

3-7103

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INTERNATIONAL  
ANNUAL REPORT  
AND ACCOUNTS

1989

3-90

26/4/90

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## Financial Calendar

### Results for 6 months to 30th June, 1989

Announced	3rd August, 1989
Statement posted to shareholders	3rd August, 1989

### Interim Ordinary Dividend

Announced	3rd August, 1989
Paid	8th September, 1989

### Results for year ended 31st December, 1989

Announced	7th March, 1990
Report and Accounts posted to shareholders	29th March, 1990

### Final Ordinary Dividend

Announced	7th March, 1990
To be paid	20th April, 1990

### Preference Dividend

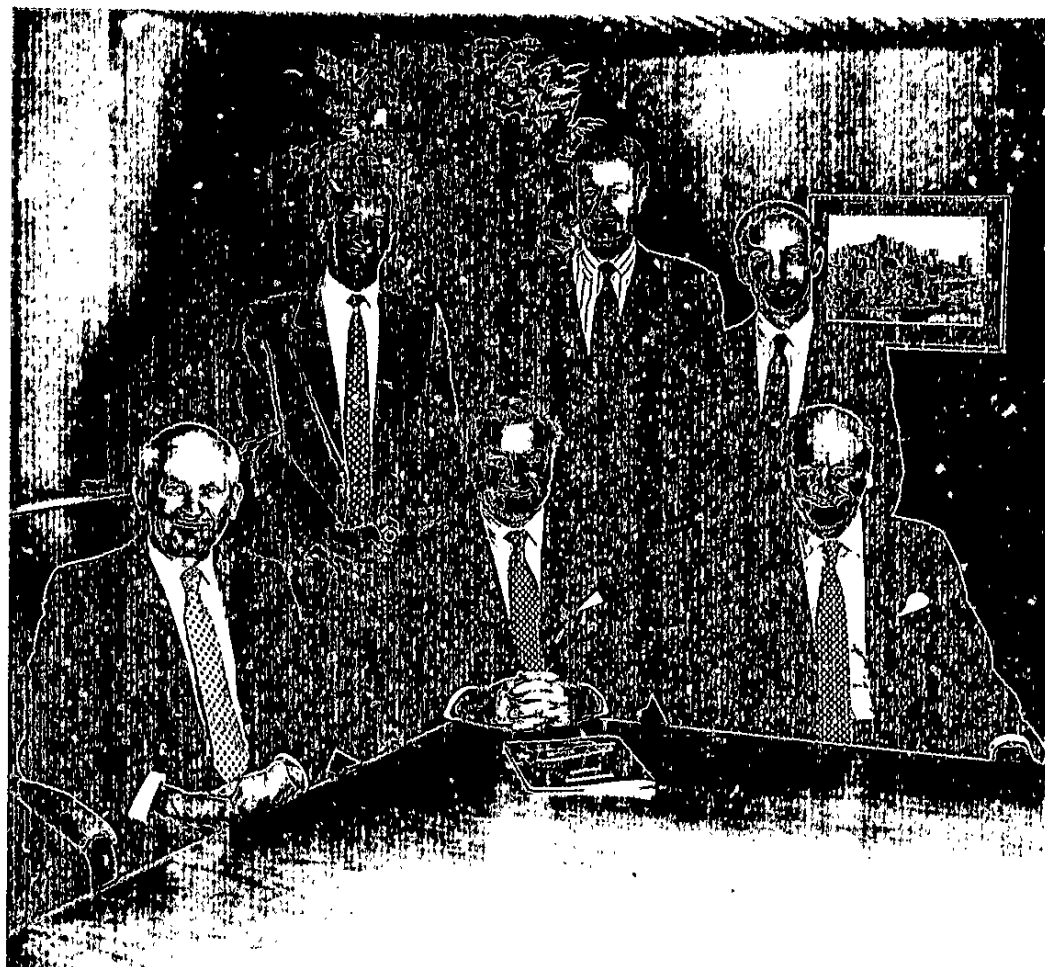
To be paid	31st March and 30th September, 1990
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### Annual General Meeting

To be held	20th April, 1990
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## Directors and Advisers

INFORMATION ON THE COMPANY'S FINANCIAL PERFORMANCE AND OTHER INFORMATION IS AVAILABLE FROM THE COMPANY'S ANNUAL REPORT AND FROM THE COMPANY'S WEBSITE.



Standing: Iain Jane, Neil Pykett, John Lander  
Sitting: Gordon Hodgson, Tom Cowie, Lord Elliott

### Secretary

D P Turner BA FCI

### Registered Office

Millfield House, Hylton Road,  
Sunderland SR4 7BA

### Registrar and Transfer Office

The Registrar, T Cowie P.L.C.,  
Millfield House, Hylton Road,  
Sunderland SR4 7BA

### Auditors

Pricewaterhouse

### Solicitors

Dickinson Dees

### Bankers

Midland Bank plc  
Barclays Bank PLC  
Canadian Imperial Bank of Commerce  
Bank of Nova Scotia



### DIRECTORS

#### T COWIE, OBE

Chairman and Chief Executive

#### G W HODGSON, FCA

Deputy Chairman and Financial Director

#### I S JANE

Executive Director

#### T N PYKETT

Executive Director

#### J K LANDER, FCIB

Executive Director

#### LORD ELLIOTT OF MORPETH

Non-Executive Director

Was created a Life Peer in 1985 after 26 years of service as Conservative MP for Newcastle upon Tyne North. Joined the Board in 1987. Lord Elliott is a director of Concorde Capital and LFL Corporate Trade Finance plc. Ferguson is a director of Hodge & Co. plc. The Metro Group plc. The Newcastle and Gateshead Water Company. The Port of Tyne Authority and Tyne and Wear LDC.

## Chairman's Statement



**Tom Cowie OBE**  
Chairman and Chief Executive

Turnover for the year was nearly £550 million, an increase of 18.8% over last year, and profit before taxation and interest exceeded £54 million, an increase of 13.9% over last year. Profit before taxation but after interest was £16,111,000. The charge to taxation has been held at 14% and earnings per share, on a fully diluted basis, are 10.87p. We are proposing a final dividend of 3.0p per ordinary share, making a total dividend for the year of 4.2p per ordinary share.

One factor, above all else, was responsible for the depression of our performance this year, the high level of interest rates, especially those prevailing during the latter part of the year. Our interest costs for the year were almost £38 million. Both of our core divisions, finance and motor, were affected by those costs, in different ways. However, our performance in the year has emphasised the sound and profitable bases of our Group's business.

### Operations

#### Finance

Our contract hire operation has continued its policy of not competing for business at uncommercial rates. A competitive market, where competitors, especially newcomers to the industry, offered what we believed to be unrealistic rates, caused the significant growth we experienced in the first half of the year, and reported in August, to fade during the second half. We continued with our conservative residual value policy, which we established in the light of our many years of running successful contract hire operations. We also maintained an acceptable rental level throughout the year. With new and renewal business being written at current rental levels, we should enjoy significant benefits as general

interest rates come down in the medium term. In the short term, the new and renewal business being written causes the average rental level of the fleet increasingly to reflect higher rates. Furthermore, our conservative residual value pricing policy ensures that we are continuing to make acceptable profits on the sales of used contract hire vehicles. Although those profits are not at the levels of previous years, we do not expect them to fall below current levels for any sustained period. The other operations in this Division, fleet management, finance leasing and instalment credit, have performed in line with expectations. During the year we did not assume significant amounts of instalment credit, placing most of that business with external finance houses, as announced last year.

#### Motor

Sales of vehicles, both new and used, held up well in the year, and indeed growth in sales of new vehicles rose well in excess of the national performance. Interest rates, during the latter part of the year, caused profit margins to come under pressure and it became apparent that certain recently acquired dealerships, which required substantial development investment to meet escalating manufacturers' standards, would not produce satisfactory returns in the near future. We therefore closed three dealerships and the results for the year reflect not only their losses but also the costs associated with their closure. Our strict policy of regular turnover of stock ensured that we did and do not carry a volume of used vehicles out of line with market values. Parts sales remained stable, though margins on our wholesale operations were reduced. Extended opening hours, in both workshops and bodyshops, enhanced the contributions from the after-sales operations. The first full year's contribution from our re-developed BMW dealership in Stockton was in line with our expectations. During the year we developed a seven acre site in Birmingham, to which we relocated our West Midlands Ford dealership in February 1990 and to which we will relocate Cowie Interleasing Midlands.

#### Bus & Coach Operations

There was a very good increase in both turnover and profit from this Division, as we benefited from operating more contracted bus services for London Regional Transport. Some restructuring of our coach operations enabled us to achieve a more profitable return from that sector.

#### Bus & Coach Distribution

In its first full year of trading within the Group, the Division made an acceptable contribution. The substantial financial commitment necessary from operators to replace their fleet has resulted in a less buoyant market, but despite this our concentration on financing and rental in the market has provided

substantial growth in this sector over the past year. We have continued our policy of maintaining low stocks of used vehicles

#### **Agricultural Industrial and Horticultural**

The very hot dry summer affected the performance of the grass-cutting equipment operation. Reduced activity in the house building sector and the construction industry in general limited our opportunities for the supply of industrial equipment from the middle of the year. Agricultural operations held up very well throughout the year and our penetration of the tractor market increased to 16% in a contracting market, which augurs well for the future.

#### **Property**

We have consolidated on the establishment of this Division and its increased contribution to the Group's performance is encouraging. Good progress is being made on our office block development in Sheffield, on time and within budget. Completion is scheduled for the summer of 1990.

A revaluation of the Group's property was undertaken by Messrs Bernard Thorpe as at 31st December 1989. The valuation of £33.7 million represents a surplus over book value of £10.9 million.

#### **Short Term Rental**

We established this Division during the year to combine the former operations of Foley Self Drive and Temeside Vehicle Rental with the existing self drive hire operations in the Finance Division. Although a small profit was achieved in the first half of the year, the Division was seriously affected in the latter part of the year by the combined effects of high interest rates, depressed market conditions and a drop in prices achieved on the sale of used commercial vehicles. We therefore took positive action to counter the problems and restore the Division to an acceptable level of return, by reducing

fleet size to meet diminished demand, increasing tariffs, closing one marginal retail site and two internal workshops and reducing manning levels. The Division's results for the year reflect that action.

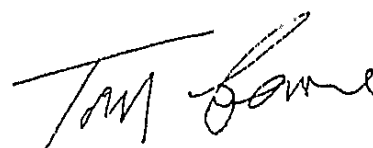
#### **Future Developments**

Current Interest rates are a brake on our achieving the exceptional performances of previous years. We expect to move towards those levels of performance again as interest rates fall. Our contract hire operation, by far the largest operation in our Finance Division, will continue its prudent rentals policy. There are already signs that the low rates offered in 1989 by competitors are being increased to levels compatible with ours. We anticipate significant benefits from our policy, when interest rates fall. Until then we will continue to achieve a reasonable level of return. From the start of 1990 we have again commenced writing instalment credit business from our northern motor dealerships. On motor operations we will continue our methodical plans for dealership redevelopment, intending to redevelop the Jaguar dealership in Perth and modernise the Peugeot Talbot dealership in Middlesbrough and the GM Vauxhall dealership in Redcar. Our strict stock control policies will keep carrying costs to a minimum and our concentration on corporate business will iron out seasonal fluctuations in after-sales operations.

We believe that the Group is well placed to weather the current difficult conditions. In the meantime we continue to have regard to all sensible available economies and take such action as is appropriate to minimise the impact of high financing costs.

#### **Employees**

Once again it gives me great pleasure to place on record my thanks both to my board colleagues and employees throughout the Group whose sustained commitment continue to make an immeasurable contribution to the Group's performance.



## **Financial Highlights**



	1989 £'000	1988 £'000
Turnover	549,913	462,702
Profit before tax	16,111	25,132
Earnings per ordinary share (fully diluted)	10.87p	16.51p
Dividends per ordinary share	4.2p	5.7p

## Finance Division

### Contract Hire and Fleet Management

The continuing demand for contract hire and allied services has provided a platform for consolidation and some growth.

Whilst continuing to meet the needs, regionally, of customers in the North, Midlands and South, the rationalisation, in April, of the various individual Divisions under the single name, Cowie Interleasing, has provided a national focal point for what is now recognised as the industry leader in vehicle contract hire.

In parallel with this new, corporate profile, the Division's increased penetration of the market has resulted in a further strengthening of the customer base. 'Blue Chip' clients continue to be greatly attracted by the Division's comprehensive portfolio of products and unrivalled standards of service and competitiveness.

Supporting this growth, there have been exciting developments in computer technology and new installations. Electronic interface between clients and suppliers is becoming a key factor in maintaining the Division's reputation for innovation, in-depth information and speed of response.

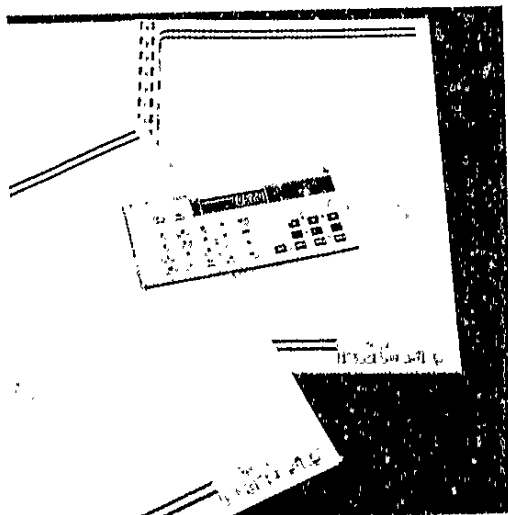
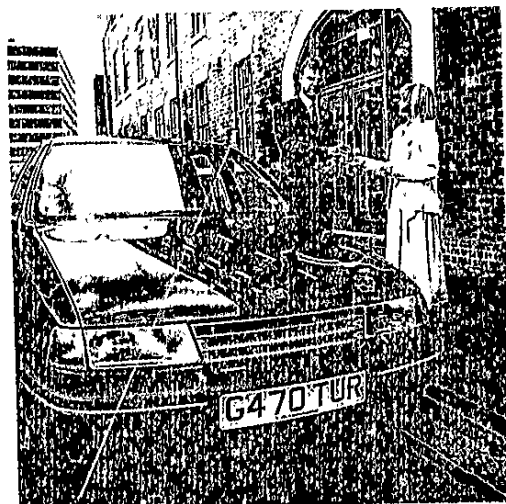
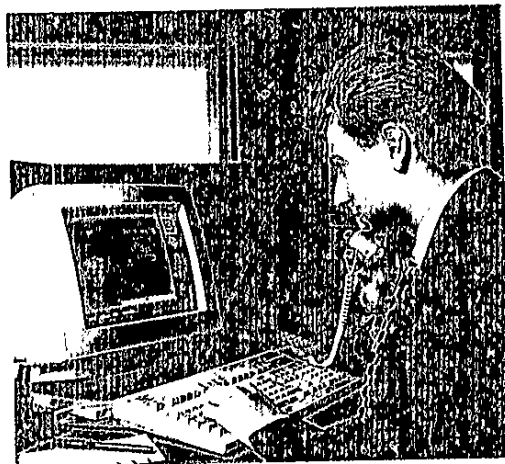
The specialist areas of the Division have also continued to make important significant contributions.

Fleet management is rapidly becoming regarded as an ideal method of combining professional fleet

administration with a client's preferred acquisition methods. Our customer retention is testimony to the success of the philosophy.

Continued penetration of the commercial vehicle market provides ample evidence of the Division's expertise in this technically specialised field. Whilst fleet increases have been achieved across all categories within the commercial vehicle sector, the small and medium van market has been subject to particular growth. This niche has been a special area of development by the Division.

The growth potential for the 1990's has demanded the re-location of the Midlands Region offices to a new seven-acre site within minutes of Birmingham city centre. As part of a major development, including a new Cowies of Birmingham Ford dealership, the new premises will herald the Division's increased commitment to the highest levels of customer service and market dominance in the years ahead.



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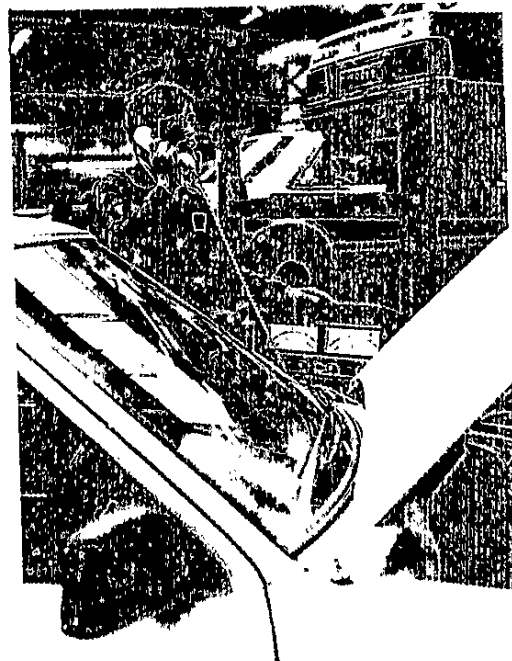
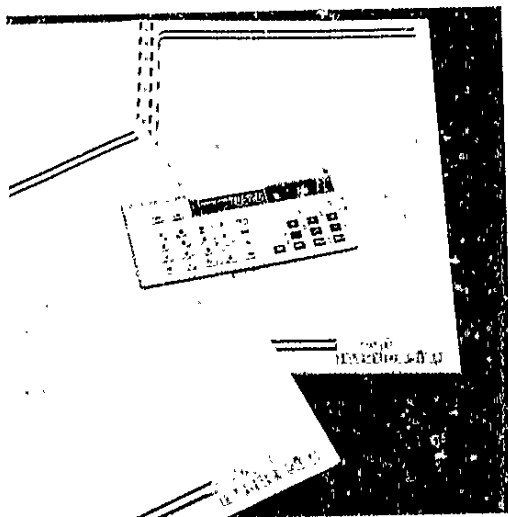
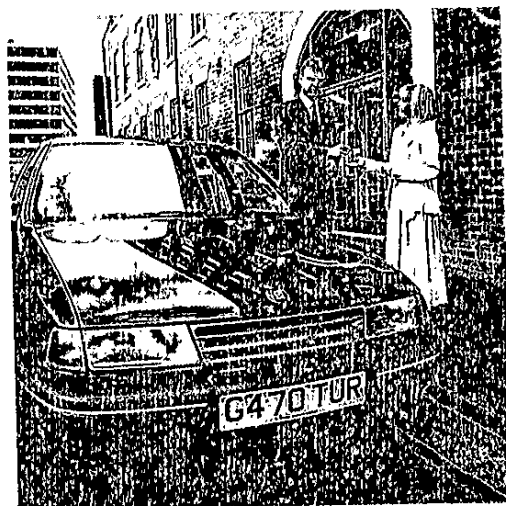
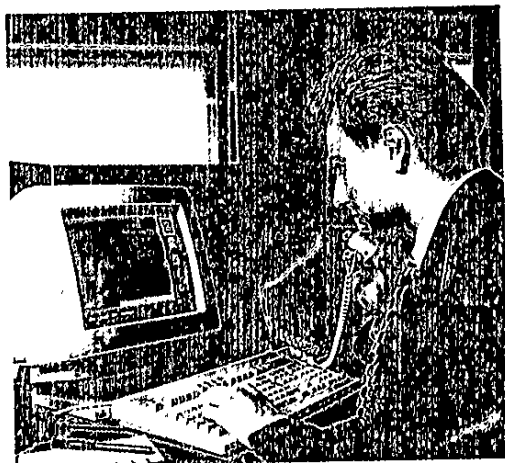
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## Finance Division

### Leasing

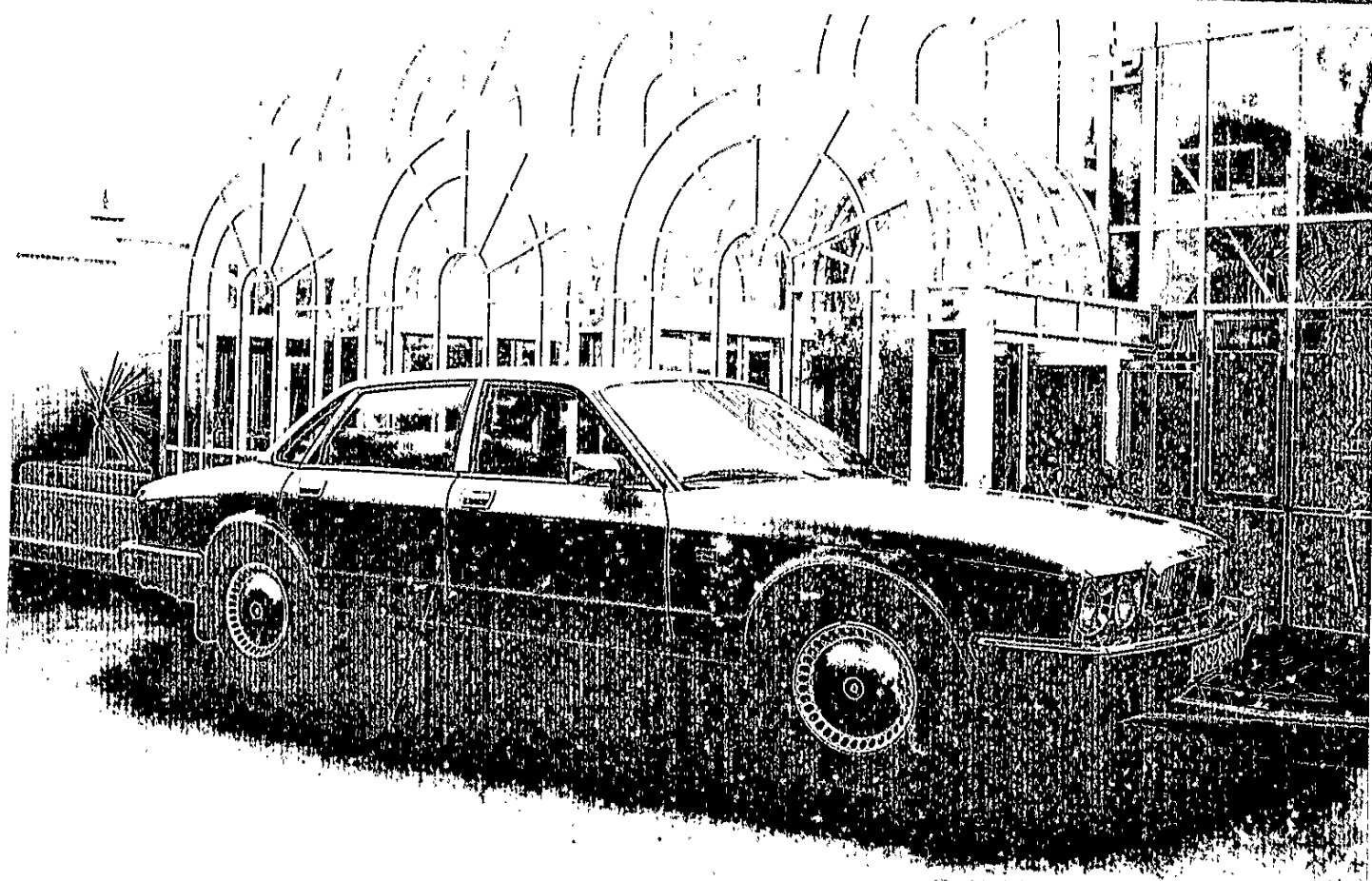
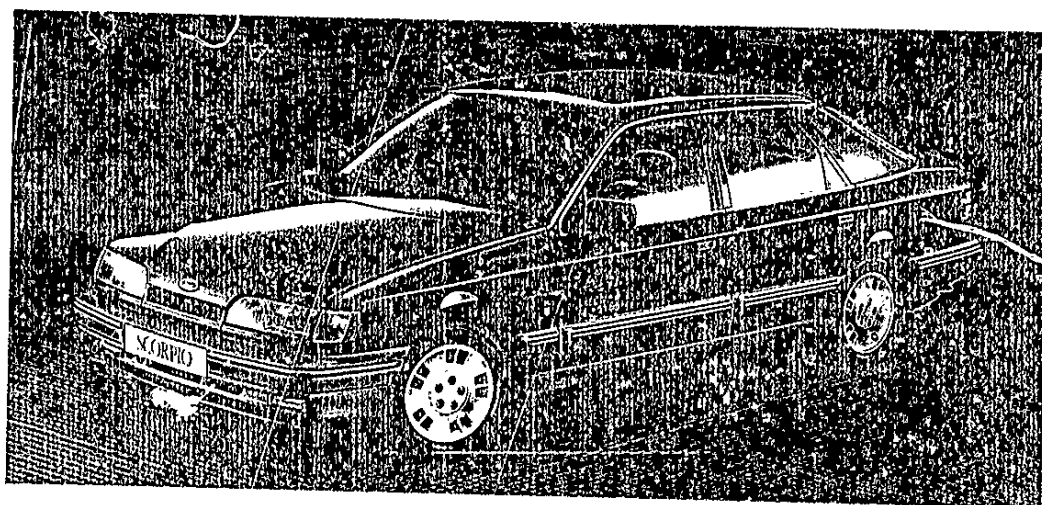
Cowie Lease concentrates on and provides personal service to customers in the small business sector with non-maintenance finance leases. The demand for this type of funding still remains relatively high despite various predictions to the contrary, and the expanded sales force recruited during the year has made a very worthwhile contribution to our business portfolio.

Whilst this business is not seen as a growth area with the larger fleet, we are encouraged to believe that there are unexploited markets for this very personal facility.

### Instalment Credit

As reported last year, the majority of the Group's finance business was placed with a national finance house for an initial period of one year. Whilst this clearly had an impact on Broadwood Finance, that company still retained a substantial customer base which has continued to be serviced during the year.

At the beginning of 1990 Broadwood Finance re-commenced lending to customers of the Group's northern based dealerships and it is anticipated that this business will produce a satisfactory performance for the year.





## Motor Division

FOR A LIST OF ALL THE COWIES MOTOR DIVISION DEALERSHIPS, PLEASE CONTACT US ON 01273 826111

The Motor Division now operates through 17 locations, strategically placed across the United Kingdom. The balanced range of executive and volume franchises covers BMW, Jaguar, Land Rover, Range Rover, Rolls Royce, Bentley, Volvo, Ford, GM Vauxhall, Peugeot Talbot, Rover and Iveco Ford Truck.

The Division offers a comprehensive range of facilities covering all facets of new and used vehicle sales, bodywork, maintenance, parts supply and general 'after sales' care. We have experienced steady growth in our Auto Charge and Cowie Rescue operations, building on our customers' loyalty.

*The wide range of after sales services.*



We have continued our drive to offer the highest possible level of customer service, constantly monitoring performance and introducing new methods of operation. Bodyshop and service facilities were improved during the year by extending opening hours in all dealerships. Computerised estimating has been introduced as a pilot scheme in three bodyshops in the year and proved so successful that it is our intention to implement the scheme across the Group in 1990. We have enhanced the workshop computer system to include automatic prospecting and menu pricing, which has proved attractive to customers and very beneficial.

The new BMW dealership at Stockton, completed in 1988, has enjoyed its first full year of operation and produced results comfortably in line with expectations. Work was carried out in the year on creating new dealership premises in the centre of Birmingham for our Ford dealership. This was opened at the beginning of 1990 and offers state of the art facilities and services in the very busy West Midlands dealership territory. We have been able to concentrate all our dealership operations in Birmingham in a very prominent location. During the year we closed three dealerships at Slough, South West London and Colchester that were not capable in the current economic climate of producing the returns we expect.

*The BMW Dealership, Stockton.*



BMW
FORD
IVECO/FORD TRUCK
JAGUAR
LAND ROVER/RANGE ROVER
PEUGEOT TALBOT
ROLLS ROYCE/BENTLEY
ROVER
GM VAUXHALL
VOLVO



## Motor Division

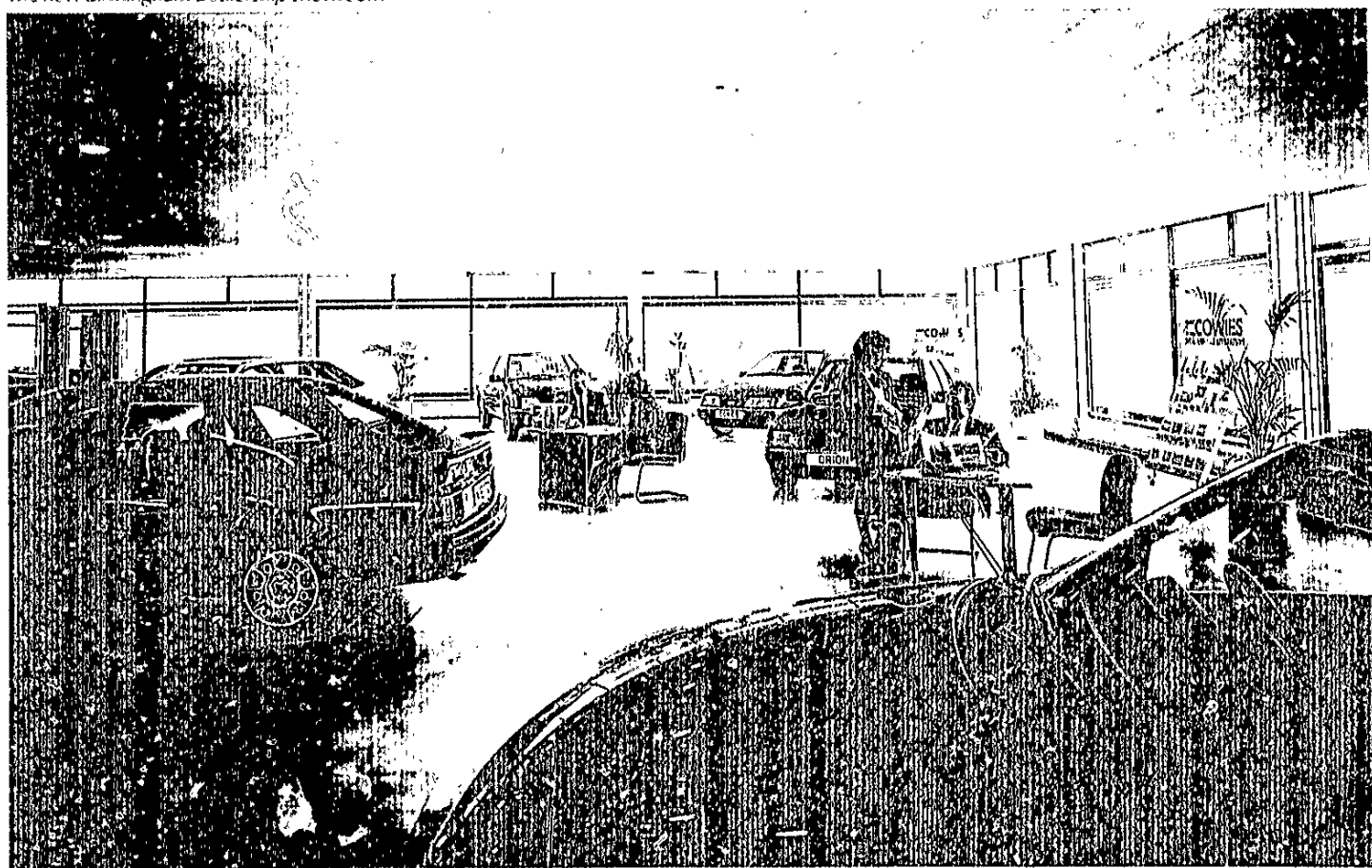
On vehicle sales, we benefited from our balance between fleet and retail customers, having sufficient resources and expertise to offer fleet customers the sophisticated service they require and retail customers the personal attention they deserve.

We have continued our efforts to offer all customers the widest possible range of top quality services and products backed up by a thoroughly professional approach. Our whole-hearted support of manufacturers' customer care schemes, and our steady improvement in those schemes, emphasise the importance we place on this aspect of our business.

*Paint spraying at the Colchester Dealership*



*The new Birmingham Dealership showroom.*



## Bus and Coach Operations Division



'Grey Green', our well-known trading name for this division, is based at Stamford Hill in north London, and also has depots in Dagenham, Essex and Rochester, Kent.

The largest single activity is now the operation, under contract from London Regional Transport, of six bus routes involving 74 vehicles, which travel approximately three million miles per annum. These routes cover significant areas of north and east London but the most recent, and by far the largest, the No 24 service, runs from Hampstead Heath to Pimlico, passing along Whitehall and around Parliament Square. 30 vehicles are required and peak passenger traffic has significantly increased to well over 32,000 people a day since our involvement began in November 1988.

During the last few weeks this 24 route won the 'Britain's Brightest Bus Service' award, sponsored by Castrol and the Bus and Coach Council. We are delighted that our efforts so far to provide a high level of service have been rewarded in this prestigious way.

Substantial investment in people and vehicles is necessary to provide a high level of service, and further opportunities to utilise the expertise we have gained are being sought. As an example, we have begun to operate local bus services from our Rochester depot.

A wide variety of coach activities is undertaken, including commuter services from a number of places in north Kent and Essex to central London. Additionally, during 1989, we were able to provide a significant number of vehicles to large companies to carry

employees to and from work on the days of the British Rail strikes which seriously inconvenienced commuters to London. The general coach fleet was well utilised for private hire, day tours, a comprehensive programme of short holidays and sub-contract work for International Express.

The benefit of group synergy was demonstrated by the ordering of all Grey Green's replacement coach fleet requirements for 1990 from Hughes DAF, the Group's bus and coach distribution Division.



# **Bus and Coach Distribution Division**

This was the first full year of the Group's bus and coach distribution interests represented by Hughes DAF which was acquired in September 1988

Hughes DAF holds the franchise from DAF Bus for the supply of bus and coach chassis with bodywork by Van Hool, Plaxton and Optare. Hughes DAF operates from purpose built premises in Cleckheaton adjacent to the M62 and offers customers a specialist PSV repair and maintenance service as well as a full bus and coach parts supply service. The extensive facilities and Hughes DAF expertise have been used on prototype work for DAF Bus.

The year saw the successful launch of the DAF SB220 City Bus with the Optare Delta body. This provides an advanced modern competitor in the developing market for single deck city buses.

With regard to bus and coach rental, the hire fleet was increased during 1989 in line with expectations. In particular, over 45% of the DAF SB220 City Buses registered in 1989 were leased from Hughes DAF Rental. The strength of the Group's Finance Division resources enabled Hughes DAF Finance to increase its portfolio.

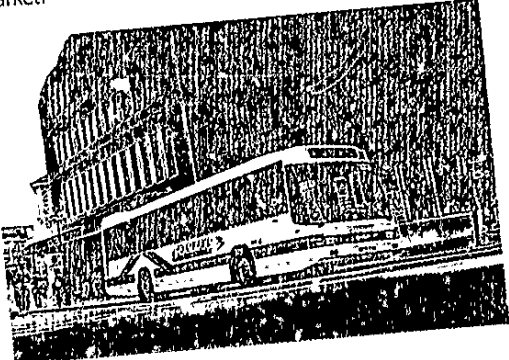
Growth in stable long term rental is expected as the single deck city bus business develops. In 1990 we should see fruition of our negotiations and plans for further body developments to fill niches identified in the market.

The contribution from Whitehall Lodge Finance, Hughes DAF's sister operation has been steady in the face of competitive rates. As part of our overall marketing strategy however, the hire purchase finance option has often given way to the growth in the business of Hughes DAF Rental. Nevertheless, the widest choice of finance packages will continue to be offered to our customers.

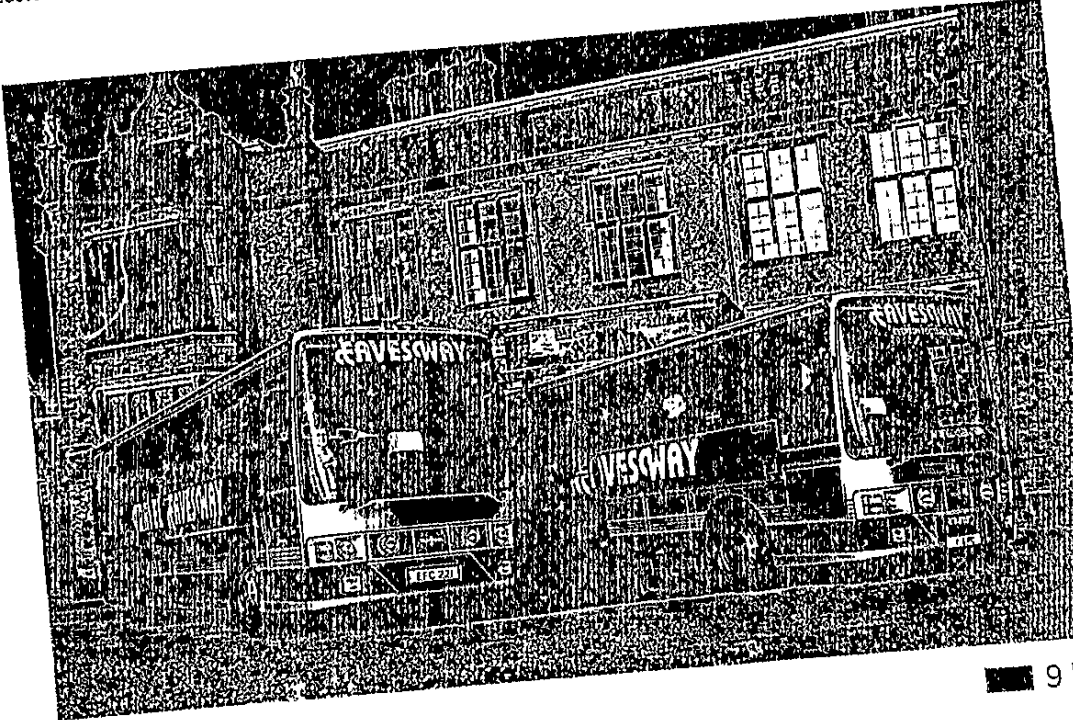
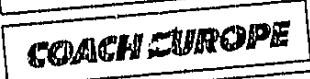


Despite the pressure on margins induced by high interest rates, Hughes DAF will prosper by offering top quality products and balanced financial packages to suit a broadening base of customers in the UK market. The maintenance of close links with DAF Bus will enable Hughes DAF to benefit from the introduction of new products in 1990 and 1991, selling against a reduced number of dealer competitors.

We are carefully planning the continued development of facilities and staff to promote the unique services we offer to the UK bus and coach market.



Some of our many valued customers.



## Agricultural, Industrial and Horticultural Division



This Division, based throughout East Anglia, continues to offer a wide range of agricultural, industrial and horticultural equipment from its depots. We have franchises for the supply of most leading makes of equipment, agricultural covered by Massey Ferguson, construction by Daewoo and Kubota excavators, Hanomag wheel loaders and Massey Ferguson tractor digger loaders. The horticultural range includes Westwood, Hayter and Mountfield.

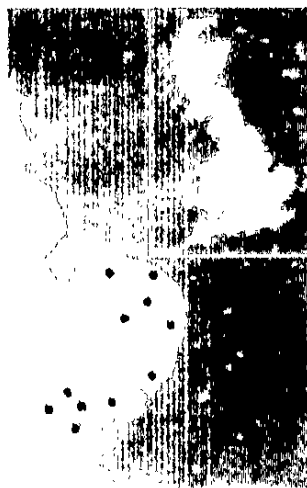
With the head office based in Braintree, the range of services is offered from 10 locations, five of which give the full range of whole goods and sales back-up services. These are Chelmsford, Norwich, Sculthorpe, Melton and Haverhill. The other five locations offer a parts and service facility, and these are located at Bishop's Stortford, Colchester, Wrentham, North Walsham and Attleborough.

A downturn in the demand for construction machinery occurred in the middle of the year and threatens to continue into 1990. Whilst a series of measures have been implemented to reduce the impact of this development on Eastern Tractors, difficult trading conditions in the construction industry will continue to have an adverse effect on demand for our industrial equipment.

The agricultural operations held up very well, and despite a general contraction of the tractor market, Eastern Tractors managed to increase its market penetration to 16%; in 1987 this penetration level stood at 7%. Approximately 40% of our tractor sales in the year went to new Massey Ferguson users, confirming our belief in the quality of the range of products produced by Massey Ferguson. Once again, Eastern Tractors has maintained its position as the top Massey Ferguson dealer in the United Kingdom.



On the horticultural operations side, grass machinery sales felt the impact of the very dry summer, but it is anticipated that these will return to more satisfactory levels in 1990. The service side of the division has expanded and it is pleasing to report that Eastern Tractors has won a very large contract with Royal Parks.





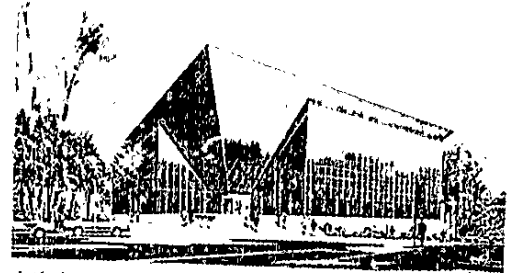
## Property Division

THE PROPERTY DIVISION HAS BEEN ESTABLISHED AS A SEPARATE DIVISION OF THE GROUP, WITH A VIEW TO THE GROUP'S FUTURE DEVELOPMENT.

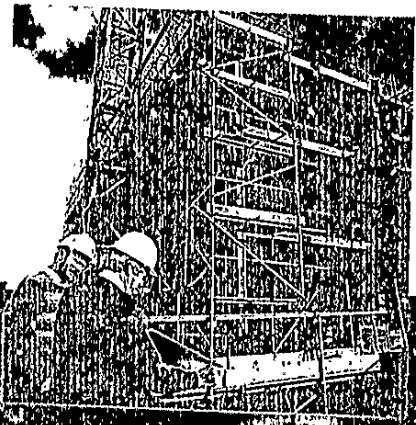
Following the establishment of a Property Division, which was announced last year, we review the activities for the first time. We are pleased to report an encouraging start, although we noticed a slowdown in the last few months of the year. As well as promoting the successful disposal of surplus properties in several parts of England, progress is being made in enhancing the value of existing properties and in establishing a development programme.

Of particular note is the development of a 58,000 gross square foot office complex at a prominent site on the inner ring road, close to the centre of Sheffield, where we have already a number of serious enquiries from potential tenants. The building programme began in the middle of 1989 and is due for completion this summer. We shall report again in due course and, in the meantime, show the progress being made and an impression of how the finished building work will look. Other, more modest, potential development sites are owned in several different parts of the United Kingdom and we are currently evaluating the most effective way of achieving the best financial results, taking careful account of current economic conditions.

In addition to these activities, we seek to manage and utilise the many properties owned and occupied by the group in the most productive manner, examining, in particular, various schemes for rebuilding and refurbishing our premises to meet on going requirements.



Artist's impression of the Sheffield office-complex development



Sheffield office-complex development under construction.

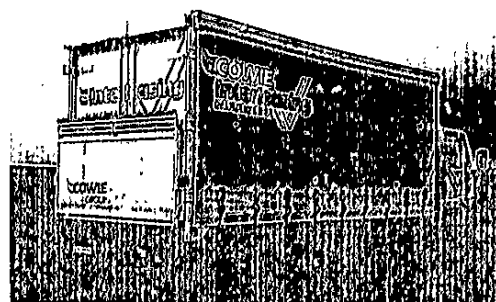


## Short Term Rental Division

This Division, trading as Cowie Interleasing Car and Truck Rental, was formed to combine the short term, daily and spot-hire operations of Foley Self Drive, Temeside Vehicle Rental and the existing daily rental operation from the Group's Finance Division.

Rental facilities are offered over an extensive range of car and commercial vehicles from specialised locations, primarily in the West Midlands, at West Bromwich, Bristol, Cheltenham, Kidderminster, Manchester, Stoke on Trent, Sunderland and Wolverhampton. The head office of the Division is in West Bromwich.

The Division serves a number of different markets. The commercial vehicle operations are targeted, on heavy goods vehicles, towards hauliers and distribution companies. For light vans, the customer base is more widespread but focuses particularly on nationalised industries, local authorities and quasi governmental bodies. Car rental is orientated primarily towards small and medium size companies and firms and towards private and leisure users and also as an additional service to our HGV and light van customers.



## Group Addresses



### Finance Division

**Cowie Interleasing North**, 62-82 Hylton Road, Sunderland Tel: 091 510 0494

**Cowie Interleasing Midlands**, 187 Broad Street, Birmingham. Tel: 021 632 4222

**Cowie Interleasing South**, Unit 2B, Buckingham Ave. Slough. Tel: 0753 22991

**Cowie Lease and Broadwood Finance**, Millfield House, Hylton Road, Sunderland. Tel: 091 514 4122

### GM VAUXHALL

**Cowies of Bury St Edmunds**, Colton Lane, Bury St Edmunds. Tel: 0284 755621

**Cowies of Colchester**, Scotts Corner, Ipswich Road, Colchester. Tel: 0206 844422

**Cowies of London NW**, Wrottesley Road, London NW10. Tel: 01 961 1177

**Cowies of Redcar**, Trunk Road, Redcar. Tel: 0642 486161

### VOLVO

**Cowies of Peterborough**, Crawthorne Road, Peterborough. Tel: 0733 61481

**New Cattle Market**, Hall Road, Norwich. Tel: 0603 56155

**Creak Road**, Sculthorpe, Fakenham, Norfolk. Tel: 0328 862333

**Priory Road**, Wrentham, Beccles, Suffolk. Tel: 0502 75285

**The Street**, Melton, Woodbridge, Suffolk. Tel: 03943 2801

**Folgate Road**, North Walsham, Norfolk. Tel: 0692 406408

**Haverscroft Industrial Estate**, Attleborough, Norfolk. Tel: 0953 452828

### Motor Division

#### BMW

**Cowies of Stockton**, Concorde Way, Preston Farm Industrial Estate, Stockton. Tel: 0642 618618

#### FORD

**Cowies of Birmingham**, Wiggins Street, Icknield Port Road, Birmingham. Tel: 021 456 1000

**Cowies of Blackburn**, Montague Street, Blackburn. Tel: 0254 57021

**Cowies of Nottingham**, 201-211 Lower Parliament Street, Nottingham. Tel: 0602 506282

**Mansfield Road**, Daybrook. Tel: 0602 262042

**London Road**, Nottingham. Tel: 0602 506282/861061

**Cowies of Sunderland**, Trimdon Street, Sunderland. Tel: 091 514 0311

#### IVECO/FORD TRUCK

**Cowies of Sunderland**, North Hylton Road, Sunderland. Tel: 091 549 1111

**Trimdon Street**, Sunderland. Tel: 091 514 0311

#### JAGUAR

**Cowies of Perth**, Dunkeld Road, Perth. Tel: 0738 36605

#### LAND ROVER/RANGE ROVER

**Cowies of Perth**, Glenearn Road, Perth. Tel: 0738 20811

#### PEUGEOT TALBOT

**Cowies of Middlesbrough**, 134 Marton Road, Middlesbrough. Tel: 0642 242873

#### ROLLS ROYCE/BENTLEY

**Cowies of Peterborough**, Crawthorne Road, Peterborough. Tel: 0733 49311

#### ROVER

**Cowies of Bury St Edmunds**, 76 Risbygate Street, Bury St Edmunds. Tel: 0284 753101

### FLEET SALES

**Cowie Fleet Sales**, Millfield House, Hylton Road, Sunderland. Tel: 091 514 4122

### COWIE RENTAL

**Car & Van Rental available at the following Dealerships**

Birmingham · Blackburn · Bury GM  
Colchester · London · Middlesbrough  
Nottingham · Perth · Sunderland

### MOBIL

**Blue Sign Filling Station**, New Coast Road, Wallsend, Newcastle upon Tyne.

### SHELL

**Cowies of Redcar**, Trunk Road, Redcar.

### Bus & Coach Operations Division

#### GREY GREEN

53/55 Stamford Hill, London N16. Tel: 01 800 8010

**Maritime Close**, Anthony's Way, Frindsbury, Rochester. Tel: 0634 713011

**Manchester Way**, Wantz Road, Dagenham. Tel: 01 592 2686

### Bus & Coach Distribution Division

#### HUGHES DAF

Lodge Garage, Gommersal, Cleckheaton. Tel: 0274 681144

### Agricultural, Industrial and Horticultural Division

#### COWIES EASTERN TRACTORS

17 Bocking End, Braintree. Tel: 0376 21991

**Eastern Approach**, Springfield, Chelmsford. Tel: 0245 256281

**4 Hellons Road**, Steeple Bumpstead, Haverhill, Suffolk. Tel: 0440 730377

**Unit 8**, 8 Raynham Close, Bishops Stortford. Tel: 0279 53325

**Clacton Road**, Frating Green, Colchester. Tel: 0206 250611

### Property Division

**Millfield House**, Hylton Road, Sunderland. Tel: 091 514 4122

### Short Term Rental Division

**West Bromwich**, Junction One House, 4/8 Birmingham Road, West Bromwich. Tel: 021 525 1675

**Bristol**, Russell Town Avenue, Lawrence Hill, Bristol. Tel: 0272 551478

**Cheltenham**, Kingsville Road, Kingsditch Trading Estate, Cheltenham. Tel: 0242 526734

**Kidderminster**, Foley Industrial Park, Stourport Road, Kidderminster. Tel: 0562 820461

**Manchester**, Froxmer Street, Off Gorton Lane, Manchester. Tel: 061 231 4641

**Stoke on Trent**, 135, Waterloo Road, Burslem, Stoke on Trent. Tel: 0782 825181

**Sunderland**, North Hylton Road, Sunderland. Tel: 091 549 3665

**Wolverhampton**, Wulfrun Trading Estate, Stafford Road, Wolverhampton. Tel: 0902 711775



## Report of the Directors

The directors submit their report and the audited accounts of T. Cowie P.L.C. for the year ended 31st December 1989.

### Principal Activities of the Group

The principal activities of the Group at 31st December 1989 comprised:

- Finance** – Contract hire, fleet management, leasing and instalment credit.
- Motor** – Sale, service and repair of motor vehicles, supply of automotive parts, self drive hire and forecourts.
- Bus & Coach Operations** – London bus routes and coach commuter services, tours and private hire.
- Bus & Coach Distribution** – Bus and coach distribution, rental and finance.
- Agricultural, Industrial and Horticultural** – Sale and service of agricultural, industrial and horticultural equipment.
- Property** – Property development and management.
- Short Term Rental** – Car and commercial vehicle short term rental.

### Review of operations

A review of the operations of the Group appears on pages 4 to 12, and an indication of future prospects is contained in the chairman's statement on pages 2 to 3.

### Results and dividends

The profit for the year before tax amounted to £16,111,000 (1988 £25,132,000).

The directors recommend the payment of a final dividend on the ordinary shares of the Company of 3p per share (1988 4p) which together with the interim dividend of 1.2p per share (1988 1.2p) represents a total of 4.2p per share (1988 5.2p). The proposed final dividend, if approved, will be payable on 20th April 1990 to shareholders on the register at the close of business on 30th March 1990.

The total amount proposed to be distributed for the year is £5,350,000. After payment of these dividends, the retained profit for the year attributable to shareholders of the Company is £8,544,000.

### Directors

The names of the present directors appear on page 1.

Mr A B Hughes resigned as a director on 6th April 1989.

Mr D C Hurst, who was appointed to the board on 30th May 1989, resigned on 16th February 1990.

Mr I S Jane and Mr T N Pykett (both having service contracts subject to three years notice) retire by rotation and, being eligible, offer themselves for re-election.

### Directors' interests

The interests of the directors (including their family interests) in the share capital of the Company at the beginning and the end of the year are shown below. Interests marked with an asterisk represent non-beneficial interests.

	Ordinary Shares		Ordinary Shares Options	
	31.12.89	1.1.89	31.12.89	1.1.89
Mr T Cowie	9,417,509	10,417,509	Nil	Nil
Mr G W Hodgson	908,924	50,000	Nil	908,924
	*2,000,000	*2,000,000		
Mr D C Hurst	10,000	N/A	50,000	N/A
Mr I S Jane	Nil	Nil	250,000	200,000
Mr J K Lander	8,000	4,050	100,000	50,000
Mr T N Pykett	Nil	Nil	250,000	200,000
Lord Elliott	1,200	Nil	Nil	Nil

Messrs. Jane & Pykett's options are each exercisable at 103.2p per share (200,000 shares) and 124.6p per share (50,000 shares). Mr J K Lander's options are exercisable at 109.4p per share (50,000 shares) and 124.6p per share (50,000 shares).

The following changes in the interests of the directors have occurred in the period 31st December 1989 to 15th March 1990: (a) Mr D C Hurst's option lapsed on 16th February 1990 and (b) on 15th March 1990 Mr I S Jane, Mr J K Lander and Mr T N Pykett each surrendered their option over 50,000 ordinary shares which had been granted at a price of 124.6p per share.

None of the directors had any beneficial or non-beneficial interest in the 10½% convertible redeemable cumulative preference shares of the Company.

No director was materially interested in any contract or arrangement with the Company which was significant in relation to the Company's business.

### Share capital

During the year 908,924 ordinary shares were issued as a result of the exercise of options under the Senior Executive Share Option Scheme and 1,562,401 ordinary shares were issued on the conversion of 135,861 convertible redeemable cumulative preference shares.

In accordance with the authority granted at the Annual General Meeting held on 6th April 1989, the Company purchased 400,000 ordinary shares (0.3% of the issued ordinary share capital) for cancellation in the period 12th October – 30th October within the price range of 77p – 89p per share inclusive. On 20th March 1990 the Company purchased 350,000 ordinary shares (0.27% of the issued ordinary share capital) for cancellation at a price of 49p per share. On 22nd March 1990 the Company purchased a further 250,000 ordinary shares (0.19% of the issued ordinary share capital) for cancellation at a price of 49p per share.

### Tangible fixed assets

The movements in tangible fixed assets during the year are set out in note 10 to the accounts.

### Charitable and political donations

During the year the Group made charitable donations amounting to £19,667. There were no political donations.

### Special business

The notice of the Annual General Meeting contains as special business three resolutions all of which require Special Resolutions.

The first item seeks to renew the authority granted at the previous Annual General Meeting for the directors to take advantage of Section 95 of the Companies Act 1985 ('the Act'). The Act requires that an allotment of shares for cash may not be made unless the shares are first offered to existing shareholders on a pre-emptive basis in accordance with the Act. Section 95 of the Act permits the directors to disapply these pre-emption requirements and accordingly a resolution (set out as Resolution 6 in the Notice of Meeting) will be proposed at the Annual General Meeting which, if passed, will have the effect of granting the directors the power, on similar terms to that granted by the Special Resolution passed at the Annual General Meeting held on 6th April 1989, to allot up to 5% of the present issued ordinary share capital otherwise than in accordance with Section 89 of the Act.

The second item (set out as Resolution 7 in the Notice of Meeting), seeks to renew the authority of the Company to make market purchases of up to an aggregate of 6,000,000 ordinary shares (4.7% of the issued ordinary shares) of 5p each at not more than 200p and not less than 5p per share. Purchases will only be made on the Stock Exchange and only in circumstances where they are, in the opinion of the directors, in the best interests of the Company and the Group. Such purchases will be financed out of distributable profits and will only be made in circumstances which, in the opinion of the directors, should result in an improvement in earnings per share. Your directors do not have any present intention of invoking this authority.

The third item, in accordance with general current practice, seeks to authorise your directors to impose, in accordance with the terms of the resolution, specific sanctions on any shareholder who refuses to respond within a reasonable period of time to an enquiry as to the identity of any beneficial shareholder under Section 212 of the Act. Your directors consider it vital that the identity of all beneficial shareholders should be known. Accordingly a Special Resolution (set out as Resolution 8 in the Notice of Meeting) is proposed for the Annual General Meeting. If passed this resolution will have the effect of amending the Articles of Association by granting your directors power of disenfranchisement, refusal of registration and

withholding of dividends in the specified circumstances. Any sanctions imposed will be lifted immediately on compliance with a Section 212 enquiry.

#### **Employees**

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The Group's policy includes, where applicable, the continued employment of those who may become disabled during their employment. Equal training facilities are provided for disabled and other employees. The Group has continued its policy of employee involvement, by making information available to employees and encouraging their participation in schemes which are related to the Group's progress and profitability.

#### **Substantial shareholding**

As far as the directors are aware the only shareholding in excess of 5% of the issued ordinary share capital is that of the Chairman.

#### **Close company**

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

#### **Auditors**

The auditors, Price Waterhouse, have signified their willingness to continue in office and a resolution covering their re-appointment and remuneration will be proposed at the Annual General Meeting.

By order of the Board

D P Turner

Secretary



Sunderland  
29th March, 1990

# GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 1989

## Turnover

Cost of sales

## Gross profit

Distribution costs

Administrative expenses

Other operating income

Interest payable and similar charges

## Profit on ordinary activities before taxation

Tax on profit on ordinary activities

## Profit on ordinary activities after taxation

Extraordinary item

## Profit for the financial year

Dividends paid and proposed

Transfer to reserves

## Earnings per share — net basis

(Calculated on group profit of £13,883,000 (1988 £21,203,000) after preference dividend)

Earnings per ordinary share are calculated on 126,690,058 shares being the weighted average of ordinary shares in issue throughout the year.

## Earnings per share — fully diluted basis

(Calculated on group profit of £13,894,000 (1988 £21,226,000) adjusted for the return on the proceeds from the exercise of options).

Earnings per ordinary share are calculated on 129,034,529 shares being the aggregate of ordinary shares in issue, the conversion of the 10½% preference shares to ordinary shares and the exercise of the options under the Senior Executive Share Option Scheme.

NOTES	1989 £'000	1988 £'000
1	549,913	462,702
	463,738	386,565
	86,175	76,137
	(2,485)	(2,653)
	(32,235)	(27,151)
	2,624	1,123
2	(37,968)	(22,324)
1 and 2	16,111	25,132
5	2,217	3,906
	13,894	21,226
6	—	654
	13,894	21,880
7	5,350	6,534
21	8,544	15,346
	10.96p	17.20p
	10.87p	16.51p

# BALANCE SHEETS

31st DECEMBER 1989

## Fixed assets

Tangible assets  
Investments  
Goodwill

## Current assets

Stocks  
Debtors  
Instalment credit agreements  
Finance lease receivables  
Cash at bank and in hand

## Creditors

Amounts falling due within one year

## Net current (liabilities)/assets

## Total assets less current liabilities

## Creditors

Amounts falling due after more than one year

## Provisions for liabilities and charges

## Represented by:

## Capital and reserves

Called up share capital  
Capital redemption reserve fund  
Share premium account  
Special reserve  
Revaluation reserve  
Profit and loss account

Notes	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
10	346,461	279,466	29,022	26,944
11	8,037	7,442	24,121	23,576
12	9,423	9,615	—	—
	<b>363,921</b>	<b>293,523</b>	<b>53,143</b>	<b>50,520</b>
13	42,067	48,995	24,050	28,963
14	45,408	50,531	30,093	50,178
15	8,243	14,742	—	—
16	11,755	10,452	—	—
	<b>29</b>	<b>32</b>	<b>21</b>	<b>22</b>
	<b>107,502</b>	<b>124,756</b>	<b>54,164</b>	<b>79,763</b>
17	368,379	323,685	42,297	67,318
	<b>(260,877)</b>	<b>(198,931)</b>	<b>11,867</b>	<b>12,445</b>
	<b>103,044</b>	<b>94,592</b>	<b>65,010</b>	<b>62,965</b>
17	15,192	14,317	6,379	7,570
18	4,035	3,746	250	250
	<b>83,817</b>	<b>76,529</b>	<b>58,381</b>	<b>55,145</b>
20	6,424	6,456	6,424	6,456
21	20	—	20	—
21	262	136	262	136
21	25,246	26,141	25,246	26,141
21	1,278	1,418	1,263	1,403
21	50,587	42,378	25,166	21,009
	<b>83,817</b>	<b>76,529</b>	<b>58,381</b>	<b>55,145</b>

T COWIE

G W HODGSON

Directors

Approved by the Board on 29th March, 1990

# STATEMENT OF GROUP SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1989

## Source of funds

Group profit before taxation  
Adjustment for items not involving the movement of funds:  
Depreciation  
Revaluation surplus released to profit and loss account on sale of properties  
Profit on sale of fixed asset investments  
Amortisation of goodwill

## Total generated from operations

## Funds from other sources

Sale of tangible fixed assets and investments  
Consortia and finance house loans  
Issue of share capital  
Disposal of business

## Application of funds

Dividends paid  
Taxation paid  
Purchase of tangible fixed assets and investments  
Acquisition of businesses  
Loan capital repaid  
Finance lease payments (net)  
Acquisition of own shares

## Increase/(decrease) in working capital

Stocks  
Debtors, instalment credit agreements and  
finance lease receivables  
Creditors  
Bank overdrafts and short term loans

	1989		1988	
	£'000	£'000	£'000	£'000
		<b>16,111</b>		<b>25,132</b>
	<b>80,579</b>		<b>62,759</b>	
	<b>(140)</b>		<b>-</b>	
	<b>(211)</b>		<b>(199)</b>	
	<b>242</b>	<b>80,470</b>	<b>-</b>	<b>62,569</b>
		<b>96,581</b>		<b>87,701</b>
	<b>88,747</b>		<b>55,082</b>	
	<b>85,140</b>		<b>73,533</b>	
	<b>114</b>		<b>227</b>	
	<b>-</b>	<b>174,001</b>	<b>2,601</b>	<b>131,463</b>
		<b>270,582</b>		<b>219,164</b>
	<b>6,578</b>		<b>3,456</b>	
	<b>3,599</b>		<b>2,134</b>	
	<b>239,705</b>		<b>178,765</b>	
	<b>-</b>		<b>10,644</b>	
	<b>389</b>		<b>3,315</b>	
	<b>6,259</b>		<b>10,215</b>	
	<b>335</b>	<b>256,865</b>	<b>-</b>	<b>209,029</b>
		<b>13,717</b>		<b>10,135</b>
	<b>(6,928)</b>		<b>12,131</b>	
	<b>(9,983)</b>		<b>17,635</b>	
	<b>9,912</b>		<b>(8,134)</b>	
	<b>20,716</b>	<b>13,717</b>	<b>(11,567)</b>	<b>10,135</b>

## ACCOUNTING POLICIES

### (a) Basis of accounting

The group prepares its accounts on the historical cost basis of accounting as modified by revaluation of certain tangible fixed assets

### (b) Consolidation

- (i) The group profit and loss account and balance sheet include the accounts of T. Cowie P.L.C. and all its subsidiaries from 1st January, 1989 (or date of acquisition) to 31st December, 1989.
- (ii) Intra-group sales and profits are eliminated on consolidation so that all sales and profit figures relate to external sales only.

### (c) Goodwill

Goodwill, which represents the excess of cost of acquisitions of subsidiary companies and businesses over the value attributed to their net assets, is appraised for each individual acquisition with goodwill being either written off immediately on acquisition against reserves or amortised through the profit and loss account by equal instalments over its estimated useful economic life.

### (d) Stocks

Stocks are valued at the lower of cost and net realisable value.

### (e) Depreciation

Depreciation is calculated to write off the cost or valuation of tangible fixed assets on the following bases:

Freehold properties	None.
Leasehold properties	In equal annual instalments over life of lease.
Fixtures, fittings, plant, buses and coaches	10% to 20% per annum on cost.
Company vehicles	24% to 48% per annum on cost.
Contract hire vehicles	Over the duration of the contracts to estimated residual value

### (f) Deferred taxation

Provision is made on a liability basis for tax deferred by timing differences to the extent that there is reasonable probability that the tax deferral will crystallise in the foreseeable future.

### (g) Contract hire income

Contract hire income is credited to the profit and loss account in equal monthly instalments over the period of the contract.

### (h) Deferred revenue

In respect of instalment credit agreements where the interest and charges are added to the amount financed at the commencement of the agreement, unearned interest and charges are calculated on the 'rule of 78' which attributes an appropriate part of the interest and charges to instalments receivable after the date of the balance sheet.

### (i) Maintenance of contract hire vehicles

Provision is made in monthly amounts for the total cost of maintenance of the contract hire vehicles over the period of hire.

### (j) Finance lease income and receivables

Income from finance leasing contracts is credited to the profit and loss account in proportion to the funds invested. Finance lease receivables are stated in the balance sheet at the net investment in the leases after deduction of unearned charges.

### (k) Assets acquired under finance lease contracts

Assets utilised by the group which are acquired under finance lease contracts are recorded in the balance sheet as tangible fixed assets and the related obligations to pay future rentals (net of finance charges) are included in creditors.

### (l) Pensions

The group operates a defined benefit pension scheme covering the majority of its full-time employees including the executive directors. The expected regular cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the average expected service period of employees in the scheme. Variations from regular cost are calculated with reference to the expected remaining service lives of the employees and are charged or credited to the profit and loss account as appropriate. The pension cost is assessed in accordance with the advice of independent qualified actuaries. The balance sheet figures included in these accounts for 1988 have been adjusted for the purposes of comparability.

## NOTES TO THE ACCOUNTS

### 1 Turnover and profit on ordinary activities before taxation

by business:  
 Finance  
 Motor Trade  
 Bus and Coach Operations  
 Bus and Coach Distribution  
 Agricultural, industrial and horticultural  
 Property  
 Short term rental  
 Head office and miscellaneous

	Turnover		Profit	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Finance	181,647	149,471	8,973	13,573
Motor Trade	239,487	255,439	5,149	6,435
Bus and Coach Operations	8,127	6,148	556	307
Bus and Coach Distribution	17,339	6,410	2,180	726
Agricultural, industrial and horticultural	26,995	26,603	441	804
Property	—	—	1,259	651
Short term rental	26,318	22,631	(3,147)	196
Head office and miscellaneous	—	—	700	2,440
	<b>549,913</b>	<b>462,702</b>	<b>16,111</b>	<b>25,152</b>

Turnover by geographical market comprises:  
 United Kingdom  
 Western Europe

	1989 £'000	1988 £'000
United Kingdom	549,590	461,543
Western Europe	323	159
	<b>549,913</b>	<b>462,702</b>

### 2 Profit on ordinary activities before taxation

is stated after charging:  
 Staff costs  
     Wages and salaries  
     Social security costs  
     Other pension costs (note 19)  
 Directors' remuneration (note 3)  
 Auditors' remuneration  
 Depreciation  
 Finance lease charges  
 Interest payable on bank and other borrowings repayable within five years  
 Interest payable on long-term borrowings

	1989 £'000	1988 £'000
Staff costs		
Wages and salaries	26,899	21,886
Social security costs	2,504	2,010
Other pension costs (note 19)	174	—
Directors' remuneration (note 3)	652	569
Auditors' remuneration	174	158
Depreciation	80,579	62,759
Finance lease charges	1,063	982
Interest payable on bank and other borrowings repayable within five years	36,901	21,438
Interest payable on long-term borrowings	4	4

and after crediting:  
 Rents receivable  
 Income from listed investments  
 Profit on sale of listed investments

	1989 £'000	1988 £'000
Rents receivable	177	282
Income from listed investments	845	441
Profit on sale of listed investments	211	190

### 3 Directors' and senior employees' remuneration

Emoluments  
 Pensions to former directors

	1989 £'000	1988 £'000
Emoluments	651	568
Pensions to former directors	1	—
	<b>652</b>	<b>568</b>
Chairman and highest paid director	<b>276</b>	<b>218</b>

## NOTES TO THE ACCOUNTS

The number of directors whose emoluments fell within each of the following ranges is:

£
5,001 - 10,000
15,001 - 20,000
30,001 - 35,000
35,001 - 40,000
40,001 - 45,000
55,001 - 60,000
60,001 - 65,000
65,001 - 70,000
70,001 - 75,000
80,001 - 85,000
105,001 - 110,000

1989	1988
1	1
1	-
-	1
1	-
-	1
1	-
-	2
1	1
1	-
-	1
1	-

The number of employees whose emoluments exceeded £30,000 and fell within each of the following ranges is:

£
30,001 - 35,000
35,001 - 40,000
40,001 - 45,000
45,001 - 50,000
55,001 - 60,000

9	13
11	2
7	1
3	1
1	-

### 4 Average number of employees by business

Finance
Motor
Bus and Coach Operations
Bus and Coach Distribution
Agricultural, Industrial and Horticultural
Property
Short term rental
Head Office

1989	1988
383	347
1,399	1,346
272	320
34	27
238	225
4	2
209	183
122	118
2,661	2,568

### 5 Tax

Tax on profit on ordinary activities comprises the following:

Corporation tax at 35% (1988 35%)
Deferred taxation
Advance corporation tax
Tax on franked investment income

1989 £'000	1988 £'000
1,951	3,736
289	83
(234)	(16)
211	103
2,217	3,906

The charge to corporation tax on the profit for the year has been reduced by the utilisation of taxation losses and advance corporation tax brought forward together with capital allowances arising on expansion of the group's activities.

### 6 Extraordinary item

The extraordinary item in 1988 represents the profit arising on the sale of the Fire Safety and Security division, net of taxation



## NOTES TO THE ACCOUNTS

### 7 Dividends paid and proposed

	1989 £'000	1988 £'000
Ordinary shares		
Interim dividend paid of 1.2p per share (1988 1.2p)	1,529	1,422
Final dividend proposed of 3.0p per share (1988 4.0p)	3,810	5,294
	<b>5,339</b>	<b>6,716</b>
10½% convertible redeemable cumulative preference shares		
Dividend of 10.5p per share (1988 10.5p)	11	23
	<b>5,350</b>	<b>6,739</b>

### 8 Lease rentals receivable

	1989 £'000	1988 £'000
Rentals receivable under operating leases	132,525	113,017
Rentals receivable under finance leases	6,868	5,072

### 9 T. Cowie P.L.C. profit and loss account

T. Cowie P.L.C. has not presented its own profit and loss account as permitted by Section 228(7) of the Companies Act 1985. The amount of the consolidated profit for the financial year dealt with in the accounts of T. Cowie P.L.C. is £9,842,000.

### 10 Tangible fixed assets

#### (a) The Group

#### Cost or Valuation

	Land & Buildings £'000	Plant, Company Vehicles, Buses & Coaches £'000	Fixtures & Fittings £'000	Contract & Short Term Hire Vehicles £'000	Total £'000
At 1st January, 1989	21,040	14,779	2,922	323,534	362,275
Additions	5,985	3,690	705	210,825	221,205
Disposals	(3,740)	(2,517)	(143)	(120,477)	(126,877)
At 31st December, 1989	23,285	15,952	3,484	413,882	456,603
Comprising:					
Cost	21,713	15,952	3,484	413,882	455,031
Valuation 1984	1,572	-	-	-	1,572
	23,285	15,952	3,484	413,882	456,603
At 1st January, 1989	417	4,594	1,593	79,205	85,809
Amounts provided	41	2,341	456	77,741	80,579
Disposals	(6)	(1,124)	(71)	(55,045)	(56,246)
At 31st December, 1989	452	5,811	1,978	101,901	110,142
At 31st December, 1989	22,833	10,141	1,506	311,981	346,461
At 1st January, 1989	20,623	10,185	1,329	244,329	276,466

The net book amount of assets held under finance leases, included in plant, company vehicles, buses and coaches and contract and short term hire vehicles is £3,966,000 and £2,130,000 respectively. The depreciation provided in the year in respect of those assets is £686,000 and £1,753,000 respectively.

## NOTES TO THE ACCOUNTS

### Net book amount of land and buildings comprises:

Freehold  
Long leasehold  
Short leasehold

1989 £'000	
<b>21,682</b>	
<b>751</b>	
<b>400</b>	
<b>22,833</b>	

On an historical cost basis land and buildings would have been included at cost of £22,168,000 and accumulated depreciation of £455,000. The group's land and buildings were valued at 31st December 1989 on an open market basis by Messrs Bernard Thorpe at £33.7 million representing a surplus over book value of £10.9 million.

### (b) The Company

#### Cost or Valuation

	Land & Buildings £'000	Plant, Company Vehicles, Buses & Coaches £'000	Fixtures & Fittings £'000	Total £'000
At 1st January, 1989	18,852	11,421	1,221	21,474
Additions	5,985	1,711	299	7,995
Disposals	(3,729)	(1,043)	(134)	(4,906)
At 31st December, 1989	21,088	12,089	1,386	34,563
Comprising:				
Cost	19,598	12,089	1,386	33,073
Valuation 1984	1,490			1,490
	21,088	12,089	1,386	34,563
Accumulated depreciation				
At 1st January, 1989	453	3,446	631	4,530
Amounts provided	30	1,454	179	1,663
Disposals		(591)	(61)	(652)
At 31st December, 1989	483	4,309	749	5,541
Net book amounts				
At 31st December, 1989	20,605	7,780	637	29,022
At 1st January, 1989	18,379	7,975	590	26,944

The net book amount of assets held under finance leases included in plant, company vehicles, buses and coaches is £3,966,000.

### Net book amount of land and buildings comprises:

Freehold  
Long leasehold  
Short leasehold

1989 £'000	
<b>19,734</b>	
<b>522</b>	
<b>349</b>	
<b>20,605</b>	

On an historical cost basis land and buildings would have been included at cost of £22,085,000 and accumulated depreciation of £487,000. It is the group's policy to maintain its properties in good repair, the cost of maintenance being charged to profit and loss account. Consequently, the directors consider the lives of the freehold properties to be so long that there is no significant annual depreciation.

## NOTES TO THE ACCOUNTS

### 11 Fixed Asset Investments

#### (a) The Group

	Quoted Investments £'000
Cost at 1st January, 1989	
Additions	7,442
Disposals	18,500
	(17,905)
Cost at 31st December, 1989	8,037

#### (b) The Company

	Shares in Subsidiaries, £'000	Quoted Investments £'000	Total £'000
Cost and net book amount At 1st January, 1989			
Additions	16,134	7,442	23,576
Disposals	50	18,500	18,550
	(100)	(17,905)	(18,005)
Cost and net book amount At 31st December, 1989	16,084	8,037	24,121

Particulars of fixed asset investments are shown in notes 23 and 24.

### 12 Goodwill

	The Group £'000
At 1st January, 1989	
Arising on acquisition of Hughes DAF Ltd and Whitehall Lodge Finance Ltd	9,615
Amortisation	50
	(242)
At 31st December, 1989	9,423

Goodwill, which derives from the acquisition of Hughes DAF Limited and Whitehall Lodge Finance Limited in 1988, is being amortised through the profit and loss account on a straight line basis over 40 years.

### 13 Stocks

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Raw materials and consumables	152	67	33	67
Work in progress	105	131	40	62
Finished goods and goods for resale	34,856	44,319	19,475	24,441
Deposits with motor manufacturers	4,574	4,478	4,502	4,393
Property developments under construction	2,380	-	-	-
	42,067	48,995	24,050	28,963

NOTES TO THE ACCOUNTS

14 Debtors

Amounts falling due within one year:
Trade debtors
Amounts owed by group companies
Other debtors
Prepayments and accrued income
Amounts falling due after more than one year:
Prepayments and accrued income
Other debtors

The Group		The Company	
1989	1988	1989	1988
£'000	£'000	£'000	£'000
26,117	27,121	10,058	12,145
—	—	11,781	11,122
2,660	2,193	1,521	1,165
12,252	8,107	2,417	1,895
41,029	47,421	25,777	26,327
4,307	5,103	4,307	5,103
72	178	9	12
45,408	52,702	30,093	31,442

15 Instalment credit agreements

Amounts falling due within one year
Amounts falling due after more than one year

The Group		The Company	
1989	1988	1989	1988
£'000	£'000	£'000	£'000
4,526	7,129	—	—
3,717	7,514	—	—
8,243	14,643	—	—

16 Finance lease receivables

Amounts falling due within one year
Amounts falling due after more than one year

The Group		The Company	
1989	1988	1989	1988
£'000	£'000	£'000	£'000
4,166	4,807	—	—
7,589	5,645	—	—
11,755	10,452	—	—

The cost of assets acquired for the purpose of letting under finance leases in the year was £7,084,000.

17 Creditors

Amounts falling due within one year:

Loan capital
Short term loans
Bank overdrafts
Consortia and finance house loans (secured)
Obligations under finance leases
Vehicle stocking loans
Payments received on account
Trade creditors
Creditors for taxation and social security
Other creditors
Accruals and deferred income
Proposed dividend

The Group		The Company	
1989	1988	1989	1988
£'000	£'000	£'000	£'000
31	391	11	571
18,000	36,000	18,000	36,000
4,643	7,108	935	4,046
286,163	303,381	—	—
2,302	6,336	1,128	1,222
735	540	735	540
6,700	5,762	508	460
20,152	11,111	6,785	11,111
7,367	11,122	3,682	5,122
1,848	2,125	1,646	2,125
16,628	13,167	5,057	3,241
3,810	5,129	3,810	5,034
368,379	475,732	42,297	62,518

## NOTES TO THE ACCOUNTS

### Amounts falling due after more than one year:

Consortia and finance house loans (secured)
Loan capital
Payments received on account
Obligations under finance leases
Accruals and deferred income

The Group		The Company	
1989	1988	1989	1988
£'000	£'000	£'000	£'000
5,866	3,909	—	—
86	115	46	95
2,557	2,386	—	—
961	2,646	2,463	3,591
5,722	5,671	3,870	3,924
15,192	14,317	6,379	7,570

### Loan capital and other borrowings repayment statement:

Within 1 year or on demand
Between 1 and 2 years
Between 2 and 5 years
5 years or more - by instalments

311,874	254,732	20,809	41,685
6,854	5,350	1,135	1,144
42	891	1,357	2,484
17	22	17	22
318,787	260,995	23,318	45,335

Total borrowings with instalment payments  
extending beyond 5 years

52	57	52	57
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### Analysis of loan capital:

6% secured mortgage loan repayable over 20 years
6% secured mortgage loan repayable over 15 years
Secured mortgage loan repayable over 6 years at base rate plus 1%
8.5% unsecured loan notes repayable 1984 to 1989
Secured interest free loan repayable over 5 years

5	10	5	10
52	57	52	57
—	10	—	10
—	349	—	349
60	80	—	—
117	506	57	426

### Bank overdrafts and short term loans

Bank overdrafts and short term loans are secured by debentures giving fixed and floating charges over the assets of the group or by guarantees given by T. Cowie P.L.C.

### Interest rate swaps and collars

The group, at 31st December 1989, had entered into interest swap arrangements for periods of up to five years with various counterparties in respect of amounts totalling £75,000,000 (1988 £90,000,000). Under these arrangements the group is required to pay interest on the above amounts at fixed rates and will receive interest on these amounts at rates linked to LIBOR. In addition, the group, at 31st December 1989 had entered into two year interest rate collar arrangements in respect of amounts totalling £50,000,000 (1988 nil) whereby the group is required to pay interest on this amount if six months LIBOR rates fall below specified rates and will receive interest if six months LIBOR rates rise above a specified rate.

## NOTES TO THE ACCOUNTS

### 18 Provisions for liabilities and charges

Provisions for liabilities and charges which represents deferred taxation only is made up as follows:

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Provided in the accounts:				
Accelerated capital allowances	3,245	3,245	—	—
Short term timing differences and deferred relief for losses	540	251	—	—
Corporation tax on capital gains on certain properties	250	250	250	250
	<b>4,035</b>	<b>3,746</b>	<b>250</b>	<b>250</b>

The potential liability to deferred taxation not provided in the accounts calculated at the rate of tax in force at the end of the year is as follows:

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Accelerated capital allowances	12,163	11,261	395	257
Potential corporation tax in respect of revaluation surplus on properties and capital gains rolled over	2,609	2,477	1,626	1,494
	<b>14,772</b>	<b>13,738</b>	<b>2,021</b>	<b>1,751</b>

In addition to the unabsorbed losses taken into account above there are losses amounting to £210,000 (1988 £347,000) in subsidiary companies which are available to be offset against future profits of those subsidiary companies. In addition to the advance corporation tax taken into account above there is advance corporation tax written off amounting to £47,000 (1988 £268,000) in subsidiary companies available to recover against corporation tax payable in future years. The movement in deferred taxation is as follows:

	The Group £'000	The Company £'000
At 1st January, 1989	3,746	250
Transfer from profit and loss account	289	—
At 31st December, 1989	<b>4,035</b>	<b>250</b>

### 19 Pensions

The group's pension scheme is financed through a separate trustee administered fund. Contributions to this fund are based upon actuarial advice following the most recent of a regular series of valuations of the fund by its actuaries, William M Mercer Fraser Ltd. For the purpose of arriving at the pension cost charged in the accounts the fund was assessed as at 5th April 1989 by its actuaries using the Projected Unit Credit Method. The principal actuarial assumptions were that the annual rate of return on investments would be 3% higher than the annual increase in total pensionable remuneration and that there would be no variation from the scheme's rules of no increase to pensions in payment.

On the basis of these assumptions the actuarial value of the fund at 5th April 1989 was sufficient to cover 136% of the benefits then accrued to members. The surplus should be reduced by continuation of the suspension of contributions to the fund by the group.

A prepayment of £3,565,000 (1988 re-stated £3,865,000) is included in debtors and represents the excess of the amount of the fund over the estimated accumulated cost of accrued benefits at the year end date. The market value of the scheme's assets was £12,962,000, at 5th April, 1989.

## NOTES TO THE ACCOUNTS

### 20 Called up share capital

	1989	Authorised 1989	Allotted - Fully Paid 1989	1988
Ordinary shares of 5p each	<b>£8,500,000</b>	£8,500,000	<b>£6,350,089</b>	£6,246,522
Number of shares	<b>170,000,000</b>	170,000,000	<b>127,001,785</b>	124,930,460
10½% convertible redeemable cumulative preference shares of £1 each	<b>£2,200,000</b>	£2,200,000	<b>£73,717</b>	£209,578
Number of shares	<b>2,200,000</b>	2,200,000	<b>73,717</b>	209,578

The preference shares are convertible at the holders' option at any time between 1983 and 1990, at the rate of 115 ordinary shares of T. Cowie P.L.C. for every 10 preference shares, and are redeemable at the company's option at any time before 1995, at a price not in excess of 120p per share, failing which they will be redeemable on 31st December, 1995, at par.

In accordance with the rights attaching to the 10½% convertible redeemable cumulative preference shares of £1 each, during the conversion period ended 17th April, 1989, conversion notices were received representing 135,861 preference shares. This involved the issue of 1,562,401 ordinary shares of 5p each.

As a result of the exercise of options under the Senior Executive Share Option Scheme a total of 908,924 ordinary shares of 5p each were issued during the year at 12.67p per share. At 31st December 1989, there were outstanding options to receive allotments of 1,187,000 ordinary shares at prices between 103.2p per share and 124.6p per share, exercisable at various dates up to September 1999.

During the year the company purchased 400,000 of its ordinary shares at an average cost of 84p per share. The nominal value of the share capital redeemed has been credited to the Capital Redemption Reserve Fund and the total cost deducted from distributable reserves.

### 21 Reserves

#### (a) The Group

	Capital Redemption Reserve Fund £'000	Share Premium Account £'000	Special Reserve £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
At 1st January, 1989	—	136	26,141	1,418	42,378	70,073
Arising on conversion of preference shares	—	57	—	—	—	57
Revaluation surplus now realised	—	—	—	(140)	—	(140)
Retained profit for the year	—	—	—	—	8,544	8,544
Goodwill written off	—	—	(895)	—	—	(895)
Arising on redemption of own shares	20	—	—	—	(335)	(315)
Arising on issues of share capital	—	69	—	—	—	69
At 31st December, 1989	20	262	25,246	1,278	50,587	77,393

#### (b) The Company

At 1st January, 1989	—	136	26,141	1,403	21,009	48,689
Arising on conversion of preference shares	—	57	—	—	—	57
Revaluation surplus now realised	—	—	—	(140)	—	(140)
Retained profit for the year	—	—	—	—	4,492	4,492
Goodwill written off	—	—	(895)	—	—	(895)
Arising on redemption of own shares	20	—	—	—	(335)	(315)
Arising on issues of share capital	—	69	—	—	—	69
At 31st December, 1989	20	262	25,246	1,263	25,166	51,957

Goodwill written off during the year represents additional provisions necessary following the acquisition of Marley Vehicle Leasing in 1987. These provisions relate to an over-valuation of fixed assets in the books of the acquired company at the time of acquisition.

## NOTES TO THE ACCOUNTS

Following an application to the High Court, the balance on the Share Premium account at 29th June, 1988 was cancelled and transferred to a Special Reserve. It is provided, Inter alia, that the Special Reserve cannot be treated as realised profits of the company but can be utilised as if it was a share premium account and to eliminate goodwill and to write down investments in subsidiaries to the extent that the investments represent goodwill.

### 22 Commitments

The group, at 31st December 1989, had contracted for expenditure totalling £3,238,406 (1988 Nil) in respect of the property development at Hanover Way, Sheffield

### 23 Subsidiary companies

Detailed below is a list of subsidiaries which in the opinion of the directors principally affect the amount of the profit or the amount of the assets of the group. The group percentage of equity capital is 100% and the country of operation is England in each case. The main activities are as follows:

#### Subsidiary companies

Eastern Tractors (Holdings) Limited	}
*John Riches (Agricultural) Limited	
Cowie Financial Holdings PLC	
*Interleasing (U.K.) Limited	
*Broadwood Finance Company Limited	}
*Cowie Contract Hire Limited	
Hughes DAF Limited	

#### Main activities

Sale and service of agricultural, industrial and horticultural equipment
Holding company, contract hire
Contract hire and short term rental
Instalment credit financing, contract hire and leasing
Distribution of buses and coaches

\*Shares held by subsidiary companies

### 24 Quoted investments

The market value of quoted investments at 31st December 1989 amounted to £6,004,000.



**REPORT OF THE AUDITORS TO THE MEMBERS OF T. COWIE P.L.C.**



We have audited the financial statements on pages 16 to 29 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 1989 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE  
Chartered Accountants  
Newcastle upon Tyne  
29th March, 1990

# GROUP FIVE YEAR FINANCIAL SUMMARY

	1984 £'000	1985 £'000	1986 £'000	1987 £'000	1988 £'000	1989 £'000
<b>Assets employed</b>						
Tangible fixed assets	84,321	112,257	208,425	276,466	346,461	9,423
Goodwill	-	-	-	9,615	42,718	-
Other net current assets	30,945	27,030	35,507	47,747	8,037	-
Unquoted investments	132	-	-	-	-	-
Quoted investments	-	1,862	7,112	7,442	406,639	-
	115,398	141,149	251,044	341,270	406,639	-
<b>Financed by</b>						
Share capital	2,465	1,556	6,378	6,456	6,424	77,393
Reserves	15,044	21,321	54,578	70,073	117	292,029
Loan capital	5,099	3,824	3,821	505	4,643	-
Consortia and Finance House Loans	74,469	93,886	133,336	206,899	18,735	3,263
Bank overdrafts	4,666	3,585	11,904	7,598	4,035	-
Short term loans	11,278	14,635	17,951	36,590	-	-
Obligations under finance leases	-	-	19,717	9,502	4,035	-
Deferred liabilities	2,127	2,217	3,359	3,746	-	-
Minority interest	250	125	-	-	-	-
	115,398	141,149	251,044	341,270	406,639	-
<b>Trading</b>						
Turnover	217,708	217,032	321,260	462,702	549,913	-
Profit before taxation and after minority interest and extraordinary item	4,532	8,197	17,023	25,786	16,111	2,217
Taxation	566	1,092	2,550	3,906	13,894	5,350
Profit after taxation	3,956	7,105	14,475	21,880	8,544	-
Dividends	687	1,192	3,029	6,534	8,544	-
Retained profit	3,269	5,913	11,446	15,346	8,544	-
<b>Statistics</b>						
Funds attributable to ordinary shareholders	15,764	22,160	60,956	76,529	83,817	65,00p
Net assets per ordinary share	21.90p	26.40p	49.60p	61.30p	64.96p	10.96p
Net assets per ordinary share — fully diluted	19.00p	23.20p	47.20p	59.30p	64.96p	10.96p
Earnings per ordinary share	4.54p	8.71p	15.10p	17.20p	5.60p	4.20p
Dividends per ordinary share — gross equivalent	1.00p	1.30p	3.50p	6.53p	5.60p	4.20p
Dividends per ordinary share — net	0.20p	1.30p	2.00p	5.20p	4.20p	-

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting of the Company will be held in the Boardroom of Cowie Interleasing North, Hylton Road, Sunderland on Friday 20th April 1990 at 12 noon to transact the following business:

1. To consider and adopt the accounts for the year ended 31st December 1989 together with the reports of the directors and auditors thereon. (Resolution 1).
2. To declare a final dividend for the year ended 31st December 1989 on the ordinary shares of 3p per share. (Resolution 2).
3. To re-elect retiring directors:  
(a) Mr I S Jane (Resolution 3)  
(b) Mr T N Pykett (Resolution 4)
4. To re-appoint Messrs. Price Waterhouse as auditors of the Company and to authorise the directors to fix their remuneration. (Resolution 5).
5. To transact any other ordinary business of an Annual General Meeting.
6. As special business to consider and if thought fit pass the following resolutions as Special Resolutions.

### Special Resolution (Resolution 6)

"That the directors be and they are hereby empowered under Section 95 of the Companies Act 1985 to allot equity securities as if Section 89(1) of that Act did not apply to such allotment, provided that this power shall:

- (i) be limited to the allotment of equity securities, pursuant to rights issue, in favour of ordinary shareholders, where the equity securities, respectively attributable to the interests of all ordinary shareholders, are proportionate as nearly as practicable to the number of ordinary shares held by them (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws or the requirements of any recognised regulatory body or any stock exchange in any territory overseas); and
- (ii) be limited to the allotment (otherwise than pursuant to sub paragraph (i) above or pursuant to the T. Cowie P.L.C. Senior Executive Share Option Scheme or pursuant to the exercise of conversion rights by the holders of the convertible redeemable cumulative preference shares of £1 each in the capital of the Company) of equity securities to an aggregate nominal amount of £3,750,000 and
- (iii) expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, the day which is 15 months from the passing of this Resolution), save that the Company is hereby enabled to make an offer or agreement before such expiry, which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

### Special Resolution (Resolution 7)

"To permit the Company to make market purchases (within the meaning of Section 163 of the Companies Act 1985) on the Stock Exchange of ordinary shares of 5p each in its capital provided that:

- (i) this power shall be limited so that the number of ordinary shares of 5p each which may be acquired pursuant to this authority does not exceed an aggregate of 6,000,000 ordinary shares (including all such ordinary shares acquired by market purchase before the date of this resolution) and shall expire on 20th July 1991, or if earlier, at the conclusion of the next Annual General Meeting; and
- (ii) the price which may be paid for such ordinary shares does not exceed 5% above the average of the middle market quotations as derived from The Stock Exchange Official List for the 10 business days before the purchase is made and is not more than 200p per share and not less than 5p per share (in each case exclusive of expenses)."

## NOTES

1. A member entitled to attend and vote at this meeting may appoint one or more proxies, who need not be members of the Company, to attend and vote on his behalf.
2. A proxy card is enclosed with the report for use in respect of resolutions 1 to 8. Forms of proxy must be renewed at the registered office of the Company at least 48 hours before the meeting.
3. A statement of transactions of the directors in the shares of the Company together with copies of any directors' service contracts will be available for inspection during business hours from the date hereof until the day of the Annual General Meeting at the registered office and at the venue of the Annual General Meeting from 11.45am until its conclusion.
4. The proposed final dividend of 3p per ordinary share will be paid on 20th April 1990 to shareholders on the register at 5pm on Friday 30th March, 1990.

### Special Resolution (Resolution 8)

"To amend the Company's Articles of Association by the insertion of the following new article numbered 82A.

- (a) "No member shall, unless the directors otherwise determine, be entitled in respect of shares held by him to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid or if he or any person appearing to be interested in such shares has been duly served with a notice under Section 212 of the Companies Act 1985 ('the Act') and is in default for a period of 28 days (or, in the case of a member holding not less than 0.25 per cent of the issued shares of the same class as such shares, fourteen days) from such service in supplying to the Company the information thereby required. For the purpose of this Article a person shall be treated as appearing to be interested in any shares if the member holding such shares has given to the Company a notification under the said Section 212 which fails to establish the identities of those interested in the shares and if (after taking into account the said notification and any other relevant Section 212 notification) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares. The period during which the rights as to attendance and voting at meetings shall be suspended shall commence on the date of the decision of the directors that such rights shall be suspended and shall continue until the member or other person complies with his obligations under this Article. The directors shall promptly notify the member concerned of any decision that the rights aforesaid shall cease to be exercisable in respect of any shares, and (if and when subsequently the case) of their being satisfied that the default by reason of which they reached that decision has been remedied as aforesaid, and shall cause the Register of Members and the register kept by virtue of Section 213 of the Act to be noted accordingly.
- (b) The directors may refuse to register a transfer of shares which are the subject of a notice served upon a member (or any other person appearing to be interested in such shares) holding not less than 0.25 per cent of the issued shares of the same class as the said shares in the circumstances set out in paragraph (a) of this Article and if the member (or any other person as aforesaid) is in default for a period of 14 days from the service of the said notice in supplying to the Company the information thereby required to the satisfaction of the directors provided that the directors' power to refuse to register any such transfer shall not apply to a transfer arising from (i) a sale made through a recognised investment exchange (as defined in the Financial Services Act 1986) or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded or (ii) acceptance of a take-over offer (as defined in section 14 of the Company Securities (Insider Dealing) Act 1985) for the Company. If the directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.
- (c) The directors may withhold the payment of dividends on shares held by a member representing at least 0.25 per cent of the issued shares of the same class as such shares, if the member (or any person appearing to be interested in such shares) in the circumstances set out in paragraph (a) of this Article shall be in default for a period of 14 days from the service of the notice therein referred to in supplying to the Company the information thereby required to the satisfaction of the directors. Provided always that any dividends so withheld shall be paid upon compliance in full with the requirements of the said notice or upon a transfer of such shares arising from (i) a sale made through a recognised investment exchange (as defined in the Financial Services Act 1986) or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded or (ii) acceptance of a take-over offer (as defined in Section 14 of the Company Securities (Insider Dealing) Act 1985) for the Company."

By order of the Board,  
D P Turner, Secretary

Registered Office  
Millfield House, Hylton Road, Sunderland  
29th March, 1990.

