**20**	**11**	23	8	410,001 – 420,000	**–**	**1**	1	–
150,001 – 160,000	**11**	**9**	21	1	430,001 – 440,000	**–**	**–**	1	1
160,001 – 170,000	**12**	**5**	13	7	450,001 – 460,000	**–**	**2**	–	1
170,001 – 180,000	**11**	**7**	15	10	460,001 – 470,000	**2**	**–**	–	–
180,001 – 190,000	**7**	**6**	17	–	470,001 – 480,000	**–**	**–**	1	–
190,001 – 200,000	**3**	**1**	10	4	480,001 – 490,000	**–**	**–**	1	1
200,001 – 210,000	**7**	**5**	6	1	520,001 – 530,000	**–**	**–**	–	1
210,001 – 220,000	**7**	**–**	4	1	530,001 – 540,000	**–**	**–**	–	1
220,001 – 230,000	**2**	**–**	2	3	540,001 – 550,000	**1**	**–**	–	–
230,001 – 240,000	**1**	**2**	6	–	560,001 – 570,000	**1**	**–**	1	–
240,001 – 250,000	**4**	**1**	3	1	570,001 – 580,000	**–**	**–**	1	–
250,001 – 260,000	**3**	**2**	2	–	580,001 – 590,000	**–**	**–**	–	1
260,001 – 270,000	**1**	**3**	6	2	640,001 – 650,000	**1**	**–**	–	–
270,001 – 280,000	**3**	**–**	2	–	680,001 – 690,000	**1**	**–**	–	–
280,001 – 290,000	**4**	**2**	1	1	700,001 – 710,000	**–**	**–**	1	–
290,001 – 300,000	**1**	**1**	1	1	740,001 – 750,000	**–**	**–**	1	–
300,001 – 310,000	**3**	**1**	2	–	810,001 – 820,000	**–**	**–**	1	–
310,001 – 320,000	**1**	**1**	–	1	830,001 – 840,000	**–**	**–**	1	–
320,001 – 330,000	**–**	**–**	–	2	920,001 – 930,000	**–**	**1**	–	–
330,001 – 340,000	**3**	**–**	1	1	930,001 – 940,000	**1**	**–**	–	–
340,001 – 350,000	**–**	**–**	3	–	1,130,001 – 1,140,000	**–**	**–**	1	–
350,001 – 360,000	**–**	**1**	1	–	1,220,001 – 1,230,000	**–**	**1**	–	–
360,001 – 370,000	**1**	**–**	–	–	1,320,001 – 1,330,000	**1**	**–**	–	–

GROUP STRUCTURE

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

* AF Investments Limited
Fisher & Paykel Appliances Employee Share Purchase Trustee 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, which owns:
    - 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	1,890	11.58	944,331	0.13
1,000-4,999	6,364	39.00	16,415,205	2.27
5,000-9,999	3,073	18.83	21,074,202	2.91
10,000-99,999	4,638	28.43	110,159,097	15.21
Over 100,000	353	2.16	575,642,327	79.48
Total	16,318	100.00	724,235,162	100.00

2,450 shareholders held less than a marketable parcel of shares as per the ASX Listing Rules 4.10.8. There is no current on-market buy-back of shares in the Company.

The details set out above were as at 31 May 2010.

Substantial Security Holders

Pursuant to Section 35F of the Securities Markets Act 1988, the substantial security holders as at 31 May 2010 were as follows:

	Ordinary Shares
Haier (Singapore) Management Holding Co. Pte Ltd (notice dated 6 July 2009)	144,847,032
Orbis Group (notice dated 19 May 2010)	82,531,410

Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 31 May 2010 were:

Holder	Ordinary Shares	%
New Zealand Central Securities Depository Limited	186,458,095	25.74
Haier (Singapore) Management Holding Co Pte Limited	144,847,032	20.00
HSBC Custody Nominees (Australia) Limited	47,551,025	6.56
National Nominees Limited	28,940,756	3.99
JP Morgan Nominees Australia Limited	24,381,790	3.36
FNZ Custodians Limited	8,784,936	1.21
Ithaca (Custodians) Limited	8,700,000	1.20
Forsyth Barr Custodians Limited	5,885,495	0.81
Masfen Securities Limited	5,573,619	0.76
Superlife Trustee Limited	4,562,375	0.62
Custodial Services Limited	4,514,310	0.62
Gary Albert Paykel & Dorothy Mary Paykel & Keith Raymond Rushbrook	4,183,320	0.57
Gurshon Fisher	3,198,768	0.44
Citicorp Nominees Pty Limited	3,146,459	0.43
Maurice & Phyllis Paykel Trust Incorporated	2,763,822	0.38
Investment Custodial Services Limited	2,652,831	0.36
Custodial Services Limited	2,250,541	0.31
Gus Fisher & NZ Guardian Trust Company Limited & Michael John Fisher	2,226,560	0.30
John Julian Aubrey Williams & Shirley Anne Williams & William Lindsay Gillanders	2,035,464	0.28
NZGT Nominees-AIF New Zealand Strategic Equity Growth Fund	1,954,000	0.26

SHAREHOLDER INFORMATION

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 2010 were:

	Ordinary Shares
National Nominees New Zealand Limited	33,867,032
Accident Compensation Corporation	31,928,917
HSBC Nominees (New Zealand) Limited – State Sheet A/c	19,705,198
New Zealand Superannuation Fund Nominees Limited	17,300,620
Citibank Nominees (New Zealand) Limited	16,842,390
AMP Investments Strategic Equity Growth Fund	14,497,070
NZ Guardian Trust Investment Nominees Limited	9,782,490
HSBC Nominees (New Zealand) Limited	9,173,239
Asteron Life Limited	6,495,410
NZGT Nominees Limited – AIF Equity Fund	6,186,801

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

Directors' Shareholdings

Directors held interests in the following shares in the Company at 31 March 2010:

	2010 Ordinary Shares	2009 Ordinary Shares
J H Bongard (Retired 30 September 2009)		
Ordinary Shares		
Beneficially Owned	**181,508***	90,754
Held by an Associated Person	**276,232***	138,116
Options to Acquire Ordinary Shares		
Beneficially Owned	**–**	300,000
S J Botherway (Appointed 17 August 2009)		
Ordinary Shares		
Beneficially Owned	**21,479**	–
S B Broadhurst (Appointed 11 December 2009)		
Ordinary Shares		
Beneficially Owned	**31,032**	–
N M T Geary (Retired 17 August 2009)		
Ordinary Shares		
Beneficially Owned	**52,024***	11,012
Held by an Associated Person	**43,472***	21,736
J W Gilks		
Ordinary Shares		
Held by an Associated Person	**500,000**	220,868
W L Gillanders		
Ordinary Shares		
Held by an Associated Person	**200,000**	100,000
P D Lucas		
Ordinary Shares		
Held by an Associated Person	**200,000**	100,000
G A Paykel		
Ordinary Shares		
Held by an Associated Person	**4,183,320**	2,091,660
R G Waters		
Ordinary Shares		
Held by an Associated Person	**320,000**	160,000

** Holding as at date of retirement*

SHAREHOLDER INFORMATION

Share Dealings by Directors

In accordance with Section 148(2) of the Companies Act 1993, the Board has received the following disclosures from Directors of acquisitions or dispositions of relevant interests in the Company between 31 March 2009 and 31 March 2010.

On 25 June 2009, Mr N M T Geary acquired 30,000 Rights to buy ordinary shares at $0.24 per Right, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 1 July 2009, Mr J H Bongard acquired 90,754 shares at $0.41 per share, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 1 July 2009, Mr J H Bongard acquired 138,116 shares through an associated person at $0.41 per share, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 1 July 2009, Mr N M T Geary acquired 41,012 shares at $0.41 per share, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 1 July 2009, Mr N M T Geary acquired 21,736 shares through an associated person at $0.41 per share, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 1 July 2009, Mr J W Gilks acquired 220,868 shares through an associated person at $0.41 per share, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 1 July 2009, Mr W L Gillanders acquired 100,000 shares through an associated person at $0.41 per share, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 1 July 2009, Mr P D Lucas acquired 100,000 shares through an associated person at $0.41 per share, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 1 July 2009, Mr G A Paykel acquired 2,091,660 shares through an associated person at $0.41 per share, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 1 July 2009, Mr R G Waters acquired 160,000 shares through an associated person at $0.41 per share, pursuant to the Rights Offer of New Ordinary Shares dated 27 May 2009.

On 31 August 2009, 300,000 options to acquire ordinary shares granted to Mr J H Bongard lapsed.

On 3 December 2009, Mr J W Gilks acquired 58,264 shares through an associated person at $0.59 per share.

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 2010.

The remuneration and other benefits of such employees (received as employees) totalling $100,000 or more during the year ended 31 March 2010, are included in the relevant bandings for remuneration disclosed on page 128 of this Annual Report.

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 29 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.

John Bongard ceased to hold office as a Director of the Company's subsidiaries in the year ended 31 March 2010 and received no remuneration as a Director of the Company's subsidiaries during this period.

The following persons respectively held office as Directors of the Company's subsidiaries at 31 March 2010:

AF Investments Limited
Stuart Broadhurst, Mark Richardson, Gary Paykel, Lindsay Gillanders

Fisher & Paykel Appliances Limited
Stuart Broadhurst, Mark Richardson, Gary Paykel, Lindsay Gillanders

Fisher & Paykel Production Machinery Limited
Stuart Broadhurst, Mark Richardson, Gary Paykel, Lindsay Gillanders

Allied Industries Limited
Stuart Broadhurst, Mark Richardson, Gary Paykel, Lindsay Gillanders

Fisher & Paykel Appliances Employee Share Purchase Trustee Limited
Mark Richardson, Michael Matson, Richard Kempthorne

New Zealand Export Corporation Limited
Stuart Broadhurst, Mark Richardson, Gary Paykel, Lindsay Gillanders

Fisher & Paykel Australia Holdings Limited
Stuart Broadhurst, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper

Fisher & Paykel Finance Pty Limited
Stuart Broadhurst, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper

Fisher & Paykel Australia Pty Limited
Stuart Broadhurst, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper

Fisher & Paykel Manufacturing Pty Limited
Stuart Broadhurst, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper

Fisher & Paykel Customer Services Pty Limited
Stuart Broadhurst, Mark Richardson, Michael Church, Timothy Kirkup, Roger Lonsdale-Cooper

Fisher & Paykel Appliances Limited (UK)
Stuart Broadhurst, Mark Richardson, Lindsay Gillanders

Fisher & Paykel Appliances Italy Holdings S.r.l.
Stuart Broadhurst, Mark Richardson

Fisher & Paykel Appliances Italy S.p.A.
Stuart Broadhurst, Antonio Pilati, Mark Richardson

Fisher & Paykel (Singapore) Pte Limited
Stuart Broadhurst, Mark Richardson, Gary Paykel, Baey Cheng Song

Fisher & Paykel Appliances (Thailand) Co Limited
Stuart Broadhurst, Mark Richardson, Gary Paykel, Roger Lonsdale-Cooper, Andrew Paykel

Fisher & Paykel Appliances (USA) Holdings Inc
Stuart Broadhurst, Mark Richardson, Gary Paykel

SUBSIDIARY COMPANY DIRECTORS

Dynamic Cooking Systems Inc
Stuart Broadhurst, Mark Richardson, Gary Paykel

Fisher & Paykel Appliances Inc
Stuart Broadhurst, Mark Richardson, Gary Paykel

Fisher & Paykel Laundry Manufacturing, Inc
Stuart Broadhurst, Mark Richardson, Gary Paykel

Fisher & Paykel Appliances Canada Inc
Stuart Broadhurst, Mark Richardson, Gary Paykel

Fisher & Paykel Appliances Mexico, S. de R.L. de C.V.
Stuart Broadhurst, Mark Richardson, Gary Paykel

Fisher & Paykel Finance Holdings Limited
Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Fisher & Paykel Finance Limited
Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Consumer Finance Limited
Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Consumer Insurance Services Limited
Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Equipment Finance Limited
Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Fisher & Paykel Financial Services Limited
Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

Retail Financial Services Limited
Mark Richardson, Gary Paykel, Lindsay Gillanders, Alastair Macfarlane, Dennis Churches, John Gilks

DISCLOSURE OF INTERESTS 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:

S J Botherway

Chairman of:	The Financial Markets Authority Establishment Board
a Director of:	The Electricity Authority Establishment Board
	The Securities Commission
a Trustee of:	The Botherway Family Trust
	The Glenbrook Trust
	The Star Jam Charitable Trust
a Shareholder in:	Fisher & Paykel Appliances Holdings Limited

S B Broadhurst

a Director of:	Saratal Limited
a Shareholder in:	Fisher & Paykel Appliances Holdings Limited

J W Gilks

Chairman of:	Port Otago Limited and Subsidiaries
a Director of:	Business In The Community 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

W L Gillanders

Chairman of:	Auckland Packaging Company Limited
a Director of:	Fisher & Paykel Healthcare Corporation Limited
	LRS Management Limited
	Rangatira Limited
	Dunlop Living Limited
a Shareholder in:	Fisher & Paykel Appliances Holdings Limited

Tan Lixia

an Executive Officer of:	Haier Group Company

P D Lucas

a Shareholder in:	Fisher & Paykel Appliances Holdings Limited

G A Paykel

Chairman of:	Fisher & Paykel Healthcare Corporation Limited
	Milly Molly Group Holdings Limited
a Director of:	ACG Capital (NZ) 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
	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

R G Waters

Chairman of:	Fletcher Building Limited
	Fletcher Building Finance Limited
a Director of:	Argie Pty Ltd
	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

Zhou Yunjie

an Executive Officer of:	Haier Group Company

DISCLOSURE OF INTERESTS 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, 6B and 6C of the Corporations Act 2001 (Australia) dealing with the acquisition of shares (i.e. 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.

As at 31 May 2010, the Company has only one class of equity securities, being ordinary shares. Each of the Company’s ordinary shares entitles the holder to one vote.

EXECUTIVE AND DIRECTORY

EXECUTIVE

Parent Company

Stuart Broadhurst	– Managing Director and Chief Executive Officer
Mark Richardson	– Chief Financial Officer & Company Secretary

Appliances Business

Stuart Broadhurst	– Managing Director
Brett Butterworth	– VP Customer Services, Production Machinery Limited and Haier PMO
Andrew Cooke	– VP Supply Chain Management & Information Technology
Roger Cooper	– VP Operations
Dale Farrar	– VP Human Resources
Matt Orr	– VP Corporate Planning & Investor Relations
Craig Reid	– Chief Sales & Marketing Officer
Mark Richardson	– Chief Financial Officer
Daniel Witten-Hannah	– VP Product Development

Finance Business

Alastair Macfarlane	– Managing Director
Richard Blackburn	– Chief Information & Support Services Officer
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