

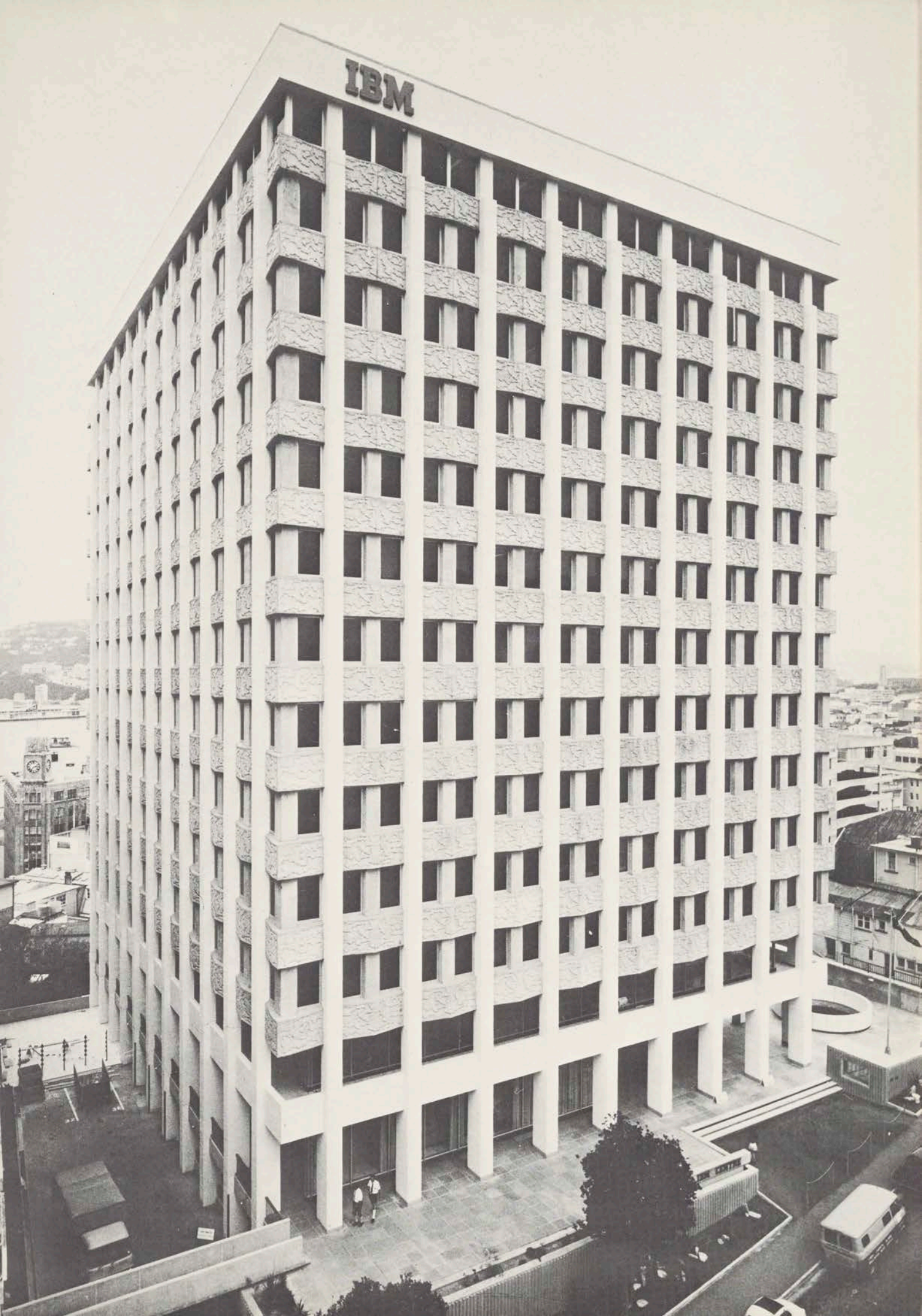
THE FLETCHER ORGANISATION

31ST ANNUAL REPORT



FOR THE YEAR ENDED 31 MARCH, 1971. FLETCHER HOLDINGS LIMITED, AUCKLAND, NEW ZEALAND.

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THE FLETCHER ORGANISATION

THIRTY-FIRST
ANNUAL
REPORT
1971



THE ANNUAL REPORT OF FLETCHER HOLDINGS LIMITED
FOR THE YEAR ENDED 31 MARCH, 1971



FLETCHER
HOLDINGS
LIMITED

REPORT OF THE DIRECTORS

TO MEMBERS ON THE AFFAIRS OF THE COMPANY AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 31 MARCH, 1971

PROFITS

The consolidated Group profit of Fletcher Holdings Limited and Subsidiary Companies for the year was \$3,763,129. The profit of the parent Company, Fletcher Holdings Limited, including dividends from Subsidiary Companies and after providing for taxation was	\$2,272,020
The amount available from previous years was	881,422
	<hr/>
making available for distribution	3,153,442
Dividends already paid are	979,742
and proposed final dividends are	1,159,823
	<hr/>
leaving a balance carried forward to next year of	\$1,013,877

FINANCIAL INTAKE

	1971	1970	1969
	\$	\$	\$
Proceeds of Share Issue	2,336,800	—	2,409,750
Retained from Current Profits	1,599,515	1,183,059	767,356
Increase in:			
Fixed Loans	203,993	—	39,885
Deferred Taxation Provision	43,956	64,171	—
Minority Interests	103,619	60,873	45,666
Reduction in:			
Net Current Assets	—	—	2,201,784
Investments	—	683,651	—
Capital Profits arising from newly-acquired interests	58,533	4,310	3,829
Depreciation and Depletions	2,070,699	2,584,796	2,124,119
	<hr/>	<hr/>	<hr/>
	\$6,417,115	\$4,580,860	\$7,592,389

FINANCIAL OUTGOINGS

Net Additions to:			
Fixed Assets	3,980,248	325,774	2,314,867
Forest Assets	470,643	229,288	1,012,081
Investments	902,881	—	4,259,019
Net Current Assets	1,063,343	3,370,048	—
Reduction in:			
Deferred Taxation Provision	—	—	6,422
Fixed Loans	—	655,750	—
	<hr/>	<hr/>	<hr/>
	\$6,417,115	\$4,580,860	\$7,592,389



REPORT OF THE DIRECTORS

CAPITAL INCREASE

Issued capital was increased during the year by a placement of 1,270,000 Ordinary Shares at a total premium of \$1,066,800.

DEBENTURE FINANCE

An issue of Registered Debenture Stock was opened for public subscription and made available for conversion of existing Debentures having maturity dates of 31 October, 1970, and 30 April, 1971, totalling \$1,207,200. The issue was over-subscribed and totalled \$1,844,500 at balance date.

DIRECTORS

Under the Company's Articles of Association, Mr J. C. Fletcher and Mr R. G. Stark retire. Both these gentlemen are eligible and offer themselves for re-election.

DIVIDENDS

Dividends paid since last year's final dividend are:
Preference Shares — Interim and Final Dividends, both of 3 per cent, making 6 per cent for the year to 30 April, 1971.
'C' Preference Shares — Interim and Final Dividends, both of 2½ per cent, making 5 per cent for the year to 30 April, 1971.

One-sixth of the Final Dividends paid on the Preference and 'C' Preference Shares is chargeable in the accounts of the Company in the current year commencing 1 April, 1971.

Ordinary Shares — Interim Dividend of 5 per cent. Your Directors recommend payment of a Final Dividend of 6 per cent (making 11 per cent for the year) on the Ordinary Capital of the Company, this dividend to be payable on 27 July, 1971, to Ordinary Shareholders on the Register as at 19 July, 1971.

The Register of Members will be closed from Monday, 19 July, 1971, to Tuesday, 27 July, 1971, both days inclusive, to provide for the payment of the Ordinary Dividend, if approved by the members.

AUDITORS

For many years the audit of the holding company and the subsidiaries has been undertaken by two separate audit firms. It is now acceptable practice for one firm of auditors to be appointed Auditors of all companies within a group.

The position has been discussed with the audit firms concerned and it has been decided that the Auditors at present responsible for the audit of the subsidiary companies should be appointed Auditors of the holding company. This firm, Messrs Gilfillan, Gentles, Pickles, Perkins & Co., have had the longest association of the two firms with the Fletcher Organisation and will be happy to accept the nomination as Auditors of the holding company.

Messrs Hutchison, Elliffe, Davies, Anderson & Co. have been auditors of the holding company since its incorporation in 1940 and your Directors wish to place on record their thanks and appreciation for their services during this period.



REPORT OF THE DIRECTORS

TRADING AND ACCOUNTS

Turnover of the Group for the financial period was \$113,718,602 compared with \$105,040,825 for the previous year. Total Group tax-paid profits are \$3,943,389, and after deduction of minority interests the amount accruing to members of Fletcher Holdings Limited is \$3,763,129. This is an increase of \$572,534, or 17.9 per cent which has been achieved after the payment of payroll tax amounting to \$238,250 and after taxation at \$1,181,138 which is \$237,287 above the previous year.

The earning rate (after adjustment for preference dividends) on average ordinary capital is 19.6 per cent compared with 17.7 per cent in 1969-70 and 15.5 per cent in 1968-69.

RESERVES

The Group's Reserves have again been increased and now total \$21,242,007 compared with \$18,517,159 at 31 March, 1970. The increases comprise \$1,623,564 from retained profits, \$1,066,800 from premiums on a share issue and \$58,533 excess book value of assets over purchase price of newly-acquired interests, less \$24,049 expenses of share issue.

INVESTMENTS

As at 31 March, 1971, the Group's investments in companies (other than subsidiaries) where it holds 10 per cent or more of the equity capital was \$7,476,751. On the basis of the last available accounts, the Group's share of the profits of these companies is \$1,305,045 compared with \$1,325,839 last year. Dividends received from these companies included in this year's Group Profit and Loss Account amount to \$753,422.

GENERAL

We commend shareholders' attention to the annual accounts and balance sheets and the report of the Managing Director which follow.

For the Directors,

9 July, 1971.

Chairman.

CONSOLIDATED PROFIT & LOSS ACCOUNTS



FLETCHER HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES

FOR THE YEAR ENDED 31 MARCH, 1971

Fletcher Holdings Limited			Consolidated	
1970	1971		1971	1970
\$	\$	Note	\$	\$
—	—	Turnover	113,718,602	105,040,825
1,134,010	1,436,076	Surplus on Trading (before Depreciation, Depletions and Interest)	7,617,314	6,669,048
		Depreciation	1,635,991	2,105,648
		Depletion of Forest Assets	434,708	479,148
<u>1,134,010</u>	<u>1,436,076</u>		<u>5,546,615</u>	<u>4,084,252</u>
125,411	63,235	Investment Income	1,037,890	1,055,866
29,089	56,891	Exceptional Items	24,344	494,675
<u>1,230,332</u>	<u>1,442,420</u>	Profit before Interest	<u>6,608,849</u>	<u>5,634,793</u>
<u>1,140,409</u>	<u>1,214,609</u>	Interest Payable	<u>1,484,322</u>	<u>1,365,552</u>
89,923	227,811	Profit before Taxation	<u>5,124,527</u>	<u>4,269,241</u>
35,475	105,791	Taxation	<u>1,181,138</u>	<u>943,851</u>
<u>54,448</u>	<u>122,020</u>	Profit after Taxation	<u>3,943,389</u>	<u>3,325,390</u>
—	—	Less Minority Interests in Profit	<u>180,260</u>	<u>134,795</u>
<u>54,448</u>	<u>122,020</u>	Net Profit attributable to the Members of Fletcher Holdings Limited	<u>3,763,129</u>	<u>3,190,595</u>
2,000,000	2,150,000	Dividends paid by Subsidiary Companies to Fletcher Holdings Limited		
2,054,448	2,272,020	Preference Dividends	<u>56,000</u>	<u>56,000</u>
<u>56,000</u>	<u>56,000</u>			
1,998,448	2,216,020	Net Profit attributable to the Ordinary Shareholders	<u>3,707,129</u>	<u>3,134,595</u>
1,943,865	2,083,565	Ordinary Dividends	<u>2,083,565</u>	<u>1,943,865</u>
<u>\$54,583</u>	<u>\$132,455</u>	Profit Retained in Business	<u>\$1,623,564</u>	<u>\$1,190,730</u>

The notes on pages 6 and 7 form part of and are to be read in conjunction with this Profit and Loss Account.

NOTES ON PROFIT & LOSS ACCOUNTS

		1971		1970
		\$		\$
1. DIRECTORS' FEES	Directors' Fees payable to Directors of Fletcher Holdings Limited were	16,000		16,000
	and to outside Directors of Subsidiary Companies	4,910		4,133
		<u>20,910</u>		<u>20,133</u>
2. AUDITORS' FEES	Auditors' Fees paid to the Auditors of Fletcher Holdings Limited were	900		900
	and to the Auditors of Subsidiary Companies	44,699		40,038
		<u>45,599</u>		<u>40,938</u>
3. INVESTMENT INCOME	Income from Investments includes —			
	Interest on Government Stock, etc.	2,382		621
	Income from other Companies	1,008,184		1,033,811
	Income from other investments	27,324		21,434
		<u>1,037,890</u>		<u>1,055,866</u>
	Interest on Government Stock includes interest received by Fletcher Holdings Limited	2,382		609
4. EXCEPTIONAL ITEMS	Profits less losses on disposal of capital assets and amounts not applicable to current trading —			
	Fletcher Holdings Limited	4,275		—
	Subsidiary Companies	81,235		523,764
	Expense of Debenture Issue —			
	Fletcher Holdings Limited	61,166-		29,089-
		<u>24,344</u>		<u>494,675</u>
5. INTEREST ON FIXED LOANS	Interest paid by Fletcher Holdings Limited was	1,049,685		1,004,943
	and by Subsidiary Companies	13,181		24,209
		<u>1,062,866</u>		<u>1,029,152</u>



NOTES ON PROFIT & LOSS ACCOUNTS

6. TAXATION

	1971 \$	1970 \$
Taxation of \$1,467,411 on profits for the year include \$1,379,434 of New Zealand Taxes. After taking advantage of all concessions, provision has been made on income for the year —		
Fletcher Holdings Limited	107,560	41,899
Subsidiaries	1,343,394	857,989
	<u>1,450,954</u>	<u>899,888</u>
Provision has been made for Deferred Taxation in Subsidiary Companies	16,457	64,171
	<u>1,467,411</u>	<u>964,059</u>
Provision made in previous years no longer required —		
Fletcher Holdings Limited	1,769	6,424
Subsidiaries	284,504	13,784
	<u>286,273</u>	<u>20,208</u>
Total Taxation	<u>1,181,138</u>	<u>943,851</u>
Taxation savings resulting from Export Market Development, Export Incentives, Forest Industry Incentives, and Plant and Machinery Investment Allowance total	<u>706,404</u>	<u>633,073</u>

7. DIVIDENDS

	Interim Dividends Paid \$	Appropriation for Final Dividends \$	Total \$
6% Cumulative Preference Shares	3,500	2,500	6,000
5% "C" Cumulative Preference Shares	29,167	20,833	50,000
Ordinary Shares	947,075	1,136,490	2,083,565
	<u>979,742</u>	<u>1,159,823</u>	<u>2,139,565</u>

Appropriation of Profits for the Final Dividends on the 6% Cumulative Preference and the 5% "C" Cumulative Preference Shares is five-sixths of the dividends payable, in terms of issue, on a per annum basis, for the six months ended 30 April, 1971, the balance of one-sixth being chargeable against profits for the year commencing 1 April, 1971. The total dividends paid to minority interests in Subsidiary Companies, including interim dividends already paid, are \$73,657.

CONSOLIDATED BALANCE SHEET

FLETCHER HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES



AS AT 31 MARCH, 1971

1970		<i>Capital Employed</i>		1971	
\$	\$		Note	\$	\$
	1,100,000	PREFERENTIAL CAPITAL	1		1,100,000
		ORDINARY SHAREHOLDERS' FUNDS —			
17,671,500		Capital	1	18,941,500	
18,517,159		Reserves	2	21,242,007	
<u>36,188,659</u>				<u>40,183,507</u>	
	37,288,659	TOTAL SHAREHOLDERS' FUNDS			41,283,507
	1,532,390	MINORITY INTERESTS IN SUBSIDIARIES	3		1,636,009
	17,405,284	FIXED LOANS	4		17,609,277
	613,236	DEFERRED TAXATION PROVISION	5		657,192
	<u>\$56,839,569</u>				<u>\$61,185,985</u>
 <i>Employment of Capital</i> 					
	28,025,227	LAND, BUILDINGS, PLANT, FOREST ASSETS, ETC.	6		30,405,419
	12,243,289	INVESTMENTS	7		13,146,170
	<u>40,268,516</u>	TOTAL FIXED ASSETS			<u>43,551,589</u>
		CURRENT ASSETS —			
15,049,098		Stocks		18,906,745	
10,993,083		Contracts		12,895,168	
11,342,251		Debtors	9	14,812,033	
270,112		Cash and Bank Balances		372,556	
<u>37,654,544</u>				<u>46,986,502</u>	
		CURRENT LIABILITIES —			
12,394,834		Creditors	10	16,986,096	
6,026,204		Bank Overdrafts and Loans	11	9,101,197	
1,120,453		Provision for Final Dividends	12	1,202,790	
1,542,000		Provision for Taxation		2,062,023	
<u>21,083,491</u>				<u>29,352,106</u>	
	16,571,053	NET CURRENT ASSETS			17,634,396
	<u>\$56,839,569</u>				<u>\$61,185,985</u>

The Notes on pages 11 to 14 form part of and are to be read in conjunction with this Balance Sheet.

BALANCE SHEET

FLETCHER HOLDINGS LIMITED



AS AT 31 MARCH, 1971

1970		<i>Capital Employed</i>		1971	
\$	\$		Note	\$	\$
	30,000,000	AUTHORISED CAPITAL	1		30,000,000
	18,771,500	ISSUED AND PAID-UP CAPITAL	1		20,041,500
		RESERVES —	2		
7,879,515		Capital Reserves		8,946,315	
925,471		Revenue Reserves		1,033,877	
8,804,986				9,980,192	
27,576,486		TOTAL SHAREHOLDERS' FUNDS		30,021,692	
	14,866,100	FIXED LOANS	4		15,123,639
	\$42,442,586				\$45,145,331
		<i>Employment of Capital</i>			
		INVESTMENTS	7		
36,154		N.Z. Government Stock		56,408	
1,250,000		In Other Companies		407,000	
875,075		Other		1,481,750	
2,161,229				1,945,158	
		INVESTMENT IN AND AMOUNTS OWING BY SUBSIDIARY COMPANIES —			
8,800,000		Shares in Subsidiaries	8	18,700,000	
35,939,000		Term Advances		30,079,000	
158,018		Other Amounts		319,751	
44,897,018				49,098,751	
89,000		Less Secured Loan owing to Subsidiary Company		89,000	
44,808,018				49,009,751	
		CURRENT ASSETS —			
34,200		Debtors		3,725	
		CURRENT LIABILITIES —			
995,288		Creditors	10	534,196	
2,428,410		Bank Overdraft	11	4,011,184	
1,083,623		Provision for Final Dividends	12	1,159,823	
53,540		Provision for Taxation		108,100	
4,560,861				5,813,303	
4,526,661		NET CURRENT LIABILITIES		5,809,578	
\$42,442,586				\$45,145,331	

The Notes on pages 11 to 14 form part of and are to be read in conjunction with this Balance Sheet.

On behalf of the Board,
L. J. Stevens, *Director*.
J. S. Fletcher, *Director*.

REPORT OF THE AUDITORS

TO MEMBERS OF FLETCHER HOLDINGS LIMITED

We have obtained all the information and explanations that we have required. In our opinion proper books of account have been kept by the Company so far as appears from our examination of those books. In our opinion, according to the best of our information and the explanations given to us and as shown by the said books, the Balance Sheet and the Profit and Loss Account, together with the notes thereon, are properly drawn up so as to give respectively a true and fair view of the state of the Company's affairs as at 31 March, 1971, and of the results of its business for the year ended on that date. According to such information and explanations in our opinion the accounts, the Balance Sheet and the Profit and Loss Account give the information required by the Companies Act 1955 in the manner so required. We have also examined the annexed group accounts with the audited accounts of the Companies dealt with thereby. In our opinion the group accounts comprising the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account have been properly prepared in accordance with the Companies Act 1955 and, subject to some deficiencies emanating from the operation of the computer financial system, give a true and fair view of the state of affairs and the results of the business of the Company and its subsidiaries dealt with thereby.

HUTCHISON, ELLIFFE, DAVIES, ANDERSON & CO.

Auditors

AUCKLAND, 30 June, 1971



NOTES ON BALANCE SHEETS

I. CAPITAL

	1971 \$	1970 \$
AUTHORISED CAPITAL		
Preferential		
100,000 6% Cumulative Preference Shares of \$1 each	100,000	100,000
1,000,000 5% "C" Cumulative Preference Shares of \$1 each	1,000,000	1,000,000
Total Authorised Preferential Capital	1,100,000	1,100,000
Ordinary		
28,900,000 Ordinary Shares of \$1 each	28,900,000	28,900,000
Total Authorised Capital	\$30,000,000	\$30,000,000
ISSUED AND PAID-UP CAPITAL		
Preferential Capital		
Ordinary Capital — 18,941,500 Ordinary Shares of \$1 each	1,100,000	1,100,000
	18,941,500	17,671,500
Total Issued and Paid-up Capital	\$20,041,500	\$18,771,500

2. RESERVES

	Consolidated \$	Fletcher Holdings Limited \$
CAPITAL RESERVES		
General		
As at 31 March, 1970	3,099,119	177,338
Excess of book value of assets over purchase price of newly-acquired interests	58,533	
Amount transferred from Revenue Reserve	1,193	
As at 31 March, 1971	3,158,845	177,338
Premium on Shares		
As at 31 March, 1970	7,702,177	7,702,177
Premium on Shares Issued during year	1,066,800	1,066,800
As at 31 March, 1971	8,768,977	8,768,977
Total Capital Reserves	\$11,927,822	\$8,946,315
REVENUE RESERVES		
Preference Dividend Equalisation	20,000	20,000
Profits Retained in Business		
As at 31 March, 1970	7,695,863	905,471
Expenses of Share Issue	24,049—	24,049—
Amount retained from profits for the year ended 31 March, 1971	1,623,564	132,455
Amount transferred to Capital Reserve	1,193—	
As at 31 March, 1971	9,294,185	1,013,877
Total Revenue Reserves	\$9,314,185	\$1,033,877
Total Capital and Revenue Reserves	\$21,242,007	\$9,980,192

All items of pre-acquisition profits, goodwill or premium on shares in subsidiaries have been dealt with in the consolidated statement by the adjustment of all shares in subsidiary companies to par value.

NOTES ON BALANCE SHEETS



3. MINORITY INTERESTS

Outside shareholders' interests in subsidiary companies comprise —	\$
Ordinary Shares	654,320
Capital Reserves	336,301
Revenue Reserves	645,388
	<u>\$1,636,009</u>

4. FIXED LOANS

Fixed Loans include —		Fletcher Holdings Limited	Consolidated
In Fletcher Holdings Limited:		\$	\$
Registered Debenture Stock secured over various assets of the Company and its Subsidiaries —		\$	\$
Maturity Date	Rate of Interest		
Within 5 years on —			
31 October, 1971	5 $\frac{3}{4}$ %	1,900,000	
30 April, 1972	6 $\frac{1}{2}$ %	1,774,800	
31 October, 1972	6 $\frac{1}{4}$ %	249,300	
30 April, 1973	6 $\frac{3}{8}$ %	468,420	
30 April, 1973	6 $\frac{1}{2}$ %	881,000	
30 April, 1974	6 $\frac{1}{4}$ %	196,200	
30 April, 1974	7 $\frac{1}{4}$ %	22,750	
31 October, 1974	6 $\frac{1}{2}$ %	66,320	
31 October, 1975	6 $\frac{1}{2}$ %	673,100	
		<u>6,231,890</u>	
Between —			
1 April, 1976, and 31 March, 1981	5 $\frac{3}{4}$ %-7 $\frac{1}{2}$ %	4,828,780	
1 April, 1981, and 31 March, 1986	6 $\frac{1}{2}$ %-7 $\frac{1}{2}$ %	4,289,490	
1 April, 1986, and 31 March, 1991	6 $\frac{3}{4}$ %-7 $\frac{1}{2}$ %	1,246,300	
		<u>16,596,460</u>	
Less Debentures issued to Subsidiary Company with Minority Interest, maturity date of which is within 5 years		89,000	
		<u>16,507,460</u>	
Less Sinking Fund		1,383,821	
		<u>15,123,639</u>	15,123,639
In Subsidiary Companies:			
Mortgages secured over various properties			2,485,638
Fixed Loans as per Balance Sheets		<u>\$15,123,639</u>	<u>\$17,609,277</u>

Mortgages which are repayable within 12 months amount to \$200,000.

Redeemed Debentures which the Company has power to re-issue total \$15,000.



NOTES ON BALANCE SHEETS

5. DEFERRED TAXATION PROVISION

Special Depreciation of \$254,504 has been taken into account as a tax deduction but has not been charged in the accounts of Subsidiary Companies. Additions to Deferred Taxation Provision total \$43,956 which comprises a net amount of \$16,457 added after adjustment for Deferred Taxation Provisions in previous years and no longer required, and also \$27,499 from a newly-acquired subsidiary.

6. FIXED ASSETS

	Land and Buildings \$	Plant and Equipment \$	Forest Assets \$	Total \$
Valuation or Cost:				
As at 31 March, 1970	14,065,801	20,296,215	7,730,844	42,092,860
Subsidiaries acquired and sold	466,393	792,891	—	1,259,284
Additions	3,166,356	2,155,431	550,089	5,871,876
Proceeds of sales	893,355	1,566,934	66,105	2,526,394
Adjustments on disposals, etc.	99,126	1,652,558	824,373	2,377,805
As at 31 March, 1971	16,904,321	20,025,045	7,390,455	44,319,821
Depreciation:				
As at 31 March, 1970	1,552,334	10,381,259	2,134,040	14,067,633
Subsidiaries acquired and sold	23,888	263,042	—	286,930
Charge for year	182,145	1,453,846	434,708	2,070,699
Adjustment on disposals, etc.	109,689	1,590,139	811,032	2,510,860
As at 31 March, 1971	1,648,678	10,508,008	1,757,716	13,914,402
Net Balance Sheet Values:				
As at 31 March, 1971	15,255,643	9,517,037	5,632,739	30,405,419
As at 31 March, 1970	12,513,467	9,914,956	5,596,804	28,025,227
Net Increase	\$2,742,176	\$397,919	\$35,935	\$2,380,192

Valuation or Cost is valuation at 1 January, 1957, or cost if acquired after that date, except in the case of some subsidiaries where assets have been revalued since that date.

7. INVESTMENTS

	Fletcher Holdings Limited \$	Consolidated \$
Investments are valued at cost and comprise —		
(a) Government and Local Body Stocks	56,408	99,135
(b) Investment in Companies —		
Ordinary Shares		9,908,157
Secured Debentures maturing within 2 years	407,000	407,000
Short-term deposits		925,000
		11,240,157
(c) Other Investments	1,481,750	1,806,878
	\$1,945,158	\$13,146,170

Note: Other Investments include an amount of \$1,481,750 in Fletcher Holdings Limited invested for Debenture redemption in addition to the required Sinking Fund.

Par Value of Investments	\$11,038,036
Market value of Investments quoted on Stock Exchange	16,676,176
Estimated value of unquoted Investments	8,813,799
	\$25,489,975

NOTES ON BALANCE SHEETS



8. **SHARES IN SUBSIDIARIES** Uncalled Capital in New Zealand subsidiaries has been called up, resulting in an increase from \$8,800,000 to \$18,700,000 in shares in subsidiaries.
9. **DEBTORS** Debtors are net after deduction of Provisions for Bad Debts and Discounts and include short term advances to associated companies.
10. **CREDITORS** Creditors include Call Deposits.
11. **BANK OVERDRAFTS** Bank Overdrafts and Loans to the extent of \$8,390,969 including \$4,011,184 in Fletcher Holdings Limited are secured over various assets of the Group.
12. **PROVISION FOR DIVIDENDS** Provision for Final Dividends in the Consolidated Balance Sheet includes provision totalling \$42,967 for dividends payable to minority interests in subsidiary companies. See Profit and Loss Accounts Note 7 for reference to appropriation of profits for final dividends.
13. **OVERSEAS CURRENCIES** Overseas currencies have been converted at current rates of exchange.
14. **CONTINGENT LIABILITIES** In Fletcher Holdings Limited there are contingent liabilities for guarantees totalling approximately \$2,025,000 in addition to guarantees of some liabilities of subsidiary companies. There is also a contingent liability of \$500,000 for uncalled capital of wholly-owned subsidiary companies. In subsidiary companies there are, in addition to various guarantees, contingent liabilities in respect of uncalled capital of subsidiary and other companies. In neither Fletcher Holdings Limited nor the Group as a whole are any losses expected on contingent liabilities.
15. **CAPITAL EXPENDITURE** Commitments for Capital Expenditure at 31 March, 1971, not provided for in the accounts are —
- | | |
|------------------------------|-------------|
| In Fletcher Holdings Limited | \$650,000 |
| and in Subsidiary Companies | \$1,450,000 |

FINANCIAL INFORMATION 1966-71

	1971	1970	1969	1968	1967	1966
	\$000	\$000	\$000	\$000	\$000	\$000
CONSOLIDATED PROFIT AND LOSS						
Turnover	113,718	105,040	86,871	82,213	83,654	81,612
Surplus on Trading	7,617	6,669	5,354	6,362	6,816	6,800
Depreciation and Depletions	2,070	2,584	2,124	2,310	2,267	1,986
Investment Income	1,037	1,055	1,059	730	655	418
Exceptional Items	24	494	367	2	24	96
Interest Payable	1,484	1,365	1,312	1,218	1,061	876
Profit before Taxation	5,124	4,269	3,344	3,562	4,119	4,452
Taxation	1,181	944	538	760	1,499	1,936
Net Profit	3,943	3,325	2,806	2,802	2,620	2,546
Minority Interest in Profit	180	135	123	61	100	108
Preference Dividends	56	56	56	79	74	82
Net Profit Attributable to Ordinary Shareholders	3,707	3,134	2,627	2,662	2,446	2,356
Ordinary Dividends	2,084	1,944	1,860	1,733	1,730	1,620
Profits Retained	1,623	1,190	767	929	716	736
INTERESTS OF ORDINARY SHAREHOLDERS						
Issued Ordinary Capital	18,941	17,671	17,671	16,065	15,720	15,720
Retained Profits and Other Reserves	21,242	18,517	17,330	15,756	14,544	13,848
Equity Interest	40,183	36,188	35,001	31,821	30,264	29,568
Earnings per \$1 Ordinary Share	\$ 0.19	0.17	0.15	0.16	0.16	0.15
Ordinary Dividend Rate	11%	11%	11%	11%	11%	11%
Asset Value per \$1 Ordinary Share	\$ 2.12	2.04	1.98	1.98	1.92	1.88

FLETCHER HOLDINGS LIMITED
 COMPARATIVE STATEMENT FOR THE YEARS ENDED 31 MARCH

TURNOVERS

	1971 \$	1970 \$	1969 \$
CONSTRUCTION			
Commercial and General Construction, Mechanical Services and Civil Engineering (including proportionate share of joint-venture contracts)	39,214,459	39,611,518	27,080,059
STEEL AND ENGINEERING			
Steel Merchandising and Fabrication, Machine Tools and Industrial Engineering Equipment	25,165,155	15,795,794	12,738,291
MANUFACTURING			
Asbestos-Cement Products, Bituminous Roofing, Linseed Oils and Oil Cake, Plywood, Veneers, Flush Doors, Particle Board, Floor Coverings, Concrete Products	13,954,881	12,047,545	10,471,775
BUILDERS' SUPPLIES			
Wholesale and Retail Builders' and General Hardware Supplies	12,112,235	13,059,305	12,130,919
TIMBER			
Sawmilling, Timber Processing, Merchandising of Domestic and Imported Timber	21,780,450	23,337,567	23,362,512
SUNDRY			
Property Development and Miscellaneous Trading	1,491,422	1,189,096	1,087,703
 Total Turnovers	 <u>\$113,718,602</u>	 <u>\$105,040,825</u>	 <u>\$86,871,259</u>

THE FLETCHER ORGANISATION

REPORT OF THE MANAGING DIRECTOR

TURNOVER for the twelve months ended 31 March, 1971, reached another record totalling \$113,718,602 which was more than 8% up on 1969-70.

Profit, after provision for taxation and minority interests, rose by approximately 18% to \$3,763,129, whereas pre-tax profit increased by approximately 20%.

Comparison of the turnover figure must take into consideration the recent inflationary trends, but the actual volume of business increased slightly over the period.

Exports increased by a little over 5% to \$5,782,000 which, although not as high as our target, was nevertheless a very satisfactory performance, bearing in mind New Zealand's reduced competitiveness as a result of increased costs, particularly freight and handling charges. Because of these problems caution must be exercised in making predictions of exports for the current year, but it should be recorded that in addition to those areas which have now become our normal export markets, we have active new prospects in Malaysia, Sabah (East Malaysia), Fiji, Western Samoa, Mariana Islands and Indonesia. Not all of these may come to fruition within the 1971/72 financial year, but longer-term prospects are encouraging.

IT would be unnecessarily time-consuming to list the many problems which the Group has encountered over the past twelve months of trading — the price freeze, rising costs, etcetera — but most have been common to all types of enterprises, not just our own, and all have been adequately covered in the daily news.

If we had no problems, a report such as this would be superfluous, but I feel that Shareholders are much more interested in our assessment of current and future trends and to receive an indication of how the Company expects to fare in 1971-72, as well as in the years to follow, than in what is already water under the bridge.

Business conditions and the general economic atmosphere which, of course, are constantly changing, appear to have been sub-

ject to more rapid and radical movements than we have ever experienced, and, consequently, the job of effectively deploying the funds which have been entrusted to our care becomes much more complex, requiring better, faster and more sophisticated information for decision-making by management. The computer is becoming increasingly useful in this field.

There is no doubt in my mind that the New Zealand economy is very much more flexible, sensitive and competitive than it was 10 or even five years ago, and that many industries and operations in both farming and manufacturing are becoming exposed to the winds of change. In general, we welcome these trends as being, in most cases, both healthy and desirable in that they help to keep us on our toes and sharpen our standards of per-

formance. At the same time it must be conceded that they also expose weaknesses where they exist.

Furthermore, whether or not Britain joins the enlarged European community (and at the time of writing it appears that her application will succeed), these competitive and flexible trends are likely to continue in New Zealand but, we hope, some orderly and sensible patterns can be evolved embracing the kind of safeguards laid down in NAFTA, for instance, which seek to avoid undue and sudden hardships to industries and companies affected by the changes.

In our last Report I referred to our decision to move out of some aspects and some areas of merchandising of building materials. Similar difficult decisions of divestment and reinvestment are part of our long-range planning.



The Minister of Overseas Trade, Hon. J. R. Marshall, and the Managing Director, Fletcher Holdings, studying a map flagged to show the world wide distribution of Fletcher's export activities. The photograph was taken on the occasion of the presentation of an Export Award to Fletchers.

Shareholders will have read of our decision to phase out the production of plywood at our Auckland factory largely, though not entirely, because of the diminution of supplies of peeler logs within economic distances of Auckland. We faced up to this decision even though it meant closing down one of our pioneer operations of which we had every reason to be proud. The Penrose factory began production in 1942 and at that time was the largest and most modern plant of its kind in New Zealand and Australia. Its closure will result in increased production at our West Coast plant at Gladstone, and a thorough reshuffling of all our plywood operations.

Plywood is an excellent example of an industry which has been directly affected by new methods and uses and by competing alternative products, such as particle board of which, of course, we ourselves are major producers.

At our last Annual General Meeting, our Chairman referred to the dangers of putting too much emphasis on the volume of business and although we are in fact reporting a small increase in turnover, it is the profitability of each of our undertakings that is our main concern.

On the positive side, shareholders will no doubt have read of our interest in the development of a substantial lamb-pelt tanning industry. New Zealand is the world's largest supplier of lamb pelts, which, till now, have been exported in an almost totally unprocessed state. In association with some leading meat companies we are participating in studies in depth which could lead to the establishment of one of the world's largest and most modern tanneries here in New Zealand.

An announcement has also been made of our interest in the extraction of sulphur from relatively shallow, known deposits at Roto-kawa, near our Tauhara Forest. The work is being done in association with the Gulf Resources and Chemical Corporation of Houston, Texas, and it is proposed that the extraction will be by the Frasch process, using hot water from geothermal steam.

In making what may appear to be these somewhat disconnected comments, it has been my desire to stress that in a large Group such as ours, changes in emphasis and direction take careful planning, sometimes require unpleasant decisions, and results are not achieved overnight.

To help smooth and simplify the changes which we believe will become necessary, we have made some important alterations in the Group administrative structure during this financial year.

In summary, and excluding Australia, the number of major active subsidiaries has been reduced from seven to four and these, in broad terms cover construction (Fletcher Construction), timber and builders' supplies (Fletcher Timber), property development (Fletcher Development) and manufacturing and general merchandising (Fletcher Industries). This latter group includes the previous activities of The Fletcher Steel & Engineering Companies Limited, the insulation and acoustic operations, previously under the control of Fletcher Construction, and the Fletcher International Division of Fletcher Group Services.

On the administration side, the Executive, Finance and Marketing Committees have been dissolved and replaced by a senior Board of Management, together with a Board of Management for each of the subsidiary companies.

Specific details of all these changes and the personnel involved can be seen on pages 29-31 of this Report.

In February of this year we were particularly fortunate to have a visit from Professor Carlton A. Pederson of Stanford University's Graduate School of Business, who conducted a four-day seminar for forty senior executives at which were discussed many aspects of modern business planning, including problems of our own Company structure.

Without wishing to belabour the point, it does seem that not only in New Zealand, but the world over, values and horizons are changing. There is a growing body of people in this country who are prepared to accord more importance to the preservation of our natural heritage and environment than to material progress and whether or not they are aware of all the implications is probably irrelevant. This concern with ecological factors generally is almost certain to be of growing significance and will influence many business operations and decisions. It is bound to involve industry in heavy additional costs which can only be offset by increased productivity. However, industry cannot escape its responsibilities for playing its part in avoiding the excessive pollution of the air and the waters, which has plagued so many industrial nations.

As productivity increases through the introduction of better machinery and methods, Western societies are reaching levels of consumption and prosperity at which further rapid increases of worldly goods become less and less meaningful. This is not to say that poverty, distress and all our social problems will dissolve overnight, but that more and more attention will be



Professor Carlton A. Pederson, of Stanford University's Graduate School of Business, conducting a seminar for senior Fletcher executives.

paid to the quality of living as distinct from food, clothing and shelter. But these trends should not lead to stagnation, rather to a diversion of increased outputs into education, preservation and important social facilities and services.

While we are very conscious of our responsibilities to our shareholders and other investors who have placed their confidence in us, we are also aware that as a large public company we also have responsibilities to our customers, suppliers, and society in general, and particularly to those who work for us.

Much has been written about the lack of communication between employers and employees, but no simple formula has yet been evolved to avoid or circumvent senseless and costly stoppages, which everybody knows will eventually be settled by negotiation.

We are well aware, however, that in a full employment society, no

one is obliged to work for us unless they really want to, and it must become an essential part of the management function to pay much more attention to relations with staff on all levels, and to take positive steps to ensure their development, their health and safety and, what is probably more important, their job satisfaction.

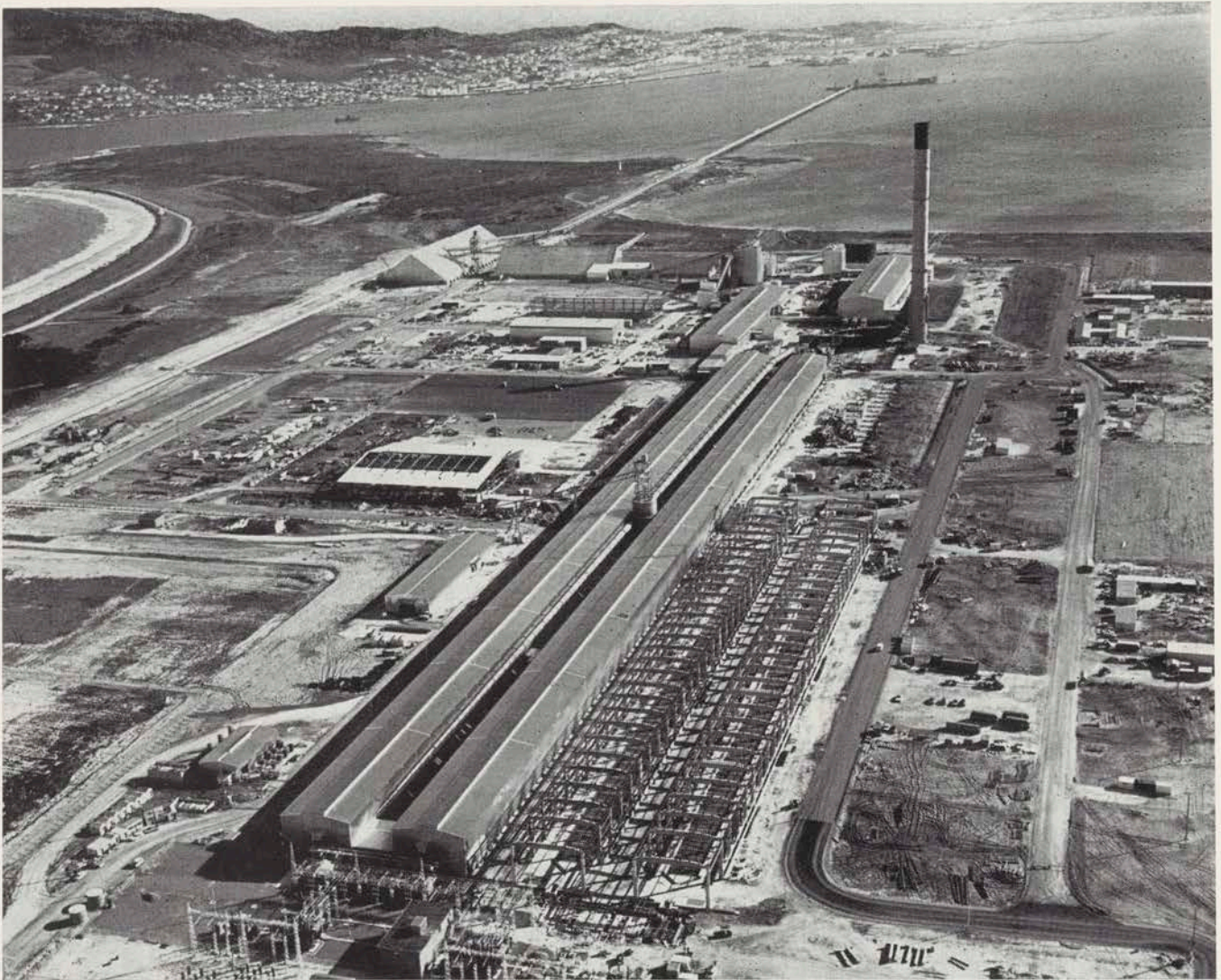
With one unfortunate exception, we have enjoyed good industrial relations over the period under review, but we would be the first to concede that we cannot just sit back and expect things to improve; we must recognise the different values of the younger generations and adjust ourselves to meet them at least part of the way.

Finally, and still on the subject of change, our shareholders will have noted that once again we have achieved record exports and were recently honoured by the presentation of our first Export Award. Rising internal costs and overseas shipping charges could jeopardize this very important aspect of our business but, nevertheless, it is our policy to continue to vigorously promote trade overseas in New Zealand's goods and services.

Earlier this year we sent, on our own initiative and at our own expense, an eight-man trade mission

As a sequel to the Fletcher trade mission to Indonesia, a visit was paid to New Zealand by Ir. Tjiputra, President Director of P.T. Pembangunan Jaya, Djakarta, a large contracting and manufacturing group of companies, with whom Fletchers are discussing joint-venture projects. He is shown here at Fletcher House with J. C. Fletcher and K. G. Fraser who was deputy-leader of the mission to Indonesia.





The aluminium smelter at Bluff, which eventually will be one of the world's largest. Fletcher Construction and Fletcher Bernard-Smith have had major contracts in this project.

to Indonesia and Thailand and while we realise that there are many problems still to be overcome and that both caution and patience will be necessary, we are very hopeful that trade relations in both these areas will steadily develop.

We continue to take an active interest in Oceania, S.E. Asia and the Pacific Basin and both Fletcher Construction and Fletcher Industries have established specialised groups to service these areas.

Now follow the reports of the individual companies:

FLETCHER CONSTRUCTION

TOTAL turnover was lower than the previous year, with increases in the Mechanical Services

and Insulation and Acoustics Divisions being offset by a reduction in the Construction Division which last year included the substantial effect of the Kapuni projects. Nevertheless, turnover was the second highest figure recorded by the company.

The backlog of work in hand at the end of the year was in excess of \$31 million, compared with \$24 million in 1970. The principal cause of the increase is the sub-contract recently awarded to the Civil Engineering Branch for the erection and insulation of the boilers at the New Plymouth Power Station.

Labour strength at March 31 was practically the same as at the end of the previous financial year. Labour turnover has continued at a high rate but was compensated

for to some extent by the recruitment of over sixty tradesmen from the United Kingdom and Australia. Twenty-five of these tradesmen have proved particularly valuable to the manufacturing operations of the Mechanical Services Division.

The effect of Payroll Tax on contracts entered into prior to its introduction has been a drain on profitability, and its effect will continue in respect of certain contracts into 1973.

As referred to in the Half-Yearly Report, there have been unprecedented increases in costs of labour, materials and services throughout the year and, to the extent that these increases are not recoverable contractually, profits have been adversely affected.

Construction Division: Reference was made in the last Annual Report to major claims relating to the Kapuni gas contracts — in the case of the Government pipeline, claims are still being processed. Failure to reach agreement on our claims for the Shell-BP contract has led to these claims being submitted to arbitration. It is hoped that the results of this arbitration will be known by the date of the Annual General Meeting. Prudent loss provisions have been included in the accounts.

Major contracts secured during the year included:

	\$
Section 2, Stages 2 & 3, Auckland Hospital Acute Block	4,903,000
Extensions to Plant, New Lynn, Crown Lynn Potteries	850,000
Stage 2, Fergusson Wharf, Auckland Harbour Board	816,000
Shopping Centre, Glenfield, Fletcher Development	1,412,000
Subcontract, Printing Works, Wiri, N.Z. News	2,685,000
New Classroom Block, Wellington Boys' College, M.O.W.	936,000
200-Bed Hotel, Nelson, Dominion Breweries	2,600,000
Factory, Hornby, J. Wattie Canneries	650,000
Office Block, Christchurch, Canterbury Education Board	638,000
Chemistry Research Building, University of Otago	1,660,000
Medical Library, University of Otago	568,000
Teachers' Training College, Otago Education Board	610,000
Beef Chiller, Matura, Southland Frozen Meat Company	638,000
Stage 2, Potline Building Structure, Tiwai Point, N.Z. Aluminium Smelters	715,000

Boiler Erection, New Plymouth Power Station (Subcontract to International Combustion)

6,550,000

It will be noted that only contracts in excess of \$500,000 are reported above. However, a substantial proportion of turnover was achieved in numerous smaller contracts.

Overseas work saw the completion of the Potlatch-Samoa Inc. sawmill at Asau, Western Samoa, and the hotel at Truk in Micronesia for Continental Airlines of U.S.A. The second Continental hotel, at Koror, is scheduled for early completion. Current overseas work includes a new agricultural school in Sabah, Eastern Malaysia, sponsored by the New Zealand Government under the Colombo Plan aid programme, and a Roman Catholic Church school at Savai'i, Western Samoa.

Mechanical Services Division: Major contracts secured during the year included:

	\$
Air Conditioning, N.Z. Forest Products Building, Penrose	371,000
Air Conditioning, West Plaza Office Block, Auckland, J.B.L. Sargent	353,000
Mechanical Services, D.S.I.R. Building, Auckland	524,000
Mechanical Services & Plumbing, Acute Block, Auckland Hospital	1,400,000
Mechanical Services, Julius Schmid, Christchurch (Est.)	200,000
Joint Venture (25% interest) in contract for roof and wall-cladding, New Plymouth Power Station (our share)	300,000

The Auckland activities of the Division showed a marked increase with significant developments in the manufacturing section now known as Product Sales. More than half the products manufactured were sold to outside clients. The Division carried out the mechanical services for the two hotels in Micronesia.

An agency agreement has been entered into with Card Key Systems (Australia) Pty. Limited for distribution rights of a security system using a non-reproducible magnetised plastic card instead of the usual key.

Insulation & Acoustics Division: As reported elsewhere, this Division has transferred to Fletcher Industries from 1 April, 1971. From a relatively small operation ten years ago, the Division has grown to become a leading participant in insulation and associated activities throughout New Zealand.

As an extension of its contracting activities, the Division has entered the field of wall and partition systems, having been appointed Cunic distributors. This is seen as a logical extension of the Division's suspended-ceiling activities, particularly in view of the trend towards integration of ceiling and partitioning installation in modern building.

Major contracts secured during the year included:

	\$
Suspended Ceilings, Acute Block, Auckland Hospital	97,000
Cunic Partitions, National Mortgage & Agency Company, Wellington	88,000
Coolstore Insulation, Nelson Freezing Company	65,000
Suspended Ceilings, Reserve Bank, Wellington	98,000

In a Joint Venture bid with Bells Thermalag Pty. Limited of Sydney, the Division was awarded a sub-contract to Fletcher Construction for insulation work to the boilers at the New Plymouth Power Station, to the value of \$1.4 million.

Building Programming: According to the latest available figures (30 April, 1971) the Building Programmer has deferred forty-four projects valued at \$33.2 million, mainly in the Auckland and Wellington areas. There is considerable reason to doubt whether such projects would proceed because of financial and other considerations

even if the deferments were immediately lifted. With the recently indicated downturn in the number of major projects coming forward, there seems no justification whatsoever for the continuance of controls. With the existing fiscal controls, it is hardly likely that the abolition of building programming would lead to excessive pressures on the building industry.

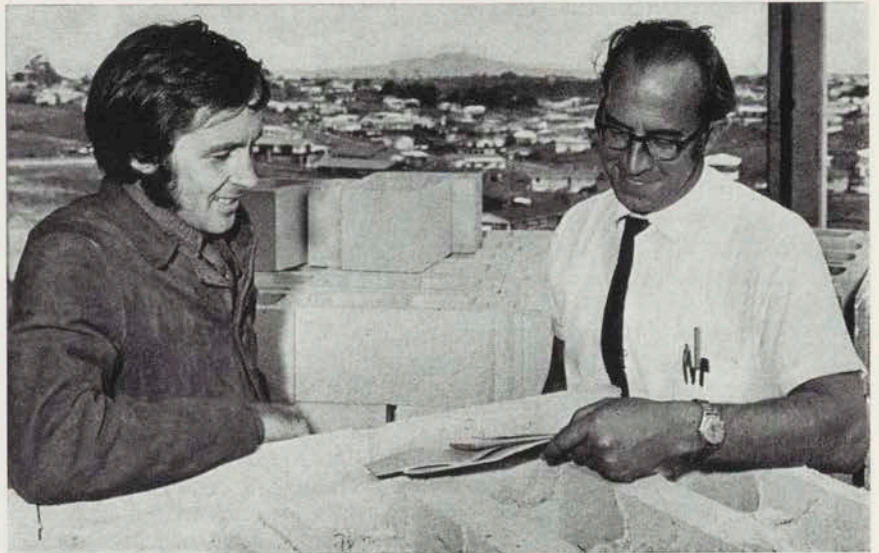
The Tender System: There is a growing realisation that the traditional tender system does not provide the most efficient means of handling building construction. The lowest bid very often results from hasty preparation, lack of adequate study or errors in computation. Such a situation can lead to an unhealthy atmosphere throughout the construction period to the detriment of the project. More and more clients and their professional advisers are turning toward negotiating building contracts with experienced and reputable contractors, thus enabling significant savings in time without sacrificing adequate financial control. The concept of integrated planning with the builder forming part of the design-construct team right from the inception, is rapidly gaining favour. Fletcher Construction has developed considerable expertise in this field and a New Business Development Section has been established to help promote this type of work.

FLETCHER DEVELOPMENT

UNDER the re-organisation, The Fletcher Trust and Investment Company Limited ceases to be a trading entity, but remains custodian of the investment portfolio of the Group and nominal proprietor of most of the fixed-asset properties used and occupied by the trading subsidiaries.

Property development and administration is now the responsibility of The Fletcher Development Company Limited which was formed in 1963 as a wholly owned subsidiary of Fletcher Trust.

During the year under review, sales of residential and industrial lots declined. This trend will continue under the planned phasing out of this sector of our business which was once our mainstay, but



On the site of the Glenfield Shopping Mall, with Rangitoto showing up in the background, the architect, D. G. McGee (Fletcher Design Group) and P. E. Keepin, Building Development Officer, Fletcher Development, discuss progress.

has become unprofitable as a result of land and civil engineering costs rising out of all proportion to the market price of serviced lots.

Emphasis is now being placed on large-scale developments such as office buildings, shopping centres, hotels and urban complexes. There is increasing activity in the design-build-lease industrial field but competition is very keen.

I.B.M. Centre was completed and handed over to the A.M.P. Society fully tenanted in February (see inside front cover). Rossmore House in Wellington has been completely leased and Colonial Mutual Life will take possession of the fully tenanted building in July. Construction has begun on a five-storey building to be occupied by the Inland Revenue Department Branch Office at Porirua. A small office building is under development at Johnsonville.

In Auckland work begins in June on a 10-storey building in Federal Street which will be almost fully tenanted by a Government Department. Plans are in hand for a small office building to be constructed in Parnell Road, and design and feasibility studies are underway for the redevelopment of the New Criterion Hotel site as a multi-storey office block.

In addition, several major projects arranged with Life Offices both in Wellington and Auckland are in course of design. The construction

content of these will be in excess of \$15,000,000. Key commercial sites have been secured enabling other major developments to be planned five years ahead.

The Glenfield Shopping Mall is due to be opened in November and the main tenants will be Haywrights occupying a 31,000 sq. ft. department store, Foodtown with 22,000 sq. ft. and McKenzies with 27,000 sq. ft. It is expected that all specialty shops will be let prior to opening.

The first year of operations of the Johnsonville and Wainuiomata Shopping Centres has been profitable and Johnsonville, in particular, is trading extremely well. Both Pakuranga and Northlands have turned in very good results and extensions to both these centres are either under way or completed.

The site for the future Regional Shopping Centre at Wiri has been secured on lease from the Manukau City Council and it is expected that the first stage of the 350,000 sq. ft. Centre will be started in about three years' time. The development of this facility and other commercial buildings on a 40-acre site set aside in the Council's zoning for special commercial development will be undertaken in partnership with Mainline of Sydney. The joint venture, which is sponsored by Fletcher Development, is engaged in constructing the new \$2.8 million printery for New Zealand News Limited

on an industrial site adjoining the Centre.

The Mainline-Dillingham-Fletcher joint venture which is carrying out the Downtown Re-development on behalf of the Auckland Harbour Board has now completed two of the elements in the first stage — the \$3 million carpark building and the \$2 million Travelodge Hotel which was opened for business on May 1. Construction has started on the city airline terminal building and the 20-storey Air New Zealand House is well advanced. Plans and feasibility studies are in hand for the second stage of the development which will be predominantly retailing but will also incorporate a large office structure.

The Australian real estate partnership (Triplasian Properties Pty. Limited) has yielded a satisfactory profit in its first year of operations and this will be augmented by income from the I.A.C. Building in Sydney.

The company's venture into corporate farming on the 23,000-acre Ngatapa Station in Hawke's Bay is now coming into profit after three years of development. Two thousand acres of pasture have now been established and carry some 4000 sheep and nearly 700 cattle.

The company is gaining ready acceptance as a property and development consultant and during the year several studies were done for clients concerning commercial projects in New Zealand, and hotels and shopping centres in Fiji.

The company is sole New Zealand agent for the sale of residential, tourist and recreational real estate at Deuba, Fiji, on behalf of Pacific Hotels and Developments Limited and is currently assessing the potential of development in the Pacific, and South-East Asia generally including Indonesia and Thailand.

FLETCHER INDUSTRIES

REFERENCE has been made to restructuring the Group's New Zealand operations into four major separate companies. The Fletcher Industries Limited, as one of these four, now embraces Fletcher Steel, Fletcher Insulation and Acoustic Services, the Manufactured Products Group, the Agricultural Division and Fletcher International. The

highlights of these division operations are outlined below.

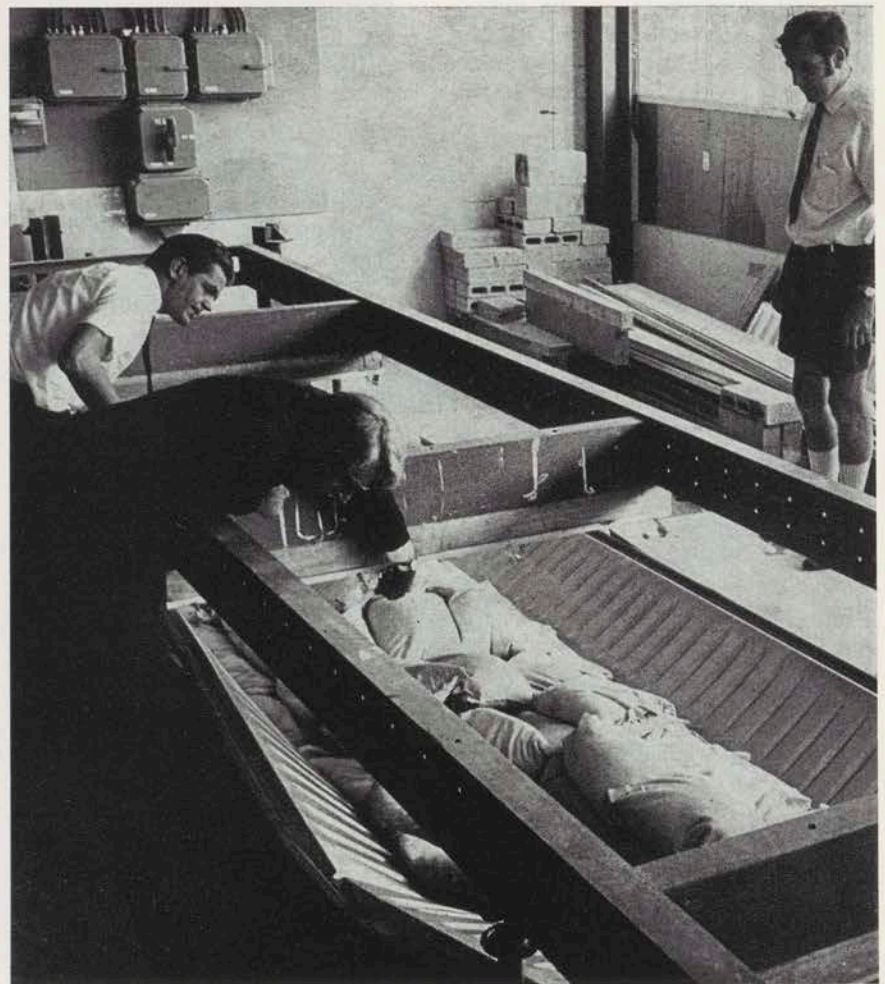
Fletcher Steel continues operating with its distinct identity as the country's leading steel merchant. Record turnovers and profits were again achieved and the removal of a further range of steel products from import licence control made possible a greater penetration of the market. However, despite the increased volume of throughput, the cost of financing steel at higher prices and the rapidly increasing costs of operation could not be recouped because of pegged profit margins, and the return on funds employed has been further eroded.

Testing the new 18in. Brownbuilt long-run decking to breaking point. This roofing and sheathing product was recently introduced to the market and is proving very acceptable. From left are D. Scofield, Technical Services Manager, Fletcher Industries, Professor Mowbray, Professor of Engineering, Auckland University and R. Law, an Auckland Brownbuilt representative.

Continued progress was made in marketing machine tools, precision measuring and testing equipment and agency products in the industrial engineering range. Profitability in these sections continued to improve.

In the further development of its technical sales expertise Fletcher Steel has established a Health and Science Division in which it will engage in the marketing and servicing of products relating to the hospital, health and scientific areas with immediate emphasis upon electro-medical equipment.

The Manufactured Products Group comprising the manufacture of building materials and related products had increasing difficulty with escalating costs while holding its prices. The Decrapac unit gained an improved share of the Auckland concrete masonry market. Aotea Stone, its new split-face block, has been introduced to the market and has found ready acceptance.



In the second half of the year under review Fletcher Plastics secured a term contract for the manufacture of vinyl floor coverings for the New Zealand Government and the volume of this business is improving the results of the operation.

Continuing quality improvement and increased variety of coated fabrics has enabled greater market penetration and profitability of the leathercloth line.

Agricultural Division: Crops of both linseed and lucerne were adversely affected by two consecutive droughts. The second dehydrating plant at its Winslow lucerne operation was successfully commissioned and over 8000 tons of dehydrated lucerne pellets will have been exported to Japan in the season now ending.

Fletcher Insulation and Acoustic Services increased its turnover significantly but a shortage of skilled labour, particularly in Auckland, impeded progress. This Division has withdrawn from domestic heating and will concentrate on the industrial and architectural fields where a good backlog of work will ensure continued progress and an improvement of profitability.

Fletcher International introduced a greater variety of Fletcher manufactured products and other products to overseas markets and is now placing particular emphasis on an increased coverage of Pacific and Australian markets. Total Group exports of more than \$5.78 million have been referred to elsewhere in this report.

Fletcher Bernard-Smith

THIS Company, engaged in heavy steel fabrication and general engineering, became a wholly-owned subsidiary a year ago when A.C.I.'s 50% interest was acquired. Fletcher Bernard-Smith recovered well during the year after being affected by

Further large shipments of sawn timber for the United Kingdom are continuing to be made. Photograph shows the loading of the Cape Clear with another \$500,000 order in April.

a shortage of work. Fabrication of the large container crane for Auckland Harbour Board was successfully completed (see inside back cover) and a similar project for Wellington Harbour Board, which includes site erection, is progressing well. Major fabrication and installation work for N.Z. Forest Products Limited at Kinleith and for the New Plymouth power station is being undertaken and a healthy backlog of work is in hand.

Unfortunately the operations have been very seriously affected by industrial disputes. A nine weeks' strike in November cost the Company more than \$70,000. Continuing unrest since the settlement has eroded all profits and has had a demoralising and upsetting effect on staff at all levels. Despite the Company's efforts and those of the Federation of Labour, the Labour Department, the Minister of Labour and indeed the Boilermakers' Union itself, a formula for industrial peace in this industry has not yet

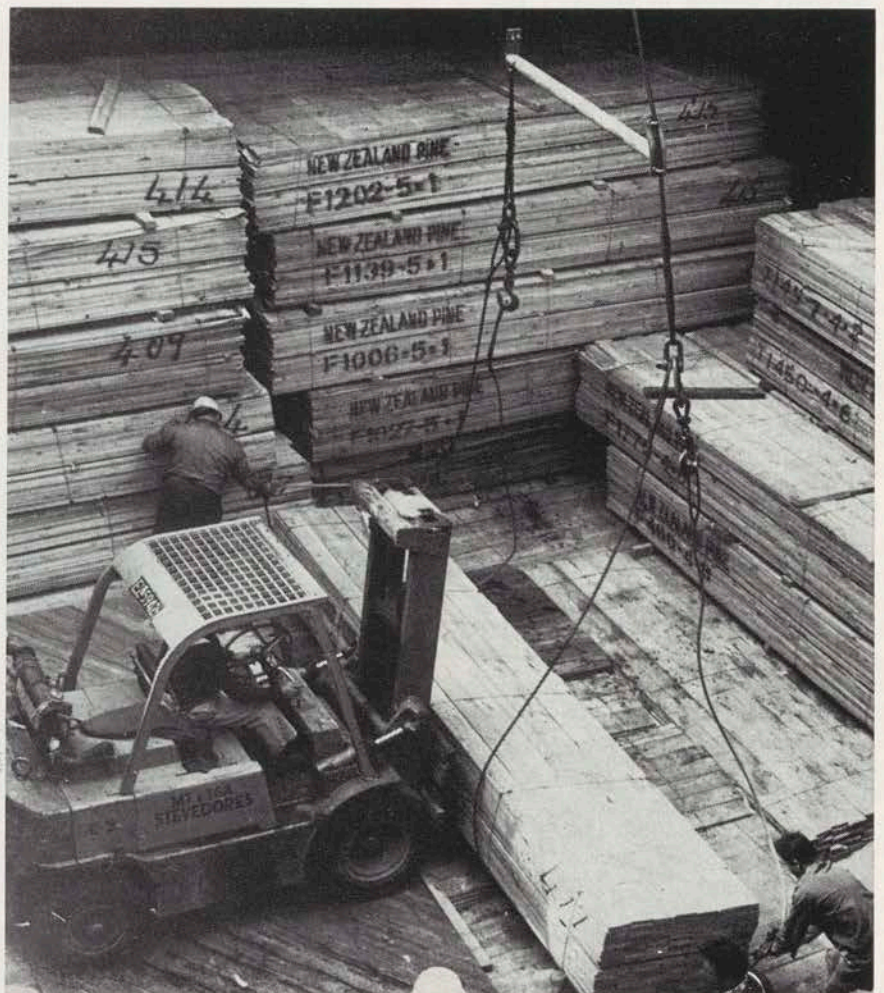
been found. It is a very disturbing commentary that the skills and strengths of organised labour and employers have been unable to solve this problem which has also had serious effects on other similar companies.

FLETCHER TIMBER

TURNOVER in all wood products exceeded budget for the year, but profit was slightly behind target because of some non-recurring expenses.

During the year the retailing activities of Fletcher Merchants were integrated into this company as a separate division, following the close down of a number of unprofitable merchandising branches. The division is now operating profitably.

Good progress is being made in both North and South Islands in streamlining the timber distribution system, and in spite of the difficulties arising from this change in



operation, and from the softening market, timber sales during the year were highly satisfactory.

Demand for particle board, particularly in 12ft. x 6ft. sheet size, has continued strongly and the extra production arising from the expansion of the Taupo plant, which was completed on schedule at Christmas, is being sold forward. Plans have been developed for further substantial increases in particle board production, aimed at satisfying local market requirements and providing large quantities for bulk export contracts.

Following an exhaustive review of the Penrose plywood factory operation, the decision has been made to close this plant down. It appears that all affected staff can be offered alternative satisfactory employment and good industrial relations have been maintained.

Plywood production will now be centred at the Christchurch and Greymouth plants, where capacity

has been increased to take up the volume represented by the Auckland close down. Door manufacture is continuing profitably in both Auckland and Christchurch. Radiata plywood is continuing to gain wider acceptance, and exports are increasing to both the United Kingdom and Australia.

In New Zealand, new reduced prices for a standard range of Radiata plywood were issued in March, 1971. This product is available only with exterior quality glue line and is priced significantly lower than competing sheet materials. Because of this efficient performance at a reasonable cost, increasing new uses are being found for the product.

The new finger jointing plant at Ngongotaha has been run in and is operating efficiently and the new gang-nail truss factory at Penrose is now in operation.

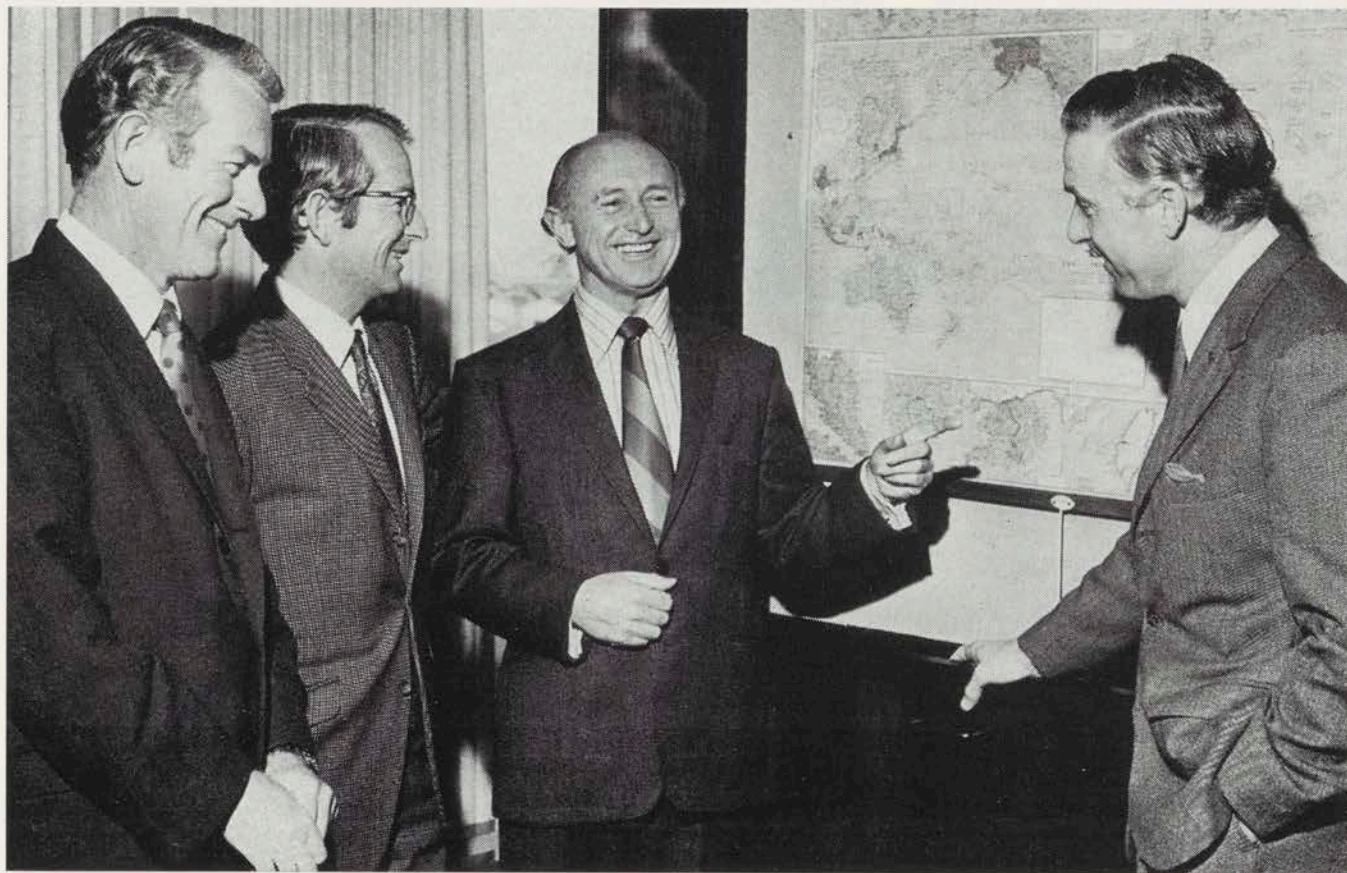
Timber demand in New Zealand at the time of this report appears to be weakening and merchants are

under constant pressure from the building industry for further extended credit.

On the export scene, while there are price fluctuations from time to time, demand remains reasonably strong, particularly in England and Japan. Both these countries are over-stocked in softwoods at this time, but, against this, the upsurge in housing activity in the United States is expected to improve the world market situation in the next few months. On the other hand, spiralling costs in the New Zealand sawmilling industry since February, 1970, have tended to make current export prices only marginally profitable, and with the effect of a reducing export tax incentive, plans for future exporting activities must come under close scrutiny.

Apart from the integration of the activities of Fletcher Merchants, Fletcher Timber's operations have not been changed by the Group re-organisation.

The Managing Directors of the four major New Zealand subsidiary companies. From left: L. C. Ryan (Industries), A. B. Downey (Timber), J. H. Churton (Development) and J. Espie (Construction).



Australia

OPERATIONS in Australia continue to expand and prosper. The principal operating company's activities are spread between three divisions — Construction, Manufacturing and Sales — and all divisions are trading profitably.

In the Construction Division, our team of experienced cost control and site supervisory staff have contributed to the steady growth of the company's activities in both negotiated and development projects. The company's policy is to provide a personal service in the industry, based on its reputation for satisfactory performance, bearing in mind the necessity for completion on time and closely controlled construction costs. This reputation leads to new projects being negotiated "by appointment" with clients seeking a degree of personal service which is not generally available in the industry today.

During the year, Sebels Limited approved our appointment as their chosen main contractor for Stage 2 of the new Sebel Town House Hotel building, incorporating a "function centre" besides additional hotel accommodation. We have also been appointed by Tooth & Company to re-develop selected hotel

Fletchers' Group Safety Officer, Dr F. H. Baldwin, and construction worker, D. Piskulich, on the site of the C.M.L. building in Auckland.



properties and sites in the Sydney metropolitan area. We have enjoyed good relations with these clients for a number of years and look forward to working with them in the future.

Other projects in the planning stages, and about to be constructed, are for Kaiser Engineers of Oakland, California, and Sperry Rand Australia Limited — Univac Division. These clients have instructed us to design and construct suitable office accommodation to meet their requirements for expansion of their Australian operations.

In manufacturing, we have continued to expand our share of the market for translucent roof and wall panels to meet industrial specifications. Our company has been the first manufacturer of fibreglass sheeting in Australia licensed to use the Certification Mark of the Standards Association.

The Sales and Services Division is being expanded to meet market requirements. In addition, suitable acquisitions are being made to further the company's expansion in Australia. Our wholly-owned subsidiary, R. L. Willmott Pty. Limited, importers and distributors of power tools and pumps, is providing further opportunities of diversification.

Shipments of New Zealand and Fijian timbers continue to arrive at main ports of Australia for distribution by our agents.

FLETCHER GROUP SERVICES

FOLLOWING the reorganisation of the Group's structure, the majority of the functions previously undertaken by this Company have been transferred to a Management Services Division of Fletcher Holdings Limited and Fletcher Group Services itself has ceased to operate.

Architecture and Engineering:

This division is being given a new status under the title of The Fletcher Design Group and its management has been more closely integrated with Fletcher Development and Fletcher Construction in order to increase the Group's efficiency in the fields of design and construction.

Once again capacity has been fully utilized throughout the year and, although the shortage of trained staff remains a problem, nevertheless the section has been able to increase its numerical strength and is well equipped to handle the design of the whole range of industrial and commercial buildings.

Important commissions for clients outside the Group include a new factory for Dunlop New Zealand Limited, Auckland; extensions to National Distributors' Head Office in Wellington; and a stationery store for the Bank of New Zealand, also in Wellington. In addition a number of development projects have been undertaken, the most notable of these being a five-storey office building in Wellington and another one of 10 storeys in Auckland. Both of these are scheduled to be under construction in the middle of 1971.

Computer Bureau: During the year a decision was made to merge our processing and development operations with those of Computer Bureau (Holdings) Limited, who operate compatible computing equipment at Christchurch, Wellington and Hamilton. We believe that the merger will provide the Group with access to an extended range of skills and expertise in this specialist field, resulting both in improved information services and operational economies.

The Bureau continued the development of both financial and technical computer systems during the year, the major assignment completed being the implementation of

a financial accounts system for use by all companies in the Group.

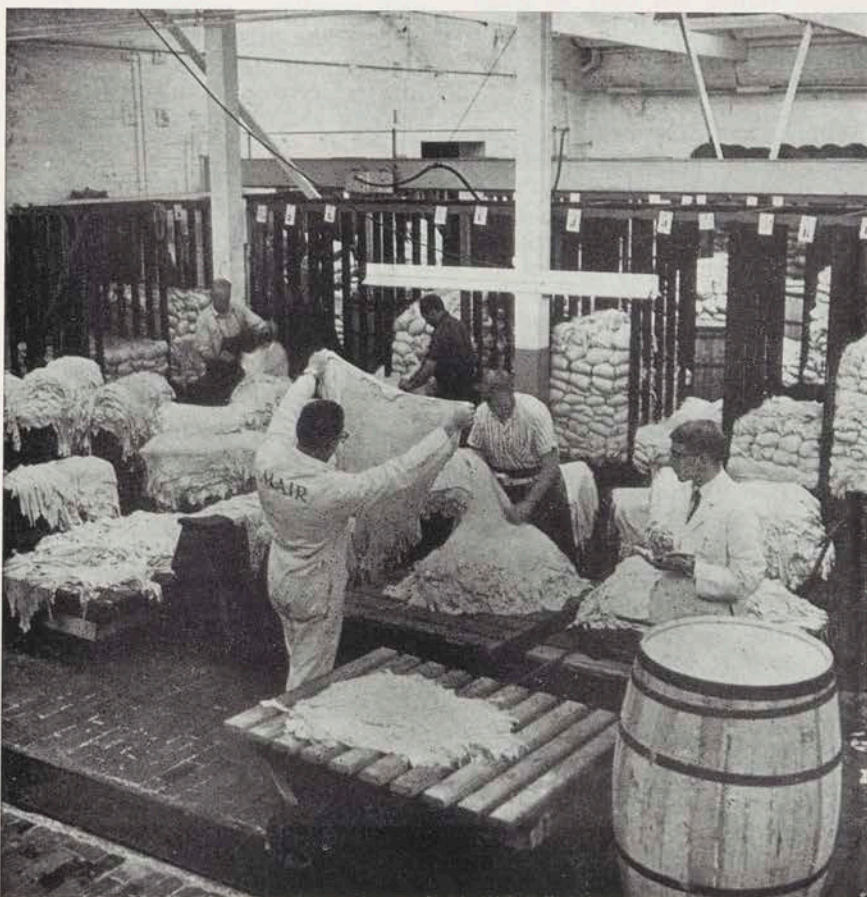
Corporate Planning: This Section was formed at the time of the Group reorganisation and not only incorporated functions previously carried out by the Research and Statistics Unit, but extended these to include review of short and long-term budgets, appraisal of capital expenditure and development proposals, investigation of investment opportunities and provision of market and other planning information and advice to companies within the Group.

Industrial Relations: The pressures on the division during the past year have been considerable. This has not been because of any major increase in work stoppages — but a policy of prevention rather than cure has placed considerable strain on our Industrial Relations facilities. However, we can report that, except in a few isolated areas, our normal operations have been unimpeded by any breakdown of industrial relations.

Relationships with the many trade unions are generally excellent



For the Auckland Centennial parade, Fletchers sponsored a Dutch street barrel organ — the only one in the Southern Hemisphere. The organ was brought to New Zealand by a Bluff resident, C. de Rijk. Besides being a highlight of the parade, the organ played at various locations in Auckland and in cities on its way back to Bluff by road. A charge of 10 cents was made for people to inspect the interior workings of the organ and nearly \$1,500 was raised which Fletchers donated to the Museum of Transport and Technology.



and this situation is being used to fullest advantage in developing all possible areas of agreement.

In line with our announced intention in last year's Report, we have added to the division a Group Safety Officer with world-wide accident prevention experience. The benefits of this appointment are already being felt and we are confident of achieving a considerable and steady reduction in lost-time accidents throughout the Group's operations.

The Division has plans for "in-company" training and these have been designed to equip our people to achieve the fullest possible utilisation of labour and equipment.

Insurance: The Division has maintained the Group's insurance protection in line with modern insurance practice and is one of the largest buyers of insurance coverage in New Zealand. Consequently a close association has been formed with insurers. This has

Inspecting pickled lamb pelts: Fletchers, with two major meat companies are investigating the feasibility of establishing large tanneries in New Zealand to take the pelts to the crust stage and thus materially increase the value of New Zealand's exports.

made us acutely aware of the difficulties besetting the world insurance market and now affecting insurance in this country.

Such understanding of insurers' problems has made the Department appreciate that it not only has a duty to perform to its clientele but also an obligation to fulfil to the insurance industry upon whose co-operation depends the insurance protection for the larger enterprises.

Public Relations and Advertising:

As a result of the Group reorganisation some changes have been made in the functions of the Division. Product advertising has become the responsibility of the trading companies, with the Division providing advisory and co-ordinating services. It continues to manage corporate and financial advertising.

Public relations continues to grow in importance and activities in this sector are being increased with the assistance of outside consultants.

Through the year the Group's activities have received good coverage by press and broadcasting.

Research and Development: In the new group structure R. & D. becomes a Head Office function directly responsible to the Managing Director. It has taken over the control of the Research and Development Laboratory at Penrose (previously part of Fletcher Industries). Numerous projects are under investigation.

Investments

SINCE we last reported to shareholders there have been no significant changes in our investment

portfolio and although the New Zealand share market is still far from buoyant, our substantial investments in Tasman Pulp and Paper and Pacific Steel, for instance, continue to return satisfactory results.

Other important investments include: Marac Finance; Certified Concrete; Colonial Ammunition Company; Travelodge (N.Z.); Lusteroid; G.K.N. (N.Z.).

"James Fletcher — Builder"

COPIES of this biography are still available at the favourable price of \$3.50 on application to "PRAD", care of Fletcher Holdings Limited, Private Bag, Auckland.

Staff

I AM sure that Shareholders would wish me to record our thanks to the staff on all levels for their hard work and loyalty throughout the year. Within the limits of our competitiveness, we endeavour to express this gratitude in more concrete terms, not only in wage rates and salaries, but in important fringe benefits such as superannuation, life insurance and sick leave.

With certain exceptions, because of age, all our employees, whether salary or wage earners, are entitled to join a superannuation scheme. Free life insurance is also available to all male employees under 60 years of age. This latter scheme has been of particular advantage to widows of deceased employees, because benefits can be paid promptly and at a time when the need is often the greatest.

Future Outlook

CONDITIONS are likely to be difficult for the remainder of this financial year and especially so in the building industry. This will be as a result of many factors, such as the credit squeeze, cuts in Government spending and uncertainties around the implications of Britain joining the enlarged European community.

But I cannot over-emphasise our staunch confidence in this country's ability to rise to and meet the challenges of the "Seventies"; to find new markets overseas and to make better use of the natural resources of this country which are proving to be much more numerous than just our grasslands and our rainfall.

Appreciation

OUR Chairman, Founder President and fellow Directors have asked me to convey to all shareholders and other investors their thanks for support during the year.

Occasion is also taken to extend appreciation to customers, clients and suppliers, architects and engineers, the press and broadcasting, Government and local body officers, for the co-operation we have received.



Managing Director.

9 July, 1971.

Cover photograph shows Fletcher House in the centre of industrial Penrose, Auckland. Inside front cover illustration is I.B.M. Centre, Wellington, a Fletcher Development project built by Fletcher Construction and managed by Fletcher Development. Inside back cover shows New Zealand's first container crane, fabricated and erected by Fletcher Bernard-Smith.



DIRECTORY

FLETCHER HOLDINGS LIMITED

DIRECTORS:

SIR JAMES FLETCHER, Founder President
L. J. STEVENS, Chairman
J. C. FLETCHER, Managing Director
K. O. BROWN, J. S. FLETCHER,
M. G. KING, W. G. SMITH, R. G. STARK
Alternate for K. O. Brown and M. G. King: B. H. AMES

SECRETARY:

H. F. MOLONY. Deputy: W. N. Rowe

BANKERS:

Bank of New Zealand
The National Bank of New Zealand Limited

AUDITORS:

Hutchison, Elliffe, Davies, Anderson & Co.

SOLICITORS:

L. J. Stevens, Woods & Co.

PRINCIPAL OFFICES:

NEW ZEALAND
Great South Road, Penrose, Auckland
National Bank Building, Featherston Street, Wellington
B.N.Z. House, Cathedral Square, Christchurch
Parry Street, Dunedin

AUSTRALIA
Bourke Street, Waterloo, N.S.W.

TRUSTEE for Debenture Stockholders:

The Guardian Trust and Executors Company of
New Zealand Limited



BOARDS OF MANAGEMENT OF PRINCIPAL SUBSIDIARIES

Fletcher Construction

J. Espie (*Managing Director*)
R. T. Arkley C. W. Hall
J. G. Smith W. J. Wilkinson

Fletcher Development

J. H. Churton (*Managing Director*)
C. W. Hall T. W. H. Hobbs
W. B. Maud K. Robinson
L. Smith

Fletcher Industries

L. C. Ryan (*Managing Director*)
R. W. Bridgman B. W. Gollan
T. G. Hunt G. C. McKay
N. J. Mahoney W. J. Reidy
A. J. D. Robb

Fletcher Timber

A. B. Downey (*Managing Director*)
K. A. Civil J. R. Fletcher
B. A. Henry E. A. Lawry
J. Lord R. H. Whitaker

Fletcher Trust

J. C. Fletcher H. F. Molony
D. G. Sadler

Fletcher Bernard-Smith

A. W. Craig (*Chairman*)
R. R. C. Cowie D. S. Fenton
A. C. Gluckman L. C. Ryan

Fletcher Organisation Australia

D. J. Atkins (*Managing Director*)
A. M. Don P. J. Drummond
H. F. Molony

Executive Directors

C. Brough (*Wellington*)
T. C. B. Cooper (*Christchurch*)
K. A. Civil P. J. Drummond
D. S. Fenton B. W. Gollan
C. W. Hall B. A. Henry
T. W. H. Hobbs W. B. Maud
W. J. Reidy J. G. Smith



FLETCHER GROUP OFFICERS

ASSOCIATE GROUP DIRECTORS

W. A. Bourke	<i>Public Relations</i>
K. G. Fraser	<i>Industrial Relations</i>
R. H. Hopgood	<i>Research & Development</i>
A. T. Jewell	<i>Corporate Planning</i>
H. F. Molony	<i>Finance</i>
J. S. Watt	<i>Technical</i>

BOARD OF MANAGEMENT

J. C. Fletcher (Chairman), D. J. Atkins, W. A. Bourke, J. H. Churton, A. B. Downey, J. Espie, J. S. Fletcher, K. G. Fraser, R. H. Hopgood, A. T. Jewell, H. F. Molony, L. C. Ryan, J. S. Watt. Secretary: D. G. Sadler.

Wellington Liaison Director

C. Brough

Assistant Secretaries

C. M. Gurr	E. O. Knewstubb
R. S. Kelly	D. G. Sadler

Executives

A. J. Hume	<i>Corporate Planning</i>
L. B. Jameson	<i>Insurance</i>
B. A. Manson	<i>Industrial Relations</i>
P. A. Matthews	<i>Public Relations & Advertising</i>

Auditors

Gilfillan, Gentles, Pickles, Perkins & Co.
Hunt Duthie & Co.
Peat, Marwick, Mitchell & Co. (Sydney).

Solicitors

L. J. Stevens, Woods & Co., Auckland.
Urquhart, Roe & Partners, Rotorua.
Buddle, Anderson, Kent & Company, Wellington.
Matson, Marshall & Butler, Christchurch.
Cook, Allan and Cook, Dunedin.

Bankers

Bank of New Zealand.
Commonwealth Trading Bank of Australia Limited.
The Commercial Bank of Australia Limited.
The National Bank of New Zealand Limited.

CENSUS OF SHAREHOLDERS

FLETCHER HOLDINGS LIMITED



31 MARCH, 1971

Size of Holdings	PREFERENCE		ORDINARY	
	No. of Shareholders	Shares Held	No. of Shareholders	Shares Held
1 — 250	232	34,656	3,252	476,943
251 — 500	233	94,446	2,659	1,040,572
501 — 1000	291	235,558	2,125	1,594,647
Over 1000	179	735,340	2,253	15,829,338
	<u>935</u>	<u>1,100,000</u>	<u>10,289</u>	<u>18,941,500</u>
Status of Holdings				
Women	526	409,098	4,305	3,257,822
Men	294	227,318	4,623	3,718,277
Estates, Joint Accounts, etc.	81	90,844	1,031	1,613,587
Companies — Insurance	6	315,574	34	3,661,610
Companies — Other	28	57,166	296	6,690,204
	<u>935</u>	<u>1,100,000</u>	<u>10,289</u>	<u>18,941,500</u>
Domicile of Shareholders				
Auckland (Prov.)	487	454,848	4,043	4,309,621
Taranaki	16	12,900	152	97,513
Hawkes Bay	14	5,800	496	407,185
Wellington (Prov.)	172	463,360	2,628	6,244,424
Nelson (Prov.)	9	5,326	179	205,884
Marlborough	3	1,950	156	108,948
Canterbury	127	81,483	1,506	1,216,621
Westland	1	600	39	27,011
Otago	85	59,735	707	503,511
Southland	13	11,032	194	280,371
Overseas	8	2,966	189	5,540,411
	<u>935</u>	<u>1,100,000</u>	<u>10,289</u>	<u>18,941,500</u>

