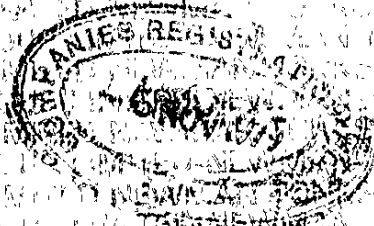




Report and Accounts



Notice of Meeting

Notice is hereby given that the ninetieth Annual General Meeting of the Company will be held at the Midland Hotel, Birmingham on Friday, 30th November 1979 at 12 noon to transact the following business:

- 1 To receive the Directors' Report and Accounts for the year ended 31st July 1979.
- 2 To declare a dividend.
- 3 To re-elect directors.
- 4 To re-appoint Messrs. Deloitte Haskins & Sells as auditors of the Company in accordance with Section 14 of the Companies Act 1976.
- 5 To authorise the directors to fix the remuneration of the auditors.
- 6 To transact any other ordinary business.

A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

Hospital Street
Birmingham B19 2YG

By order of the Board
Bryan R. Lewis
Secretary
7th November 1979

Notes:

- 1 The following information is available for inspection at the registered office during business hours and at the place of the Annual General Meeting from 11.45 a.m. until the conclusion of the meeting:
a statement of transactions of directors (and their family interests) in the share capital of the Company and its subsidiaries;
copies of contracts of service between the directors and the Company or its subsidiaries.
- 2 Warrants for the dividend if approved will be posted on the 12th December 1979.
- 3 The adjusted market price of the Company's shares on 6th April 1965 was 58.75p.
- 4 Any change of address should be notified immediately to the Registrars.

Chairman's Statement

Group results

Once again I am pleased to report an increased profit for the Group. The pre-tax profit is £3,054,000 compared with £1,812,000 for the previous year. Sales for the year were £34,641,000 compared with £22,349,000 in 1978.

Dividend

Your directors are recommending a payment of a final dividend of 3.1585p per share making a total for the year of 4.6585p per share which represents an increase of 0.605p per share.

Review

These profits were achieved in a year which was depressed by the low level of activity in the building industry. I believe these results confirm our strength in the production and sale of builders' and architectural hardware and in particular the engineering products we supply to the trade such as overhead and floor mounted hydraulic door closers, panic exit hardware, glass door fittings and flexible doors.

I must emphasise that a twelve months contribution from Econa Limited has made a significant addition to Group profits and they achieved their budgeted profits for the year. The commercial logic of the acquisition of Econa was described in the Offer Document which was sent to you, but because of the subsequent re-organisation immediately after the acquisition, it is difficult to assess the net profit contribution to the Group. Nevertheless, it has been substantial and I am confident the advantages will be on-going.

At the end of December 1978, we acquired Rothley Brass Limited for a total consideration of £2,000,000. For the seven months, its contribution to Group profits has been well up to expectations. It is now introducing a range of our architectural products into its home improvement and D-I-Y outlets. This is an area in which we believe there is a great potential and the Newman-Tonks Group now has direct access to the retail trade.

The production from Newman-Tonks Engineering Limited was disrupted by the four weeks' strike we suffered last November. This was a severe setback to the profitability of the Group for the first half of the year but the greater proportion of this was recovered in the second half due to the efforts of all the people concerned in that area of the Group.

Newman-Tonks Hardware Limited has acquired an existing building adjacent to the new factory in Moorsom Street which was commissioned last year. The new building requires very few modifications before it can be integrated into the main factory and we anticipate substantial benefits in the current financial year.

Re-structuring of the Group

As I reported in my letter of 27th June 1979, the acquisition of Econa Limited in August 1978 and Rothley Brass Limited in December 1978 added considerably to the activities of the Group so that Newman-Tonks Group Limited then contained not only the architectural hardware and engineering divisions with their trading activities but also acted as a holding company for the enlarged Group.

There has now been a complete re-organisation of the corporate structure of the Group resulting from which, there are reporting to the Holding Company, Newman-Tonks Group Limited, two sub-Groups namely Newman-Tonks Limited and Econa Limited. Both these sub-Groups will work closely together and will enjoy the benefits of Group services in the areas of finance, marketing and research and development. This new Group structure came into effect on 1st August 1979.

Overseas

There was once again a reduced contribution from Newman-Tonks Proprietary Limited in Australia mainly resulting from the prevailing difficult economic conditions. We have now hived off a small non-profitable section of Parow & Whight, a company we acquired in 1978, and we have also strengthened the management at senior level. We now believe the company will increase its level of profitability provided the Australian economy does not deteriorate further.

Newman-Tonks (S.A.) (Proprietary) Limited has increased its contribution to Group profits and the Briton 4000 door closer introduced last year has now been thoroughly field tested and has proved to be most successful. The aluminium diecasting plant which was also commissioned last year to produce door closer bodies and sub-contract work has made a useful contribution to the company profits. There is available to Shareholders a comprehensive report on the level of wages and conditions of employment for both black and white employees in the South African company.

Our subsidiary in The Republic of Ireland, Newpeer Aluminium Limited, made a loss although the loss, compared with the previous year, has been reduced. The Tristar door closer is now being produced to the budgeted level and the initial technical problems we encountered have been solved. However, sales of aluminium diecastings are still behind schedule, largely because of industrial action in the U.K. motor trade. I am pleased to report that orders are now being received from European sources which will reduce Newpeer's dependence on the motor trade in the U.K.

Management structure

I am pleased to welcome Mr. G. W. A. Bickers to the Main Board. Mr. Bickers has been a director of several companies involved in the manufacture of builders' and architectural hardware in this country and his expertise, particularly in selling and marketing, will be of great value to the Group in the capacity of Managing Director of Newman-Tonks Hardware Limited.

Prospects

The budgets for the current year are encouraging but it is still too early to predict accurately the outcome for the year to 31st July 1980. The industrial dispute in the Engineering and Shipbuilding Unions, which involved approximately 50% of our companies, had a damaging effect on our profits for the first two months of this financial year but the majority of companies in the Group concerned in the dispute have now resumed overtime working and we anticipate recouping our lost production.

Our order books for most companies in the Group are similar in volume to the corresponding period last year and provided there is no further serious industrial dispute, I believe our enlarged Group will show satisfactory results.

Employees

Finally, it is appropriate for me to thank all those employees who have contributed to the progress of the Group. It only concerns me that their efforts and loyalty have not been truly reflected in the Group results which have been adversely affected by industrial disputes.

Michael L. B. Wright
Chairman

Directors and Officers

President

H. Norman Wright

Directors

Michael L. B. Wright

Chairman

Edward T. Barnes

Managing Director

Graham W. A. Bickers

William E. Clarkson

Timothy C. Frankland

Douglas E. Rogers

H. Raymond Scott

James F. Williams

Secretary

Bryan R. Lewis

Auditors

Deloitte Haskins & Sells

Chartered Accountants

Solicitors

Wragge & Co.

Principal Bankers

Barclays Bank Limited

Midland Bank Limited

National Westminster Bank Limited

Registered Office

Hospital Street

Birmingham B19 2YG

Registrar's Office

Hill Samuel Registrars Limited

6 Greencoat Place

London SW1P 1PL

Directors' Report

The directors have pleasure in presenting the audited accounts for the year ended 31st July 1979.

Change of name

On 30th July 1979 the Company changed its name to Newman-Tonks Group Limited.

Activities

The Group is concerned with the manufacture and supply of a wide range of products, materials and services to the engineering, building and other industries.

Acquisitions

The Company acquired Econa Limited and its subsidiaries on 7th August 1978 and Rothley Brass Limited on 29th December 1978. The results of these companies since acquisition are included in the figures for the year under review.

Divestments

Since the year-end the Company has entered into a contract for the sale of Decorettes Limited and its two subsidiaries effective from 1st August 1979, conditional upon shareholders approval at an Extraordinary General Meeting to be held on 30th November 1979.

Profit

The Group Profit and Loss Account on page 9 shows the profit for the year.

Dividend

An interim dividend of £225,269 (1.5p per share) has been paid during the year and the directors recommend the payment of a final dividend of £474,342 (3.1585p per share).

Employees

The average number of employees of the Group in the United Kingdom during the year was 2,472 and their aggregate remuneration amounted to £9,160,238.

Exports

The value of goods exported from the United Kingdom by the Group during the year was £2,571,653 (1978: £2,391,210).

Share capital and premium

The increases in share capital £1,287,058 and share premium £1,774,120 arise from the issue of 5,148,233 ordinary shares of 25p each as part consideration for the acquisition of Econa Limited and Rothley Brass Limited.

Fixed assets

Details of significant changes in the fixed assets of the Group are shown in note 10.

Directors

The present directors of the Company are listed below.

Mr. D. E. Rogers and Mr. H. R. Scott were appointed directors on 7th August 1978 and were re-elected at the last annual general meeting.

Mr. G. W. A. Bickers, who was appointed a director on 11th January 1979, retires under Article 104 and, being eligible, offers himself for re-election.

Mr. J. F. Williams and Mr. T. C. Frankland retire by rotation and, being eligible, offer themselves for re-election.

The directors have interests in the shares of the Company as follows:

	31st July 1979	1st August 1978
M. L. B. Wright	207,800	207,800
as trustee	60,175	60,175
E. T. Barnes	177,034	177,034
as trustee	85,716	85,716
G. W. A. Bickers	1,000	1,000*
W. E. Clarkson	2,443	2,443
T. C. Frankland	400	400
D. E. Rogers	15,460	13,460*
H. R. Scott	94,518	94,518*
J. F. Williams	1,500	1,500

*At date of appointment.

There have been no changes in the directors' interests in the shares of the Company between 31st July and 7th October 1979.

None of the directors has, nor during the financial year had, a beneficial interest in any contract other than contracts for service to which the Company or any of its subsidiaries is, or was, a party. The unexpired period of the contracts for service between the Company and Mr. G. W. A. Bickers and Mr. J. F. Williams is seven years. Mr. T. C. Frankland has no service contract.

Substantial holdings

Up to 7th October 1979, being one month prior to the date of the notice convening the Annual General Meeting, the Company had received no notification under the Companies Acts 1967 and 1976 of any beneficial interest in 5% or more of the issued share capital of the Company.

Charitable and political donations

Donations to U.K. charitable organisations amounted to £2,745 and to the Conservative Party £900.

Income and Corporation Taxes Act 1970

In the opinion of the directors, the Company is not a close company within the provisions of the Act.

Auditors

In accordance with Section 14 of the Companies Act 1976 a resolution proposing the re-appointment of Deloitte Haskins & Sells as auditors of the Company will be put to the Annual General Meeting.

By order of the Board
Bryan R. Lewis
Secretary
2nd November 1979

Report of the Auditors

To the Members of Newman-Tonks Group Limited

We have examined the accounts set out on pages 8 to 18 which have been prepared on the basis of the accounting policies set out on page 8. In our opinion, the accounts give a true and fair view of the state of affairs of the Company and, so far as concerns members of the holding company, of the Group at 31st July 1979, and of the profit and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

DELOITTE HASKINS & SELLS
Chartered Accountants
Birmingham
2nd November 1979

Accounting Policies

- (a) **Basis of accounting**
The Group accounts have been prepared under the historical cost convention modified to include the revaluation of certain of the fixed assets of the Group.
- (b) **Basis of consolidation**
The Group accounts consolidate the accounts of the Company and its subsidiaries. The principal subsidiaries are listed on page 18.
The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from their effective dates of acquisition. Any difference between the consideration price of such acquisition and the net book value of the net tangible assets at the date of acquisition is dealt with through reserves.
- (c) **Foreign currencies**
Assets and liabilities expressed in currencies other than sterling and the operating results of overseas subsidiaries and associated company are translated into sterling at year-end rates of exchange.
Exchange fluctuations are included in the determination of the trading result for the year except those relating to the restatement, at the year end exchange rates, of opening balance sheets of overseas subsidiaries and the associated company.
- (d) **Turnover**
Turnover represents the amount receivable, excluding value added tax, for goods and services supplied to and contracts completed for external customers of the Group.
- (e) **Research and development**
Expenditure on research and development is charged in the profit and loss account in the year in which it is incurred.
- (f) **Stocks**
(i) Stocks have been valued at the lower of cost and estimated realisable value. Cost of finished goods and work-in-progress comprises materials, direct labour and an appropriate proportion of overhead expenses.
(ii) Contracts in progress are individually valued at cost of materials, labour and direct expenses with the addition of so much of its anticipated margin (being overheads and attributable profits less foreseeable losses) as is considered appropriate, having regard to the progress and duration of the contract.
- (g) **Fixed assets and depreciation**
Grants receivable in respect of fixed assets have been credited against the cost of those assets.
Depreciation is calculated to write off the cost/valuation of fixed assets in equal annual instalments generally at the following rates:
- | | |
|----------------------|--|
| Freehold buildings | 2% |
| Leasehold properties | Over the unexpired period of the lease |
| Plant and equipment | 10% — 20% |
- No depreciation is charged on fixed assets acquired during the year other than motor vehicles.
- (h) **Bank balances**
Bank balances are shown before charging cheques drawn prior to 31st July 1979 not cleared by the Group's bankers by that date.
The total of these unrepresented cheques is included in the accounts in creditors.
- (i) **Deferred taxation**
The Group accounts for deferred taxation in accordance with the Statement of Standard Accounting Practice No. 15 issued in October 1978 by the U.K. Accounting Standards Committee. As a result, no provision has been made for deferred taxation since the directors consider that they are able to foresee on reasonable evidence that no liability is likely to arise as a result of reversal of timing differences for at least three years and that there is no indication that, after this period, the situation is likely to change so as to crystallise the liabilities.

Newman-Tonks Group Limited and Subsidiaries

Group Profit and Loss Account

for the year ended 31st July 1979

Notes	1979 £000	1978 £000
Turnover	£34,641	£22,349
1 Trading profit	3,054	1,807
Share of profit of associated company	—	5
Profit before taxation	3,054	1,812
3 Taxation	484	546
Profit after taxation	2,570	1,266
Attributable to minority interest	47	10
Profit before extraordinary items	2,523	1,256
4 Extraordinary items	102	(233)
Profit attributable to shareholders	2,421	1,489
5 Dividends		
Interim paid	225	89
Final proposed	475	311
	700	400
Retained profit	£1,721	£1,089
6 Earnings per 25p share	17.56p	12.74p
Earnings per 25p share (calculated on the basis of a notional charge for taxation at 52% of profit before taxation)	9.88p	8.71p

Group Balance Sheet

31st July 1979

Notes	1979		1978
	£000	£000	£000
7	Share capital	3,754	2,467
8	Reserves	9,319	7,096
	Minority interest	404	443
	Total capital and reserves	<u>£13,477</u>	<u>£10,006</u>
10	Fixed assets	7,087	5,091
11	Investments	48	152
12	Associated company	29	29
	Advance corporation tax recoverable	—	197
14	Current assets	14,158	7,646
	Stocks	9,851	5,515
	Debtors	181	290
	Bank balances and cash	<u>24,190</u>	<u>13,451</u>
	Less current liabilities	9,017	3,734
	Creditors	5,891	2,959
15	Short term borrowings	547	685
	Taxation	475	311
	Proposed dividend	<u>15,930</u>	<u>7,689</u>
		8,260	5,762
		<u>15,424</u>	<u>11,271</u>
15	Medium term borrowings	1,947	1,265
	Total net assets	<u>£13,477</u>	<u>£10,006</u>

Signed on behalf of the Board
Michael L. B. Wright } Directors
Edward T. Barnes }

Newman-Tonks Group Limited

Balance Sheet

31st July 1979

Notes	1979 £000	1978 £000
7 Share capital	3,754	2,467
8 Reserves	8,569	6,114
Total capital and reserves	£12,323	£8,581
10 Fixed assets	2,636	2,721
11 Investments	48	192
12 Associated company	4	4
13 Subsidiary companies	8,298	3,053
Advance corporation tax recoverable	—	197
Current assets		
14 Stocks	7,282	5,441
Debtors	3,705	2,814
Bank balances and cash	25	23
	11,012	8,278
Less current liabilities		
Creditors	3,247	2,110
15 Short term borrowings	4,296	2,501
Taxation	207	342
Proposed dividend	475	311
	8,225	5,264
	2,787	3,014
	13,773	9,181
15 Medium term borrowings	1,450	600
Total net assets	£12,323	£8,581

Signed on behalf of the Board
 Michael L. B. Wright }
 Edward T. Barnes } Directors

Source and Application of Funds

SOURCE OF FUNDS	1979	1978
	£000	£000
Trading profit	3,054	1,807
Extraordinary items	(102)	216
	<u>2,952</u>	<u>2,023</u>
Items not involving the movement of funds		
Depreciation	665	409
Exchange differences	(33)	(61)
Pre-acquisition shares in Econa Ltd. now consolidated	144	—
Adjustment in respect of a subsidiary sold during the year	—	(23)
	<u>776</u>	<u>325</u>
	<u>3,728</u>	<u>2,348</u>
Funds from other sources		
Shares issued in part consideration for the acquisition of subsidiaries	3,061	—
Disposals of fixed assets	363	366
Medium term borrowings	682	65
	<u>4,106</u>	<u>431</u>
	<u>£7,834</u>	<u>£2,779</u>
APPLICATION OF FUNDS		
Dividends paid—Group	536	368
—Minority interests	39	15
Tax paid	425	448
Purchase of fixed assets	3,175	1,187
Purchase of investments	—	192
Premium on acquisition of subsidiaries	1,135	5
	<u>5,310</u>	<u>2,215</u>
Increase in working capital		
Increase in stocks	6,512	469
Increase in debtors	4,336	645
(Increase) in creditors	(5,283)	(284)
(Increase) in bank borrowings	(3,041)	(266)
	<u>2,524</u>	<u>564</u>
	<u>£7,834</u>	<u>£2,779</u>

ACQUISITION OF ECONA LIMITED AND ROTHLEY BRASS LIMITED

	£000	Consideration	£000
Effect on net assets		Shares issued	3,061
Fixed assets	1,940	Cash - 1979	2,975
Stocks	3,272	- 1978	144
Debtors	2,132		
Bank balances and cash	212		
Creditors	(2,511)		
Premium on acquisitions	1,135		
	<u>£3,180</u>		<u>£6,180</u>

Notes on the Accounts

1 Trading profit	1979	1978
	£000	£000
This is stated after crediting:		
Interest received	13	21
and after charging:		
Depreciation of fixed assets	665	409
Plant hire	92	41
Directors' emoluments (fees £8,600: 1978 £4,500)	192	118
Pensions to former directors	20	13
Auditors' remuneration	56	29
Interest on bank loans and overdrafts	797	340

2 Emoluments of directors and senior employees

The Chairman, who was also the highest paid director, received total emoluments in respect of the year of £39,049 (1978: £33,180).

Number of other directors receiving emoluments of:	1979	1978
Not more than £2,500	one	one
£ 2,501 to £ 5,000	—	one
£ 5,001 to £ 7,500	one	—
£12,501 to £15,000	one	—
£17,501 to £20,000	—	two
£22,501 to £25,000	three	—
£30,001 to £32,500	—	one
£37,501 to £40,000	one	—
Number of senior employees receiving emoluments of:		
£10,001 to £12,500	fifteen	one
£12,501 to £15,000	one	—
£15,001 to £17,500	two	one
£20,001 to £22,500	three	—

3 Taxation	1979	1978
	£000	£000
United Kingdom corporation tax	(262)	679
Deferred taxation	—	(112)
Overseas taxation - subsidiaries	89	84
- associated company	—	2
Advance corporation tax	649	—
Adjustments of taxation provisions	8	(107)
	£484	£546

United Kingdom corporation tax is reduced by approximately £1,755,000 (1978: £292,000) as a result of taxation relief for stock appreciation, accelerated capital allowances and other timing differences.

4 Extraordinary items	1979	1978
Group—	£000	£000
Loss arising from the sale of a subsidiary (Automatic Doors Ltd.)	102	—
Profit on sale of listed investments	—	(216)
	102	(216)
Associated company—		
Share of profit arising from sale of land and buildings	—	(17)
	£102	£(233)

5 Dividends

Interim paid 1.50p per share. Final proposed 3.1585p per share

The gross equivalent of the dividends paid and proposed for 1979 amounts to 26.62% (1978: 24.2%)

6 Earnings per 25p share

	1979	1978
Profit before extraordinary items	£2,523,291	£1,256,939
Weighted average shares in issue during the year	14,364,679	9,869,722
Earnings per 25p share	17.56p	12.74p

7 Share capital

	1979		1978	
	£000	Number	£000	Number
Ordinary shares of 25p each				
Authorised	£5,000	20,000,000	£3,000	12,000,000
Issued and fully paid	£3,754	15,017,955	£2,467	9,869,722

8 Reserves

	Group		Holding Company	
	£000	£000	£000	£000
Share premium				
At 31st July 1978	1,496		1,496	
On shares issued during the year	1,774		1,774	
		3,270		3,270
Premium on acquisition of subsidiaries				
At 31st July 1978	(1,476)		—	
Arising on acquisition of Econa Limited and Rothley Brass Limited	(1,135)		—	
		(2,611)		—
Surplus on revaluation of properties		645		516
Retained profits - Group				
At 31st July 1978	6,406		4,102	
Exchange conversions	(137)		—	
Retained profit for the year	1,721		681	
		7,990		4,783
Retained profits - Associated company				
At 31st July 1978		25		—
		£9,319		£8,569

9 Capital expenditure

The aggregate amount of capital expenditure authorised by the directors at 31st July 1979 and not provided for in these accounts was £348,000 (1978: £1,219,000). Of this, contracts had been placed for £193,000 (1978: £130,000).

Under the terms of a building agreement the Group is required to complete the second storey of one of its premises, and there is a commitment to redevelop a leasehold property at a cost of not less than £100,000 by December 1980.

Notes on the Accounts

10 Fixed assets

	Freehold properties £000	Leasehold properties £000	Plant and machinery £000
Group			
Valuation/Cost at 31st July 1978	2,378	682	4,257
Exchange conversions	(65)	—	(110)
Companies acquired	780	229	1,286
Additions	35	6	1,216
Grants receivable	—	—	(22)
Disposals	(124)	(5)	(396)
Adjustment on revaluation re companies acquired	206	(1)	—
	<u>3,210</u>	<u>911</u>	<u>6,231</u>
The freehold and leasehold properties of Econa Limited and its subsidiaries were professionally revalued by Grimley & Son as at 31st July 1979 on an existing use basis.			
Valuation/cost at 31st July 1979 comprises:			
Assets at valuation — 1978	1,716	667	—
— 1979	935	181	—
Assets at cost	<u>559</u>	<u>63</u>	<u>6,231</u>
	<u>3,210</u>	<u>911</u>	<u>6,231</u>
Depreciation at 31st July 1978	22	5	2,199
Exchange conversions	(2)	—	(22)
Companies acquired	2	1	570
Charge for the year	43	18	604
Disposals	(2)	(2)	(158)
Adjustment on revaluation re companies acquired	(11)	(2)	—
	<u>52</u>	<u>20</u>	<u>3,193</u>
Net book value at 31st July 1979	<u>£7,087</u>	<u>£3,158</u>	<u>£891</u>
The leasehold properties comprise:			
Long leases		£767	
Short leases		<u>£124</u>	
Holding Company			
Valuation/Cost at 31st July 1978	1,109	670	2,467
Additions	7	5	332
Disposals	(108)	(4)	(113)
	<u>1,008</u>	<u>671</u>	<u>2,686</u>
Valuation/cost at 31st July 1979 comprises:			
Assets at valuation - 1978	980	656	—
Assets at cost	28	15	2,686
	<u>1,008</u>	<u>671</u>	<u>2,686</u>
Depreciation at 31st July 1978	6	5	1,514
Charge for the year	15	15	225
Disposals	(2)	(2)	(47)
	<u>19</u>	<u>18</u>	<u>—</u>
Net book value at 31st July 1979	<u>£2,636</u>	<u>£989</u>	<u>£653</u>
The leasehold properties comprise:			
Long leases		£536	
Short leases		<u>£117</u>	

Notes on the Accounts

11 Investments

	1979		1978	
	Cost £000	Valuation £000	Cost £000	Valuation £000
Listed Investment	—	—	144	—
Mid-market valuation	—	—	—	138
Unlisted investment	48	—	48	—
Directors' valuation	—	48	—	48
	<u>£48</u>	<u>£48</u>	<u>£192</u>	<u>£186</u>

The unlisted investment comprises 3,460 ordinary shares of £1 each, representing 20.0% of the issued ordinary share capital in W. Langley & Co. Limited, a company incorporated in England. The reserves of this company amounted to £78,105 at 30th April 1978 being the date of the last audited balance sheet. The listed investment in 1978 comprised the Group's pre-acquisition shareholding in Econa Limited.

12 Associated company

	1979 £000	1978 £000
William Newman & Sons (Australia) Holdings Proprietary Limited		
2,500 Ordinary shares of A\$2 each at cost (50% of issued equity share capital)	2	2
Loan from holding company	2	2
	<u>4</u>	<u>4</u>
Group share of retained profits	25	25
	<u>£29</u>	<u>£29</u>

13 Subsidiary companies

	1979		1978	
	£000	£000	£000	£000
Shares at cost		11,191		5,022
Less Provision for losses of subsidiary companies		(1,031)		(976)
		<u>10,160</u>		<u>4,046</u>
Amounts due from subsidiaries	2,782		1,952	
Less Amounts due to subsidiaries	<u>(4,644)</u>		<u>(2,945)</u>	
		<u>(1,862)</u>		<u>(993)</u>
		<u>£8,298</u>		<u>£3,053</u>

The Company has guaranteed the bank borrowings of certain subsidiaries up to a maximum of £1,853,000 (1978: £810,000).

The Company has also guaranteed to redeem a subsidiary's preference share capital (see note 15).

The principal trading subsidiaries are listed on page 18.

14 Stocks

	Group		Holding Company	
	1979 £000	1978 £000	1979 £000	1978 £000
The amount in respect of stocks comprises:				
Raw materials and stores	5,711	2,506	1,723	1,566
Work in progress and finished goods	7,786	5,140	5,559	3,875
Contracts in progress (after deducting payments on account of £1,573,000)	661	—	—	—
	<u>£14,158</u>	<u>£7,646</u>	<u>£7,282</u>	<u>£5,441</u>

Notes on the Accounts

15 Borrowings

	Group		Holding Company	
	1979	1978	1979	1978
	£000	£000	£000	£000
Interest free loan	180	175	—	—
Bank loans and overdrafts:				
Secured	598	656	—	—
Unsecured	6,698	2,993	5,746	3,101
2% Redeemable Cumulative 'A' Preference shares in Newpeer Aluminium Limited held by that company's bankers and bearing, in addition to the fixed dividend, a further dividend at a rate approximately equivalent to one half of the Dublin inter bank market rate	362	400	—	—
	<u>£7,838</u>	<u>£4,224</u>	<u>£5,746</u>	<u>£3,101</u>
Repayable:				
Within 1 year or on demand	5,891	2,959	4,296	2,501
Between 1 and 2 years	590	370	500	200
Between 2 and 5 years	1,177	640	950	400
After 5 years	180	255	—	—
	<u>£7,838</u>	<u>£4,224</u>	<u>£5,746</u>	<u>£3,101</u>

16 Deferred taxation

In accordance with the Group's accounting policy no provision has been made in these accounts for any liability for deferred taxation. The contingent liability for deferred taxation, calculated on the liability method at the current rate of corporation tax on the difference between the balance sheet value and the value for taxation purposes, is as follows:

	Group		Holding Company	
	1979	1978	1979	1978
	£000	£000	£000	£000
Fixed assets and other timing differences	1,418	1,041	745	747
Stock appreciation relief	2,817	1,568	1,277	1,284
Surplus on revaluation of properties	165	146	—	91
	<u>4,400</u>	<u>2,755</u>	<u>2,022</u>	<u>2,122</u>
Less: Advance corporation tax recoverable against taxation liabilities of future years	649	197	527	197
	<u>£3,751</u>	<u>£2,558</u>	<u>£1,495</u>	<u>£1,925</u>

Principal Operating Subsidiaries

The following is a list of the principal operating subsidiaries of Newman-Tonks Group Limited at 31st July 1979 which reflects the current structure of the Group. Newman-Tonks Group Limited, either itself or through its subsidiaries, is the beneficial owner of all (or such lesser percentage as is shown) of the equity share capital. Unless otherwise stated all the companies are incorporated in and operate in Great Britain.

United Kingdom subsidiaries

Newman-Tonks Limited

Newman-Tonks Engineering Limited
 Newman-Tonks Hardware Limited
 Auto Pressings (Leicester) Limited
 Robot Automation Limited
 Stanmore Springs Limited
 Stanmore Springs (Leeds) Limited
 Victor Walker (Hardware) Limited
 Rothley Brass Limited

Econa Limited

Econa (Bilston) Limited
 Econa Castings Limited
 Econa Parkamatic Limited
 Econa (Products) Limited
 B.H.S. Building Products Limited
 Hudson Edmunds Limited
 Powell-Piggott Limited
 Radway Plastics Limited
 The Nottingham Thermometer Company Limited
 J. S. Wright & Co. Limited

Decorettes Limited

Eagle Transfers Limited	90% owned
Decorette Marketing Services Limited	90% owned

Overseas subsidiaries

Newman-Tonks Proprietary Limited	<i>Australia</i>	51% owned
Newman-Tonks (S.A.) (Proprietary) Limited	<i>South Africa</i>	51% owned
Newman-Tonks AG	<i>Switzerland</i>	
Newpeer Aluminium Limited	<i>The Republic of Ireland</i>	50.01% owned
Stanmore Springs (Hamburg) GmbH	<i>Germany</i>	85% owned

Newman-Tonks Group Limited and Subsidiaries

Distribution of Value Added
for the year ended 31st July 1979

	£000	%
Turnover	34,641	
Bought in materials and services	18,792	
Value added	<u>£15,849</u>	<u>100.0</u>
Applied as follows:		
To employees		
Wages, salaries and related costs	11,435	72.2
To service the cost of borrowed money		
Interest on bank loans and overdrafts	797	5.0
To government		
Taxation	484	3.0
To shareholders		
Dividends paid and payable	700	4.4
To provide for maintenance of assets and expansion		
Depreciation	665	4.2
Retained earnings	1,721	10.9
Minority interests	47	0.3
	<u>£15,849</u>	<u>100.0</u>

Five Years' Results

	1979 £000	1978 £000	1977 £000	1976 £000	1975 £000
Turnover	34,641	22,349	20,062	16,357	15,200
Profits					
Group profit before taxation	3,054	1,812	1,725	1,031	1,507
Taxation	484	546	360	389	451
Net profit after taxation	2,570	1,266	1,365	642	1,056
Dividends					
On ordinary shares	700	400	358	321	292
Rate (Gross equivalent)	26.62%	24.20%	22.00%	20.00%	18.19%
Earnings per 25p share	17.56p	12.74p	13.16p	5.68p	10.06p
Earnings per 25p share (calculated on the basis of a notional charge for taxation at 52% of profit before taxation)	9.88p	8.71p	7.72p	4.18p	6.68p
Net assets					
Fixed assets	7,087	5,091	3,741	2,818	2,402
Investments	48	192	293	224	224
Associated company	29	29	9	11	9
Advance corporation tax recoverable	—	197	144	136	120
Net current assets	8,260	5,762	5,492	4,672	4,610
	<u>£15,424</u>	<u>£11,271</u>	<u>£9,679</u>	<u>£7,861</u>	<u>£7,365</u>
Capital employed					
Issued capital	3,754	2,467	2,467	2,467	2,467
Reserves	9,319	7,096	5,439	5,012	4,614
Minority interest	404	443	461	382	284
Medium term borrowings	1,947	1,265	1,312	—	—
	<u>£15,424</u>	<u>£11,271</u>	<u>£9,679</u>	<u>£7,861</u>	<u>£7,365</u>