

Fisher & Paykel Appliances Holdings Limited

INTERIM REPORT

FOR THE
6 MONTHS ENDED
30 SEPTEMBER 2010




FISHER & PAYKEL APPLIANCES HOLDINGS LIMITED



Los Angeles,
USA



Reynosa,
Mexico



Ontario,
Canada



Clyde, USA




Dublin, Ireland




Milton Keynes,
UK




Borso del
Grappa, Italy




Refrigeration products



Laundry products



Cooking products



DishDrawer® products



Regional/Sales Office



Research & Development



Finance Group



A Global Company

- Fisher & Paykel Appliances Holdings 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
- Efficient manufacturing facilities located in five countries
- Research and Development centres based in Auckland and Dunedin, New Zealand
- Over 3,300 employees worldwide

DEBT REDUCTION



Appliances net debt as at 30 September 2010 was \$149.2 million, a reduction of \$23.9 million since 31 March 2010.

NEW COMPRESSOR TECHNOLOGY

Licencing agreement signed with Embraco to manufacture a revolutionary new compressor technology (up to 35% more energy efficient than a conventional compressor).

MOTOR AGREEMENT

Agreement signed to develop, design and manufacture direct drive washing machine motors for Haier.

STRONG FINANCE BUSINESS PERFORMANCE

The Finance business continues to perform well with Operating Earnings before Interest and Tax up 52% on the same period last year.

CHAIRMAN'S REVIEW

CHAIRMAN'S REVIEW



Result

For the six months ended 30 September 2010, the Group reported a normalised profit after taxation of \$11.3 million compared to a normalised loss after taxation of \$0.8 million in the previous corresponding period.

The Group made progress during the first six months of the financial year. The balance sheet continues to strengthen, however appliance market conditions remain challenging.

Despite weaker market demand and increased cost pressures, the Appliances business increased its Earnings before Interest and Tax from \$5.7 million to \$6.8 million relative to last year through operational improvements and foreign exchange effects. The Appliances business absorbed higher costs during the period, including lease costs associated with the sale of the East Tamaki lot 1 site in October 2009.

Appliances' gross margin increased by 4% to \$140.8 million. This was due to benefits accruing from the global manufacturing strategy and currency, offsetting higher raw

material, sea freight and labour costs. The result also reflects reinvestment in marketing and product development for the longer term.

The Finance business reported a strong result with Operating Earnings before Interest and Tax of \$18.9 million, a 52% increase on the half result for last year of \$12.4 million. The improved result was built on higher net margins, overhead containment and a continued focus on asset quality and credit management.

Interest charges (excluding Finance operating interest expense) decreased by 49% from \$17.7 million to \$9.0 million due to lower debt levels.

Group Profit after Tax was \$11.3 million compared to a loss of \$82.4 million for the period ended 30 September 2009. As predicted at the Annual Shareholders Meeting in August 2010, no abnormal items were recorded during the period, compared to \$107 million in one-off costs, asset write downs and impairments for the previous corresponding period.

Other highlights:

- Direct drive motor licensing and supply agreement signed with our strategic partner Haier. First orders have been shipped.
- New compressor technology announced in conjunction with Embraco. The revolutionary new compressor is up to 35% more energy efficient than a conventional compressor. Field trials will commence shortly, with commercial production expected in two years.
- Haier Australia distribution commenced on 1 April 2010.
- New Zealand distribution changed on 1 July 2010. The Company experienced some de-stocking by retailers ahead of the introduction of new distribution arrangements. The Appliances business is still transitioning to the new distribution model.
- Expansion of North American distribution with the announcement of distribution into 100 Sears Canada stores. Distribution of DishDrawer® commenced into Sears full line stores in June 2010.
- Sale of Cleveland, Australia site (post Balance date) – net proceeds of NZ\$25.0 million were immediately applied to reducing bank debt.
- Fisher & Paykel Finance Limited accepted into the Crown's retail deposit guarantee scheme which applies until 31 December 2011.

Financial Performance

	6 Months 30 Sep 2010 Unaudited NZ\$000	6 Months 30 Sep 2009 Unaudited NZ\$000	Year 31 Mar 2010 Audited NZ\$000
Total Revenue and Other Income			
Appliances Business	476,034	512,605	1,020,966
Finance Business	72,503	66,353	136,063
Other Income	1,349	5,504	7,034
	549,886	584,462	1,164,063
Normalised Operating Profit before Interest and Taxation			
Appliances Business	6,776	5,733	29,419
Finance Business (includes Operating Interest)	18,936	12,426	28,904
	25,712	18,159	58,323
Costs associated with implementing the Global Manufacturing Strategy	-	(14,973)	(15,351)
Redundancy Costs	-	(5,524)	(8,321)
Debt Restructuring Costs	-	(9,875)	(11,110)
Impairment Losses	-	(54,357)	(76,515)
Fair Valuation Adjustments (Barter Credits, Inventory Obsolescence)	-	(21,722)	(21,722)
Fair Valuation of Non-Current Assets held for Sale (East Tamaki site)	-	(733)	(4,083)
Profit on Sale of Land & Buildings	-	4,072	3,904
Reported Operating Profit/(Loss) before Interest and Taxation	25,712	(84,953)	(74,875)
Interest (excluding Finance Business Operating Interest)	(9,034)	(1,770)	(28,393)
Operating Profit/(Loss) before Taxation	16,678	(102,654)	(103,268)
Taxation	(5,380)	20,244	19,940
Group Profit/(Loss) after Taxation	11,298	(82,410)	(83,328)
Normalised Group Profit/(Loss) after Taxation	11,298	(847)	17,950

CHAIRMAN'S REVIEW

Cashflow and Debt

Cashflow from operations, before the movement in loans to Finance business customers, was \$63.7 million for the half year compared to \$17.9 million for the previous corresponding period. This significant improvement is a result of the business incurring no restructuring costs or payments associated with implementing the Global Manufacturing Strategy and lower interest costs.

Excluding operating borrowings for the Finance business, net bank debt as at 30 September 2010 was \$149.2 million compared to \$173.1 million as at 31 March 2010.

During the period the Company achieved a further milestone in returning to normal banking terms. The Total Leverage Ratio test moved from a monthly test to a quarterly test after the business achieved a Total Leverage Ratio test of below 2.5 times for three consecutive months. This was achieved in May 2010.

The sale of substantially all of the Cleveland, Australia site was completed post balance date. Net proceeds from the sale (NZ\$25 million or A\$19.1 million) were immediately applied to reducing bank debt.

Revenue

In New Zealand dollar terms, Total Group Revenue and Other Income decreased by \$34.6 million (6%) to \$549.9 million for the half year.

Sales of Appliances decreased by \$29.7 million (6% on the corresponding half last year) to \$463.7 million. Australia and Rest of World revenues increased in New Zealand dollar terms, although all other markets experienced reduced revenue. Appliances Other Sales decreased by \$8.4 million and Appliances Sales of Service increased by \$1.5 million.

Finance Operating revenue increased by \$6.1 million (9% on the corresponding half last year) to \$72.5 million.

Revenue	6 Months 30 Sep 2010 Unaudited NZ\$000	6 Months 30 Sep 2009 Unaudited NZ\$000	Year 31 Mar 2010 Audited NZ\$000
<i>Appliances Business</i>			
New Zealand	81,275	89,522	181,482
Australia	186,826	177,277	387,871
North America	124,519	140,836	252,469
Europe	37,660	53,367	102,055
Rest of World	33,386	32,338	66,967
Sale of Appliances	463,666	493,340	990,844
Appliances Business Other Sales	6,472	14,855	19,818
Appliances Business Sales of Service	5,896	4,410	10,304
<i>Finance Business</i>			
Other Income	1,349	5,504	7,034
Total Revenue and Other Income	549,886	584,462	1,164,063

Capital and Depreciation

Capital expenditure, in cashflow terms and depreciation and amortisation charges for the six months ended 30 September 2010 are detailed in the table below.

Capital expenditure for Appliances was down significantly on the prior period which included \$12.4 million to complete the new factory building in Thailand.

Appliances' depreciation and amortisation was \$16.5 million for the period ended 30 September 2010, compared to \$20.8 million for the previous corresponding period. Reasons for the change include lower depreciation as a result of prior period impairments and currency movements.

Appliances Business

Appliances' revenue at \$476 million was down 7% compared to \$513 million for the half last year. The result reflects weak market conditions and unfavourable foreign exchange movements. Operating margins in the first half increased to 1.4% compared to 1.1% in the first half. Invested capital reduced largely due to impairments taken during the previous financial year and lower capital expenditure. Return on invested capital improved from 6.0% to 6.7%.

Capital Expenditure in Cash Flow Terms

	CAPITAL EXPENDITURE		DEPRECIATION & AMORTISATION	
	6 Months 30 Sep 2010 Unaudited	6 Months 30 Sep 2009 Unaudited	6 Months 30 Sep 2010 Unaudited	6 Months 30 Sep 2009 Unaudited
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Appliances Business	9,571	23,448	16,502	20,755
Finance Business	1,852	805	4,123	3,984
	11,423	24,253	20,625	24,739

* Excluding Impairments

Appliances Business Financial Performance

	6 Months 30 Sep 2010 Unaudited	6 Months 30 Sep 2009 Unaudited	Year 31 Mar 2010 Audited
	NZ\$000	NZ\$000	NZ\$000
Operating Revenue	476,034	512,605	1,020,966
Normalised Operating Profit before Interest and Taxation	6,776	5,733	29,419
Costs associated with implementing the Global Manufacturing Strategy	-	(14,973)	(15,351)
Redundancy Costs	-	(5,524)	(8,321)
Debt Restructuring Costs	-	(9,875)	(11,110)
Impairment Losses	-	(54,357)	(76,515)
Fair Valuation Adjustments (Barter Credits, Inventory Obsolescence)	-	(21,722)	(21,722)
Fair Valuation of Non-Current Assets held for Sale (East Tamaki site)	-	(733)	(4,083)
Profit on Sale of Land & Buildings	-	4,072	3,904
Operating Profit (Loss) before Interest and Taxation	6,776	(97,379)	(103,779)
Operating Margin *	1.4%	1.1%	2.9%
Invested Capital	452,483	465,794	481,071
Return on Invested Capital**	6.7%	6.0%	6.1%

* Normalised Operating Profit before Interest and Taxation to Operating Revenue

** Last 12 months normalised operating profit before Interest and Taxation divided by Invested Capital

CHAIRMAN'S REVIEW

Market reviews

Appliances revenue, by geographic region and local currency, for the half has been compared to the previous corresponding period in the table below. Revenues continue to be impacted overall by weak macro economic conditions and intense competition across all markets.

New Zealand

Compared to the previous corresponding period the New Zealand appliance market declined significantly. Retail appliance sales fell 10.0% in June, 5.1% in July and 6.8% in August, although September increased by 3.5% (source Statistics New Zealand) ahead of the introduction of the increase in Goods and Services Tax on 1 October 2010. Despite a decline in retail sales across the industry, net imports of appliance products into New Zealand increased. The second half is expected to be impacted as excess industry inventory is sold through.

Appliances revenue was down 9% when compared with the previous corresponding period on lower volumes and some price reductions as a result of a stronger New Zealand dollar. The Company experienced some de-stocking by retailers ahead of the introduction of new distribution arrangements on 1 July 2010. The Appliances business is still transitioning to the new distribution model, all new retail channels have been signed and the sales force are completing sales training for all retailers.

The sale of Haier products has been stronger on the back of an advertising campaign launched in June 2010.

Australia

The Australian home appliances market declined by 4.6% over the previous corresponding period. Market demand was subdued in the lead up to the Australian Federal Election in August, however rebounded in September.

Australian revenue was up 5.0% in local currency terms. The Company experienced a recovery in the second quarter which resulted in market share gains. While mix improved, some price rebalancing occurred due to the strength of the Australian dollar, compared to the first half last year.

On 1 April 2010, Fisher & Paykel Appliances commenced the distribution of Haier products in Australia. Sales of Haier product were slower than expected through the transition period, however rapidly improved through July to September.

North America

Market demand in the first quarter of the financial year increased as a result of Government incentives, however those incentives essentially ended in June 2010. In the second quarter of the financial year, the U.S. market is estimated to have contracted 5.0% on the previous corresponding period.

North American revenues were down 1% in local currency terms, noting that the comparative period last year included contract sales to a large customer. On an adjusted basis, sales were up 3.9% of the previous corresponding period.

The strategy to broaden U.S. distribution remains on track, although sales have been slower to sell through at retail than previously expected largely due to macro economic conditions. During the period DishDrawer® was sold into 500 Sears full line stores.

The Company also commenced supply of selected refrigeration products to Sears Canada. The initial roll-out will cover 100 store fronts. Furthermore, the laundry relationship with Lowe's was recommenced.

The business remains focused on maximising profitable sales and broadening distribution in North America. New product releases, including the DishDrawer® Wide, E-Star refrigeration and the United DCS cooking range, will contribute to earnings in the second half.

International

European sales were down 18% in local currency terms. The result was negatively impacted due to a weaker British pound relative to the EURO.

Rest of World sales increased 3% in New Zealand dollar terms. Sales of Fisher & Paykel branded product into China have yet to commence.

Revenue Analysis in Local Currency ('000)

		6 Months 30 Sep 2010 Unaudited	6 Months 30 Sep 2009 Unaudited	%
Appliances				
New Zealand	NZD	81,275	89,522	(9%)
Australia	AUD	148,586	142,151	5%
North America	USD	88,684	89,247	(1%)
Europe	EUR	20,163	24,580	(18%)
Rest of World (incl. Singapore)	NZD	33,386	32,338	3%



OB90 Oven

Large capacity 90cm cookware is designed for superior performance and to meet a demanding professional standard in terms of size, quality and craftsmanship.

CHAIRMAN'S REVIEW

HAIER

The relationship with Haier continues to evolve and several important milestones were achieved during the half.

In August 2010, the Company announced a technology licensing agreement with Haier for the development, design and manufacture of direct drive washing machine motors for the Chinese market. Fisher & Paykel Appliances has manufactured and shipped first orders. This is a significant future opportunity for Fisher & Paykel Appliances and builds on the Company's reputation as a world leader in direct drive motor technologies.

Sales of Fisher & Paykel branded product into China have yet to commence. The Company is working on obtaining product approvals and working with Haier to design and develop product for the Chinese market.

Fisher & Paykel Appliances commenced distribution of Haier products in Australia during April 2010. An extensive marketing campaign for the Haier brand was launched in New Zealand during June 2010 and Australia during July 2010.

Finance Business

The Finance business reported a strong performance for the period ended 30 September 2010. Normalised Operating Profit before Interest and Tax (including Operating interest) was up 52% to \$18.9 million from \$12.4 million for the previous corresponding period.

The improved result was built on higher net margins, cost containment and a continued focus on asset quality and credit management. The bad debt expense ratio decreased favourably from 3.2% to 2.7%.

Q Card gross receivables grew by \$41 million (16%) which together with more modest growth in Farmers Finance Card receivables of 3%, resulted in an overall level of gross receivables of over \$625 million at balance date. Growth in receivables was due to an increased number of retail stores offering the Finance business' products. A decline in bulk funding receivables (down 5%) reflected the softer economic climate.

Total external debt funding as at 30 September 2010 was \$576 million. The Finance business has a diversified funding portfolio represented by retail debentures (27%), RFS commercial paper (36%) and term wholesale bank debt (37%). The business continued to maintain surplus liquidity in the form of undrawn term and standby committed bank facilities (\$198 million) and \$93 million of liquid assets on the balance sheet.

Fisher & Paykel Finance Limited, as a Non Bank Deposit Taker, has retained 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 B++ (Good) rating for the Insurance business.

In May 2010, Fisher & Paykel Finance Limited was approved to participate in the Crown retail deposit guarantee scheme. Debenture reinvestment rates remain strong at an average of 67% for the last six months.

Finance Business Financial Performance

	6 Months 30 Sep 2010 Unaudited NZ\$000	6 Months 30 Sep 2009 Unaudited NZ\$000	Year 31 Mar 2010 Audited NZ\$000
Operating Revenue	72,503	66,353	136,063
Operating Profit before Interest and Taxation (includes Operating Interest)	18,936	12,426	28,904
Net Finance Receivables	600,523	565,215	615,693

Outlook

Market conditions are expected to remain challenging and unpredictable in the near term.

Earnings guidance was provided at the 2010 Annual Shareholders Meeting. At that time, the Group estimated full year Earnings before Interest and Tax would be approximately \$78 million. The Board's expectation is now that Group Earnings before Interest and Tax will be within a range of \$63 million to \$70 million.

The Finance Group's Earnings before Interest and Tax are now expected to be around \$35 million for the full year.

Given the level of volatility in our key appliance markets, it is difficult for the Company to arrive at a firm view of full year earnings. Based on year to date actual performance and an expectation that the current weak market demand will continue, full year Earnings before Interest and Tax for the Appliances business are now estimated to be between \$28 million to \$35 million.



R G Waters

Chairman

26 November 2010

FINANCIAL INFORMATION

Accountants' Report

To the shareholders of Fisher & Paykel Appliances Holdings Limited

We have reviewed the financial statements on pages 14 to 32. The financial statements provide information about the past financial performance and cash flows of the Group for the period ended 30 September 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 20.

This report is made solely to the Company's shareholders, as a body. Our review 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 accountant's 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 review procedures, for this report, or for the opinion we have formed.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 30 September 2010 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

Basis of opinion

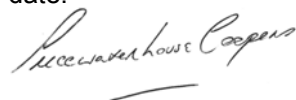
A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion. We have reviewed the financial statements of the Group for the period ended 30 September 2010 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as accountants conducting this review and as providers of other audit, assurance and other services.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly the financial position of the Group as at 30 September 2010 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 26 November 2010 and our review opinion is expressed as at that date.



Chartered Accountants

Auckland

FINANCIAL STATEMENTS

Income Statement

For the 6 months ended 30 September 2010 (Unaudited)

	Notes	30 September 2010 \$'000	30 September 2009 \$'000	31 March 2010 \$'000
Revenue				
Operating revenue	4	548,537	578,958	1,157,029
Other income	4	1,349	5,504	7,034
Total revenue and other income	4	549,886	584,462	1,164,063
Items affecting comparability:				
Costs associated with implementing the Global Manufacturing Strategy		-	(14,973)	(15,351)
Redundancy costs		-	(5,524)	(8,321)
Debt restructuring costs		-	(9,875)	(11,110)
Fair valuation of other assets		-	(21,722)	(21,722)
Fair valuation of non-current assets held for sale		-	(733)	(4,083)
Impairment losses		-	(54,357)	(76,515)
		-	(107,184)	(137,102)
Other operating expenses	5	(524,174)	(561,831)	(1,101,836)
Total operating expenses	5	(524,174)	(669,015)	(1,238,836)
Operating profit/(loss)		25,712	(84,953)	(74,875)
Finance costs	5	(9,034)	(17,701)	(28,393)
Profit/(loss) before income tax		16,678	(102,654)	(103,268)
Income tax (expense)/credit		(5,380)	20,244	19,940
Profit/(loss) for the period		11,298	(82,410)	(83,328)
		Cents	Cents	Cents
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the Company during the period:				
Basic and diluted earnings/(loss) per share		1.7	(16.3)	(13.6)

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

Statement of Comprehensive Income
For the 6 months ended 30 September 2010 (Unaudited)

	30 September 2010	30 September 2009	31 March 2010
	\$'000	\$'000	\$'000
Profit/(loss) for the period	11,298	(82,410)	(83,328)
Other comprehensive income			
Cash flow hedges	(7,997)	(20,104)	(11,275)
Exchange differences on translation of foreign operations	(7,730)	(69,457)	(63,539)
Income tax relating to components of other comprehensive income	2,399	6,031	3,383
Other comprehensive income for the period, net of tax	(13,328)	(83,530)	(71,431)
Total comprehensive income for the period	(2,030)	(165,940)	(154,759)

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

FINANCIAL STATEMENTS

Statement of Financial Position As at 30 September 2010 (Unaudited)

	CONSOLIDATED			APPLIANCES BUSINESS*			FINANCE BUSINESS		
	As at	As at	As at	As at	As at	As at	As at	As at	As at
	30 Sep 10	30 Sep 09	31 Mar 10	30 Sep 10	30 Sep 09	31 Mar 10	30 Sep 10	30 Sep 09	31 Mar 10
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets									
<i>Current assets</i>									
Cash & cash equivalents	119,203	92,119	82,814	26,776	39,080	39,994	92,427	53,039	42,820
Trade receivables & other current assets	131,139	210,047	178,044	121,775	202,701	169,463	9,364	7,346	8,581
Finance business receivables	370,730	365,824	383,714	-	-	-	370,730	365,824	383,714
Inventories	220,900	216,797	205,641	220,900	216,797	205,641	-	-	-
Non-current assets classified as held for sale	40,489	42,164	40,242	40,489	42,164	40,242	-	-	-
Derivative financial instruments	4,643	5,597	729	4,638	5,592	729	5	5	-
Tax receivables	3,356	9,345	13,175	5,662	9,345	13,175	-	-	-
Total current assets	890,460	941,893	904,359	420,240	515,679	469,244	472,526	426,214	435,115
<i>Non-current assets</i>									
Property, plant & equipment	208,185	227,051	218,374	206,971	225,751	217,058	1,214	1,300	1,316
Investment in Finance business	-	-	-	204,102	197,093	199,426	-	-	-
Intangible assets	214,095	246,132	218,231	91,763	118,821	93,731	122,332	127,311	124,500
Finance business receivables	229,793	199,391	231,979	-	-	-	229,793	199,391	231,979
Tax receivables	7,143	-	-	7,143	-	-	-	-	-
Derivative financial instruments	-	601	173	-	62	-	-	539	173
Deferred taxation	58,004	81,704	76,206	74,518	81,704	76,206	-	-	-
Other non-current assets	2,566	2,914	2,877	1,516	1,855	1,820	1,050	1,059	1,057
Total non-current assets	719,786	757,793	747,840	586,013	625,286	588,241	354,389	329,600	359,025
Total assets	1,610,246	1,699,686	1,652,199	1,006,253	1,140,965	1,057,485	826,915	755,814	794,140
Liabilities									
<i>Current liabilities</i>									
Bank overdrafts	1,403	19,174	164	1,403	19,174	164	-	-	-
Current borrowings	-	72,903	-	-	72,903	-	-	-	-
Finance business borrowings	436,009	460,993	357,190	-	-	-	436,009	460,993	357,190
Trade creditors	109,543	103,112	125,598	109,543	103,112	125,598	-	-	-
Current finance leases	61	578	328	61	578	328	-	-	-
Provisions	19,137	22,015	18,681	19,129	22,007	18,673	8	8	8
Derivative financial instruments	20,292	15,795	9,170	20,050	15,069	8,897	242	726	273
Tax liabilities	2,503	4,164	5,412	2,503	2,913	2,563	2,306	1,251	2,849
Other current liabilities	74,550	71,650	66,107	49,602	51,702	43,777	24,948	19,948	22,330
Total current liabilities	663,498	770,384	582,650	202,291	287,458	200,000	463,513	482,926	382,650
<i>Non-current liabilities</i>									
Non-current borrowings	174,599	211,569	212,906	174,599	211,569	212,906	-	-	-
Finance business borrowings	140,286	54,446	191,466	-	-	-	140,286	54,446	191,466
Non-current finance leases	-	75	18	-	75	18	-	-	-
Provisions	14,380	20,133	15,650	13,763	19,589	15,033	617	544	617
Derivative financial instruments	6,192	7,761	5,894	4,309	7,673	5,392	1,883	88	502
Deferred taxation	8,455	30,348	27,730	8,455	9,631	8,251	16,514	20,717	19,479
Other non-current liabilities	3,714	14,925	14,733	3,714	14,925	14,733	-	-	-
Total non-current liabilities	347,626	339,257	468,397	204,840	263,462	256,333	159,300	75,795	212,064
Total liabilities	1,011,124	1,109,641	1,051,047	407,131	550,920	456,333	622,813	558,721	594,714
Shareholders' equity									
Contributed equity	841,869	841,943	841,869	841,869	841,943	841,869	-	-	-
(Accumulated losses)/Retained earnings	(188,670)	(199,050)	(199,968)	(188,670)	(199,050)	(199,968)	-	-	-
Reserves	(54,077)	(52,848)	(40,749)	(54,077)	(52,848)	(40,749)	-	-	-
Investment in Finance business	-	-	-	-	-	-	204,102	197,093	199,426
Total shareholders' equity	599,122	590,045	601,152	599,122	590,045	601,152	204,102	197,093	199,426
Total liabilities and shareholders' equity	1,610,246	1,699,686	1,652,199	1,006,253	1,140,965	1,057,485	826,915	755,814	794,140

* 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 6 months ended 30 September 2010 (Unaudited)

30 September 2010	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	Share capital	Accumulated losses	Translation of foreign operations	Foreign exchange hedges	Interest rate hedges	Commodity hedges	Treasury stock	Share based payments	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2010	841,869	(199,968)	(40,018)	(3,213)	-	-	512	1,970	601,152
Changes in equity									
Total comprehensive income for the period	-	-	(7,730)	(4,743)	(855)	-	-	-	(13,328)
Profit for the period	-	11,298	-	-	-	-	-	-	11,298
Balance at 30 September 2010	841,869	(188,670)	(47,748)	(7,956)	(855)	-	512	1,970	599,122

30 September 2009	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	Share capital	Accumulated losses	Translation of foreign operations	Foreign exchange hedges	Interest rate hedges	Commodity hedges	Treasury stock	Share based payments	Total equity
	\$'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									
Issue of share capital	190,433	-	-	-	-	-	-	-	190,433
Other comprehensive income for the period	-	-	(69,457)	(14,329)	-	256	-	-	(83,530)
Loss for the period	-	(82,410)	-	-	-	-	-	-	(82,410)
Balance at 30 September 2009	841,943	(199,050)	(45,936)	(9,687)	-	293	512	1,970	590,045

31 March 2010	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	Share capital	Accumulated losses	Translation of foreign operations	Foreign exchange hedges	Interest rate hedges	Commodity hedges	Treasury stock	Share based payments	Total equity
	\$'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									
Issue of share capital	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

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

FINANCIAL STATEMENTS

Cash Flow Statement

For the 6 months ended 30 September 2010 (Unaudited)

	30 September 2010	30 September 2009	31 March 2010
Notes	\$'000	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers	512,587	525,111	1,021,130
Financing interest and fee receipts	71,499	65,158	133,589
Interest received	233	279	599
Payments to suppliers and employees	(490,626)	(531,443)	(1,000,734)
Income taxes paid	(1,766)	(1,834)	1,458
Interest paid	(28,219)	(39,404)	(68,440)
	63,708	17,867	87,602
Principal on loans repaid by Finance business customers	289,099	280,576	546,400
New loans to Finance business customers	(283,423)	(269,931)	(596,378)
Net cash inflow/(outflow) from operating activities	69,384	28,512	37,624
Cash flows from investing activities			
Sale of property, plant & equipment	277	9,872	58,448
Purchase of property, plant & equipment	(6,078)	(21,314)	(27,705)
Capitalisation of intangible assets	(5,345)	(2,939)	(4,069)
Acquisition of Mexican operations (Instalments)	(12,419)	-	-
Net cash inflow/(outflow) from investing activities	(23,565)	(14,381)	26,674
Cash flows from financing activities			
New non-current borrowings	17,341	585,913	485,470
New Finance business borrowings	84,758	12,515	103,576
Repayment of non-current borrowings	(55,473)	(783,080)	(755,884)
Repayment of Finance business borrowings	(57,423)	(38,569)	(96,541)
Lease liability payments	(279)	(408)	(731)
Issue of share capital	-	190,433	190,359
Net cash inflow/(outflow) from financing activities	(11,076)	(33,196)	(73,751)
Net increase/(decrease) in cash & cash equivalents	34,743	(19,065)	(9,453)
Cash & cash equivalents at the beginning of the period	82,650	95,395	95,395
Effects of foreign exchange rate changes on cash & cash equivalents	407	(3,385)	(3,292)
Cash & cash equivalents at end of the period	117,800	72,945	82,650

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

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

1. General information

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

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

These unaudited interim financial statements were authorised for issue by the Board of Directors on 26 November 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.

2. Summary of significant accounting policies

These general purpose unaudited financial statements for the interim six month reporting period ended 30 September 2010 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and comply with New Zealand Equivalent to International Accounting Standard 34 (NZ IAS34) and International Accounting Standard 34 (Interim Financial Reporting).

These unaudited interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly these financial statements are to be read in conjunction with the Annual Report for the year ended 31 March 2010.

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

Changes in accounting policies

There have been no significant changes in accounting policies during the current period. Accounting policies have been applied on a basis consistent with prior interim and annual financial statements.

3. 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 both 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 interim financial statements.

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

Segment revenue & profit analysis

30 SEPTEMBER 2010

	Revenue from external customers	Inter- segment revenue	Total segment revenue	Operating profit/(loss)
	\$'000	\$'000	\$'000	\$'000
Factory operations				
New Zealand	6,472	66,565	73,037	7,516
Australia	-	-	-	(1,318)
North America	20,362	63,699	84,061	516
Thailand	-	116,850	116,850	21,006
Europe	49,523	22,323	71,846	3,761
	76,357	269,437	345,794	31,481
Sales & customer service				
New Zealand	81,310	3,970	85,280	4,482
Australia	188,975	2,063	191,038	6,846
North America	102,401	-	102,401	(3,859)
Europe	8,924	-	8,924	(173)
Rest of World	18,067	-	18,067	(451)
	399,677	6,033	405,710	6,845
Unallocated overheads				(30,632)
Currency fluctuations				(918)
One-off expenses				-
One-off income				-
Appliances business	476,034	275,470	751,504	6,776
Finance business	72,503	-	72,503	18,936
Total	548,537	275,470	824,007	25,712

Segment revenue reconciliation to the Income Statement

	Operating profit/(loss)
	\$'000
Total segment revenue	824,007
Inter-segment revenue elimination	(275,470)
Interest income	332
Other miscellaneous income	1,017
Total revenue & other income as per the Income Statement	549,886

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information (continued)

Segment revenue & profit analysis

30 SEPTEMBER 2009

	Revenue from external customers	Inter-segment revenue	Total segment revenue	Operating profit/(loss)
	\$'000	\$'000	\$'000	\$'000
Factory operations				
New Zealand	22,075	64,293	86,368	9,739
Australia	2,013	10,238	12,251	10,574
North America	20,100	65,214	85,314	(1,981)
Thailand	486	72,910	73,396	9,601
Europe	62,250	6,026	68,276	(1,176)
	106,924	218,681	325,605	26,757
Sales & customer service				
New Zealand	90,898	4,057	94,955	4,415
Australia	177,718	2,371	180,089	4,855
North America	119,898	-	119,898	(8,567)
Europe	10,663	-	10,663	(98)
Rest of World	6,504	-	6,504	613
	405,681	6,428	412,109	1,218
Unallocated overheads				(25,616)
Currency fluctuations				3,374
One-off expenses				(103,112)
One-off income				-
Appliances business	512,605	225,109	737,714	(97,379)
Finance business	66,353	-	66,353	12,426
Total	578,958	225,109	804,067	(84,953)

Segment revenue reconciliation to the Income Statement

	Operating profit/(loss)
	\$'000
Total segment revenue	804,067
Inter-segment revenue elimination	(225,109)
Interest income	322
Other miscellaneous income	5,182
Total revenue & other income as per the Income Statement	584,462

Segment revenue & profit analysis

31 MARCH 2010

	Revenue from external customers	Inter-segment revenue	Total segment revenue	Operating profit/(loss)
	\$'000	\$'000	\$'000	\$'000
Factory operations				
New Zealand	32,656	133,939	166,595	22,081
Australia	2,225	10,892	13,117	10,231
North America	39,856	119,757	159,613	(4,765)
Thailand	3,861	205,578	209,439	33,495
Europe	122,889	24,118	147,007	(5,655)
	201,487	494,284	695,771	55,387
Sales & customer service				
New Zealand	185,128	6,457	191,585	14,164
Australia	388,132	5,306	393,438	26,336
North America	211,451	-	211,451	(15,185)
Europe	21,832	-	21,832	620
Rest of World	12,936	-	12,936	1,073
	819,479	11,763	831,242	27,009
Unallocated overheads				(43,536)
Currency fluctuations				(9,441)
One-off expenses				(137,102)
One-off income				3,904
Appliances business	1,020,966	506,047	1,527,013	(103,779)
Finance business	136,063	-	136,063	28,904
Total	1,157,029	506,047	1,663,076	(74,875)

Segment revenue reconciliation to the Income Statement

	Operating profit/(loss)
	\$'000
Total segment revenue	1,663,076
Inter-segment revenue elimination	(506,047)
Interest income	194
Other miscellaneous income	6,840
Total revenue & other income as per the Income Statement	1,164,063

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information (continued)

Segment total assets	30 September 2010 \$'000	30 September 2009 \$'000	31 March 2010 \$'000
Factory operations			
New Zealand	27,472	40,586	32,884
Australia	24,737	23,818	22,651
North America	147,090	202,048	164,280
Thailand	113,303	107,406	111,106
Europe	98,935	114,326	102,664
	411,537	488,184	433,585
Sales & customer service			
New Zealand	50,196	41,830	53,077
Australia	127,010	133,415	147,431
North America	57,829	72,225	71,428
Europe	7,809	7,926	8,426
Rest of World	8,365	4,827	5,396
	251,209	260,223	285,758
Inter-segment eliminations - Appliances business	(23,783)	(49,834)	(42,716)
Unallocated assets	163,188	245,299	181,432
Appliances business	802,152	943,872	858,059
Finance business	826,915	755,814	794,140
Inter-segment eliminations	(18,820)	-	-
Total assets as per the Statement of Financial Position	1,610,246	1,699,686	1,652,199

4. Revenue & other income

	30 September 2010 \$'000	30 September 2009 \$'000	31 March 2010 \$'000
<i>Appliances business sales of goods revenue</i>			
New Zealand	81,275	89,522	181,482
Australia	186,826	177,277	387,871
North America	124,519	140,836	252,469
Europe	37,660	53,367	102,055
Rest of World	33,386	32,338	66,967
<i>Appliances other sales of goods revenue</i>	6,472	14,855	19,818
<i>Appliances business sales of services revenue</i>	5,896	4,410	10,304
<i>Finance business revenue</i>	72,503	66,353	136,063
Total operating revenue	548,537	578,958	1,157,029
<i>Other income</i>			
Interest income	332	322	194
(Loss)/gain on disposal of property, plant & equipment	(171)	4,072	4,017
Fee income	616	526	827
Appliances business miscellaneous income	1,046	1,024	1,991
Finance business fair valuation adjustments	(474)	(440)	5
	1,349	5,504	7,034
Total revenue & other income	549,886	584,462	1,164,063

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

5. Expenses

	30 September 2010 \$'000	30 September 2009 \$'000	31 March 2010 \$'000
Net gains and expenses			
Profit/(loss) before income tax includes the following specific expenses:			
Appliances business			
<i>Cost of goods sold (COGS)</i>	336,958	378,773	735,767
Items affecting comparability	-	107,184	137,102
Net foreign exchange (gains)/losses	918	(3,379)	9,441
Other administration expenses	71,632	75,041	125,216
<i>Administration expenses</i>	72,550	178,846	271,759
<i>Selling, marketing & distribution expenses</i>	61,467	58,271	124,170
<i>Total operating expenses - Appliances business</i>	470,975	615,890	1,131,696
The above expenses include:			
Movement of inventory within COGS	282,696	329,114	635,233
Employee benefits	96,013	100,356	192,237
Depreciation	12,407	14,732	27,376
Amortisation	4,095	6,023	10,720
Rental expense relating to operating leases	11,947	10,141	23,141
Defined contribution superannuation expense*	6,196	7,237	13,230
Research & development*	9,399	5,312	10,596
Donations	70	36	45
<i>* also reported as part of Employee benefits and some components also included within Employee benefits</i>			
Impairment/fair valuation of assets - Appliances business			
Land & buildings (non-current assets held for sale)	-	733	4,083
Barter credits - fair valuation	-	11,762	11,762
Raw materials inventory - fair valuation	-	9,960	9,960
Plant & equipment impairment	-	27,417	34,915
Brand impairment	-	22,022	36,682
Capitalised research & development impairment	-	4,918	4,918
Appliances business finance costs			
External interest expense	9,034	17,701	28,393
Finance costs expensed	9,034	17,701	28,393

	30 September 2010	30 September 2009	31 March 2010
	\$'000	\$'000	\$'000
Finance business			
Receivables written off during the year	9,882	9,136	18,114
Recovery of amounts previously written off	(759)	(797)	(1,474)
Movement in allowance for impairment	(214)	1,310	2,835
<i>Impairment charge for credit losses</i>	8,909	9,649	19,475
<i>Interest expense & similar charges</i>	19,859	20,163	38,814
Other Finance business expenses before unearned premium movements	22,766	21,932	45,073
Movement in unearned insurance & warranty premiums	1,665	1,781	3,880
<i>Other Finance business expenses</i>	24,431	23,713	48,953
<i>Total operating expenses - Finance business</i>	53,199	53,525	107,242
Other Finance business expenses includes:			
Employee benefits	7,851	7,347	14,940
Depreciation	255	297	564
Amortisation	3,868	3,687	7,446
Marketing & promotion	2,085	1,694	4,361
Insurance and warranty commissions & claims	1,587	1,731	3,161
Rental expense relating to operating leases	749	751	1,514
Defined contribution superannuation expense*	339	336	681
Donations	-	41	41

* also reported as part of Employee benefits

6. Non-current assets classified as held for sale

	30 September 2010	30 September 2009	31 March 2010
	\$'000	\$'000	\$'000
Land	12,556	10,161	12,493
Buildings	27,933	32,003	27,558
Plant & equipment	-	-	191
	40,489	42,164	40,242

As part of the Appliances business' Global Manufacturing Strategy announced on 17 April 2008, land & buildings at East Tamaki, Auckland and Cleveland, Australia were classified as non-current assets held for sale.

After balance date, on 1 October 2010, the Group sold the majority of its Cleveland site - refer Note 13. The Board reasonably expects sale transactions will be completed in the next 12 months in relation to the remaining assets.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

7. Borrowings

	30 September 2010 \$'000	30 September 2009 \$'000	31 March 2010 \$'000
Current borrowings	-	72,903	-
Total current borrowings	-	72,903	-
Non-current borrowings	174,599	211,569	212,906
Total non-current borrowings	174,599	211,569	212,906

The Guaranteeing Group had unused borrowing facilities of \$106.0 million available as at 30 September 2010.

Assets pledged as security

Appliances business borrowings are secured through the Guaranteeing Group by a Security Trust Deed with the Group's banking syndicate. The Guaranteeing Group comprises Fisher & Paykel Appliances Holdings Limited and subsidiary companies except for Finance business entities. All borrowings are drawn down at interest rates current at draw down date.

The Security Trust Deed together with subsequent Amendments imposes certain financial covenants on the Group including to limit any other security over its assets and to ensure the following financial ratios are met:

- (i) Total Leverage Ratio of the Guaranteeing Group each quarter < 3.0 times
- (ii) Total Interest Cover of the Guaranteeing Group each quarter > 2.5 times as at balance date and > 3.0 times from 1 October 2010
- (iii) Total tangible assets of the Guaranteeing Group shall constitute no less than 95% of the Total tangible assets of the Consolidated Group for each period end
- (iv) Maximum capital expenditure must not exceed \$33 million in the year ending 31 March 2011 and \$44 million in the year ending 31 March 2012

For the purposes of the financial covenants above:

"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.

"Normalised EBITDA" means operating earnings before interest, tax, depreciation and amortisation for the last 12 months adjusted to exclude certain non-recurring items for the Guaranteeing Group. 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.

"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).

There were no covenant breaches during the period under review.

During the period, the term of the Working Capital Facility was extended by 12 months to 30 April 2012.

8. Contingencies

(a) 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.

(b) Directors' retirement allowances

The contingent liability relating to Directors' retirement allowances (September 2009 \$760,700, March 2010 \$659,811) crystallised in the period following the announcement of Director retirements, in conjunction with the Board refreshment process, at the Annual Shareholders Meeting on 23 August 2010. An expense of \$657,287 was recognised in the Income Statement and the associated liability is subject to ongoing fair valuation adjustments. Refer also Note 11(a).

(c) Other contingencies

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

9. Commitments

(a) Capital commitments

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

	30 September 2010	30 September 2009	31 March 2010
	\$'000	\$'000	\$'000
Within one year	509	154	2,115
	509	154	2,115

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 fifteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	30 September 2010	30 September 2009	31 March 2010
	\$'000	\$'000	\$'000
Within one year	21,516	22,386	22,729
Between one and two years	21,249	20,241	18,236
Between two and three years	19,746	15,264	15,624
Between three and four years	14,452	14,135	14,106
Between four and five years	10,966	13,128	10,925
Over five years	59,475	61,490	57,536
	147,404	146,644	139,156

The level of commitments over five years is largely due to the sale & leaseback of part of the Group's East Tamaki, Auckland site.

(ii) Finance leases

The Appliances business leases various items of plant & equipment with a carrying amount of \$1.2 million (September 2009 \$1.6 million, March 2010 \$1.4 million) under finance leases expiring within one year. 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.

Commitments for minimum lease payments in relation to finance leases are as follows:

	30 September 2010	30 September 2009	31 March 2010
	\$'000	\$'000	\$'000
Within one year	61	578	328
Between one and two years	-	69	18
Between two and three years	-	4	-
Minimum lease payments	61	651	346

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

9. Commitments (continued)

The weighted average interest rate implicit in the leases is 5.8% (September 2009 5.9%, March 2010 5.9%).

(c) Undrawn lending commitments (Finance business)

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

	30 September 2010 \$'000	30 September 2009 \$'000	31 March 2010 \$'000
Undrawn lending commitments	1,778,555	1,815,285	1,772,622

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

	30 September 2010 \$'000	30 September 2009 \$'000	31 March 2010 \$'000
Profit/(loss) after taxation	11,298	(82,410)	(83,328)
<i>Add/(deduct) non-cash items:</i>			
Depreciation of property, plant & equipment to recoverable amount	12,662	15,029	27,940
Amortisation of intangible assets	7,963	9,710	18,166
Impairment loss on property, plant & equipment	-	28,150	34,915
Impairment loss on intangible assets	-	26,940	41,600
Fair valuation adjustments - North America, East Tamaki	-	21,722	25,805
Loss/(gain) on sale of non-current assets	175	(4,067)	(4,017)
Finance business bad debts written off	9,882	10,446	21,621
Movement in accrued interest	880	1,010	1,117
Net increase/(decrease) in loans and advances to customers	5,676	10,645	(49,978)
Movement in provisions	(1,411)	(31,155)	(39,403)
Movement in tax	3,564	(15,576)	(15,468)
Movement in payables and accruals	(6,122)	(57,585)	(31,311)
Movement in debtors and other current assets	47,180	8,069	(19,980)
Movement in inventories	(15,257)	131,037	142,190
Fair value adjustment/reclassification of derivative financial instruments	990	(3,107)	(3,016)
Fair value adjustment to other financial assets	473	(337)	(5)
Non-cash share based payments expense	(3)	175	286
Foreign currency exchange translation	(8,566)	(40,184)	(29,510)
Net cash inflow from operating activities	69,384	28,512	37,624

11. Related party transactions

(a) Key management personnel

Following the announcement of plans to refresh the Board at the Annual Shareholders Meeting on 23 August 2010, the contingent liability for Directors retirement allowances crystallised and an expense of \$657,287 was recognised in the Income Statement!

Mr W L Gillanders retired from the Board on 23 August 2010 and a retirement allowance of \$128,492 was paid to Mr Gillanders on 24 September 2010.

Fair valuation of the Directors' retirement allowance liability as at 30 September 2010 was \$533,183.

(b) Transactions with related parties

The following transactions occurred with Haier Group Corporation (and its associated entities) during the period ended 30 September 2010:

	30 September 2010	30 September 2009	31 March 2010
	\$'000	\$'000	\$'000
<i>Sales of goods and services</i>			
Sales of goods	459	-	273
Sales of services	469	-	103
	928	-	376

	30 September 2010	30 September 2009	31 March 2010
	\$'000	\$'000	\$'000
<i>Purchases of goods and services</i>			
Purchases of goods	22,422	-	17,599
Purchases of services	68	-	113
	22,490	-	17,712
<i>Other transactions</i>			
Directors fees paid to subsidiaries of Haier Group Corporation	91	33	113
Subscriptions for ordinary shares by Haier Group Corporation	-	82,037	82,037
	91	82,070	82,150

(c) Outstanding balances with related parties

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

	30 September 2010	30 September 2009	31 March 2010
	\$'000	\$'000	\$'000
Current receivables (sales of goods and services)	577	-	350
Current payables (purchases of goods)	3,909	-	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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

12. Share-based payments

Executive Long-Term Performance Incentive

Entitlements associated with the Executive long-term performance incentive scheme implemented effective 1 July 2007, matured on 30 June 2010, resulting in a cash payment of approximately \$146,000 to participating employees. The payment comprised \$146,000 for the retention component and \$Nil for the performance component. These payments were to be used to buy shares on-market in the Company where the employee's shareholding in the Company amounted to less than 50% of their fixed remuneration.

13. Events occurring after the Statement of Financial Position date

On 1 October 2010, the majority of the Group's Cleveland site was sold for \$28.1 million (A\$21.5 million) and the transaction was settled on 1 November 2010. After capital gains tax and costs, net proceeds are expected to be approximately \$25.0 million (A\$19.1 million), which is in excess of the carrying amount of approximately \$22.8 million (excluding the unsold parcel of land). As part of the transaction, the Group entered an operating lease for a portion of the warehouse and office facilities at the site for a term of just under 10 years.

The net proceeds were immediately used to reduce Group bank debt and an equivalent compensating reduction in bank facilities was applied. Negotiations are continuing with the buyer for the remaining parcel of land.

14. Foreign currency exchange rates

	30 September 2010	30 September 2009	31 March 2010
NZ\$1.00 =			
Australian dollar	0.7611	0.8206	0.7758
United States dollar	0.7359	0.7215	0.7094
Euro	0.5413	0.4935	0.5296
British pound	0.4646	0.4502	0.4708
Thai baht	22.1302	23.7519	22.5923
Mexican peso	9.2103	9.7586	8.7799

(Source: ANZ Global Markets)

The above foreign currency exchange rates have been applied to the Statement of Financial Position at each balance date.

DIRECTORS AND DIRECTORY

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Ralph G Waters – Chairman
John W Gilks – Deputy Chairman
Stuart B Broadhurst – Managing Director & Chief Executive Officer
Simon J Botherway
Philip S Carmichael
Tan Lixia
Peter D Lucas
Gary A Paykel
Keith S Turner

DIRECTORY

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