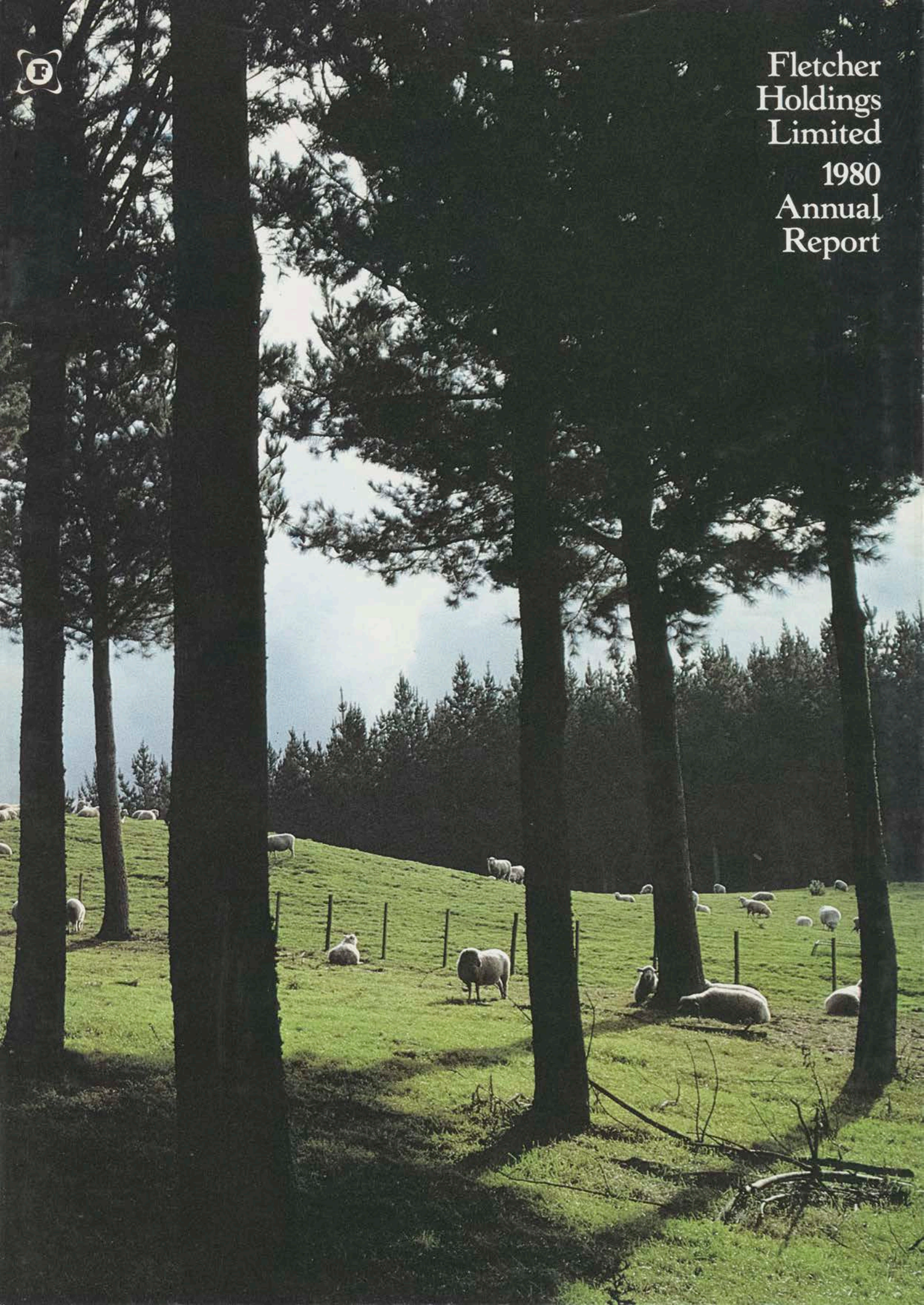




Fletcher  
Holdings  
Limited  
1980  
Annual  
Report



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## Financial Calendar

	Half Year	Year
Results announced	early December	early June
Dividends paid –		
Ordinary Shares	early December	early August*
Specified Preference Shares	4 October	4 April
Interest paid –		
Debenture Stock	31 October	30 April
Secured Bearer Notes	–	15 November

\*The final dividend on Ordinary shares for the year ended 31 March, 1980, if sanctioned by Members, will be payable on 7 August, 1980, to shareholders on the Register at 28 July, 1980. The Register of Ordinary shares will be closed from 4 p.m. 28 July until 9 a.m. 8 August, 1980.

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# Annual Report of Fletcher Holdings Limited 1980

The Fortieth Annual Report of Fletcher Holdings Limited  
for the year ended 31 March, 1980.

## Key Figures (1)

	1980	1979
Turnover .....	\$620 473 000	\$398 039 000
Earnings after Taxation and Minorities .....	\$33 001 000	\$ 16 730 000
As percent of average Shareholders' Funds .....	17.7%	11.3%
Earnings after Specified Preference Dividend .....	\$32 075 000	\$16 730 000
Per \$1 Ordinary Share (year-end average) (2) .....	96.0c	51.0c
Operational Earnings (3) .....	\$44 998 000	\$21 277 000
As percent of Turnover .....	7.3%	5.3%
Dividends per \$1 Ordinary Share .....	24.33c	20.00c
Times covered by Earnings .....	3.9	2.6
Asset Backing per \$1 Ordinary Share .....	\$6.17	\$4.53

Notes:

- (1) Tasman Pulp and Paper Company Limited consolidated from 1 November, 1979.
- (2) All figures or percentages before one-for-three bonus issue of ordinary shares.
- (3) Operational earnings excluding investment income and before interest, foreign currency losses and taxation.

## The Year's Highlights

**Tax Paid Earnings** up 97% – the twenty-first year in succession of increased earnings.

**Bonus Issue** of one-for-three ordinary shares and an increase in dividends per adjusted share of 21.6%.

**Tasman Pulp and Paper** became a subsidiary in November with ownership increasing from 46.2% to 56.5%.

**New Zealand** ownership of the Company increased to 99% of ordinary shares following the sale by CSR Limited of its 34-year share investment.

**Building Materials Merchandising** consolidated by purchase of the 40% minority holding in Ellis & Burnand and 100% acquisition of Felvins.

**Establishment** of a Concrete and Aggregates business area completed with partitioning of Certified Concrete, acquisition of 55% balance of Stresscrete, and restructuring of operations.

**Employee Safety** in wholly-owned or managed operations further improved to achieve a reduction in lost time injuries of 10% on the previous year to be at a level of 29% of 1975.

**Export Sales** of subsidiaries and associates exceeded \$202 million, with those of wholly-owned and managed operations increasing by 85% to \$38 million.

**Divestment** of assets and investments peripheral to mainstream business areas totalled \$15 million.

**A Forestry Joint Venture** with BP New Zealand was established on the East Coast of the North Island.

**Sir James Fletcher**, knighted during the year, retired as Managing Director after 37 years and was succeeded by H. A. Fletcher.

Covers: Grazing and shelter for stock are combined with high-quality timber production within this 13-year-old stand of pruned and thinned radiata pine on the Putaruru forest/farm property of Fletcher Forests.

(Formerly an Ellis & Burnand property)



## Notice of Meeting

### To Members of Fletcher Holdings Limited

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of Members of FLETCHER HOLDINGS LIMITED will be held at Trillo's Downtown Centre, Downtown Building, Lower Albert Street, Auckland, on Thursday, the 7th day of August, 1980 at 2.30 p.m.

### Business

1. To receive and adopt the Accounts and Balance Sheets together with the Reports of the Directors and the Auditors for the year ended 31 March, 1980.
2. To sanction the payment of dividend on Ordinary shares having regard to the recommendation of the Directors for a final dividend of 10 per cent for the year ended 31 March, 1980.
3. To elect Directors pursuant to the Articles of Association under the provisions of which Mr J. S. Fletcher and Mr J. B. Horrocks retire by rotation and Messrs. A. B. Downey, J. R. Fletcher, D. G. Sadler and J. G. Smith retire following their appointment to the Board during the year. All are eligible and offer themselves for re-election.
4. To consider a proposal pursuant to Article 89 of the Company's Articles of Association that the remuneration of the Directors be increased from \$50,000 to \$65,000 per annum from 1 April, 1980 and to pass appropriate resolution.
5. To record the re-appointment of the Auditors, Messrs. Gilfillan Morris & Co. and to authorise the Directors to fix their remuneration.
6. To deal with any other business which may be properly brought before the Meeting.

Auckland, New Zealand  
15 July, 1980

By Order of the Board  
D. G. SADLER  
Secretary

### Notes

- (1) A Member of the Company, including a holder of Specified Preference shares, entitled to attend and vote, is entitled to appoint a proxy to attend and vote for him. A proxy need not be a Member. The Company's Articles of Association require proxy forms to be deposited at the Registered Office of the Company, Fletcher House, 810 Great South Road, Penrose, Auckland, not less than forty-eight hours before the time for holding a meeting.
- (2) Entrance to the meeting room at Trillo's is via the overhead walkway from the Downtown parking building. Shareholders attending the meeting are requested to allow sufficient time for formalities at entry and arrive in time for the meeting to commence promptly at 2.30 p.m.
- (3) On conclusion of the meeting and after refreshments, shareholders are invited to participate in a forum at which senior executives will discuss Group development and deal with any enquiries which may be raised.

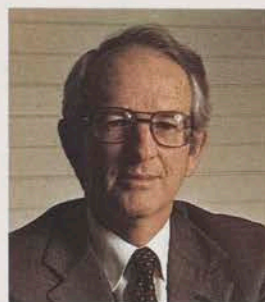
## Directory: Fletcher Holdings Limited



Sir James Fletcher  
*Chairman*



K. O. Brown



A. B. Downey



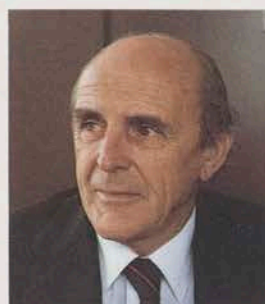
J. R. Fletcher



H. A. Fletcher  
*Managing Director*



J. S. Fletcher



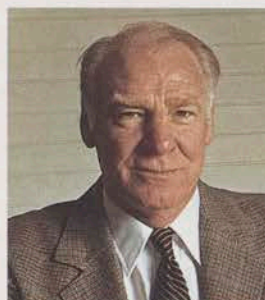
J. B. Horrocks



The Rt. Hon. Sir John  
Marshall, G.B.E., C.H.



D. G. Sadler



J. G. Smith



R. G. Stark

### Registered Office

Fletcher House,  
810 Great South Road, Penrose,  
Auckland, New Zealand.  
Postal: Private Bag, Auckland, 1.  
Telephone: (9) 599-979  
Telex: NZ 2441

### Secretary

D. G. Sadler. *Deputy:* W. N. Rowe

### Share Registrar

The National Bank of New Zealand  
Limited  
255 Great South Road,  
(P.O. Box 3510) Auckland.

### Trustee

*for Debenture Stockholders*  
The South British Guardian Trust  
Company Limited

### Trustee

*for Secured Bearer Noteholders*  
The Public Trustee

### Auditors

Gilfillan Morris & Co.

**Earnings**

The consolidated net earnings of Fletcher Holdings Limited and Subsidiary Companies for the year was \$33,001,000 compared with last year's result of \$16,730,000. The earnings were arrived at after providing \$9,752,000 for interests of minority shareholders and including \$3,363,000 in respect of the Group's equity in the retained earnings of associated companies. The earning rate after deducting specified preference dividend on year-end average ordinary capital was 96 cents per share compared with 51 cents per share in 1978/79 and 47.5 cents per share in 1977/78. The earnings of the parent company, Fletcher Holdings Limited, together with dividends from subsidiary companies and after providing for taxation and before equity in retained earnings of associated companies was . . . . . \$000  
21 893  
The amount available from previous year was . . . . . 10 647

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32 540

dividend already paid is . . . . . 4 132  
and proposed final payment is . . . . . 4 937

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9 069

transfer to Investment Revaluation Reserve . . . . . 892

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leaving a balance carried forward to next year of . . . . . 22 579

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**Reserves**

The Consolidated Group's Reserves have again increased and, including equity in retained earnings and other reserves of associated companies, now total \$173,815,000. \$000  
117 655

The total amount of Reserves at 31 March, 1979  
to which was added –

premium on shares issued . . . . .	621	
retained earnings . . . . .	23 932	
unrealised gain on disposal of fixed assets . . . . .	779	
capital reserve on acquisition of subsidiaries . . . . .	27 152	
revaluation of properties . . . . .	11 045	
revaluation of shares in associated companies . . . . .	1 856	
exchange gains on foreign investments . . . . .	181	
capital in subsidiary forfeited . . . . .	1	

---

65 567

183 222

but reduced by –

prior period adjustment in associated company . . . . .	1 314	
prior period adjustment in subsidiaries . . . . .	405	
property revaluation withdrawn on disposal . . . . .	1 388	
adjustment on disposal of subsidiaries . . . . .	112	
adjustment on disposal of associated companies . . . . .	6 188	

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9 407

leaving total Reserves at 31 March, 1980 of . . . . . 173 815

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**Dividends**

**Ordinary Shares**

The policy of the Directors to increase dividends on Ordinary shares, at least in line with inflation, has been again demonstrated with a full year rate being recommended at 21% of which the final 10% is on the bonus-increased capital. The effective rate for the year is 24.3% compared with 20% for last year. All the dividend will have been available free of taxation to those shareholders who wish to receive their payments on that basis but subject to the right of election, pursuant to Article 131A of the Articles of Association. The criteria as to payment of dividends as contained in the Trustee Amendment Act 1974 has again been met by the Company.

#### Interim

An interim dividend of 11% (11 cents per share), non-assessable, was paid on 14 December, 1979, comprising 8% from the Premium on Shares Reserve and 3% from Revenue Reserves approved for distribution free of taxation.

#### Final

The final dividend now recommended by your Directors is 10% (10 cents per share) on bonus-increased capital making 21 cents for the year ended 31 March, 1980, such final dividend to be paid from Revenue Reserves, non-assessable for taxation purposes.

If approved by shareholders the payment will be made on 7 August, 1980 on Ordinary shares registered at 4 p.m. 28 July, 1980.

#### Specified Preference Shares

Dividends on Specified Preference shares at the fixed rate of 15% (15 cents per share) per annum are paid half-yearly at the rate of 7½% on 4 April and 4 October of each year until redemption date of 4 April, 1985.

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## Finance

### Debt Finance

Increasing interest rates, both domestic and offshore, tightening local liquidity and intense competition from New Zealand financial institutions for short term finance, made fund raising for the year under review costly and unpredictable. Maturities on all local borrowings tended to shorten with no immediate respite apparent.

To partly compensate for the shortening domestic maturities, and in anticipation of a stronger New Zealand dollar in the mid to late 1980s, two offshore loans amounting to US\$10 million, were negotiated with maturities extending 10 years. These loans were at most favourable terms and conditions and replace repayments of existing overseas loans. A further US\$5 million facility on similar terms is currently under negotiation to replace further existing outstandings with short repayment dates.

Overseas borrowings by Fletcher Holdings Limited and wholly-owned subsidiaries (excluding short-term, trade-related drawings) totalled US\$33.4 million (or equivalent in other currencies) at 31 March, 1980, as against US\$36.8 million as at 31 March, 1979, and US\$49.9 million at 30 May, 1977 being the date of peak outstandings. Of the current borrowings, US\$10.4 million is covered by forward exchange contracts throughout their 12 months or less to maturity.

During the year repayments of US\$12.8 million were made, but these were largely balanced by the negotiations referred to previously and facilities gained from acquisitions.

Arising from cash and conversion offers and private placements a total of \$7,974,225 New Zealand denominated First Ranking Debenture Stock was subscribed during the year.

This intake from the local market was offset by \$9,726,623 of maturity redemptions together with death duty and other permissible early repayments. Pursuant to a prospectus filed on 28 March, 1980 an issue of \$5,000,000 First Ranking Debenture Stock was made, with the right to accept over-subscriptions up to a further \$5,000,000. Terms of the offer were for 2, 3, 5 and 7 years at a uniform interest rate of 15½% per annum. This offer proved highly successful and was fully subscribed within five weeks of announcement.

### Share Capital

By shareholders' resolution at the Annual General Meeting held on 2 August, 1979, Authorised capital was increased to \$75 million by the creation of an additional 25 million unclassified shares of \$1.00 each.

During the year, issued and paid-up ordinary capital was increased to \$33,589,753 as a result of allotments of:

1,018 shares as part consideration for the final acquisitions of the shares in Firth Industries Limited.

342,290 shares as part consideration for the purchase of all the shares in Felvins Limited.

This minor increase in issued ordinary capital reflected your Directors' belief that the market price for your Company's ordinary shares was unacceptably low and hence not a price at which substantial issue of shares was warranted.

Specified Preference share capital remains at \$11,350,000 after completion of the pro-rata issue to Ordinary shareholders in April, 1979. \$3,300,000 had been subscribed at 31 March, 1979.

A change in the shareholding structure of the Ordinary shares was brought about by the decision of CSR Limited, made with the agreement of your Board, to sell its 7,105,140 Ordinary shares representing 21.3% of the ordinary capital.

4,000,000 of those shares were offered on a pro-rata basis of one-for-eight to holders of Ordinary shares and one-for-sixteen to holders of Specified Preference shares at a price of \$2.25 per share. As a result of the sale, the ordinary capital of the Company is now only approximately 1% owned by overseas persons as defined by the Overseas Investment Regulations 1974.

CSR Limited remains the holder of 2,368,380 (20.8%) Specified Preference shares.

Shareholders will be aware of the implementation of the one-for-three bonus issue of Ordinary shares made on 24 June, 1980 following approval at the Extraordinary General Meeting held on 18 June, 1980; also, at the same meeting, in order to maintain a prudent reserve of unissued shares, Authorised capital was further increased to \$100 million by the creation of an additional 25 million shares of \$1.00 each which will be classified by your Directors at times of issue.

#### **Employee Share Purchase Schemes**

Two further offers of Ordinary shares were made to employees having continuous service of not less than one year.

The fifth offer made in August, 1979 and the sixth offer in January, 1980 resulted in a further 529,737 Ordinary shares being taken up by employees under the Company's 1975 Employee Share Purchase Scheme. At year-end, the Scheme held 1,101,583 Ordinary shares for employees with 269,413 shares having been transferred to employees as beneficial owners since inception of the scheme in 1975 on the termination of relative restrictive periods.

During the year a further (1979) Share Purchase Scheme was established for the benefit of invited employees.

Both Schemes utilised shares available from the disposal of the Ordinary share-holding of CSR Limited, and no allotment of new shares was necessary.

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## **Directors**

### **Changes**

As a result of the sale of the Ordinary shares held by CSR Limited, the resignations of Mr. M. G. King and Mr. A. V. Shaw became effective on 1 January, 1980.

The Directors appointed since 1945 by CSR Limited under the special provisions contained in the Articles of Association have all played a significant role on the Board. Their considerable contribution over the years was acknowledged by their fellow Directors.

As previously announced, my retirement as Managing Director of the Company became effective on 1 January, 1980. I have been succeeded by Mr. H. A. Fletcher.

Following changes to the Articles of Association at the last Annual General Meeting, held on 2 August, 1979, four new Directors were appointed by the Board with effect from 7 February, 1980. The appointees have been senior executives of the Company for some years before and since structural changes made during 1977. They are Messrs. A. B. Downey, J. R. Fletcher, D. G. Sadler and J. G. Smith. Together with the Managing Director, Mr. H. A. Fletcher, they make up the Executive Office, which is the corporate management team of the Group.

I am confident that the challenges and opportunities which will arise in the 1980s and beyond will be met with outstanding success by the executives now appointed and that the progress of the Group will be maintained.

**Election**

Under the provisions of Article 96 of the Company's Articles of Association Messrs. J. S. Fletcher and J. B. Horrocks retire by rotation and Messrs. A. B. Downey, J. R. Fletcher, D. G. Sadler and J. G. Smith, having been appointed during the year, retire in accordance with Article 99.

All these Directors are eligible and offer themselves for re-election.

**Directors' Fees**

The fees payable to non-executive Directors were last increased with effect from 1 April, 1978 from \$40,000 to \$50,000 per annum.

It is considered that a review should again take place and accordingly, notice of intention to seek an increase in Directors' Fees to \$65,000 per annum, effective from 1 April, 1980, is given in the Notice of Meeting.

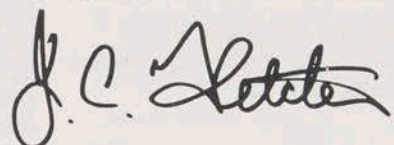
**Auditors**

The Company's Auditors, Messrs Gilfillan Morris & Co. again offer their services and continue in office pursuant to Section 163 of the Companies Act 1955.

**General**

Shareholders' attention is drawn to the Review of the Managing Director commencing on Page 9 of this report and to the Earnings Statement, Balance Sheets and other financial information now presented.

For the Directors



J. C. FLETCHER, *Chairman*

15 July, 1980

**Directory: The Fletcher Group**

**Managing Director**

H. A. Fletcher

**Executive Directors**

A. B. Downey  
J. R. Fletcher  
D. G. Sadler  
J. G. Smith

**Associate Directors**

J. Espie (*Public Affairs*)  
T. W. H. Hobbs (*Superannuation*)

**Managing Directors of Wholly-owned Business Areas**

M. J. Andrews -Forests  
N. B. Darrow -Wood Panels  
D. G. Delay -Steel  
G. S. A. Hamilton -Construction and Engineering  
E. V. Henry -Fishing  
D. Hitchcock -Residential Building  
T. W. H. Hobbs -Property and Investment  
E. L. Stoddart -Saunwood and Building Products Merchandising  
N. F. Tolerton -Concrete and Aggregates

**Managing Directors of Partly-owned Subsidiaries**

W. J. Reidy -New Zealand Wire Industries Limited  
L. C. Ryan -Tasman Pulp and Paper Company Limited

**Functional Officers**

E. D. Andrews -Head of Executive Directors' Department  
B. D. Cooper -Treasurer  
G. M. Minnis -Controller

# Graphic Review

## Earnings

Details of tax paid earnings (before extraordinary items) related to the Group share of assets employed of each business area are shown in tabular form in the Managing Director's Report.

## Earnings and Dividends per share

Earnings per share increased to 96 cents from last year's 51 cents.

Dividend cover increased substantially to 3.9 on the increased dividend of 24.33% on the pre bonus capital.

## Shareholders' Funds

The book value of shareholders' funds increased by \$64.6 million to \$218.8 million.

An assessment of the current worth of the Group's assets shown on Page 36 would increase the shareholders' funds to \$362.8 million.

Net asset backing per share is now \$6.17 at book value and using restated values would be \$10.47.

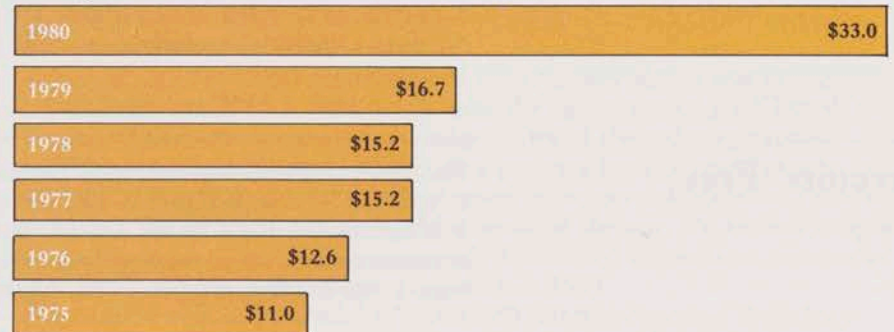
## Operating Assets

The Group's operating assets have again shown an increase up from \$284.6 million to \$510.1 million. This results mainly from Tasman Pulp and Paper Company Limited becoming a subsidiary.

## Six Year Net Earnings after Taxation

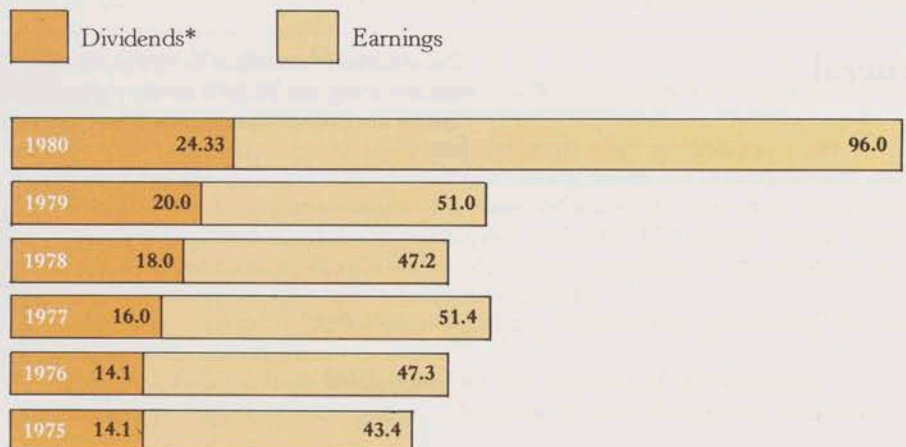
(in millions)

### Earnings



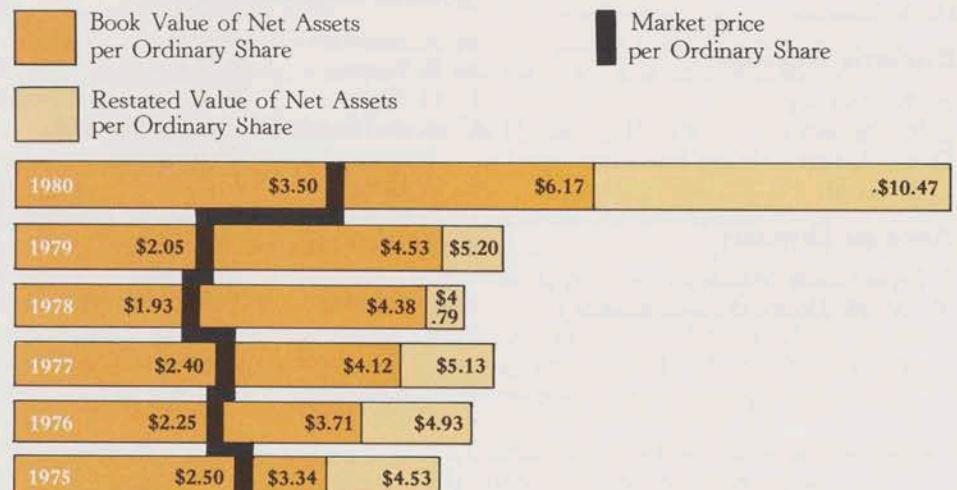
## Six Year Earnings and Dividends per Share

(cents per share)



\*Calculated on the basis of no additional cash investment i.e. rights sold to take up additional shares without cash outlay.

## Six Year Asset Backing and Price per Ordinary Share



# Managing Director's Review

## Introduction

1979/80 was another good year for all Fletcher stakeholders.

### For shareholders:

In our twenty-first year of continuous improvement, earnings rose 97% to \$33 million (1978/79 was \$16.7 million).

Shareholders' funds, excluding minorities, were at the year's end \$219 million (\$154 million last year) which, with only a minor increase in ordinary share capital, meant the asset backing per ordinary share rose from \$4.53 to \$6.17.

Earnings per ordinary share (on year-end average capital and after specified preference dividends) increased 88% from 51 cents per share to 96 cents per share, while earnings to average shareholders' funds increased from 11.3% to 17.7%.

Dividends per ordinary share increased from 20% to 24.3% which, with the rights element in the November pro rata placement of shares meant a 23.5% increase in shareholder return against an 18.4% rise in the consumer price index.

Ordinary share price increased 71% from \$2.05 to \$3.50 (at 31 March 1980) but this was only 57% of asset backing and a price/earnings ratio of 3.6.

The number of shareholders increased from 13,949 to 15,759.

### For employees:

Lost time injuries fell a further 10% to be only 29% of the level in 1975.

Employee numbers increased by 373 in the wholly-owned and managed section of the Group to reach 6292 while the overall total, including all subsidiaries, was 10,773 people.

Employee shareholding increased to over 6% of the capital of Fletcher Holdings, with 45% of eligible employees now shareholders in the company.

More moves were implemented to delegate full management authority and responsibility to the individual business areas and divisions and regions within them, and to encourage increased two-way employee communication.

### For debt financiers:

Despite the major expansion in assets and liabilities, balance sheet ratios were at a satisfactory level with shareholders' funds (including minorities) to shareholders' funds plus interest bearing debt at 56.3% and shareholders' funds to total tangible assets at 45.2%.

Offshore debt was restructured to considerably lengthen maturities.

### For customers and suppliers:

We provided an increasing volume of business for our suppliers despite adverse trading conditions.

At the start of the decade, New Zealand annual housing starts were around 23,000. By 1975 they reached 34,000. Now, they are under 15,000 and still heading down. In non-residential construction, activity in real terms has also declined by over 50% during the 1974-80 period.

Customer service improved as was evidenced by increasing market shares. National coverage was extended by Fletcher Timber through its purchase of the 40% minority share in Ellis & Burnand (central North Island) and all of Felvins (southern North Island), and by Fletcher Brownbuilt into Hamilton through Ellis & Burnand's subsidiary, Reese Roofing. Establishment of a Concrete and Aggregates business area was completed with the partitioning of Certified Concrete and the acquisition of the 55% balance of Stresscrete.

### For the public:

The total exports of subsidiaries and associated companies of the Group were \$202 million. Fletcher shareholders' consolidated and equity share was \$147 million.

Fletcher Holdings became 99% New Zealand owned (previously 78%).

Through not only the strengthening of our continuing mainstream activities but also the reduction in our spread of business interests, Fletcher played a significant part in the country's essential "restructuring" process.

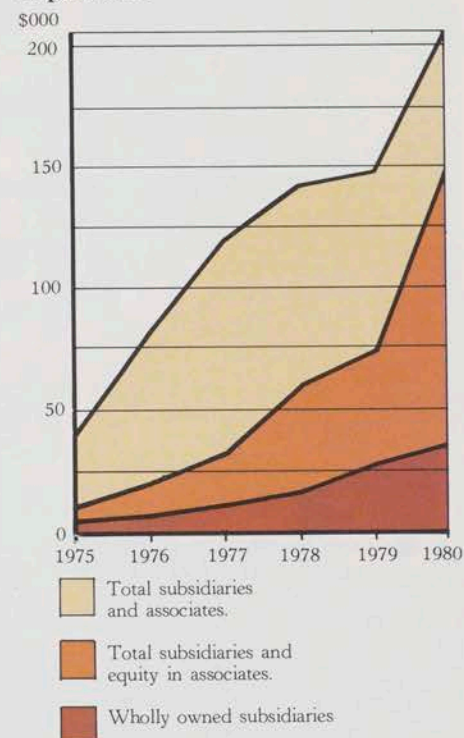
New projects to generate or save overseas exchange included the start of an internationally-scaled fishing joint venture Fletcher Sovrybflot (51% owned), \$8.56 million extension of hotel facilities by Vacation (42%), major capital expenditures to increase capacity for exports by Tasman (56.5%), Fletcher Wood Panels (100%), and New Zealand Wire Industries (87.5%), and a new forestry joint venture (50%).

Pacific Steel (28.3%), in a further conservation move, began construction of a \$2.6 million de-tinning plant to recover from tinplate both steel scrap and tin ingots.

Energy conservation saw substantial progress in replacing fuel oil with wood waste and geothermal steam at Taupo and Kawerau, while Fletcher Lucerne converted totally from fuel-fired dehydrated pellets to suncured pellets.

Support for public activities increased and once again included the Fletcher Marathon, the Children's Health Camp Movement and the Fletcher Brownbuilt Pottery Award. Further important works of living New Zealand artists were purchased.

### Export Sales



## Development and Contracting

	1980 \$000	1979 \$000
Turnover	181 054	137 112
Tax paid earnings	738	2 543
Operating assets	55 777	46 475
Return on assets	1.3%	5.5%
No. of employees	2 676	2 308

The New Zealand construction industry continued to operate in an environment of uncertainty. Non-residential construction in the metropolitan centres has dropped in real terms by more than one half over the 1974-80 period. However, paradoxically, as a result of migration losses, the lack of skilled manpower is influencing the ability of the New Zealand industry to execute existing workloads. This will be aggravated by the natural gas utilisation projects forecast for the 1980s which will need large numbers of additional workers with different skills to those of conventional construction.

*Fletcher Development and Construction* continued as the major New Zealand building contractor and achieved a record turnover of \$75 million – up from \$67 million last year. The company commenced 1980/81 with a backlog of \$92 million, again up from \$83 million last year. Its success results from its ability to create its own work-load from design and build, development projects and negotiated contracts and its capacity to win work in an intensively competitive tender market.

The \$43 million Otago Hospital Board Ward Block contract was 89% complete at year's end. Major contracts commenced included the ANZ Bank Head Office, Wellington; Britannic House, Wellington; Town Hall, Wellington; Cook Hospital, Gisborne; Vacation Hotels, Auckland and Rotorua; Bank of New Zealand, Auckland; DMBA Abbatoir, Dunedin. As private investment and Government expenditure decline, the company has sought construction opportunities in tourism, fishing, agriculture and other export-related sectors.

*Fletcher Construction (Civil Engineering)* saw its Fletcher-sponsored joint venture with Downer and Company and Wilkins & Davies Construction Company complete the Marsden B power station within the budgeted construction cost.

The civil engineering contracting market has been fiercely competitive with many general building companies expanding into the unfamiliar fields of civil engineering as a result of the general construction recession.

During the year, Fletcher acquired a 24.9% interest in *Wilkins & Davies* as part of its strategy to increase its capability for the New Zealand major energy projects and widen its overseas construction opportunities.

Our two roading companies, *Reliable Roads* and *Waikato Bitumen* (both 60% owned) traded reasonably despite intensively competitive market conditions.

The turnover of *Fletcher Construction (Overseas)* was \$30 million, up from \$15.8 million last year. *Fletcher Organisation*, our Australian company,

achieved its largest success with the development of the Sydney Airport Hilton, a \$16 million project. There were other successes in the Queensland construction market. The company is well geared to participate in the current buoyant Australian construction market. In Fiji, Fletcher Construction continued to undertake major projects for the Fiji Sugar Corporation through its joint venture *Reddy Fletcher* and advanced the School of National Resources contract for the University of the South Pacific to 80% completion.

Tenders were submitted for projects in the Middle East, South East Asia, Micronesia, South Pacific and the People's Republic of China. At the year's end, backlog for the overseas operations was \$60 million. This included joint venture housing contracts in Saudi Arabia and Iraq; a joint venture airport extension, Palau, Micronesia; and other projects in Papua New Guinea, American Samoa and the New Hebrides.

*Opposite: Britannic House, under construction in Wellington by Fletcher Development and Construction for BP Pacific Investments. Pouring concrete are: (left to right) David Gilmour (construction foreman), Ben Underhill (crane dogman) and Paul Tuki (concrete labourer). Architect: Stephenson & Turner.*

### Construction and Engineering

*Fletcher Development and Construction Limited* – New Zealand – property development, commercial construction and design-and-build contracting.

*The Fletcher Construction Company Limited* – civil engineering and overseas construction.

*Waikato Bitumen Company Limited* – roading (60% owned).

*Reliable Roads Limited* – roading (60% owned)

*The Fletcher Organisation Pty Limited* – Australia – property development, commercial construction and design-and-build contracting.

*The Fletcher Organisation (Fiji) Limited* – Fiji – commercial construction.

*Fletcher Mechanical Limited* – air conditioning and environmental control.

*The Fletcher Mining and Exploration Company Limited* – mining.

### Associated Companies

*Wilkins & Davies Construction Company Limited* – Auckland – construction (24.9% owned)

*Fletcher-Mainline Limited* – Auckland (50% owned).

*Reliance Fire Fighting Equipment Limited* – Auckland (50% owned)



*Fletcher Mechanical* acquired Fisher & Paykel Engineering Limited on 1 October 1979 and renamed the company *Zone Pak Limited*. The merger of these two major operations provided a strengthened grouping which now operates through three divisions: contracting, manufacturing (Carrier, Connor, Zone Pak products) and service.

Fletcher Mechanical turnover was \$20 million, up from \$13 million, representing the benefits of the acquisition. Earnings though were quite unacceptable and aggravated by bad debt write-offs. The contracting backlog at \$13 million was at the same level as last year.

*Fletcher Residential*, the housing arm of the Group consists of *Beazley Homes* and five associated companies operating in the low-cost to medium-cost markets.

Housing permits dropped a further 20% to 15,170.

However, the Group increased its market share and 1350 houses were completed and sold as against 1400 in the previous year.

A major factor in maintaining volumes was the introduction of the Beazley cash gift which enabled some 450 families to make up their deposit, together with the Government

suspensory loan, to buy a home. The scheme was quickly copied by the rest of the industry.

A total of 1100 sections was sold and settled and the company's inventory of developed sections, with the exception of the Wellington region, is now in balance.

Wholly-owned business operations were established in the Auckland and Wellington metropolitan areas, while non-active associated building companies have been rationalised or divested.

Funds usage has also been significantly reduced, but despite these improvements, the business area operated at a loss. 1980/81 will be an even more difficult period to maintain volumes because of inflationary pressures on house prices and mortgage repayments. Housing starts are predicted to drop further to 10,000-12,000 in 1980/81. Although volumes may decline, the company is better placed to improve profitability because of its substantially reduced land holdings and overheads.

Fletcher Real Estate is now associated with Colliers International Property Consultants, a real estate management and consulting organisation with 15 offices in New Zealand, Australia, Hongkong and Singapore. Now trading as *Collier Fletcher Real Estate* it lifted its non-group, rent-roll portfolio by over \$1 million during the year,

increased the sales and leasing staff in its three city offices and established property valuation services. *Fletcher Trust's* computerised *Energy and Security Management Division's* services are now connected to 46 buildings.

Extensions at Pakuranga and Northlands and a new centre at New Brighton opened during the year brought the total leased area managed by the *Shopping Centres Division* to over 12½ hectares rented at just over \$7 million a year. Sales in the eight major shopping centres exceeded the previous year by over \$20 million, once again achieving better than the comparable national retail average turnover increases.

*Fletcher-Mainline* (50% owned) had a satisfactory year bringing the Auckland Downtown scheme's third major office block close to completion and commencing two new office buildings at the Manukau City Centre.

Associated with the sale of the Group's interest in Haywrights, its Downtown store lease was assigned in part to the Auckland Building Centre and in part to the Challenge Corporation who operate Downtown Square. The Manukau store lease was assigned to Woolworths.

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### Residential Building

*Fletcher Residential Limited* – holding company for residential land ownership and associated housing companies.

*Beazley Homes Limited* – national franchise network for residential development and construction.

*Mount Timber and Hardware Company Limited* – building materials merchandising to service residential construction.

### Associated Companies

*Dempsey Morton & Company Limited* – Auckland (45.5% owned).

*Merritt-Beazley Homes Limited* – Christchurch (50% owned).

*New Zealand Housing Company Limited* – Napier (50% owned).

*Peerless Homes Limited* – Hamilton (50% owned).

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### Property Ownership and Related Activities

*The Fletcher Trust and Investment Company Limited* – investing and managing property through divisions that include Shopping Centres, Group Properties and Commercial Properties.

*Collier Fletcher Real Estate Limited* – Fletcher Trust subsidiary, is a licensed real estate agent engaged in the sale, leasing and management of commercial properties.

### Associated Company

*Grosvenor Properties Limited* – Auckland (45% owned).

## Wood Products

	1980 \$000	1979 \$000
Turnover	67 918	57 473
Tax paid earnings	7 651	5 959
Operating assets	88 443	67 828
Return on assets	8.7%	8.8%
No. of employees	2 140	1 577

Through *Fletcher Forests*, exports of pinus radiata sawlogs to Japan were increased due to a significant proportion being exported on behalf of small woodlot owners in Northland and Nelson. Negotiations with Japanese purchasers saw prices rise by 55%, but these still do not yet fairly reflect the value of the logs. Japanese

log usage currently is almost entirely in low-value areas such as packaging, concrete boxing or electric cable drums. The company is intent on promoting the use of pinus radiata in the higher value sectors and, among other steps, has appointed a marketing consultant in Tokyo.

*Hikurangi Forest Farms*, a joint venture between Fletcher Forests and BP New Zealand, was formed to plant approximately 50,000 hectares (ha) in the East Coast-Poverty Bay area over the next quarter of a century. The scheme is committed to best land use, mixing farming and forestry in such a way that stock farming remains a major contribution and is concentrated on areas most suited to it. As part of the arrangements, our East Coast property, Wairangi Station, which has

pioneered large-scale farm forestry in the area, has been transferred to the joint venture. Its livestock farming regime has been successful and substantially above budget in earnings.

At Taupo, Fletcher Forests has established a deer farm using helicopter-capture methods in its own forests. The farm herd is now 363 animals. An experimental opossum breeding unit has also been established.

During the year, 1356 ha of new land was planted in forest and 710 ha of exotic cut-over re-planted. The company owns 43,297 ha of which 29,110 ha is now in forest. On the West Coast of the South Island, the 3774 ha Butler's block was sold to the Lands and Survey Department.

Logging operations were improved by the rationalisation of wood resources involving Fletcher and Tasman Pulp and Paper. For example, pinus contorta, a species unsuitable to pulp manufacture, was able to be diverted to Fletcher Wood Panels for particle board manufacture and volumes of pinus radiata diverted to Tasman.



Left: The circular sorting table at Fletcher Timber's Kopu sawmill where timber is selected and stacked according to size and grade. The mill now cuts timber to Japanese specifications.

### Forests

*Fletcher Forests Limited* – forest ownership and management, log production and marketing.

*Forest Investments Limited* (81.4% owned) – forest ownership.

### Associated Company

*Hikurangi Forest Farms Limited* (50% owned) – farm forestry ownership.

### Sawmilling and Timber Processing

*Fletcher Timber Limited* – central North Island, Canterbury.

*Ellis & Burnand Limited* – central North Island.

*Tasman Pulp and Paper Company Limited* (56.5% owned) – central North Island.

### Associated Companies

*Barrow Box Company Limited* – Tapanui (50% owned).

*Pacific Lumber Company Limited* – Fiji (33.3% owned).

*Port Craig Timber Company Limited* – Invercargill (24.3% owned).

### Wood Panels

*Fletcher Wood Panels Limited* – manufacturing of particle boards, plywood and doors.

The increased demand for marginal farmland has led to a rapid increase in land prices. At the same time, planning restrictions on forestry have increased, despite potential economic advantages in regions seeking development assistance. The Group is endeavouring to establish a judicious amount of additional forest, well-placed geographically, to service the demands of the post-1990s.

*Fletcher Timber and Tasman Pulp and Paper* both made major moves to rationalise their sawnwood interests.

Fletcher Timber sold its substantial operations at Ngongotaha (near Rotorua) in wood processing and its modern sawmill at Taupo to Tasman. Both remain operated by Fletcher under a management contract. The result has been greater utilisation of plant – second shifts have been introduced – and better use of log resource.

The increased output available from Taupo and Kawerau, together with the securing of a five-year contract to sell the total output of Fletcher Timber's Kopu mill to Japan, were major steps in developing local and export sales.

Tasman commissioned a new headrig and edger as part of a substantial upgrading of its Kawerau sawmill.

*Fletcher Wood Panels* was affected by the acceleration of the downward trend in the level of domestic building activity. In addition, the consumer-led recovery which began in the second half of the 1978/79 year petered out by late 1979/80 resulting in lower demand from the furniture and joinery industries. The downturn affected all products manufactured by the company.

However Fletcher Wood Panels achieved significant success in export markets. From the 1978/79 level of \$1.65 million, export sales increased to \$5.86 million on an f.o.b. basis – an increase of over 250% for the year. Bisonboard, and to a lesser extent particle board export volumes, exceeded 30% of total production for the year. Further substantial progress in export sales is confidently anticipated for the 1980/81 year.

Higher levels of export activity provided further opportunities to achieve manufacturing economies through increased plant utilisation. At the year-end, output from the Bisonboard and particle board plants at the company's Taupo site was at record levels and further production increases are planned for the coming year. A \$1.8 million proposal to upgrade the supply of chip to the Bisonboard presses was approved during the year and is under construction. With effect from 31 March, 1980, output from the Christchurch particle board plant was increased to fully utilise total installed capacity on a 24-hour day, 7-day week basis.

The objective for Fletcher Wood Panels is to become internationally cost-competitive. In Bisonboard and particle board manufacture, greater use has been made of less-preferred wood species and energy conservation measures are proving to be successful, particularly at the Taupo complex. On this site, the burning of wood waste material has completely replaced oil for heat generation. However, the escalation of shipping costs is eroding hard-won margin increases in export markets.

A number of successes achieved by a special project team set up to improve the performance of the Greymouth plywood mill were offset by diminishing log availability and increased log operations.

The door manufacturing operations of Fletcher Wood Panels continue at a satisfactory level and increased market share was achieved during the 1979/80 year.

	1980 \$000	1979 \$000
Turnover	156 508	134 292
Tax paid earnings	5 688	4 868
Operating assets	56 896	44 187
Return on assets	10.0%	11.0%
No. of employees	959	916

*Fletcher Industries*, comprising five operating divisions, again overall achieved record sales and earnings despite the difficult trading conditions.

*Fletcher Brownbuilt's* result was once more a record for the division as sales, in real terms, increased over the previous year and increases in costs and funds used were held below the level of inflation.

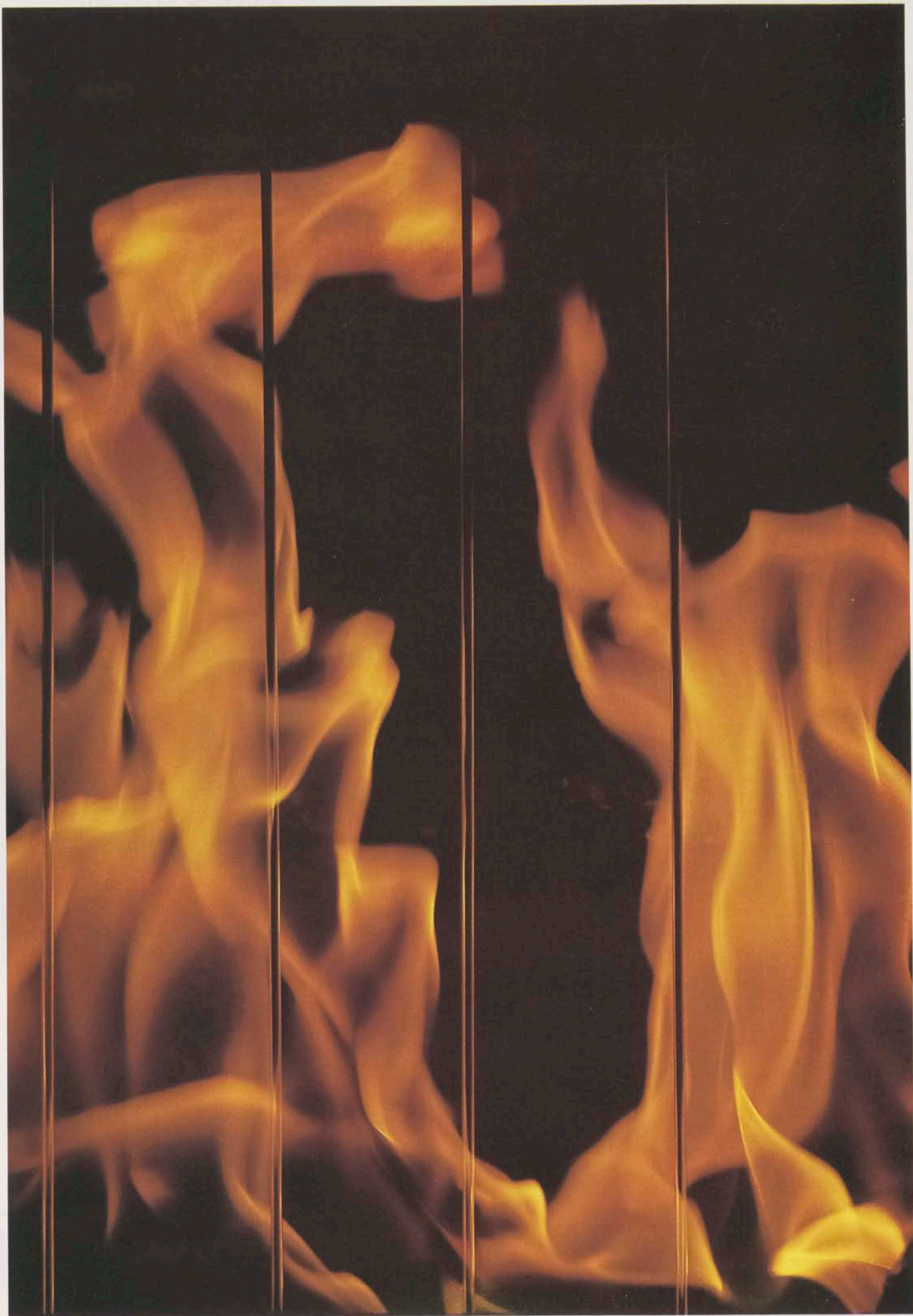
It continued to make gains in export sales of greenhouses and in addition work proceeded on development of new products, especially the wider-profiled Trimdek, which assisted sales efforts during the year.

*Corrugated Steel Products*, which includes *Fletcher Galvanising*, suffered from the severe downturn in civil engineering work. Sales fell below forecasts and, in spite of an improvement in production efficiency through the centralising of operations at new premises in Neilson Street, Onehunga, the division produced a poor result in contrast to the excellent results achieved in the previous year. With similar economic conditions forecast, additional products must be introduced to supplement production.

*Fletcher Duroid* gained market share in a depressed market, aided by the purchase of the building paper section of Union Kraft NZ Limited. Export sales increased and are now a significant percentage of the division's turnover.

*Hirepool* had a further poor year. The rapidly rising costs of replacement equipment, coupled with the difficulty in obtaining relative increases in hire revenue, have made it necessary to carry out some restructuring of activities.

*Opposite:* At the Otahuhu factory of New Zealand Wire Industries, flames rise as newly galvanised wire emerges from the company's recently installed AWI patented "gas wiping system" which increases galvanised wire capacity.



*Fletcher Steel* achieved a successful year of trading with its sales and earnings ahead of the previous year. Further progress was made in the development of steel service centres processing flat rolled products to customers' requirements.

The levels of activity in the building industry badly affected reinforcing fabrication which suffered from lack of volume and uneconomic prices in spite of continued attention to cost control and production efficiency.

Domestic demand for bright wire from *New Zealand Wire Industries* (87.5% owned), used by manufacturers of nails and reinforcing mesh, declined during the year. The market for galvanised wire however remained buoyant and this kept the wire mill fully extended all year. The growth in deer farming and horticultural activities such as kiwifruit, contributed to this demand.

The conversion of two of the galvanising lines to the Australian Wire Industries patented "gas wipe" process was successfully completed in January 1980 at a cost of around \$1 million and came on stream after commissioning and acceptance trials later in February.

This conversion has doubled the plant's galvanising capacity at a very low capital cost per tonne and eliminated the problem of dealing with surges in domestic demand which occurred late in 1979 as well as in previous years. Export sales will also benefit from the increased capacity.

To improve skill and knowledge of interested farmers and contractors in the use of galvanised wire and in fencing procedures, the company is actively supporting fencing schools in the farming districts, has prepared and

issued brochures on recommended procedures for farm fencing and has retained a skilled fencing contractor to visit farms to inspect and advise on any particular wire problem.

Development trials for the production of tight wiped wire used in wire manufacturing industries, is also progressing, and this new product should be available for the domestic and export market later in 1980.

*Pacific Steel* (28.3% owned) had a successful year to 30 September, 1979. The downturn in the domestic market persisted, particularly affecting the demand for merchant bars. However, further successes in the export field ensured that the mills continued to operate at high levels.

The continuous caster installed at a cost of \$2.4 million and commissioned in January 1979 operated very satisfactorily.

New export markets were developed in Egypt, Nigeria and Hong Kong. Furthermore, sales to the Pacific Islands, the People's Republic of China and the U.S.A. continued to show steady growth. Exports represented 25.5% of total tonnes sold compared with 21.9% in the previous year.

The \$2.6 million de-tinning plant development progressed steadily during the year with commissioning in May 1980. In late 1979, Government approval was granted for the installation of a car shredder, a project to cost \$3 million. Not only will these two developments continue to improve the competitiveness of *Pacific Steel*, but both projects will provide significant recycling benefits to the nation.

1980 1979  
\$000 \$000

Turnover	113 325	58 532
Tax paid earnings	2 942	1 064
Operating assets	55 537	34 401
Return on assets	5.3%	3.1%
No. of employees	1 822	983

The results of the Concrete and Aggregates business area for the year reflect the acquisition of the remaining shares in *Certified Concrete* (50%) and in *Stresscrete Industries* (55%). These two companies contributed to turnover and profit in the second half-year – *Certified* for six months and *Stresscrete* for four months. *Firth Industries*, acquired in January 1979, contributed for its first full year.

A new company, *Fletcher Concrete*, has been established as the vehicle for the integration of these operating units.



Above: A Certified Concrete ready-mix truck from the company's Wellington depot, driven by Dick Cooper, makes a delivery to a Wellington building site.

## Steel

*The Fletcher Industries Limited* – Steel Division (steel merchandising), Brownbuilt Division (manufacturing of roll-formed steel sections), C.S.P. Division (manufacturing of corrugated steel culverts and pipes) and Duroid Division (manufacturing of building papers and foils). *Fletcher Industries* also manages the rental activities of *Hire Pool Limited*.

## Associated Companies

*Pacific Steel Limited* – Auckland (28.3% owned).

*Patience & Nicholson (N.Z.) Limited* – Kaiapoi (25% owned).

## Wire

*New Zealand Wire Industries Limited* (87.5% owned) – wire mill; manufacturing of galvanised and bright wires for fencing and manufacturing industries.



The company's development in this field is aimed at achieving a position of strength nationally in the concrete industry. The addition of readymix concrete (Certified) and structural prestressed sections and wall cladding (Stresscrete) to the masonry products and readymix concrete of Firth Industries now give a wide product range from soundly-based operations. Organisationally, the business area has strong regional bases supported by corporate product development, marketing and administration. The well-known and successful trading

names, in their respective fields, Certified Concrete, Firth and Stresscrete will be retained and strongly promoted in their markets. The operations of the group have had a strong dependence on the construction industry. While it is planned to increase market share in this competitive field, considerable emphasis will be placed on the development of other profitable markets and products which will reduce that dependence.

The merging of *Fletcher Timber* and *Fletcher Merchants* has given better customer service and improved both productivity and market share in the building materials merchandising area.

The policy of expansion in building products merchandising in the North Island was furthered in November 1979 when the 40% minority shareholding in *Ellis & Burnand* was acquired. *Ellis & Burnand* is a long-established timber milling and building materials merchandising firm which operates from 10 outlets throughout the Waikato and in which Fletcher had a more than 50% shareholding since 1961.

In February 1980 another merchant, *Felvins* was acquired. With five branches in the Manawatu, Horowhenua and Wellington regions, *Felvins'* hardware skills will strengthen other Fletcher Timber operations just as its own centres will benefit by the addition of timber to the range of products.

In March at Riccarton (Christchurch) after several months of additions and alterations, Fletcher Timber opened New Zealand's largest and most complete trade and handyman centre, while in Auckland, the Penrose Lumbermart is being substantially modified to similar ends. Upgrading of smaller branches has also occurred.

*Above:* A customer makes his choice from the wide range of hardware and building products at the 3872 square metre retail and trade premises of *Ellis & Burnand*, Bryce Street, Hamilton.

#### Concrete and Aggregates

*Fletcher Concrete Limited* – co-ordination of the manufacture and marketing of concrete products.

*Firth Industries* – concrete masonry manufacturing and supply.

*Certified Concrete* – aggregates and readymix concrete.

*Stresscrete Industries* – precast and prestressed concrete

#### Building Materials Merchandising

*Fletcher Timber Limited* – Auckland region

*Fletcher Merchants Limited* – South Island

*Ellis & Burnand Limited* – Hamilton, Waikato and Bay of Plenty.

*Felvins Limited* – Wellington, Manawatu and Taranaki.

## Pulp and Paper

	1980	1979
	\$000	\$000
Turnover	89 852	—
Tax paid earnings	12 295	3 412
Operating assets	105 411	36 862
Return on assets	11.7%	9.3%
No. of employees	2 836	—

In November 1979 Fletcher increased its equity in *Tasman Pulp and Paper Company* (now 56.5% owned) mainly through the acquisition of the New Zealand Government's holding of ordinary shares. Fletcher is the only major original shareholder now remaining in Tasman. An employee share purchase scheme was introduced during the year and as a result, nearly half of all Tasman employees hold shares in Tasman.

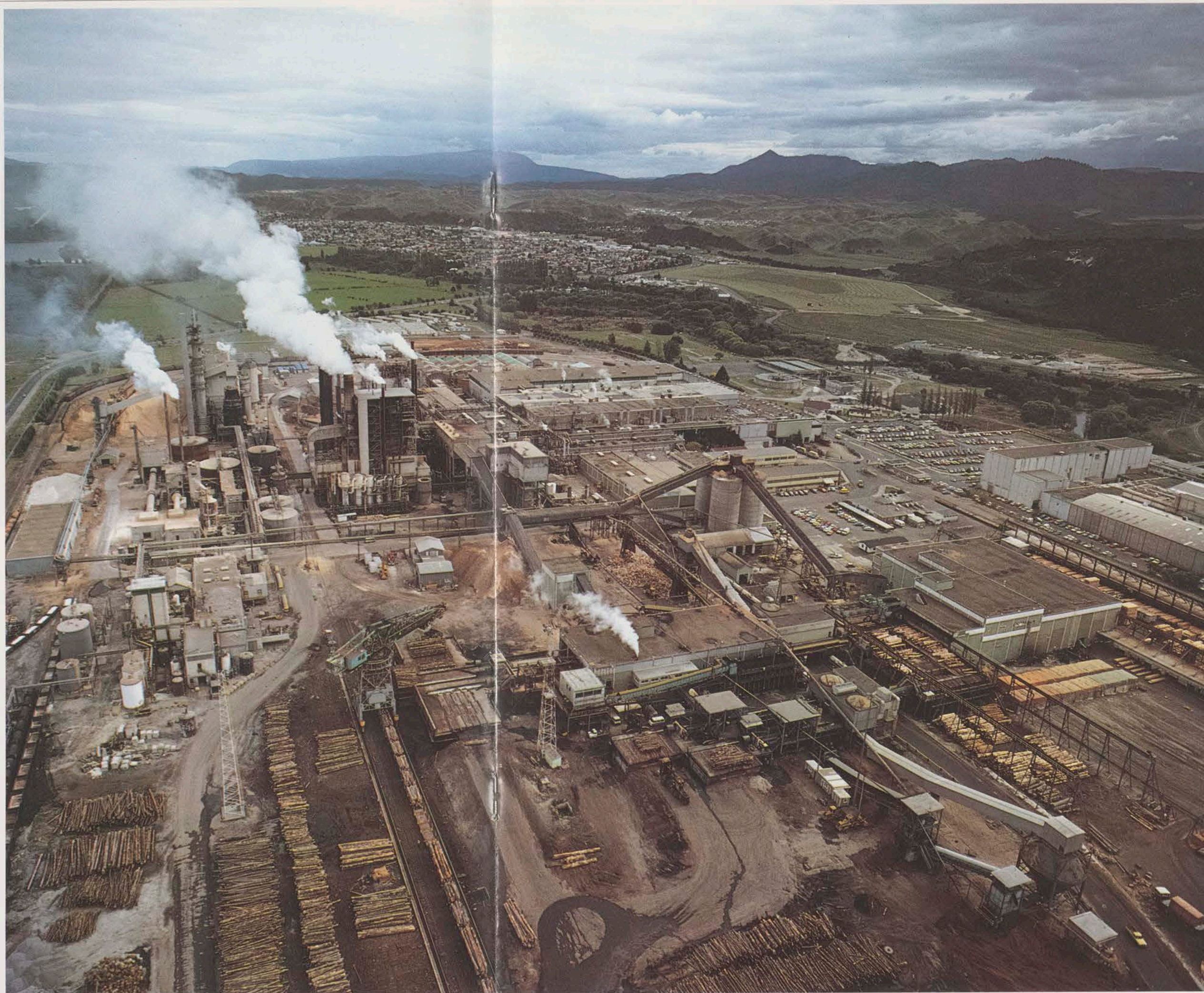
Although production was restricted in April 1979 through strike action, the remainder of the year was substantially free of industrial stoppages. The wage relativities issue has achieved an interim solution and there is a generally constructive view on industrial relations matters being taken by all parties.

There were further production gains throughout the year, resulting from better operating performance and a range of technical improvements. At the same time product quality was maintained.

An increase in the use of geothermal steam and other energy-conserving measures introduced in the mills resulted in a reduction of 20% in the consumption of fuel oil for steam generation. The availability of natural gas on the Kawerau site, expected by mid 1982, will further decrease fuel oil usage.

Once again all Tasman pulp and paper production was fully sold — a feature of Tasman performance since the first production 26 years ago. Demand for the company's newsprint, kraft pulp and sawnwood products was strong throughout the year enabling prices to be increased to record levels.

*Right:* An aerial photograph of Tasman Pulp and Paper's 93 hectare wood utilisation complex at Kawerau. Tasman sells 70 per cent of its production overseas and, in the year to March 1980, achieved \$140 million in export sales turnover.



## Other Activities

	1980 \$000	1979 \$000
Turnover	12 816	10 630
Tax paid earnings	2 323	1 444-
Operating assets	49 221	54 856
Return on assets	4.7%	2.6%
No. of employees	340	135

### Fishing

A joint venture agreement was signed with V/O Sovrybflot (the Russian fishing agency) in October 1979 and the first chartered vessels began fishing in late January. Although this was late in the squid season, fishing results of *Fletcher Sovrybflot* (51% owned) have been satisfactory and contracts have been negotiated in Japan, Spain and Singapore. Plans are being finalised for a large cold store in Dunedin for storage and subsequently processing of the fish for overseas markets.

### Agriculture

*Fletcher Agriculture's* oilseeds operation again traded inadequately, and the new season's harvest of linseed and oilseed rape is substantially down through competition from alternative land uses and uncertainty over diesel supplies.

*Fletcher Lucerne* in contrast operated satisfactorily. Suncured lucerne has been substituted for product previously dried by oil-fired units with the total output continuing to be sold to Japan.

### Investments

Prior to 31 March, 1980 the Company acquired 23.6% of *Carter Holt Holdings Limited*. This company has substantial interests in sawmilling, building materials merchandising, forestry, pulp manufacture and fishing. On 31 March, the Company proposed a merger of the two companies, which we see as being in the interests of the stakeholders of both companies.

Having regard to the downturn in tourist numbers for the year, the Group's hotel investments produced reasonable results. Through a management-only contract, *Travelodge* (25% owned) will be adding the Auckland Airport Travelodge to its chain when it is completed. *Vacation Hotels* (42% owned) is renewing Brents in Rotorua and extending the Logan Park operation in Auckland.

In conformity with our policy of divesting activities outside mainstream business areas, during the year the wholly-owned Kelly Automotive Products and minority interests in Wewak Timber Company of Papua New Guinea and Haywrights were sold.

### Export

The total exports of subsidiaries and associated companies exceeded \$202 million, of which our equity share was \$147 million.

Exports of the wholly-owned Group and the managed subsidiary New Zealand Wire Industries increased from \$20.5 million to \$38 million, an 85% increase for the year. All subsidiaries achieved major gains with four business areas exporting more than the total Fletcher Group's exports of four years back. Japan continued to be the major export market taking 20% of sales.

Exports and overseas' earnings now represent 22.2% of sales which more than hedge any exposure on borrowings in foreign currencies.

In addition to our subsidiaries exports, worthwhile performances were achieved by our associates, Pacific Steel, New Zealand Light Leathers and Nylex Fletcher.

### General

Corporate services continued to provide specialist guidance to business areas in such matters as public affairs, employee relations and development, risk management and safety, accounting, finance, taxation and data processing including communications networking.

The Executive Directors' Department had a very full year in reviewing strategic options for the Group and considerable involvement on a project basis in assessing new ventures such as fishing, alumina smelting (together with downstream processing of aluminium) and other energy projects including utilisation of Maui gas.

### Appreciation

To all the stakeholders in the Fletcher Group, our employees, suppliers and customers, shareholders and debentureholders, and the public, my fellow Directors and I express our warm appreciation for your support. We continue to be appreciative too of the understanding shown by representatives of these stakeholders such as Government, the media, trade unions, the professions and industry associations with whom we seek to maintain effective relations.

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*Fletcher Sovrybflot Fishing Limited* (51% owned) – fishing and fish processing.

#### Associated Companies

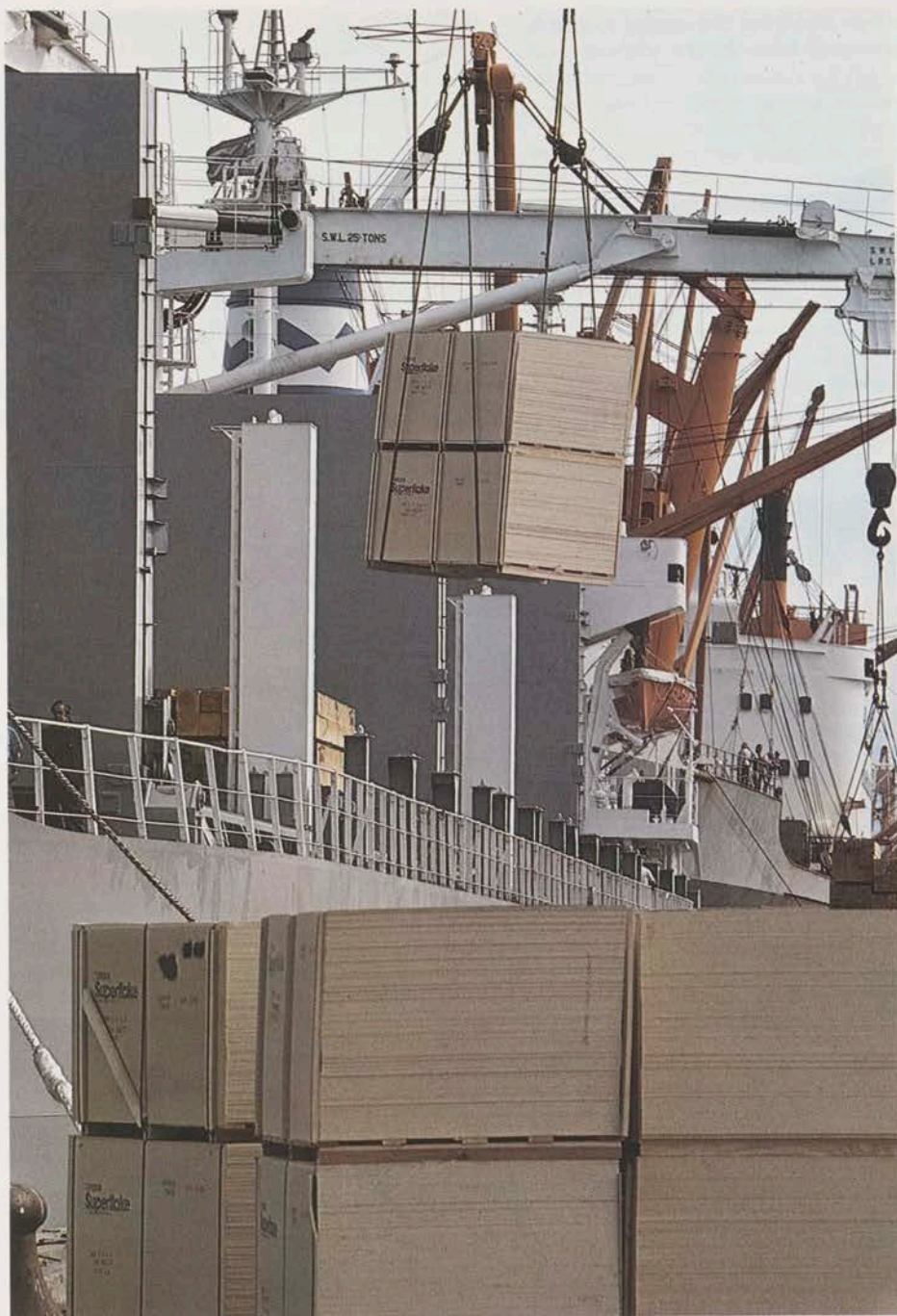
*CAC Industries Limited* – Auckland (30% owned).

*Lusteroid Holdings (New Zealand) Limited* – Auckland (29.6% owned).

*Marac Holdings Limited* – Auckland (30% owned).

*New Zealand Light Leathers Limited* – Timaru (25% owned).

*Nylex Fletcher Limited* – Auckland (50% owned).



Above: Packs of Superflake particle board manufactured by Fletcher Wood Panels at Taupo are loaded at the Port of Tauranga for shipment to Japan.

## Conclusion

1980/81 has also begun well.

This is despite a worsening in domestic activity which, with a growing likelihood that the United States' recession will decrease export prices, make further efforts on our part to restructure essential.

We are all assailed by the word 'restructuring'. Within Fletcher it means coming to terms with not only the requirement that we are competitive internationally and not just domestically, but also the fact that our domestic markets are contracting.

To survive we must become stronger. To do this, we must first attract, motivate and retain capable people and secondly increase our financial resources.

We aim to do the former by providing a more exciting work environment starting with a greater commitment to decentralisation and two-way communication.

We aim to do the latter by improving earnings and dividends per share and by judicious expansion balanced between internal growth in existing business areas, acquisitions and 'greenfield' developments.

During 1980/81 we are hopeful we will successfully progress to a final commitment some of our major development proposals.

H. A. FLETCHER  
Managing Director  
15 July, 1980

### Associated Companies

- Revertex Industries (N.Z.) Limited - Auckland (20% owned).
- Solanum Extraction Industries Limited - Waitara (40% owned).
- Travelodge (N.Z.) Limited - Auckland (25% owned).
- Vacation Hotels Limited - Auckland (42% owned).

## Group Activities

We show in summary form the share of the Group's resources committed to major sectors of our total business and the turnover generated from the use of those resources.

	Operating Assets		Employees		Turnover	
	1980 \$000	1979 \$000	1980	1979	1980 \$000	1979 \$000
<b>Development and Contracting</b>						
Commercial Construction/Development	10 586	4 290	1 486	1 394	105 191	80 098
Residential Construction	18 184	23 701	218	192	28 414	25 997
Civil Engineering/Roading	7 953	6 069	303	296	19 836	11 836
Mechanical Services	6 156	4 721	602	356	20 087	12 720
Property Management and Ownership	12 898	7 694	67	70	7 526	6 461
	<u>55 777</u>	<u>46 475</u>	<u>2 676</u>	<u>2 308</u>	<u>181 054</u>	<u>137 112</u>
<b>Steel</b>						
Merchandising	31 112	22 760	453	458	88 514	75 319
Wire	10 024	7 425	297	249	44 473	39 935
Other Manufacturing	17 020	14 002	209	209	23 521	19 038
	<u>58 156</u>	<u>44 187</u>	<u>959</u>	<u>916</u>	<u>156 508</u>	<u>134 292</u>
<b>Pulp and Paper</b>	187 525	36 862	2 836	—	89 852	—
<b>Wood</b>						
Forestry	50 674	34 622	133	147	20 170	12 856
Sawmilling	38 001	19 365	1 388	873	17 053	19 601
Panel Products	15 264	13 841	619	557	30 695	25 016
	<u>103 939</u>	<u>67 828</u>	<u>2 140</u>	<u>1 577</u>	<u>67 918</u>	<u>57 473</u>
<b>Merchandising</b>						
Building Materials	31 615	13 555	882	495	83 918	53 313
Concrete Products	23 922	20 846	940	488	29 407	5 219
	<u>55 537</u>	<u>34 401</u>	<u>1 822</u>	<u>983</u>	<u>113 325</u>	<u>58 532</u>
<b>Other Activities</b>	49 221	54 856	340	135	12 816	10 630
<b>Total Activities</b>	<u>510 155</u>	<u>284 609</u>	<u>10 773</u>	<u>5 919</u>	<u>620 473</u>	<u>398 039</u>

Operating Assets are defined as total tangible assets less trade creditors.  
Comparative figures for 1979 have been restated to include Concrete products (previously shown separately) and timber and builders hardware merchandising (previously included with Wood Products) under Merchandising as a major category.

# Statement of Accounting Policies

**Accounting Entity** The accounting reports are those of the legal entities, Fletcher Holdings Limited and subsidiaries including their equity share of the earnings of associated companies.

The significant accounting policies which Fletcher Holdings Limited considers appropriate for the measurement and reporting of its result and financial position are:

**General Accounting Principles** The general principles of historical cost accounting have been observed in the preparation of these accounts except for fixed assets and investments as noted below.

**Principles of Consolidation** Fair values are assigned to assets of subsidiaries acquired. Goodwill or surplus arising on consolidation is written off in the year of acquisition to Capital Reserves.

**Turnover** Turnover includes sales within the Fletcher Group arising from normal commercial transactions between independently managed investment centres as well as sales to external entities. Unrealised earnings arising from transactions within the Fletcher Group are eliminated.

**Depreciation of Fixed Assets** Freehold land is not depreciated.

The value of Fixed Assets comprising Leasehold improvements, Buildings, Plant and Equipment (including any revaluations) is written off in equal instalments over their estimated useful lives which are assessed and regularly reviewed.

The useful lives attributed to major asset groups are:

Buildings	40 to 50 years
Plant and Equipment	10 to 15 years
Motor Vehicles	5 years

Where it is considered that past depreciation on Plant and Equipment has been inadequate due to technological or market conditions an additional depreciation charge is made so as to write down the value of those assets to their current value to the business.

Forest Assets are depleted either in the proportion that the volume cut bears to the total estimated volume of the forest or the value that the timber cut out bears to the capitalised value of the standing timber at the time of felling.

**Taxation** Taxation is calculated on the Group assessment basis for members of

the various tax groups and on an individual company basis for the other companies comprising the balance of the Group. The taxation charge against earnings for the year is the estimated total liability in respect of those earnings after allowance for permanent differences. The provision for current taxation is the estimated amount due for payment within twelve months while the provision for deferred taxation represents the liability for taxation that has been deferred because of timing differences. The provision for deferred taxation is calculated using the liability method in respect of all timing differences other than for forestry development expenditure.

The future tax benefit of past losses is not recognised unless recovery is certain and expected to be made within two years. Non-resident withholding tax is not provided on the earnings of foreign subsidiaries except where it is planned to repatriate those earnings.

**Foreign Currencies** Transactions in foreign currencies have been converted into New Zealand currency at the rates of exchange ruling at balance date, except where forward exchange contracts are held transactions are recorded at those contract rates. Unrealised exchange losses or gains on long-term investments and inter company balances are carried forward in the Exchange Equalisation Reserve.

Losses or gains arising from term liabilities are amortised over the remaining period of the loan, the balance being carried forward in the Foreign Currency Exchange Losses/Gains Account.

**Valuation of Assets** Land and Buildings (excluding properties held by the Group for resale and special purpose buildings) are stated at cost or market value (as determined by Registered Valuers) or at Directors' Valuation where it is anticipated that properties may not realise the assigned market values. The resultant net gain on revaluation is credited to Property Revaluation Reserve (Capital Reserve). Special purpose buildings such as mill buildings are valued at Directors' Valuation which recognises either the replacement value of assets where the activity is a profitable going concern, or otherwise to net realisable value.

Plant and Equipment is valued at cost less accumulated depreciation.

Forest Assets (which exclude land) of the wholly-owned companies in the Group are shown at cost which includes interest and other overhead charges of the forest growing division. Forest Assets of a major partly owned subsidiary are shown at the cost of forestry development expenditure of the first crop.

Mining development expenditure is written off in the year in which it is incurred.

Investments – Continuing investments are valued on the following basis:

- investments in associated companies are valued at net asset value.
- listed investments (excluding associated companies) are valued at quoted market value.
- other investments are valued at cost.

– Investments not classified as continuing investments are valued at Directors' Valuation.

Stocks, including raw materials and work in progress, are valued at the lower of cost or net realisable value. Cost includes an appropriate share of manufacturing wages and overheads. Net realisable value is after a normal margin of trading profit. Land held for trading resale is valued at the lower of cost plus development expenses or net realisable value. Holding charges are written off as incurred.

Contracts – Long term engineering and construction contracts are valued on a percentage of completion method. No profit is recognised until the contract is in excess of 20% complete. Sub-contracts are valued on the basis of outstanding contract costs plus percentage assessed profit margin reduced by progress claims received. Provision is made for estimated future losses on the entire contract at the date it is first estimated that a loss may be incurred. Claims for additional contract compensation are not recognised in the accounts until claims are certain of collection.

Debtors are less provisions for bad debts and discounts.

**Joint Ventures** Included in the assets and earnings are the equity interests in joint venture projects.

**Associated Companies** The Group's equity in the earnings of associated companies is as disclosed by the latest available audited accounts adjusted where necessary to comply with these accounting policies.

**Minority Shareholders' Interests** Minority Shareholders' interests in subsidiaries are valued on the basis of net tangible asset value, determined in accordance with these accounting policies.

**Leasing Commitments** Leasing commitments undertaken by the Group are charged against operating earnings over the appropriate periods. No account is taken of the net worth of leases obtained for trading purposes.

# Earnings Statement

Fletcher Holdings Limited and Subsidiary  
Companies for the year ended 31 March 1980

	Notes	1980 \$000	1979 \$000
<b>Turnover</b>	2	<u>620 473</u>	<u>398 039</u>
<b>Earnings</b>			
Operating before taxation	3	44 998	21 277
taxation	9	<u>2 616</u>	<u>6 403</u>
<b>Operating Earnings after Taxation</b>		<b>42 382</b>	<b>14 874</b>
Investment before taxation	4	6 381	4 500
taxation	9	<u>940</u>	<u>980</u>
		5 441	3 520
Equity in retained earnings of associated companies	5	<u>3 363</u>	<u>5 912</u>
<b>Investment Earnings after taxation</b>		<b>8 804</b>	<b>9 432</b>
Extraordinary before taxation		267	2 272
taxation offset	9	<u>3 107</u>	<u>2 600</u>
<b>Extraordinary Earnings after taxation offset</b>	6	<b>2 840</b>	<b>328</b>
<b>Earnings before Financing Costs</b>		<b>54 026</b>	<b>24 634</b>
Less Financing Costs			
interest payable	7	18 677	11 976
foreign currency exchange losses	8	1 232	465
share and debenture registry and issue expenses		<u>306</u>	<u>545</u>
		20 215	12 986
taxation offset	9	<u>8 942</u>	<u>5 789</u>
<b>Financing Costs after taxation</b>		<b>11 273</b>	<b>7 197</b>
<b>Earnings after Financing Costs</b>		<b>42 753</b>	<b>17 437</b>
Minority Interests in Earnings of subsidiary companies		<u>9 752</u>	<u>707</u>
<b>Consolidated Net Earnings</b>		<b>33 001</b>	<b>16 730</b>
Dividends and Distributions	10	9 069	6 558
Earnings Retained			
Consolidated Group			
wholly owned subsidiaries		11 775	3 388
partly owned subsidiaries		<u>8 794</u>	<u>872</u>
		20 569	4 260
Associated Companies		<u>3 363</u>	<u>5 912</u>
		23 932	10 172
		<u>33 001</u>	<u>16 730</u>

# Balance Sheets

Fletcher Holdings Limited and Subsidiary  
Companies as at 31 March 1980

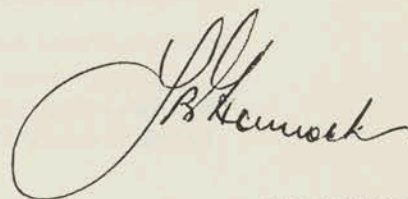
Fletcher Holdings Limited			Note	Consolidated	
1979	1980			1980	1979
\$000	\$000			\$000	\$000
50 000	75 000	Authorised Capital	11	75 000	50 000
<b>FUNDS EMPLOYED</b>					
Shareholders' Funds					
36 546	44 940	Issued and Paid-up Capital	11	44 940	36 546
117 655	173 815	Reserves	12	173 815	117 655
Funds Attributable to Shareholders of					
Fletcher Holdings Limited					
154 201	218 755	Minority Interests in Subsidiaries	13	218 755	154 201
Total Equity Interests in the Group					
154 201	218 755	Deferred Taxation Provision	14	1 069	3 231
100 081	104 757	Term Liabilities	15	174 456	107 910
Current Liabilities -					
5 981	6 809	Creditors	16	119 842	55 218
3 520	17 100	Short Term Loans	17	18 748	3 910
8 625	15 142	Bank Overdrafts	18	31 646	15 796
3 969	5 311	Provision for Dividends and Distributions	19	6 709	4 084
23	—	Provision for Taxation	14	153	835
22 118	44 362	Total Current Liabilities		177 098	79 843
276 400	367 874			642 127	351 847
<b>EMPLOYMENT OF FUNDS</b>					
2 051	1 991	Fixed Assets	20	318 922	105 319
208 626	332 425	Net Investment in Subsidiaries	21		
		Net Inter-company Balances	22	44	20
58 065	21 365	Investments	23	89 096	107 759
1 462	3 111	Future Tax Benefit	14	1 913	168
87	973	Foreign Currency Exchange Losses/Gains Account		1 042	234
Current Assets -					
2 044	2 056	Stocks	24	110 997	74 702
		Contracts		31 936	17 022
3 971	5 804	Debtors	25	86 021	45 096
94	149	Cash and Bank Balances		2 244	1 567
6 109	8 009	Total Current Assets		231 198	138 387
276 400	367 874			642 127	351 847

The notes on pages 26 to 34 form part of and are to be read in conjunction with these accounts.  
Tasman Pulp and Paper Company Limited became a subsidiary on 1 November 1979 and the accounts reflect this.

On behalf of the Board



J. C. FLETCHER, Director



J. B. HORROCKS, Director



	Consolidated	
	1980	1979
	\$000	\$000
<b>4. INVESTMENT EARNINGS</b>		
Interest on Government Stock	47	10
Income from Companies		
Dividends	3 802	2 764
Interest	1 484	512
Management Fees	351	752
	<u>5 637</u>	<u>4 028</u>
Income from Joint Ventures	131	141
Income from Other Investments	566	321
	<u>6 381</u>	<u>4 500</u>
<b>5. EQUITY EARNINGS</b>		
On the basis of the latest available audited accounts, the Group's share of the turnover and earnings of associated companies is:		
Turnover	159 221	136 164
Operating Earnings	7 270	7 220
Investment Earnings	808	178
Extraordinary Earnings	1 373	1 437
Earnings before Taxation	6 705	8 835
Taxation	252	682
Earnings after Taxation	6 453	8 153
Preference Dividends	51	27
Group Share of Earnings	6 402	8 126
Dividends received by the Group	3 039	2 214
Group Share of Retained Earnings	3 363	5 912
In addition the following earnings (stated on a net of tax basis) received from associated companies are included in the Earnings Statement of the Group		
Dividends	3 039	2 214
Interest and Fees	728	522
Total Earnings from Associated Companies	<u>7 130</u>	<u>8 648</u>
<b>6. EXTRAORDINARY EARNINGS</b>		
Net surplus on disposal of fixed assets (excluding depreciation recovered included in Operating Earnings)	1 868	2 721
Net surplus on disposal of investments	5 430	1 342
Provision for losses on closure of operations –		
exceptional depreciation \$1 509 000 pre tax (1979 \$3 629 000)	830	2 138
other closure costs	540	
Provision for losses on disposal of investments	1 108	
Write down of land stocks	1 940	1 620
Other	40	23
	<u>2 840</u>	<u>328</u>
<b>7. INTEREST PAYABLE</b>		
Debentures and Term Liabilities	12 398	9 204
Bank Overdraft and Term Loans	4 842	1 682
Short Term Loans	1 437	1 090
	<u>18 677</u>	<u>11 976</u>
<b>8. FOREIGN CURRENCY EXCHANGE LOSSES</b>		
Losses on Term Liabilities	1 480	429
Losses/Gains (–) on Short Term Loans	248	36
	<u>1 232</u>	<u>465</u>

The amortisation of unrealised losses for the current year assumes a further weakening of the New Zealand dollar. The additional write off for the current year is \$610 000, however this is offset by the reversal of the \$1 356 000 additional write off made at 31 March 1979.

**9. TAXATION EXPENSE**

Adjustments were made to accounting income to recognise non-taxable income, government incentives, and other adjustments required under the Income Tax Act, 1976. This resulted in a loss for income tax purposes –

	Consolidated	
	1980	1979
	\$000	\$000
<b>9. TAXATION EXPENSE</b> <i>continued</i>		
Consolidated earnings before taxation equity earnings and minorities	30 897	10 519
Non taxable income –		
Dividends	3 802	2 764
Gains on disposal of investments	5 947	1 399
Gains on disposal of fixed assets	2 489	3 650
Earnings of subsidiaries not subject to taxation due mainly to past tax losses	13 682	477–
Other items	<u>1 850</u>	<u>2 130–</u>
	27 770	5 206
Non-deductible expenses –		
Losses on investments	1 489	57
Depreciation	975	1 098
Foreign currency exchange losses	346	120
Legal expenses	<u>166</u>	<u>103</u>
	2 976	1 378
To give taxable income before government incentives	6 103	6 691
Incentive tax deductions –		
Export	18 440	3 108
Forestry	5 872	5 207
Other	<u>197</u>	<u>269</u>
	24 509	8 584
Loss for income tax purposes	<u>18 406</u>	<u>1 893</u>
Taxation benefit on this loss	8 283	852
Add adjustment in respect of previous year	<u>210</u>	<u>154</u>
Total Taxation Expense	<u>8 493–</u>	<u>1 006–</u>
Provided on – Operating Earnings	2 616	6 403
– Investment Earnings	940	980
– Extraordinary Earnings	3 107–	2 600–
– Financing Costs	<u>8 942–</u>	<u>5 789–</u>
	<u>8 493–</u>	<u>1 006–</u>
<b>10. DIVIDENDS AND DISTRIBUTIONS</b>		
Ordinary Shares		
Interim Dividends	3 665	2 589
Appropriation for final Dividends	<u>4 478</u>	<u>3 969</u>
	8 143	6 558
Specified Preference Shares		
Interim Dividends	851	
Final Dividends	<u>833</u>	
	1 684	
Less taxation offset	<u>758</u>	
	926	
Total Dividends	<u>9 069</u>	<u>6 558</u>
Ordinary Dividends comprise:		
Dividends from Retained Earnings		
Interim – taxable	846	708
– non taxable	997	
Final – taxable		861
– non taxable	4 478	3 108
Distribution from Premium on Shares Reserve		
Interim – non taxable	<u>1 822</u>	<u>1 881</u>
	<u>8 143</u>	<u>6 558</u>

Dividends on Specified Preference Shares are paid from current earnings and are taxable in the hands of shareholders.

Appropriation for final dividends on Ordinary shares is provisionally made from Retained Earnings (non taxable). Subsequent reallocation will be made to record the post balance date election of Shareholders to receive their dividends from Revenue Reserves (taxable).

Last year's figures have been restated to show the election by shareholders for allocation of final dividend from Revenue Reserves in lieu of distribution from Premium on Shares Reserve.

The total dividends paid to minority interests in subsidiary companies including interim dividends already paid are

1 481

210

# Notes to the Accounts *continued*

Fletcher Holdings Limited		Consolidated	
1979	1980	1980	1979
\$000	\$000	\$000	\$000
<b>11. CAPITAL</b>			
Authorised Capital			
75 000 000 shares of \$1 each classified as –			
33 246	33 590	33 590	33 246
3 300	11 350	11 350	3 300
13 454	30 060	30 060	13 454
<u>50 000</u>	<u>75 000</u>	<u>75 000</u>	<u>50 000</u>
Issued and Paid Up Capital			
33 246	33 590	33 590	33 246
3 300	11 350	11 350	3 300
<u>36 546</u>	<u>44 940</u>	<u>44 940</u>	<u>36 546</u>
<p>Movements in issued and paid up capital during the year were –</p> <p>11 350 000 Specified Preference Shares of \$1 each were allotted following the pro rata offer to Ordinary Shareholders</p> <p>1 018 Ordinary Shares of \$1 each were issued as part consideration for the final acquisition of the shares in Firth Industries Limited.</p> <p>342 290 Ordinary Shares of \$1 each were issued as part consideration for the purchase of shares in Felvins Limited.</p>			
<b>12. RESERVES</b>			
<b>Revenue Reserves</b>			
8 452	10 647	43 797	35 129
31 March 1979			
4 831	2 191	405	
4 688	22 000	33 001	16 730
Earnings for year ended 31 March 1980			
Dividends from subsidiaries			
Transfer from –			
	892	11 660	
Retained Earnings in Associated Companies			
		175	
Capital General Reserve			
3 941			3 941
141			459
<u>22 053</u>	<u>33 946</u>	<u>88 228</u>	<u>56 259</u>
Exchange Equalisation Reserve			
Investment Revaluation Reserve			
Transfer to –			
4 770	2 298	3 363	5 912
78			8
Retained Earnings Associated Companies			
Capital General Reserve			
Withdrawn on disposal of subsidiaries			
6 558	9 069	9 069	6 558
<u>10 647</u>	<u>22 579</u>	<u>75 639</u>	<u>43 797</u>
Dividends and Distributions to shareholders (b)			
31 March 1980			
(a) Prior period adjustment comprises –			
Adjustment for subsidiary acquired during year			
2 884	6 279	6 279	2 884
2 937	1 822	1 822	2 937
3 969	4 478	4 478	3 969
	459	459	
<u>9 790</u>	<u>13 038</u>	<u>13 038</u>	<u>9 790</u>
Dividends and Distributions to shareholders comprise –			
Dividends from Retained Earnings			
Distributions from Premium on Shares Reserve			
Provision for 1980 final dividend/distribution from Retained Earnings			
Provision for 1980 final Specified Preference Dividend net of tax			
Less Provision for 1979 final dividend distribution from Retained Earnings			
3 232	3 969	3 969	3 232
<u>6 558</u>	<u>9 069</u>	<u>9 069</u>	<u>6 558</u>

### Revenue Reserves free of taxation

The Inland Revenue Department has confirmed that Revenue Reserves totalling \$20 911 000 are available for distribution to shareholders free of taxation.

### Distributions from Premium on Shares Reserve.

An amount of \$3 601 000 is available for distribution to shareholders free of taxation provided that Revenue Reserves are available to match the amount so distributed.

Amounts stated are prior to payment of final 1980 dividend/distribution.



Notes to the Accounts *continued*

Fletcher Holdings Limited		Consolidated	
1979	1980	1980	1979
\$000	\$000	\$000	\$000
		<b>15. TERM LIABILITIES</b>	
		<b>Secured –</b>	
In Fletcher Holdings Limited Debenture Stock secured over various assets of the Company and its "Charging Subsidiaries" pursuant to a Trust Deed dated 19 October 1971.			
60 296	58 544	58 544	60 296
First Ranking Debenture Stock arising from public issues and private placements including Secured Bearer Notes.			
35 075	35 428	35 428	35 075
First Ranking Debenture Stock issued as security stock in respect of overseas loans of US\$28 000 000 and SF10 136 700 (1979 US\$30 800 000 and SF10 136 700)			
6 100	10 200	13 283	6 100
101 471	104 172	107 255	101 471
First Ranking Bank Stock issued as security for Bank Term Loans of Fletcher Holdings Limited and its charging subsidiaries			
1 450	650	650	1 450
Total First Ranking Stock			
100 021	103 522	106 605	100 021
First Ranking Debenture Stock held by subsidiary with minority interests			
In Subsidiary Companies amounts secured over various assets in priority to the Debenture Stock of the Company.			
		4 267	1 790
		43 921	4 191
		15 025	1 761
60	45	1 082	
100 081	103 567	170 900	107 763
Mortgages			
Debentures			
Bank Term Loans			
Other Secured Liabilities			
Total Secured Term Liabilities			
		<b>Unsecured –</b>	
		3 556	147
100 081	104 757	174 456	107 910
		<b>Total Term Liabilities</b>	
<b>Stock Redemption Fund</b>			
Fletcher Holdings Limited and Charging Subsidiaries have established a Stock Redemption Fund to secure the repayment of Debenture Stock of Fletcher Holdings Limited.			
The Fund comprises –			
10 843	8 622	8 622	10 843
795	597	597	795
20 850	6 982	6 982	20 850
		Endowment Policies	
		Mortgages	
		Shares in Associated Companies	
32 488	41 532	16 201	32 488
		Shares in Subsidiary Companies not charged under Debenture Trust Deed	
These are included under Investments and Shares in Subsidiaries (Note 23)			
In addition to the above First Ranking Debenture Stock there has been issued to Bankers, in terms of the Trust Deed, First and Second Ranking Bank Stock, as security for "all obligations" actual and potential, including bank term loans, overdrafts, letters of credit, surrendered bills of lading, bonds and other contingent liabilities –			
25 653	36 698	36 698	25 653
12 304	10 704	10 704	12 304
37 957	47 402	47 402	37 957
		First Ranking Bank Stock (ranking pari passu with other First Ranking Debenture Stock)	
		Second Ranking Bank Stock	
<b>Summary of Repayment Terms</b>			
Term Liabilities due for repayment within –			
23 046	27 108	38 228	24 278
14 456	13 737	21 920	15 853
12 964	14 658	23 007	13 887
9 384	16 090	23 828	10 557
19 994	7 183	10 739	20 684
20 237	25 981	56 734	22 651
100 081	104 757	174 456	107 910
		One year	
		Two years	
		Three years	
		Four years	
		Five years	
		After five years	
<b>Average interest rates on –</b>			
Term Liabilities due for repayment within –			
%	%	%	%
	12.9	11.9	
	11.7	9.7	
	8.6	9.1	
	12.8	11.8	
	11.6	13.5	
	12.9	10.0	
11.2	11.9	10.6	11 2
Average rate of interest applying at 31 March 1980.			



# Notes to the Accounts *continued*

Fletcher Holdings Limited		Consolidated	
1979	1980	1980	1979
\$000	\$000	\$000	\$000
		<b>21. NET INVESTMENT IN SUBSIDIARIES</b>	
		Investments in and Amounts Owing by Subsidiaries	
96 933	209 051		
129 965	126 200		
1 768	1 752		
<u>228 666</u>	<u>337 003</u>		
		Less Amounts Owing to Subsidiaries	
1 450	650		
18 450	3 900		
140	28		
<u>208 626</u>	<u>332 425</u>		
		<b>22. NET INTER COMPANY BALANCES</b>	
		Being inter company transactions since the earlier balance date of subsidiary companies	
		<u>44</u>	<u>20</u>
		The financial year of subsidiary companies Forest Investments Limited and Fletcher Sovrybflot Fishing Limited do not coincide with that of Fletcher Holdings Limited. It is more appropriate for these companies' financial years to end on 31 January and 31 October respectively.	
		<b>23. INVESTMENTS</b>	
46 305	9 562	43 827	82 711
		<u>30 527</u>	<u>11 682</u>
46 305	9 562	74 354	94 393
122	351	413	123
<u>11 638</u>	<u>11 452</u>	952	831
<u>58 065</u>	<u>21 365</u>	<u>13 377</u>	<u>12 412</u>
		<u>89 096</u>	<u>107 759</u>
		Shares in listed Associated Companies –	
43 748	8 927	16 882	30 908
<u>35 156</u>	<u>8 717</u>	<u>13 836</u>	<u>23 565</u>
		Investments include amounts pledged to the Stock Redemption Fund established to secure the repayment of Debenture Stock issued by Fletcher Holdings Limited as detailed in Note 15	
<u>32 488</u>	<u>41 532</u>	<u>16 201</u>	<u>32 488</u>
		<b>24. STOCKS</b>	
669	975	33 896	33 987
1 198	913	58 871	36 910
177	168	18 230	3 805
<u>2 044</u>	<u>2 056</u>	<u>110 997</u>	<u>74 702</u>
		<b>25. DEBTORS</b>	
482	202	1 809	2 190
2 279	1 311	67 285	40 848
1 104	4 081	4 081	1 104
106	210	12 846	954
<u>3 971</u>	<u>5 804</u>	<u>86 021</u>	<u>45 096</u>
		<b>26. CAPITAL EXPENDITURE COMMITMENTS</b>	
259	427	20 431	2638
	<u>208</u>	<u>11 156</u>	<u>1 370</u>
		<b>27. CONTINGENT LIABILITIES</b>	
21 713	13 414	29 915	38 815
6 485	5 808	7 980	6 485
		875	1 081
50	265	1 615	1 317
<u>28 248</u>	<u>19 487</u>	<u>40 385</u>	<u>47 698</u>
		In addition there are contingent liabilities in Fletcher Holdings Limited in respect of guarantees of some liabilities of subsidiary companies. In subsidiary companies there are further contingent liabilities pertaining to outstanding letters of credit, surrendered bills of lading and bonds which are in part secured by Bank Stock. No losses are expected in respect of contingent liabilities.	
		<b>28. EVENTS SUBSEQUENT TO BALANCE DATE</b>	
		Movements in foreign currency exchange rates since 31 March 1980 to the date of these accounts (9 June 1980) have resulted in unrealised foreign currency exchange losses on loans outstanding at balance date being reduced by \$446 524 (\$245 588 net of tax).	

		Consolidated	
		1980	1979
		\$000	\$000
<b>29. FOREIGN CURRENCIES</b>			
All monetary amounts in these accounts are expressed in New Zealand dollars unless otherwise stated. An approximation of the New Zealand dollar equivalent of the particular foreign currencies at 31 March 1980 is –			
1000 Australian Dollars	(A\$)	1 148	1 060
1000 Deutschemarks	(DM)	549	508
1000 United States Dollars	(US\$)	1 060	948
1000 Pounds Sterling	(£)	2 308	1 953
1000 Swiss Francs	(SF)	579	561

## Report of the Auditors

To the Members of Fletcher Holdings Limited

We have examined the accompanying Balance Sheet and Group Accounts and have obtained all the information and explanations we have required.

We are of the opinion that proper books of account have been kept by the Company, that the Balance Sheet and Accounts including the Group Accounts give the information required by the Companies Act 1955 in the manner so required and that they give a true and fair view of the state of affairs as at 31 March 1980, and of the results of its business for the year ended on that date.

We have also examined the Statement of Changes in Financial Position which, in our opinion, gives a true and fair view of the changes in financial position of the Group for the year ended 31 March 1980.

*Gilfillan Morris & Co.*

11 June, 1980  
Auckland

Chartered Accountants

# Statement of Changes in Financial Position

Fletcher Holdings Limited  
and Subsidiary Companies  
for the for the year ended  
31 March 1980

	\$000	\$000
FUNDS WERE PROVIDED FROM:		
Operations:		
Consolidated Net Earnings		33 001
Adjustment for items not involving movement of funds –		
Depreciation and Depletions		14 994
Unrealised gains on disposal of assets		779
Taxation Provision		3 516
Prior year adjustment		405
Foreign currency exchange losses not realised		2 702
Minority Interests investment		65 370
Excess of book value over purchase prices of subsidiaries		27 152
		<u>140 077</u>
Disposal of Assets:		
Sale of Fixed Assets		11 650
Sale of Investments		32 079
Maturity of Stock Redemption Fund investments		3 624
Share and Debt issues:		
Shares issued for cash		8 050
Shares issued in part consideration of the acquisition of share in subsidiary companies (includes premium \$621 000)		965
Debenture issue receipts – Fletcher Holdings Limited Charging Group – Subsidiary companies acquired		7 974
		33 518
Overseas bank loan receipts		14 736
Other term liability receipts		10 160
Movement in net liquid funds:		
Bank overdrafts and loans	36 297	
Short term loans	14 838	
Cash and bank balances	<u>677</u>	
		<u>50 458</u>
		<u>313 291</u>
FUNDS WERE APPLIED TO:		
Purchase of Fixed Assets		223 594
Purchase of Investments		25 865
Retained Earnings in Associated Companies		3 364
Dividends paid		8 485
Taxation paid		1 073
Increase/decrease (–) in working capital:		
Stock	51 209	
Debtors	40 925	
Creditors	<u>64 624</u>	
		27 510
Repayment – local debentures		9 727
– overseas bank loans		12 950
– other term loans		723
		<u>313 291</u>
		<u>313 291</u>
Summary of the effects of the acquisition of subsidiaries:		
Consideration	– Shares issued or transferred	5 723
	– Debentures issued	1 826
	– Cash	32 943
	– Investment already held	22 687
		<u>63 179</u>
Assets Acquired	– Fixed Assets	192 064
	– Investments	5 498
	– Minority Interests acquired	5 539
		<u>203 101</u>
Less	– Term Liabilities	44 342
	– Deficit in net working capital	7 360
	– Net surplus on acquisition	27 152
	– Minority Interests not acquired	61 068
		<u>63 179</u>

## Trend Statement

Year ended 31 March		<i>(Dollar amounts in thousands except per share data)</i>				
	1980	1979	1978	1977	1976	1975
Turnover	<b>620 473</b>	398 039	363 984	365 333	293 983	283 673
Net Earnings after Taxation (1)	<b>33 001</b>	16 730	15 251	15 247	12 644	11 010
Ordinary Dividends	<b>8 143</b>	6 558	5 816	4 745	4 280	4 094
As percentage of Net Earnings (2) %	<b>25.4</b>	39.2	38.1	31.1	33.9	37.2
Earnings Retained in Business of –						
Parent Company and Subsidiaries	<b>20 569</b>	4 260	4 044	7 936	6 033	5 185
Associated Companies	<b>3 363</b>	5 912	5 391	2 566	2 331	1 730
Total Earnings Retained	<b>23 932</b>	10 172	9 435	10 502	8 364	6 915
Total Tangible Assets (3)						
At Balance Sheet (Book) Value	<b>629 997</b>	339 827	298 411	282 370	224 916	211 380
Group Share of						
Excess of Valuations over Book Value –						
Land and Buildings at Government Value	—	—	—	—	475	—
Plant and Equipment at Insured Value	<b>130 617</b>	22 976	13 974	18 853	19 132	15 337
Forest at Directors' Value	<b>10 460</b>	6 325	12 018	14 802	9 123	11 560
Investments at Market Value in						
Associated Companies	<b>3 046</b>	7 338	12 865	1 283	3 273	3 309
Other Listed Companies	—	—	—	—	1 012	227
Restated Total Assets	<b>774 120</b>	361 790	311 538	314 742	257 931	241 813
Restated Shareholders' Funds (4)	<b>362 878</b>	176 164	155 042	163 707	132 862	117 102
Issued and Paid-up Capital						
Preference	<b>11 350</b>	3 300	—	—	—	1 100
Ordinary	<b>33 590</b>	33 246	32 370	31 900	26 926	25 630
Shareholders' Funds at Book Value (4)	<b>218 755</b>	154 201	141 915	131 335	99 847	86 669
Per Ordinary Share (5)						
Net Earnings after Taxation (6) cents	<b>95.8</b>	51.0	47.2	51.4	47.3	43.4
Dividends cents	<b>24.33</b>	20.0	18.0	16.0	16.0	16.0
Net Tangible Asset Backing						
At Book Value \$	<b>6.17</b>	4.53	4.38	4.12	3.71	3.34
At Restated Value \$	<b>10.47</b>	5.20	4.79	5.13	4.93	4.53
Net Earnings after Taxation, percent of –						
Total Tangible Assets %	<b>5.2</b>	4.9	5.1	5.4	5.6	5.2
Average Shareholders' Funds % (Both at Book Value)	<b>17.7</b>	11.3	11.2	13.2	13.6	14.2
Share Market Capitalisation at 31 March	<b>129 993</b>	71 653	62 474	76 560	60 583	64 632
Ordinary Share Market Price						
At 31 March \$	<b>3.50</b>	2.05	1.93	2.40	2.25	2.50
Highest during year \$	<b>3.50</b>	2.22	2.42	2.92	2.76	2.92
Lowest during year \$	<b>2.10</b>	1.87	1.76	2.23	2.12	1.85
Ordinary Share Turnover during year (000)	<b>2 244</b>	2 100	1 327	1 605	1 625	1 664
Number of Ordinary Shareholders	<b>15 759</b>	13 949	13 750	13 843	13 272	12 765
Number of Debenture Holders	<b>9 236</b>	10 341	11 168	10 830	9 754	8 520
Number of Employees	<b>10 773</b>	5 919	5 250	6 147	6 033	7 247
Exotic Forest Holdings						
Freehold hectares	<b>55 109</b>	27 589	26 063	25 125	25 118	20 057
Rights hectares equivalent	<b>10 199</b>	7 158	4 399	4 622	5 084	5 157
Total Planted hectares	<b>65 308</b>	34 747	30 462	29 747	30 202	25 214

1. Net Earnings are after Taxation and Minority Interests and includes Equity in Retained Earnings of Associated Companies.

2. After deduction of Preference dividend.

3. Excluding Stock Redemption Fund Policies/Mortgages.

4. Shareholders' funds for previous years have been adjusted for

the change in Balance Sheet presentation referred to in Note 1 to the Accounts.

5. Not adjusted for value of rights issue to holders of Ordinary shares.

6. Calculated on the capitalisation of dividend method.

# Census of Shareholders

Fletcher Holdings Limited  
as at 31 March 1980

## Size of Holdings

	Shareholders		Ordinary Shares	
	Number	%	Number	%
1 - 250	4 254	26.99	556 020	1.66
251 - 500	3 498	22.20	1 269 060	3.78
501 - 1 000	3 385	21.48	2 469 955	7.35
1 001 - 5 000	3 957	25.11	8 152 841	24.27
Over 5 000	665	4.22	21 141 877	62.94
	<u>15 759</u>	<u>100.00</u>	<u>33 589 753</u>	<u>100.00</u>

## Status of Shareholders

Women	6 600	41.88	7 332 779	21.83
Men	6 979	44.29	7 585 556	22.58
Estates, Joint Accounts etc.	1 558	9.89	5 198 487	15.48
Companies - Insurance	70	0.44	6 379 452	18.99
Companies - Other	552	3.50	7 093 479	21.12
	<u>15 759</u>	<u>100.00</u>	<u>33 589 753</u>	<u>100.00</u>

## Domicile of Shareholders

Northland	318	2.02	348 264	1.04
Central Auckland	4 425	28.08	9 128 410	27.18
South Auckland, Bay of Plenty	1 883	11.95	3 305 147	9.84
East Coast	215	1.36	352 870	1.05
Hawkes Bay	586	3.72	687 219	2.05
Taranaki	244	1.55	235 233	0.70
Wellington	3 666	23.26	14 204 921	42.29
Marlborough	178	1.13	190 537	0.57
Nelson	223	1.41	269 836	0.80
Westland	88	0.56	51 699	0.15
Canterbury	2 335	14.82	2 741 261	8.16
Otago	1 094	6.94	1 197 619	3.56
Southland	287	1.82	518 479	1.54
Overseas *	217	1.38	358 258	1.07
	<u>15 759</u>	<u>100.00</u>	<u>33 589 753</u>	<u>100.00</u>

\* As defined by The Overseas  
Investment Regulations 1974

## Largest Holdings

	Ordinary Shares	
	Number	%
Australian Mutual Provident Society	3 290 000	9.80
Employee Share Purchase Schemes	2 084 233	6.20
Government Insurance Commissioner	1 233 845	3.67
National Mutual Life Association of Australasia Limited	819 797	2.44
South British Insurance Company Limited	553 611	1.65
Norwich Union Life Assurance Society	498 789	1.49
State Insurance General Manager	365 707	1.09
Colonial Mutual Life Assurance Society	346 522	1.03
Accident Compensation Commission	346 150	1.03
Commercial Union Assurance Company Limited	310 000	0.92
	<u>9 848 654</u>	<u>29.32</u>

