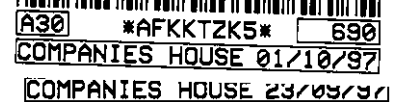


**'OUR AIM IS TO BE A
LEADING AND PROFITABLE
RETAILER OF FOOD AND
BEVERAGES WITH DEFINED
BRANDS, PROVIDING
EXCELLENT CUSTOMER SERVICE
BY MOTIVATED STAFF, AND
INCREASING VALUE FOR OUR
SHAREHOLDERS'**



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FINANCIAL HIGHLIGHTS

	1996	1997	Change
Earnings per share	14.0p	21.5p	+54%
Dividends per share	3.60p	4.32p	+20%
Turnover	£61.2m	£75.7m	+24%
Operating profit	£7.6m	£10.2m	+34%
Profit before tax	£7.5m	£10.5m	+40%
Net capital expenditure	£17.0m	£25.3m	+49%
Assets per share	135p	170p	+26%
Gearing	24%	30%	

FIVE YEAR SUMMARY

	1993 £000	1994 £000	1995 £000	1996 £000	1997 £000
Turnover	<u>35,317</u>	<u>43,920</u>	<u>53,824</u>	<u>61,177</u>	<u>75,747</u>
Operating profit	3,402	4,076	5,580	7,635	10,186
Exceptional items	(210)	(267)	(190)	188	1,118
Net interest payable	(421)	(451)	(283)	(348)	(796)
Profit before tax	2,771	3,358	5,107	7,475	10,508
Dividends	(519)	(820)	(1,177)	(1,432)	(1,807)
Retained profit	<u>1,462</u>	<u>1,566</u>	<u>2,399</u>	<u>4,066</u>	<u>6,855</u>
Fixed assets	35,837	44,981	51,975	69,348	92,780
Shareholders' funds	<u>28,812</u>	<u>34,554</u>	<u>46,703</u>	<u>53,340</u>	<u>71,421</u>
Net cash inflow from operating activities	5,071	6,683	8,923	9,176	13,932
Net capital expenditure	4,743	7,443	8,137	17,018	25,309
Net borrowings	<u>6,220</u>	<u>8,567</u>	<u>2,043</u>	<u>13,030</u>	<u>21,323</u>
Gearing	22%	25%	4%	24%	30%
Interest cover	8.1	9.0	19.7	21.9	12.8
Dividend cover	3.8	2.9	3.0	3.8	4.8
Average return on capital employed	10.6%	11.4%	13.0%	14.6%	15.1%
For each 25p ordinary share:					
Earnings	6.3p	7.4p	9.6p	14.0p	21.5p
Dividends	1.64p	2.53p	3.00p	3.60p	4.32p
Net assets	91p	107p	119p	135p	170p

Notes:

- 1 The figures have been adjusted to take account of the capitalisation issue in 1994.
- 2 All the freehold and long leasehold properties were revalued at 27th March 1994.
- 3 As part of a rolling revaluation programme approximately 20% of the freehold and long leasehold properties have been revalued at each year end since 27th March 1994.
- 4 Interest cover is calculated before exceptional items.
- 5 Return on capital employed is calculated before exceptional items and taxation.

CHAIRMAN'S STATEMENT

Results and dividends

I am pleased to report that this has been another very successful year for our company.

Operating profits have increased by 34% to £10.2m and profits before tax by 40% to £10.5m including a profit of £1.1m on the sale of properties.

Earnings per share were 21.5p, an increase of 54%, boosted by a substantial reduction in the tax charge. Excluding property profits, earnings per share rose by 39% to 18.7p. We now have an enviable record of achieving a compound increase of over 40% per annum in earnings per share since our flotation in 1994.

The board is recommending a final dividend of 2.88p per share making 4.32p for the full year, an increase of 20% over last year. A bonus issue of one share for every two held is also proposed.

Development

In my statement last year I indicated the major growth oppor-

tunities which have been identified in our retail business. I am pleased to report that we have taken advantage of these and again accelerated our rate of expansion. Thirteen new branches opened in this year and without diluting our quality of location or compromising the brand criteria, we anticipate that this number will nearly double in 1997/98.

During the year we acquired the remaining 25% of Watling Street Inns Limited to secure the platform for the development of this quality free house concept. Watling Street's experienced and professional management will provide the necessary skills to roll this out more rapidly.

People

The group attaches great importance to building the strongest management team in our sector to control this accelerated growth and to continue the development of the brand. Several new and important senior management appointments have been made including George

Marcall, previously a non-executive director, as managing director retail and Tim Meggitt as property and development director.

These appointments and others which will be made provide career opportunities for our employees whose effort, application and positive attitude I am pleased once again to acknowledge.

Prospects

Our key strategy remains to grow the business organically. The chief executive's review of operations enlarges on how we propose to do so at an increasing pace. We are confident that this policy will continue to generate strong growth in the years ahead.



G J M McLeod
Chairman
9th June 1997

REVIEW OF OPERATIONS

It has been a year of considerable progress in all areas of the business. Our performance is particularly pleasing as the period under review has seen a significant investment in the group's management team and supporting infrastructure which will form the platform for the increased pace of expansion which we announced with our interim results.

Retail

The combination of a good trading performance from the core business, where like for like sales increased by over 3%, coupled with another strong first time contribution from new branches, has produced an increase in turnover of 33% with operating margins up from 20.2% to 20.5% of sales. The average turnover per branch is now over £17,000 per week, an increase of 11% over the previous year. This upward trend will continue as branches opened during the year have averaged sales of more than £23,000 per week, further demonstrating the quality of our development programme.

At the year end there were 69 branches in operation compared with 57 a year earlier. These were made up of 52 Yates's Wine Lodges, 6 Blob Shops, 2 Watling Street Inns and 9 unbranded outlets.

Yates's Wine Lodges

In the second half of the year we opened six new branches and a

further two have been opened since the year end. Together with earlier openings, this has raised the visibility of the brand in the Midlands and the South East. We are continuing to focus on these two geographical areas, together with the M4 corridor, in the forward development programme, in accordance with our strategy of establishing national coverage in the key conurbations in the UK.

As Yates's Wine Lodges continues its steady expansion into new areas, it is becoming increasingly clear that the brand enjoys broad consumer appeal. New branches whether in Wolverhampton, Lewisham, Chelmsford or Cheltenham are all producing excellent results despite their very different socio-economic and geographic profiles. Our suppliers too recognise the brand's versatility and the increasing importance of gaining representation for their products on the Yates's bars.

During the year we made a major investment in technology and management information systems. New reporting systems facilitate the full analysis of retail operations, provide branch performance comparatives to maximise sales and margins, and enable managers to impose tight controls on wage costs and other overheads. These initiatives will bring greater benefits in the future as we develop our database and our skills in the

use of this increasingly sophisticated information.

Blob Shops

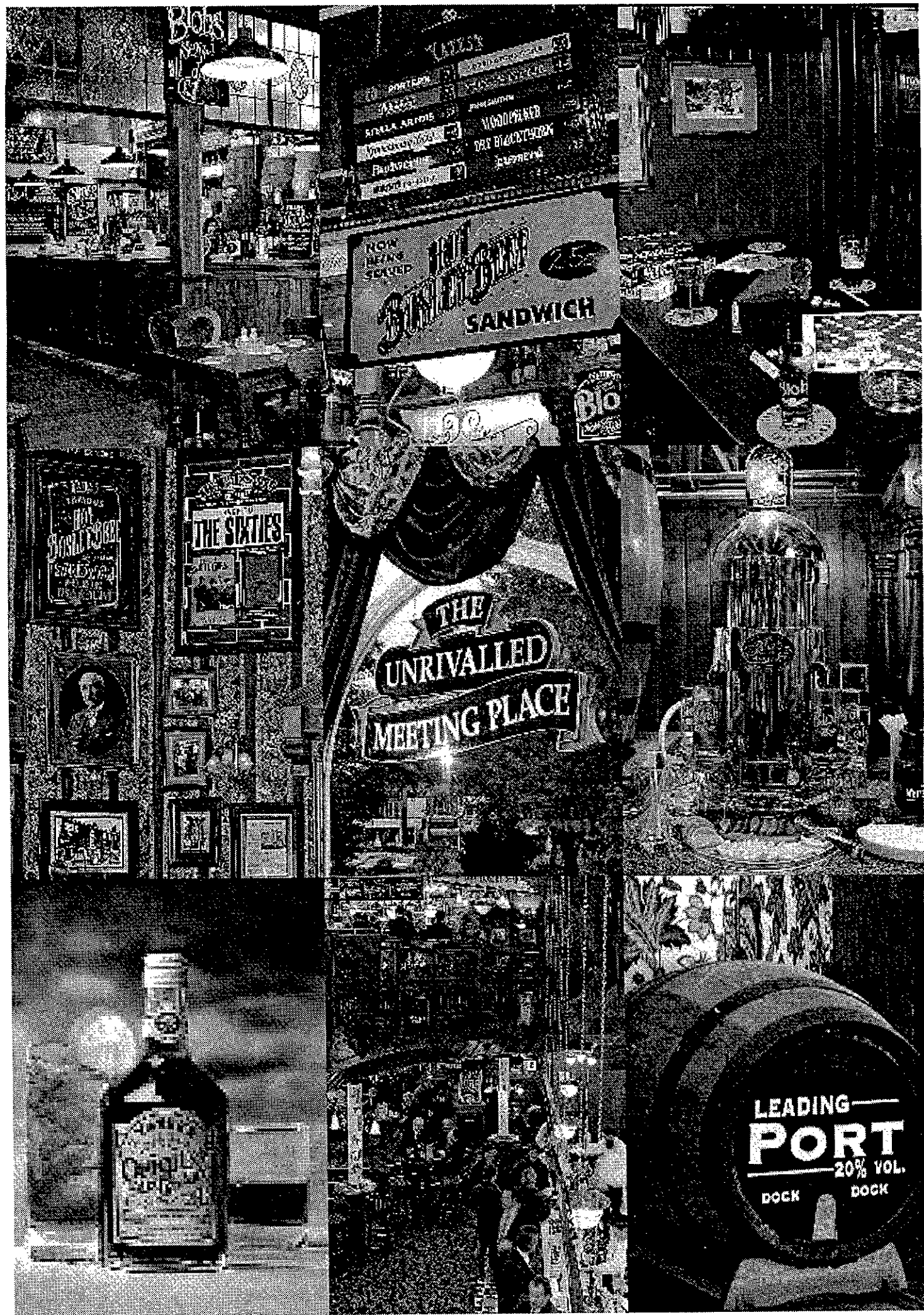
The Blob Shop concept is a derivation of the original smaller scale Wine Lodges being less stylised in design and relying on simple finishes to create a friendly and sociable atmosphere more appropriate to smaller premises.

Lower development costs and overheads enable a competitive pricing policy to be adopted, which is attractive to a wide cross section of customers.

Following the successful trial of this concept in High Street, Manchester we have converted a further 4 unbranded outlets into Blob Shops. In each case, with relatively modest capital expenditure, the resulting increase in trade has been substantial. In November, we opened the first purpose built Blob Shop, in Lancaster which has established an equally impressive trading record.

Watling Street Inns

The results from the first two of these high quality traditional freehouses are most encouraging. The second, the Kings Ransom in Sale, a suburb of Manchester, has now been open for over a year and continues to attract new customers with sales currently running well ahead of the same period last year. We are confident that the



REVIEW OF OPERATIONS

Samuel Finney in Wilmslow, due to open later this month, will show similar trends.

The acquisition of the minority interest in this company, which we announced at the half year, has enabled us to step up the development programme and a further four sites are due to be added to its portfolio during the course of the year.

Wholesale

During this year we have concentrated more on the sale of the group's own branded wines and agency lines. This strategy resulted in increased margins and profitability on sales which were at a similar level to last year. Operating profits nearly doubled to £275,000.

We have always regarded this business as an integral part of the group as it extends the sale of our own portfolio of wines and spirits to a wider audience. This enables us to negotiate improved purchasing terms and ensures that the import of certain wines in bulk is an economic activity.

During the year we completed the sale of our bonded and distribution warehouse in Strangeways, Manchester. These were inefficient premises to operate by modern standards and they also

suffered from city centre traffic congestion. We have leased an alternative warehouse in close proximity to our Bolton head office which provides efficient space with good accessibility to the motorway network. It became operational in January.

Following the expiry of the lease on the Cardiff wholesale depot last month, this business was also relocated, to a more accessible depot in Taff Wells. We look forward to reaping the operational benefits resulting from this move during the course of the year.

In the current year, we believe that the profit to sales ratio will again improve as a result of the continuing change in sales mix and the improving quality of the customer base.

Senior management

Following the strengthening of the main board executive team last December, by the appointment of George Marcall as managing director retail, in January, we announced the promotion of Tim Meggitt to the group board as property and development director. Tim joined the group in 1990 as acquisition manager becoming a director of the retail company in 1992. His role has steadily widened as the pace of acquisition and

development has increased and his appointment reflects the strategic importance of this function to the continuing growth of the group.

During the course of the year the senior management team has been strengthened in several areas with a key priority being training and people development. This initiative is benefiting the depth of management in the existing branches as well as building a team of people who will form the backbone for new site openings. Looking ahead, we have doubled the training budget for the present financial year to ensure that we have the management resources in place on an ongoing basis.

We have announced that Jerry Green, who will succeed John Bee as group finance director, will join us in July. Jerry qualified with Arthur Andersen in 1982 and moved into industry at Gradus Group Plc in 1986. He became group finance director in 1987 and was directly involved in the building of the company by acquisition, its flotation on the London Stock Exchange in 1995, and its recent take-over.

As shareholders will know, last December, John announced his intention to retire from the group after the Annual General Meeting or when his successor had been

REVIEW OF OPERATIONS

appointed. John joined the company as finance director in 1984, although he had advised us on financial matters for many years prior to that. His tenure in office has seen the business transformed from a close family company, becoming a PLC in 1986, through a listing on Rule 535(2) of the London Stock Exchange and finally to a fully quoted company in 1994. He has made an outstanding contribution to the success of the business combining that rare mixture of commercial acumen, financial prudence and good humour. He will be greatly missed and, on behalf of the shareholders, I would like to express our sincerest gratitude. We wish him a happy and healthy retirement.

Property

During the year we added 13 sites to the property portfolio of which 5 were freehold and 8 leasehold. A further 42 sites have been identified, 60% of which are freehold. In March, we agreed terms on a sale and leaseback transaction involving three properties, in Carlisle, Wakefield and Warrington. We were pleased to achieve a 7.85% net yield which

raised a capital sum in excess of £4m. The sale relates only to the freehold shell of the building and the retained value of the fifty year leasehold interests is considerable. The transaction produced a profit of £0.9m. We sold one trading outlet at Avery Row in London and this together with other property transactions produced a profit of £0.2m.

In addition, we recorded a surplus of £3.6m following a revaluation of approximately 20% of the freehold and long leasehold portfolio.

These figures demonstrate the underlying quality of the group's freehold properties and the strength of the Yates's brand name.

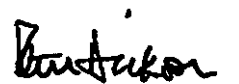
Outlook

We anticipate opening a total of 25 sites during the course of the year of which 18 will be branches of Yates's Wine Lodges. Many of these are in the south where the performance of the brand has been particularly encouraging. Looking further ahead we are confident that the number and quality of additional sites in the development pipeline and under negotiation will see us pass the 100 branches landmark during 1998/99.

The strengthening of the management team and investment in our infrastructure will ensure we meet the demands placed on the business by the increased pace of expansion. Whilst in the short term this investment will result in a significant increase in revenue costs, it must be viewed in the context of our development plans.

Current trading is in line with our expectations and we are confident that the results for the year and beyond will show continuing progress across the group.

In closing I want to pay tribute to all our people. Their commitment and hard work in a challenging and changing environment supports our continuing growth. On behalf of shareholders, I would like to express our gratitude for their individual contribution, to the company's success.



P A Dickson
Chief Executive
9th June 1997



FINANCIAL REVIEW

Turnover and profits

Sales for the year increased by 24% to £76m. Operating profits increased by 34% to £10.2m giving an operating margin of 13.4% compared to 12.5% last year.

Profits on sales of properties contributed £1.1m against only £0.2m last year. The interest charge has increased to £0.8m from £0.3m because of the increased borrowings arising from the high level of capital expenditure which is also reflected in the level of interest capitalised - £0.3m against £0.07m last year.

Property disposals and revaluation

We have carried out our first sale and leaseback transaction. Three properties were sold for £4.15m and leased back at annual rents of £0.335m. The surplus was £0.9m over book value and £2.5m on cost. Other property transactions produced a surplus over book value of £0.2m.

We believe that it will be possible to carry out further sale and leaseback transactions on at least as favourable terms.

Under our rolling revaluation programme, fourteen freehold properties, including five new outlets and our Blackpool, Talbot Road outlet which had been

substantially redeveloped, were professionally valued. A surplus of £3.6m arose which has been added to the revaluation reserve.

Taxation

The tax charge has continued to fall reflecting the allowances available on our capital expenditure. The rate this year, excluding property profits, is 20% compared with 27% last year and with the prevailing rate of corporation tax of 33%. Capital gains on sales of properties are rolled over into the purchase of new outlets and therefore no tax is payable on these.

Earnings per share and dividend

Earnings per share rose by 540% or by 39% excluding property profits. The board is proposing a final dividend of 2.88p per share making a total of 4.32p, an increase of 20% on last year's distribution. The final dividend will, if approved, be paid on 13th August 1997 to shareholders on the register on 4th July 1997.

Capital expenditure

Capital expenditure during the year amounted to £27.5m. Of this, £23.7m was spent on new retail

outlets, £2.7m on refurbishment of existing outlets and £1.1m on other capital items, mainly EPOS. In addition to this £0.7m was spent on repairs and maintenance of our properties to maintain their earning capacity.

Expenditure in the current year is likely to approach £50m of which 60% will relate to freehold properties.

In December 1996, we raised £7.5m by a placing of 1.97million shares at 385p per share. We also put in place a £25m seven year revolving credit facility with the National Westminster Bank at a rate of 0.6% over LIBOR. No repayments are due for the first five years. We have drawn down £17.5m of this facility and fixed the rate at an average of 7.27% for a minimum of three years.

Our capital expenditure could be covered by further bank facilities but the high freehold content in our existing estate and the forward programme, gives us the flexibility to fund a proportion of the requirement by property sales.

Cash flow

The group cash flow statement on pages 22 and 23 has been prepared

FINANCIAL REVIEW

in accordance with the most recent accounting standard and is intended to provide a clearer and more concise account of this important component of the annual accounts.

Net cash inflows from operating activities increased by 52% to £13.9m. After payment of interest, tax and dividends, £9.6m was available for capital expenditure representing 38% of the net amount actually spent.

The proceeds of the sale and leaseback transaction were received shortly after the year end.

Gearing at the year end was 30% and although this will rise in the current year, our healthy cash flow and the ability to raise substantial funds from our property portfolio will ensure that it does not rise above prudent levels.

Shareholders

The company currently has 1,658 shareholders. Members associated with the family of Peter Yates hold just over 45% of the shares and the directors and their families hold approximately 8%.

Our scrip dividend scheme is proving very popular with non-institutional holders. For the recent interim dividend 38% of all

shareholders representing 18% of the shares in issue elected to take shares. The cash saving to the company during the year was £0.3m.

To increase the marketability of the shares and to reflect the increasing level of capital employed in the business, the board is proposing a one for two bonus issue for those shareholders on the register on the 13th August 1997.

The statement of total recognised gains on page 24 is an indication of total return to shareholders in the year. In addition £2.0m of earlier revaluation gains have been realised.

Over the year total shareholder return, defined as share price appreciation plus gross dividends received, increased by 31% compared to 13% for the FTSE All Share Index.

Strategy

The key financial elements of the group's strategy are:

Site acquisition

There are a number of criteria which each proposed acquisition must achieve to obtain board approval. These include return on capital employed, cost per square

foot of retail space and demographic criteria.

A broad balance between freehold and leasehold properties will be maintained.

Dividends

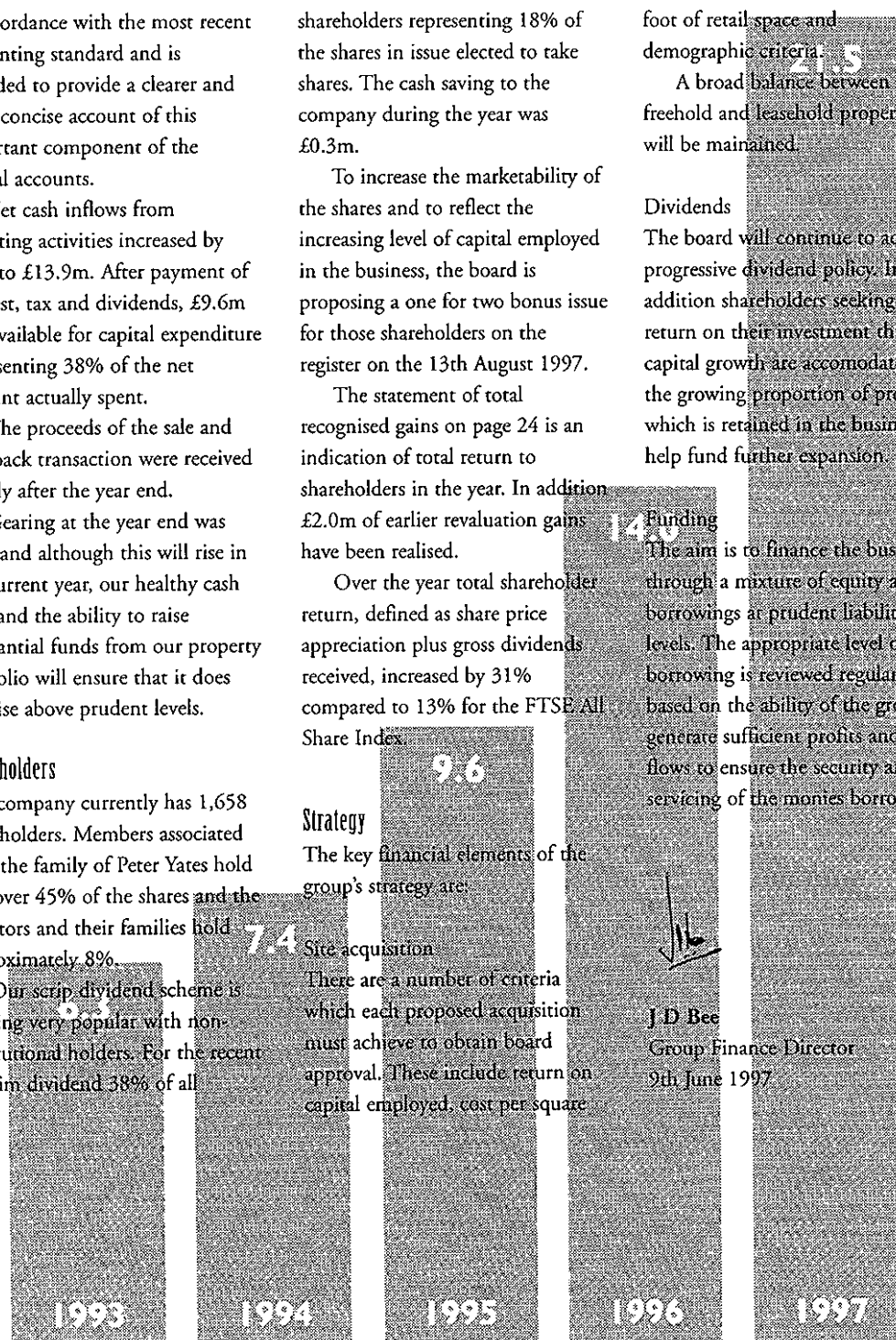
The board will continue to adopt a progressive dividend policy. In addition shareholders seeking a return on their investment through capital growth are accommodated by the growing proportion of profit which is retained in the business to help fund further expansion.

Funding

The aim is to finance the business through a mixture of equity and borrowings at prudent liability levels. The appropriate level of borrowing is reviewed regularly and based on the ability of the group to generate sufficient profits and cash flows to ensure the security and servicing of the monies borrowed.

J D Bee

Group Finance Director
9th June 1997



EARNINGS PER SHARE



Raymond Newall



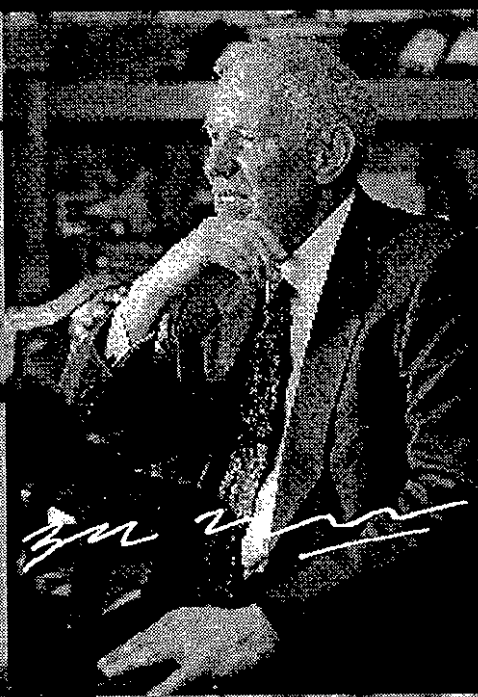
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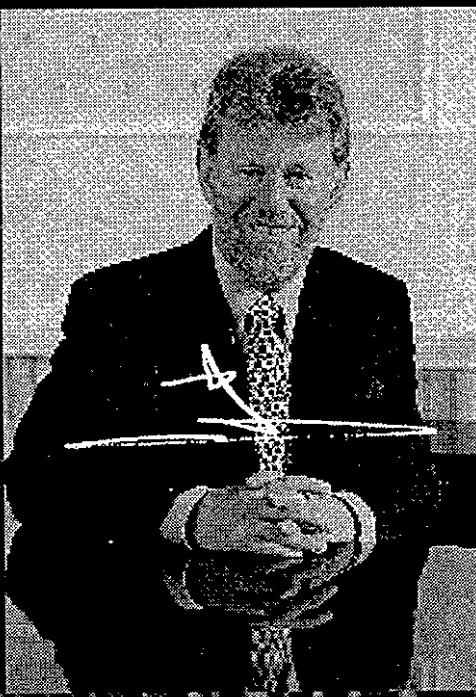
Peter Jackson



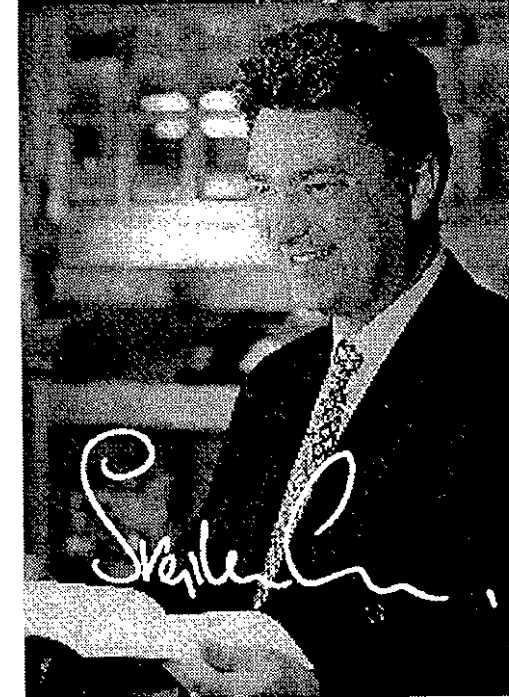
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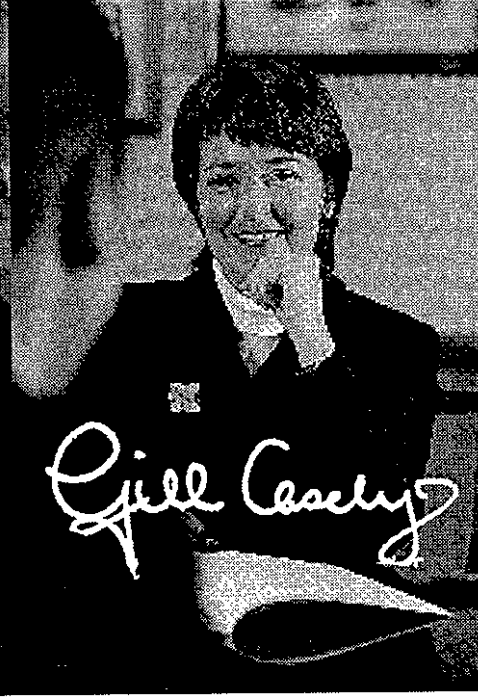
John [unclear]



John [unclear]



Stephen [unclear]



Gill Casely



Christopher [unclear]

MANAGEMENT

Directors

The executive board of Yates Brothers Wine Lodges PLC has been strengthened by the appointment in December 1996 of George Marcall, as managing director retail, focusing on the performance of the existing estate, brand development and operating disciplines. George had been a non-executive director since 1995. In addition Tim Meggitt was, in January 1997, promoted to the position of group property and development director with responsibility for the acquisition, building and opening of new outlets. They joined Peter Dickson, the chief executive, and John Bee the group finance director. There are now two non-executive directors, Gerry McLeod who is non-executive chairman and Mike Hennessy. A third non-executive director, to replace George Marcall, will be appointed in due course.

Other senior appointments

Senior appointments have been made in three of the key areas which will drive our business forward: Stephen Owens as a senior property acquisition surveyor; Gill Caseley as training and personnel manager and Chris Moore as IT manager.

Biographical details

Directors

R G Marcall BSC (47) has a strong retail background having spent ten years with Airtours Plc after thirteen years with Marks and Spencer Plc. He was latterly group sales and marketing director of Airtours Plc for six years.

T A Megitt ARICS (38) joined the group in 1990 and was appointed a director of Yates's Wine Lodges Limited in 1993. He previously worked in private practice, specialising in licensed property, in Leeds and in London.

P A Dickson FRICS (42) joined the group in 1980 and was appointed to the board in 1983 as property director and became managing director in 1987. He is a great grandson of Peter Yates, the founder of the company.

J D Bee MA, FCA (56) joined the board in 1984 in his present capacity having previously been closely associated with the group over many years. He is to retire in the summer after his successor has been appointed.

G J M McLeod FCA, ACMA (59) is the chairman of the company. He

joined the board in 1988 and was appointed chairman in 1991. He was finance director of Next Plc between 1981 and 1986 and is currently a director of a number of other quoted companies.

M J W Hennessy ACIS (53) joined the board in March 1995. He has been group managing director of Kalon Group Plc since 1987 and was previously with Dixons Group Plc for eighteen years.

Senior employees

S Owens ARICS (33) has spent his career in the industry rising to the position of acquisition manager with Allied Domecq Retailing before joining the group in June 1996.

G Caseley (38) has also spent her career in the industry. Before joining the group in June 1996 she was training and development manager at the Boddington Pub Company.

C D Moore BA, MSc (35) joined the group in July 1996 after five years as the IT development manager at the Greenalls group having previously spent seven years with ICL in retail systems consultancy marketing and planning.

DIRECTORS' REPORT

The directors present their report and the accounts for the financial year ended 30th March 1997.

Principal activities

The group is involved in the retailing and wholesaling of food and beverages. A review of activities during the financial year together with information concerning events which have occurred since the end of the

financial year and likely future developments in the business of the group is presented in the earlier sections of this annual report.

Dividends

The directors recommend a final dividend of 2.88p per share. If approved, dividends for the year will total 4.32p per share, an increase of 20%.

Directors

The present members of the board are shown below. They all, except T A Meggitt who was appointed on 3rd February 1997, held office throughout the year. Details of their remuneration, contracts of service and share options are given in the remuneration committee's report on pages 16 and 17 and brief biographical details on page 13.

	Appointed
G J M McLeod, Non-executive chairman	1988
P A Dickson, Chief executive	1983
J D Bee, Finance director	1984
R G Marcall, Managing director retail	1995
T A Meggitt, Property director	1997
M J W Hennessy, Non-executive	1995

P A Dickson and T A Meggitt retire in accordance with the articles of association and offer themselves for re-election.

None of the directors has or had during the year an interest in any material contract with the company.

The non-executive directors are both members of the remuneration and audit committees.

Directors' shareholdings

The interests of the present members of the board and their immediate families are as follows:

Beneficial	30/3/97 In issue	30/3/97 Under option	31/3/96 In issue	31/3/96 Under option
P A Dickson	2,351,692	267,451	2,324,891	308,369
J D Bee	866,320	365,864	846,251	431,369
R G Marcall	9,106	150,000	4,047	-
T A Meggitt	60,377	168,022	28,458	155,491
G J M McLeod	3,225	-	3,192	-
M J W Hennessy	5,127	-	5,060	-
Non-beneficial				
P A Dickson	15,000	-	44,853	-
J D Bee	-	-	29,853	-

Included in both non-beneficial holdings in 1996 were 29,853 shares held as trustees of the company's share ownership trust. This holding is now in the name of The Yates Group Trustee Company Limited.

There have been no changes in these holdings since 30th March 1997.

23.07.97

DIRECTORS' REPORT

Share capital and substantial shareholdings

Changes in the share capital are detailed in note 17 to the accounts.

In addition to the directors' interests, the directors have been notified of the following disclosable interests, at 16th May 1997, which are in excess of 3% of the issued share capital of the company:

S D Muggridge
2,254,680 shares – 5.4%

K M Martin-Bird
1,764,246 shares – 4.2%

General information

The group places great importance on the involvement of its employees. They have frequent opportunities to meet and have discussions with their managers. A Save As You Earn scheme is available to all employees.

The group's policy is that, where it is reasonable and practicable within existing legislation, all employees, including disabled persons are treated in the same way in matters relating to employment,

training, career development and promotion.

The group maintains its own health and safety policies covering all businesses and sites. Adherence to the policies is monitored by the board.

The group agrees terms and conditions which include payment details with its suppliers. Payment is made in accordance with those terms and conditions, provided the supplier has also complied with them. Creditors represented 30 days purchases at the year end.

Charitable donations of £9,250 were made during the financial year. The company has recently set up the Yates Foundation, a registered charity, which will channel the group's fund raising potential to selected charities. No political donations were made.

Special business at the annual general meeting

Notice of the annual general meeting, which is to be held on 4th July 1997 and an explanation of the special business to be conducted are

given on pages 38 and 39.

Auditors

Grant Thornton have indicated their agreement to continue as auditors.

On behalf of the Board


J D Bee
Secretary

Registered Office:
Peter Yates House
Manchester Road
Bolton. BL3 2PY
9th June 1997

REMUNERATION COMMITTEE'S REPORT

The remuneration committee is responsible for the determination of remuneration policy as applied to the group's executive directors and senior executives. Its present members are the non-executive directors - G J M McLeod and M J W Hennessy. The company has complied throughout the year with Section A of the best practice provisions annexed to the Listing Rules.

Executive remuneration policy

The aim of the group's remuneration policy is to attract, motivate and retain high calibre executives and to ensure that they are rewarded with competitive salary and benefits packages, which are linked to both individual and business objectives. These packages are reviewed each year to ensure that they are supportive of the

group's business objectives and the creation of shareholder value. In framing its policy, the committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules

Details of remuneration

	Year ended 30th March 1997					1996
	Salary at 31/3/97 £000	Salaries/ fees £000	Bonus £000	Benefits £000	Total £000	Total £000
P A Dickson (i)	150	123	57	8	188	167
J D Bee	110	100	47	11	158	142
R G Marcall (ii)	150	48	18	2	68	15
T A Meggitt (iii)	80	14	5	1	20	-
G J M McLeod (iv)	18	18	-	-	18	18
M J W Hennessy	15	15	-	-	15	15
1997 : Total		<u>£318</u>	<u>£127</u>	<u>£22</u>	<u>£467</u>	<u>£357</u>
1996 : Total		<u>£249</u>	<u>£91</u>	<u>£17</u>	<u>£357</u>	

(i) Highest paid director (ii) Non-executive until 23 December 1996 (iii) Part year only (iv) Chairman

Executive bonuses are linked to the performance of the group and to the attainment of pre-determined financial targets and are capped at 50% of salary.

Pension provision

The executive directors, other than R G Marcall, are members of the Yates Group Pension Scheme. The scheme is in surplus and the company currently makes no contributions. Following the actuarial review at 31st March 1995, no provision is being made for future contributions. There

will, therefore, on the present assumptions, be no cost to the company for the foreseeable future, in providing these pensions. The scheme provides for a pension of two thirds of pensionable salary at age 60, life insurance of four times salary and widows' and dependants' benefits. Pensionable salary excludes all bonuses.

Pension arrangements for R G Marcall are still to be finalised.

Contracts

The executive directors service contracts have the following notice periods:

- P A Dickson and J D Bee
- Two years
- R G Marcall and T A Meggitt
- One year

REMUNERATION COMMITTEE'S REPORT

Share incentives

The committee believes that a strong factor in motivating the group's management has been the ability to participate in the long term prosperity of the group through options over the group's shares.

The executive directors are currently granted options, of up to

four times the value of their annual remuneration, under the 1996 Unapproved Executive Share Option Scheme. Under this scheme, options, which are granted at full market price, are exercisable after between three and seven years but only if over the three year period immediately prior to exercise the percentage growth in earnings

per share exceeds the percentage growth in the Retail Price Index for the period by an average of 10% per annum.

The executive directors do not currently participate in the 1996 Long Term Incentive Plan although this is subject to review.

Options currently held by the executive directors

	At 31/3/96	Granted	Date	Exercised	Option price	At 30/3/97
P A Dickson	55,000		1992	+(55,000) (i)	54p	—
	93,000		1994		160p	93,000
	120,000		1995		251p	120,000
		36,000	1996		392p	36,000
	*25,567		1991	+(25,567) (iii)	44p	—
	*14,802		1992		51p	14,802
		*3,649	1996		284p	3,649
J D Bee	75,000		1989		87p	75,000
	36,000		1990		79p	36,000
	90,000		1991		56p	90,000
	60,000		1992		54p	60,000
	70,000		1994		160p	70,000
	60,000		1995	+(60,000) (ii)	251p	—
		18,000	1996		392p	18,000
	*25,567		1991	+(25,567) (iii)	44p	—
	*14,802		1992		51p	14,802
		*2,062	1996		284p	2,062
R G Marcall		150,000	1996		405p	150,000
T A Meggitt	18,000		1993		85p	18,000
	19,500		1994		145p	19,500
	40,000		1994		160p	40,000
	36,500		1995		210p	36,500
		9,200	1996		362p	9,200
		30,000	1997		469p	30,000
	*34,090		1991	+(34,090) (iii)	44p	—
	*7,401		1992		51p	7,401
		*4,866	1996		284p	4,866
		**2,555	1996		Nil	2,555

+ Share prices at dates of exercise were (i) 475p (ii) 469p (iii) 491p

* Granted under the savings related options schemes

** Granted under the 1996 long term incentive plan (before appointment)

The mid market price on 30th March 1997 was 491p and the range during the year was 352p - 491p.

CORPORATE GOVERNANCE

The board supports the highest standards in corporate governance and confirms that the group complies with all provisions of the Code of Best Practice formulated by the Cadbury Committee except that there have been only two non-executive directors since December 1996 following the appointment of George Marcall to an executive position. An additional non-executive director is currently being sought.

The board has overall responsibility for the group's system of internal financial control, the effectiveness of which has been formally reviewed by the board. The principal elements of the system, which is designed to recognise the material risks to which the group is exposed, include:

- A clearly defined, decentralised structure which delegates authority, responsibility and accountability, including

responsibility for internal financial controls, to the management of the operating companies;

- A well established budgeting and reporting function, with budgets and results reviewed by the board, to provide a timely and regular monitoring of financial performance;
- An investment evaluation process to ensure board approval for all major capital expenditure commitments.

Internal financial control, by its nature, provides only reasonable and not absolute assurance against material mis-statement or loss.

The financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the group has adequate resources to continue in business for the foreseeable future.

Directors' responsibilities for the accounts

The directors are required by the Companies Act 1985 to prepare accounts which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the group profit or loss for that period.

It is also the directors' responsibility to maintain adequate accounting records, safeguard the assets of the group, and to take reasonable steps to prevent and detect fraud and other irregularities.

The directors believe that in preparing the accounts, reasonable and prudent judgements and estimates have been made, suitable accounting policies have been consistently applied and that relevant applicable accounting standards have been followed.

AUDITORS' REPORTS

To the members of Yates Brothers Wine Lodges PLC

We have audited the accounts on pages 20 to 37 which have been prepared under the accounting policies set out on pages 26 and 27. We have also examined the amounts disclosed relating to the remuneration and share options of the directors which form part of the report to shareholders by the Remuneration Committee on pages 16 and 17.

Respective responsibilities of directors and auditors

As described on page 18, the directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in

order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 30th March 1997 and of the profit of the group for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Report on corporate governance matters to Yates Brothers Wine Lodges PLC

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 18 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice (Code) specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with the disclosure requirements of the Listing Rules 12.43(j) and 12.43 (v).

Basis of opinion

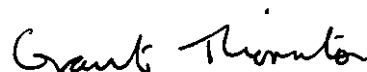
We carried out our review in accordance with guidance issued by the Auditing Practices Board. This guidance does not require us to perform any additional work

necessary to express a separate opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures, or on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statement on internal financial control and going concern on page 18, in our opinion the directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 18 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review by the Listing Rule 12.43(j).



Grant Thornton

Registered Auditors
Chartered Accountants
Manchester
9th June 1997

GROUP PROFIT AND LOSS ACCOUNT

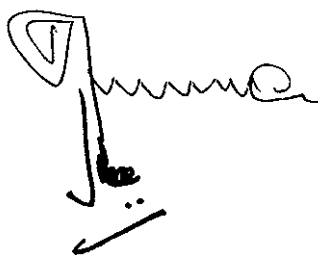
Financial year ended 30th March 1997	Note	1997 £000	1996 £000
Turnover	2	75,747	61,177
Net operating costs	3	(65,561)	(53,542)
Operating profit	4	10,186	7,635
Surplus on property transactions		<u>1,118</u>	<u>188</u>
Profit on ordinary activities before interest		11,304	7,823
Net interest payable	5	<u>(796)</u>	<u>(348)</u>
Profit on ordinary activities before tax		10,508	7,475
Taxation	6	<u>(1,846)</u>	<u>(1,965)</u>
Profit on ordinary activities after tax		8,662	5,510
Minority interest		<u>-</u>	<u>(12)</u>
Profit for the financial year		8,662	5,498
Dividends	7	<u>(1,807)</u>	<u>(1,432)</u>
Retained profit	18	<u>£6,855</u>	<u>£4,066</u>
Earnings per share	8	<u>21.5p</u>	<u>14.0p</u>
Earnings per share (excluding property surplus)		<u>18.7p</u>	<u>13.5p</u>

GROUP BALANCE SHEET

At 30th March 1997	Note	1997 £000	1996 £000
Fixed assets			
Tangible	10	92,637	69,262
Investments	11	<u>143</u>	<u>86</u>
		<u>92,780</u>	<u>69,348</u>
Current assets			
Stocks	12	4,817	3,185
Debtors	13	8,959	3,792
Cash at bank and in hand		<u>2,641</u>	<u>1,600</u>
		16,417	8,577
Creditors due within one year	14	<u>(19,507)</u>	<u>(24,253)</u>
Net current liabilities		<u>(3,090)</u>	<u>(15,676)</u>
Total assets less current liabilities		89,690	53,672
Creditors due after one year	15	<u>(17,888)</u>	<u>(48)</u>
Provisions for liabilities and charges	16	<u>(381)</u>	<u>(263)</u>
		<u>£71,421</u>	<u>£53,361</u>
Capital and reserves			
Called up share capital	17	10,491	9,865
Share premium account	18	17,687	9,102
Revaluation reserve	18	16,305	14,737
Profit and loss account	18	26,551	19,636
Deferred equity consideration	11	<u>387</u>	<u>-</u>
Shareholders' funds		71,421	53,340
Minority interest		<u>-</u>	<u>21</u>
		<u>£71,421</u>	<u>£53,361</u>

Approved by the board on 9th June 1997

P A Dickson Director
J D Bee Director



GROUP CASH FLOW STATEMENT

Financial year ended 30th March 1997	1997 £000	1996 £000
Net cash inflow from operating activities	13,932	9,176
Returns on investments and servicing of finance	(1,095)	(413)
Taxation	(1,918)	(1,750)
Capital expenditure and financial investment	(25,309)	(17,018)
Acquisitions and disposals	(31)	-
Equity dividends paid	(1,313)	(1,095)
Net cash outflow before financing	(15,734)	(11,100)
Financing	25,281	113
Increase/(decrease) in cash in the year	<u>£9,547</u>	<u>£(10,987)</u>

Reconciliation of net cash flow to movement in net debt	1997 £000	1996 £000
Increase/(decrease) in cash in the year	9,547	(10,987)
Cash inflow from increase in debt	(17,452)	-
Change in net debt resulting from cash flows	(7,905)	(10,987)
Non cash movement	(388)	-
Movement in net debt	(8,293)	(10,987)
Opening net debt	(13,030)	(2,043)
Closing net debt	<u>£(21,323)</u>	<u>£(13,030)</u>

Analysis of changes in net debt	At 31/3/96 £000	Cash flow £000	Non cash movements £000	At 30/3/97 £000
Cash at bank and in hand	1,600	1,041	-	2,641
Bank overdrafts	(14,582)	8,506	-	(6,076)
	(12,982)	9,547	-	(3,435)
Bank loan	-	(17,500)	-	(17,500)
Other loans	(48)	48	-	-
Deferred consideration	-	-	(388)	(388)
	<u>£(13,030)</u>	<u>£(7,905)</u>	<u>£(388)</u>	<u>£(21,323)</u>

GROUP CASH FLOW STATEMENT

	1997 £000	1996 £000
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	10,186	7,635
Depreciation	2,570	2,268
Employee benefit trust	-	(86)
Loss on sale of plant and machinery	135	-
(Increase) in stocks	(1,632)	(431)
(Increase) in debtors	(1,015)	(438)
Increase in creditors	3,688	228
Net cash inflow from operating activities	<u>£13,932</u>	<u>£9,176</u>
Analysis of cash flows from headings netted in the cash flow statement		
	1997 £000	1996 £000
Returns on investments and servicing of finance		
Interest received	15	68
Interest paid	(1,110)	(481)
Net cash outflow from returns on investments and servicing of finance	<u>£(1,095)</u>	<u>£(413)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(27,209)	(17,465)
Sale of tangible fixed assets	1,957	364
Sale of plant and machinery	-	83
Purchase of investments	(57)	-
Net cash outflow from capital expenditure and financial investment	<u>£(25,309)</u>	<u>£(17,018)</u>
Acquisitions and disposals		
Purchase of minority interest	<u>£(31)</u>	<u>-</u>
Financing		
Issue of share capital	7,829	113
New loans	17,500	-
Repayment of loans	(48)	-
Net cash inflow from financing	<u>£25,281</u>	<u>£113</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1997 £000	1996 £000
Profit for the financial year	8,662	5,498
Unrealised surplus on revaluation of properties	3,563	2,284
Total recognised gains and losses for the financial year	<u>£12,225</u>	<u>£7,782</u>

NOTE OF GROUP HISTORICAL COST PROFITS

	1997 £000	1996 £000
Reported profit before tax	10,508	7,475
Realisation of property revaluation surplus	<u>1,995</u>	<u>-</u>
Historical cost profit on ordinary activities before taxation	<u>£12,503</u>	<u>£7,475</u>
Historical cost profit retained after taxation, minority interest and dividends	<u>£8,850</u>	<u>£4,066</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £000	1996 £000
Profit for the financial year	8,662	5,498
Dividends	(1,807)	(1,432)
New shares issued	8,260	287
Costs of issue	(99)	-
Unrealised surplus on revaluation of properties	3,563	2,284
Goodwill written off against reserves	(885)	-
Deferred equity	<u>387</u>	<u>-</u>
Net addition to shareholders' funds	18,081	6,637
Shareholders' funds at the beginning of the financial year	<u>53,340</u>	<u>46,703</u>
Shareholders' funds at the end of the financial year	<u>£71,421</u>	<u>£53,340</u>

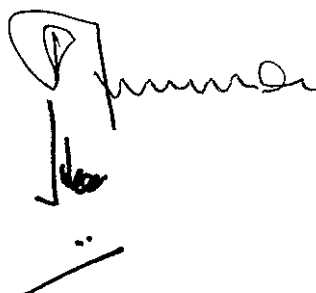
COMPANY BALANCE SHEET

At 30th March 1997	Note	1997 £000	1996 £000
Fixed assets			
Tangible	10	92,637	67,776
Investments	11	<u>1,362</u>	<u>392</u>
		<u>93,999</u>	<u>68,168</u>
Current assets			
Debtors	13	7,959	4,229
Cash at bank and in hand		<u>319</u>	<u>324</u>
		8,278	4,553
Creditors due within one year	14	<u>(7,557)</u>	<u>(12,058)</u>
Net current assets/(liabilities)		<u>721</u>	<u>(7,505)</u>
Total assets less current liabilities		94,720	60,663
Creditors due after one year	15	(24,547)	(7,317)
Provisions for liabilities and charges	16	<u>(381)</u>	<u>(161)</u>
		<u>£69,792</u>	<u>£53,185</u>
Capital and reserves			
Called up share capital	17	10,491	9,865
Share premium account	18	17,687	9,102
Revaluation reserve	18	16,305	14,737
Profit and loss account	18	24,922	19,481
Deferred equity consideration	11	<u>387</u>	<u>-</u>
Shareholders' funds		<u>£69,792</u>	<u>£53,185</u>

Approved by the board on 9th June 1997

P A Dickson Director

J D Bee Director



NOTES TO THE ACCOUNTS

1 Accounting policies

The accounts of the company and its subsidiary undertakings are usually made up of thirteen four week periods ending on or about 31st March. They are prepared under the historical cost convention, except for certain land and buildings which are included at valuation, and in accordance with applicable accounting standards. The group cash flow statement has been restated to comply with FRS1 (revised). The effect of this has been to re-classify certain headings and to redefine cash equivalents.

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and its subsidiary undertakings to 30th March 1997. All inter-group trading has been eliminated. In accordance with S.230 of the Companies Act 1985, no separate profit and loss account is presented for the company. The group results include a profit of £6,233,000 (1996 : £4,942,000) attributable to the company.

Turnover

Turnover represents the value of goods and services supplied to customers outside the group and excludes VAT.

Depreciation

Properties

(a) No depreciation is provided on freehold land or buildings or on buildings held on lease with an unexpired term of more than 20 years. The directors are of the opinion that these buildings are sufficiently well maintained such that the length of their useful lives and their high residual values, based on current prices prevailing, ensure that any depreciation would not be material. Provision is made in the profit and loss account for any likely permanent diminution in value.

(b) Approximately one fifth by number of the group's freehold and long leasehold properties are professionally valued each year.

(c) Leasehold properties, other than those referred to in (a) above, are depreciated over 20 years or the period of the lease if this was originally less than 20 years.

Equipment

Depreciation of equipment is calculated by the straight line method at rates between 10% and 33 $\frac{1}{3}$ % per annum.

Investments

Investments are included at cost less provision for permanent diminution in value.

Stocks

Stocks are valued at the lower of cost, which includes attributable overhead expenditure, and net realisable value.

Interest

Interest payable in respect of certain major construction and improvement projects is included in the cost of the properties. Such cost relates to expenditure incurred prior to the project becoming operational.

Deferred taxation

Provision for deferred taxation is only made when there is a reasonable probability that a liability will crystallize.

NOTES TO THE ACCOUNTS

1 Accounting policies - continued

Leases

Rental costs under operating leases are charged to the profit and loss account over the period of the lease.

Pre-opening costs

All pre-opening costs are written off in the year in which the relevant outlet opens.

Foreign currencies

Assets and liabilities in foreign currencies are translated at the exchange rate ruling at the end of the year. Exchange differences on transactions are dealt with in the profit and loss account.

Goodwill

Purchased goodwill is written off to reserves on acquisition.

Pensions

Pension costs for defined benefit schemes are charged against profits on a systematic basis. Surpluses and deficits arising are allocated over the expected remaining service lives of current employees. The pension expense for the defined contribution scheme represents contributions payable in the year.

Employee share ownership trust

Shares, including shares in the company, held by the Trustees of the Employee Share Ownership Trust are shown in the balance sheet at cost.

	Turnover 1997 £000	Turnover 1996 £000	Operating profit 1997 £000	Operating profit 1996 £000	Net operating assets 1997 £000	Net operating assets 1996 £000
2 Segmental information						
Continuing operations						
Retail	57,330	43,080	11,759	8,720	87,907	61,001
Wholesale	18,417	18,097	275	144	4,947	4,190
Central (costs)/assets	-	-	(1,848)	(1,229)	(498)	1,152
Interest bearing liabilities	-	-	-	-	(20,935)	(12,982)
	<u>£75,747</u>	<u>£61,177</u>	<u>£10,186</u>	<u>£7,635</u>	<u>£71,421</u>	<u>£53,361</u>

Net operating assets represent the book value of all net assets, excluding borrowings, employed in each business segment.

Group sales are made wholly in the United Kingdom.

NOTES TO THE ACCOUNTS

	1997	1996
	£000	£000
3 Net operating costs		
Cost of sales	32,024	28,034
Distribution costs	27,305	21,068
Administration costs	6,574	5,062
Other operating income	(342)	(622)
	<u>£65,561</u>	<u>£53,542</u>
Other operating income comprises:		
Net income from letting surplus space	342	381
Non-recurring income	-	241
	<u>£342</u>	<u>£622</u>
4 Operating profit	<u>1997</u>	<u>1996</u>
	<u>£000</u>	<u>£000</u>
Operating profit is arrived at after charging:		
Auditors' remuneration - for audit work	<u>£35</u>	<u>£35</u>
Auditors' remuneration - for other services	<u>£71</u>	<u>£23</u>
Operating plant lease rental	<u>£435</u>	<u>£349</u>
Operating property lease rentals	<u>£1,346</u>	<u>£1,024</u>
Depreciation	<u>£2,570</u>	<u>£2,268</u>
5 Net interest payable	<u>1997</u>	<u>1996</u>
	<u>£000</u>	<u>£000</u>
On bank overdraft	782	481
On bank loan repayable after five years	328	-
Interest receivable	(15)	(68)
Interest capitalised	(299)	(65)
	<u>£796</u>	<u>£348</u>
Interest receivable has been listed as other operating income in previous years. The comparatives have been adjusted.		
6 Taxation	<u>1997</u>	<u>1996</u>
	<u>£000</u>	<u>£000</u>
The charge is based on the profit for the financial year and comprises:		
UK corporation tax @ 33% (1996 : 33%)	1,807	1,910
Over provisions in previous years	(160)	-
Deferred taxation (Note 16)	199	55
	<u>£1,846</u>	<u>£1,965</u>

NOTES TO THE ACCOUNTS

7 Dividends	1997 £000	1996 £000
Interim - 1.44p (1996 : 1.2p)	598	485
Final - 2.88p (1996 : 2.4p)	<u>1,209</u>	<u>947</u>
	<u>£1,807</u>	<u>£1,432</u>

If approved the final dividend will be paid on 13th August 1997 to shareholders on the register on 4th July 1997. Shareholders have been given the option to take new ordinary shares of the company in lieu of both dividends paid in the year.

8 Earnings per share

The calculation of earnings per share is based on the adjusted weighted average number of issued ordinary shares of 40,300,551 (1996 : 39,338,189) and earnings of £8,662,000 (1996 : £5,498,000) being the profit after taxation. The dilutive effect of unexercised options on earnings per share is not material.

9 Employees (including directors)	1997 Number	1996 Number
The average number of employees of the group during the year was:		
Sales - full time	988	784
Sales - part time	511	354
Warehouse	36	38
Office and administration	<u>157</u>	<u>126</u>
	<u>1,692</u>	<u>1,302</u>

	1997 £000	1996 £000
The employment costs incurred were:		
Wages and salaries	13,976	11,115
Social security	920	707
Pension costs	<u>73</u>	<u>40</u>
	<u>£14,969</u>	<u>£11,862</u>

Details of directors' remuneration is given in the remuneration committee's report.

	1997 Number	1996 Number
Their remuneration is in the following ranges:		
£10,001 to £15,000	1	2
£15,001 to £20,000	2	1
£65,001 to £70,000	1	-
£140,001 to £145,000	-	1
£155,001 to £160,000	1	-
£165,001 to £170,000	-	1
£185,001 to £190,000	1	-

NOTES TO THE ACCOUNTS

10 Tangible fixed assets	Property £000	Equipment £000	Total £000
Group			
Cost or valuation			
At 31st March 1996	62,507	19,845	82,352
Additions at cost	21,856	5,652	27,508
Disposals	(4,900)	(6,137)	(11,037)
Revaluation	3,563	-	3,563
At 30th March 1997	<u>£83,026</u>	<u>£19,360</u>	<u>£102,386</u>
Depreciation			
At 31st March 1996	469	12,621	13,090
Charge for the period	132	2,438	2,570
Provision for diminution in value	91	-	91
Disposals	-	(6,002)	(6,002)
At 30th March 1997	<u>£692</u>	<u>£9,057</u>	<u>£9,749</u>
Net book value			
30th March 1997	<u>£82,334</u>	<u>£10,303</u>	<u>£92,637</u>
31st March 1996	<u>£62,038</u>	<u>£7,224</u>	<u>£69,262</u>
Company			
Cost or valuation			
At 31st March 1996	61,616	18,970	80,586
Additions as cost	21,913	5,451	27,364
Transfers from subsidiary undertakings	834	1,076	1,910
Disposals	(4,900)	(6,137)	(11,037)
Revaluation	3,563	-	3,563
At 30th March 1997	<u>£83,026</u>	<u>£19,360</u>	<u>£102,386</u>
Depreciation			
At 31st March 1996	469	12,341	12,810
Charge for the period	132	2,410	2,542
Provision for diminution in value	91	-	91
Transfers from subsidiary undertakings	-	308	308
Disposals	-	(6,002)	(6,002)
At 30th March 1997	<u>£692</u>	<u>£9,057</u>	<u>£9,749</u>
Net book value			
30th March 1997	<u>£82,334</u>	<u>£10,303</u>	<u>£92,637</u>
31st March 1996	<u>£61,147</u>	<u>£6,629</u>	<u>£67,776</u>

NOTES TO THE ACCOUNTS

10 Tangible fixed assets - continued

Group and company

It is the group's practice to review the carrying value of a representative proportion of its freehold and long leasehold land and buildings each year, so that the carrying value of the whole estate is reviewed over a five year period.

Accordingly, the value of a representative sample of the relevant assets was assessed on the basis of open market value for existing use by Fleurets (Chartered Surveyors) at 30th March 1997. The amount included for each property represents its value less the written down historic cost of its fixtures, which is included under the equipment heading.

The net book value of property comprises freeholds of £62.4m (1996 : £51.1m), long leaseholds of £3.0m (1996 : £2.5m) and short leaseholds of £16.9m (1996 : £8.4m). The only properties on which depreciation is being provided are short leaseholds valued at £17.5m. The cost of freehold buildings includes £0.6m (1996 : £0.3m) in respect of gross capitalised interest.

The total cost or valuation for land and buildings comprises:

		1997 £m	1996 £m
At professional valuation in:	1997	24.0	-
	1996	5.0	8.4
	1995	10.6	12.2
	1994	9.7	21.7
At cost		33.7	20.2
		<u>£83.0</u>	<u>£62.5</u>

The historical cost of land and buildings, i.e. the original cost to the group of all land and buildings, was £61.6m (1996 : £42.6m) and the related accumulated depreciation was £0.6m (1996 : £0.5m).

NOTES TO THE ACCOUNTS

		Quoted investments £000	
II Fixed asset investments			
Group			
At 31st March 1996		86	
Additions during the year at cost		<u>57</u>	
At 30th March 1997		<u>£143</u>	
	Quoted investments £000	Shares in subsidiary undertakings £000	Total £000
Company			
At 31st March 1996	86	306	392
Additions during the year at cost	<u>57</u>	<u>913</u>	<u>970</u>
At 30th March 1997	£143	£1,219	£1,362

The principal subsidiary undertakings of the company at 30th March 1997 were:

	Class	% Holding	Activity
Yates's Wine Lodges Limited	Ordinary	100	Retail
Yates Brothers Limited	Ordinary	100	Wholesale
Watling Street Inns Limited	Ordinary	100	Retail

On 7th November 1996, the company acquired the 25% shareholding in Watling Street Inns Limited which it did not already own. The consideration was £100,000 satisfied by the issue of 27,435 25p ordinary shares together with deferred consideration of up to £775,000 payable in October 1998 if the number of outlets open at 21st October 1998 is not less than six. A further payment is due in October 2001 up to a maximum of £1.75m less the amount paid in October 1998 based on the average profits of the company for the four years ending on or about 30th September 2001. A minimum of one half of the deferred consideration is payable in ordinary shares.

The directors consider that it is appropriate to account for only the first tranche of the deferred consideration amounting to £775,000. This has been accounted for as £387,500 in creditors payable after one year and £387,500, under shareholders' funds, as deferred equity consideration.

The quoted investments are held by the Trustees of the Employee Share Ownership Trust. Their market value was £282,000 (1996 : £173,000). They include 49,463 (1996 : 29,853) shares in the company with a value of £243,000 (1996 : £117,000) which are held to satisfy options granted under the 1996 Long Term Incentive Plan.

The Trust is permitted to acquire shares either by subscription or by acquiring shares in the market. The Trust may be financed by loans or contributions from group companies or by group companies guaranteeing external loans.

NOTES TO THE ACCOUNTS

	Group 1997 £000	Group 1996 £000
12 Stocks		
Stocks for resale	2,419	1,746
Stock in bond	2,236	1,344
Consumable stores	162	95
	<u>£4,817</u>	<u>£3,185</u>

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
13 Debtors				
Trade debtors	3,208	2,326	82	49
Dividends receivable from subsidiary undertakings	-	-	3,045	3,475
Debtor on sale of properties	4,152	-	4,152	-
Other debtors	309	557	44	146
Prepayments	1,167	770	513	420
Advance corporation tax recoverable	123	139	123	139
	<u>£8,959</u>	<u>£3,792</u>	<u>£7,959</u>	<u>£4,229</u>

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
14 Creditors due within one year				
Bank overdrafts (unsecured)	6,076	14,582	2,431	8,547
Trade creditors	6,378	3,597	1,516	515
Social security and other taxes	692	356	268	111
Corporation tax payable	1,785	1,975	335	408
Other creditors	296	98	296	98
Accruals	3,071	2,698	1,502	1,432
Proposed dividend	1,209	947	1,209	947
	<u>13,431</u>	<u>9,671</u>	<u>5,126</u>	<u>3,511</u>
	<u>£19,507</u>	<u>£24,253</u>	<u>£7,557</u>	<u>£12,058</u>

NOTES TO THE ACCOUNTS

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
15 Creditors due after one year				
Bank loan - repayable after 5 years	17,500	-	17,500	-
Deferred cash consideration (Note: 11)	388	-	388	-
Other loan	-	48	-	-
Amounts owed to subsidiary undertakings	-	-	6,659	7,317
	<u>£17,888</u>	<u>£48</u>	<u>£24,547</u>	<u>£7,317</u>

The bank loan is unsecured and bears interest at 0.6% over LIBOR and has been fixed for a minimum of three years at an average rate of 7.27%.

	Deferred tax £000	Pensions £000	Total £000
16 Provision for liabilities and charges			
Group			
At 31st March 1996	167	96	263
Charge for the year	199	-	199
Advance corporation tax recoverable	(81)	-	(81)
At 30th March 1997	<u>£285</u>	<u>£96</u>	<u>£381</u>
Company			
At 31st March 1996	65	96	161
Charge for the year	301	-	301
Advance corporation tax recoverable	(81)	-	(81)
At 30th March 1997	<u>£285</u>	<u>£96</u>	<u>£381</u>

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Deferred taxation comprises:				
Accelerated capital allowances	515	310	515	208
Short term timing differences	(51)	(45)	(51)	(45)
Advance corporation tax recoverable	(179)	(98)	(179)	(98)
	<u>£285</u>	<u>£167</u>	<u>£285</u>	<u>£65</u>

Deferred taxation of £906,000 (1996 : £530,000) in respect of realised capital gains on properties sold, the proceeds of which have been rolled into new property investments, has not been provided. This is a contingent liability.

The directors consider that any taxation liability which might arise if properties were sold in the normal course of business, at their revalued amounts, will not crystallize because any realised gains on properties sold will be rolled into new property investments.

Apart from the above, deferred taxation has been provided for in full.

NOTES TO THE ACCOUNTS

17 Share capital

The authorised share capital of Yates Brothers Wine Lodges PLC is £12.5m (1996 : £12.5m), comprising 50 million ordinary shares of 25p each.

	1997 Number	1997 £000	1996 Number	1996 £000
Issued and fully paid	41,963,349	£10,491	39,462,068	£9,865

	Number	Nominal Value £000	Consideration £000
The following shares were issued during the year:			
Exercise of SAYE share options	272,944	68	195
Exercise of Executive share options	169,000	42	218
In lieu of dividends	61,902	16	232
Placing	1,970,000	493	7,585
Minority interest in Watling Street Inns	27,435	7	100
	<u>2,501,281</u>	<u>£626</u>	<u>£8,330</u>

Details of share options outstanding at 30th March 1997:	Number	Price payable	Period exercisable
1987 SAYE scheme	96,943	51p	1997
	39,410	80p	1998
	88,972	136p	1999
	128,550	197p	2000
1996 SAYE scheme	166,939	284p	1999/2001
1988 Approved executive scheme	84,000	87p	1997/1999
	60,000	79p	1997/2000
	155,500	56p	1997/2001
	112,500	54p	1997/2002
	54,000	85p	1997/2003
	43,500	145p	1997/2004
	313,000	160p	1997/2004
	120,500	210p	1997/2005
	180,000	251p	1997/2005
1996 Approved executive scheme	26,600	362p	1999/2006
	7,250	405p	1999/2006
1996 Unapproved executive scheme	51,500	362p	1999/2003
	54,000	392p	1999/2003
	142,750	405p	1999/2003
	30,000	469p	2000/2004
1996 Long term incentive plan 'A'	12,969	NIL	1997/2003
1996 Long term incentive plan 'B'	2,786	NIL	1997/2003

NOTES TO THE ACCOUNTS

18 Reserves	Share premium account £000	Revaluation reserve £000	Profit & loss account £000	Total £000
Group				
At 31st March 1996	9,102	14,737	19,636	43,475
Arising on issue of shares	7,634	-	-	7,634
Costs of issue	(99)	-	-	(99)
Transfer relating to SAYE scheme	1,050	-	(1,050)	-
Purchase of minority interest	-	-	(885)	(885)
Realised revaluation surplus	-	(1,995)	1,995	-
Revaluation surplus	-	3,563	-	3,563
Retained profit for the year	-	-	6,855	6,855
At 30th March 1997	<u>£17,687</u>	<u>£16,305</u>	<u>£26,551</u>	<u>£60,543</u>
Company				
At 31st March 1996	9,102	14,737	19,481	43,320
Arising on issue of shares	7,704	-	-	7,704
Cost of issue	(99)	-	-	(99)
Transfer relating to SAYE Scheme	980	-	(980)	-
Realised revaluation surplus	-	(1,995)	1,995	-
Revaluation surplus	-	3,563	-	3,563
Retained profit for the year	-	-	4,426	4,426
At 30th March 1997	<u>£17,687</u>	<u>£16,305</u>	<u>£24,922</u>	<u>£58,914</u>

The cumulative amount of goodwill written off in respect of undertakings within the group is £1.35m (1996 : £0.46m).

19 Contingent liabilities

The group and the company have contingent liabilities in respect of:

- (1) Deferred taxation (note 16).
- (2) Forward currency contracts - £709,000 (1996 : £229,000).
- (3) Further deferred consideration in relation to the purchase of shares in Watling Street Inns Limited
- £975,000 (1996 : Nil).

The company has contingent liabilities in respect of guarantees relating to bank facilities granted to group undertakings of £3.65m (1996 : £6.04m).

NOTES TO THE ACCOUNTS

	1997 £000	1996 £000
20 Financial commitments		
Group and company		
Under operating property leases expiring after five years	<u>£2,916</u>	<u>£1,738</u>
Group		
Under operating leases for motor vehicles which expire as follows:		
In one year or less	59	44
Between one and five years	<u>216</u>	<u>193</u>
	<u>£275</u>	<u>£237</u>
For capital expenditure		
Contracted for but not provided	<u>£15,060</u>	<u>£8,894</u>

21 Pension schemes

The group operates a funded defined benefit pension scheme, the membership of which has now been closed, and a defined contribution scheme introduced on 1st April 1994. The assets of the two schemes are held in a single separate trustee administered fund. An actuarial assessment of the defined benefit part of the scheme was last carried out by an independent qualified actuary at 31st March 1995. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pension. It was assumed that the investment return would exceed the rate of staff salary increases by 2% and the rate of discretionary pension increases by 5%. The market value of the scheme's assets was £6.5m. The valuation showed that the actuarial value of those assets amounting to £7.1m represented 142% of the benefits that had accrued to members. The total pension costs to the group in respect of the defined benefit scheme after taking account of the amortisation of the scheme's surplus over the average future working lifetime of the members was £nil (1996 : £nil). The total pension cost in respect of the defined contribution scheme was £73,417 (1996 : £40,000).

NOTICE OF THE ANNUAL GENERAL MEETING

The forty-seventh Annual General Meeting of Yates Brothers Wine Lodges PLC will be held at the Pack Horse Hotel, Bradshawgate, Bolton on 4th July 1997 at 10.30 am for the following purposes:

As ordinary business

1. To adopt the accounts for the financial year ended 30th March 1997 and the reports of the directors and auditors thereon.
2. To declare a final dividend.
3. To re-elect Messrs P A Dickson and T A Meggitt as directors.
4. To re-appoint the auditors and to authorise the directors to fix their remuneration.

As special business to consider and, if thought fit, pass the following resolutions:

Ordinary resolutions

5. THAT the directors of the company be and they are hereby generally and unconditionally authorised and empowered during the period expiring at the conclusion of the next annual general meeting of the company or on 4th October 1998, whichever is the earlier, to exercise all powers of

the company to allot relevant securities as defined in Section 80 of the Companies Act 1985 ('the Act') and to make an offer or agreement which would or might require relevant securities to be allotted after that date, so long as the nominal value of the relevant securities allotted under this authority shall not exceed £5,900,000.

6. THAT the authorised share capital of the company be increased from £12,500,000 to £22,500,000 by the creation of an additional 40,000,000 new ordinary shares of 25p each, such new ordinary shares to rank *pari passu* in all respects with the existing ordinary shares of the company.

7. THAT in accordance with the Articles of Association of the company, up to £5,300,000 standing to the credit of the share premium account of the company be capitalised and that such amount be applied in paying up in full ordinary shares to be allotted, credited as fully paid, to and amongst the holders of ordinary shares registered on 13th August 1997 on the basis, as nearly as may be, of one new ordinary share for every two ordinary shares then held and otherwise in accordance with the Articles of Association and

the directors be and are hereby authorised to give effect to such matters.

8. THAT the board be authorised to amend the Rules of the 1987 Approved Executive Share Option Scheme and make such other amendments as may be necessary to maintain Inland Revenue approval for the Scheme.

Special Resolution

9. THAT the directors of the company be and they are hereby authorised and empowered, during the period expiring at the conclusion of the next annual general meeting of the company or on 4th October 1998, whichever is the earlier, to exercise all powers of the company to allot equity securities as defined in Section 94(2) of the Act as if Section 89(1) of the Act did not apply in the case of:

(a) allotments in connection with a rights issue to shareholders where the directors shall have the right to make such exclusions or other arrangements as they may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of or requirements of any recognised regulatory body of any

NOTICE OF THE ANNUAL GENERAL MEETING

stock exchange in any territory, or otherwise howsoever;

(b) other allotments of equity securities for cash where this authority shall be limited in aggregate to the allotment of or involving equity share capital not exceeding (in nominal value) 5% of the nominal value of the issued share capital of the company as at the date hereof.

Other business

10. To transact any other business relevant to the Annual General Meeting.

By order of the Board

J D Bee
Secretary
9th June 1997

Explanation of special business

Resolutions 5 and 9 cover the allotment of unissued share capital and the partial dis-application of pre-exemption rights for a period of 15 months or until the conclusion of the next annual general meeting of the company.

Resolution 6 proposes an increase in the authorised share capital of the company in order to maintain a margin of unissued shares after allowing for the proposed bonus issue, outstanding options and shares potentially to be issued under the agreement for the acquisition of the minority interest in Watling Street Inns Limited.

Resolution 7 proposes a bonus issue of shares on the basis of one

new share for every two held. The directors believe that it is appropriate to increase the issued share capital in this way, to increase the marketability of the shares and to reflect the assets employed in the business.

Resolution 8 covers a minor amendment to the 1987 Approved Executive Share Option Scheme. This scheme is currently drafted on the basis that options will be satisfied by the company issuing new shares to participants on the exercise of their options. The company proposes to increase the flexibility of the scheme by amending the rules so as to permit options to be satisfied by the Trustees of the existing Employee Share Ownership Trust.

Note:

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the company. A proxy form is enclosed, completion of the proxy form does not preclude your attendance at the meeting and voting in person if you wish.

The directors' service agreements will be available for inspection at the registered office during normal business hours from the date of this notice until the conclusion of the Annual General Meeting.

SHAREHOLDER INFORMATION

Registered office

Peter Yates House
Manchester Road, Bolton. BL3 2PY
Tel: 01204 373737 Fax: 01204 389985

Secretary

J D Bee MA, FCA

Bankers

National Westminster Bank plc
10 Yorkshire Street
Oldham, Lancashire. OL1 1QT

Auditors

Grant Thornton
Heron House, Albert Square, Manchester. M60 8GT

Stockbrokers

Hoare Govett
Corporate Finance Limited
4 Broadgate, London. EC2M 7LE

Merchant bank

Lazard Brothers Co Limited
21 Moorfields, London. EC2P 2HT

Registrars

Northern Registrars Limited
Northern House, Penistone Road
Fenay Bridge, Huddersfield. HD8 0LA
Tel: 01484 606664 Fax: 01484 608764

Financial calendar

Annual general meeting	4th July 1997
Final dividend paid	13th August 1997
Interim results announced	November 1997
Interim dividend paid	February 1998
Full year's results announced	June 1998

Share price listing

Financial Times	Daily Telegraph
Daily Mail	Times
Western Mail	Manchester Evening News
London Evening Standard	

Share price

At 31st March 1996	378p
At 30th March 1997	491p
Range	352p - 491p
At 16th May 1997	489p

Yates Brothers Limited

Sales office
Tel: 01204 391222

Registered number

478794

Shareholders' concession

Shareholders are able to buy products from the Yates Brothers Limited price list at a discount of 10%. Full cases (mixed if required) only can be made available for collection at your nearest Wine Lodge. To place an order ring the Yates' Brothers Limited Sales office.

Recent dividends

	Amount	Payable	Ex dividend date	Register closed	Script price
Interim 1995/96	1.20p	21/2/96	8/1/96	16/1/96	298.4p
Final 1995/96	2.40p	27/8/96	8/7/96	16/7/96	355.8p
Interim 1996/97	1.44p	11/2/97	16/12/96	24/12/96	402.5p
Final 1996/97	2.88p	13/8/97	30/6/97	4/7/97	

LIST OF BRANCHES

Yates's Wine Lodges

Ashton-under-Lyne	Darlington	Oldham
Barnsley	Ealing	Oxford
Birkenhead	Glasgow	Preston
Birmingham	Halifax	Reading*
Blackpool - Talbot Square	Hanley	Rochdale
Blackpool - South Shore	Harrogate	Rotherham
Bolton	Harrow*	Scarborough*
Bootle	Hartlepool+	Sheffield
Bradford	Hounslow*	Stockport
Bromborough	Huddersfield	Swinton
Burnley	Hull	Tamworth*
Carlisle	Leamington Spa*	Urmston
Chelmsford*	Leeds	Wakefield
Cheltenham*	Lewisham*	Warrington
Chester	Luton	Watford
Colchester+	Manchester*	Wigan
Coventry	Nottingham	Wolverhampton*
Croydon	Nuneaton*	York

Watling Street Inns

Blob Shops

Other outlets

The Waterside Inn, Leigh	Blackburn	Blackpool
The King's Ransom, Sale	Chorley	Glasgow
	Glasgow	Leeds
	Lancaster*	Leicester
	Liverpool	Liverpool (2)
	Manchester	Manchester (2)
		Sheffield†

* Opened in 1996/97

+ Opened since year end

† Sold since year end

OF GREAT BRITAIN AND IRELAND

FOUNDED IN 1871

BY THE REV. J. EDWARDS, D.D., F.R.S.

AND THE REV. J. H. STUART-MILL, D.D., F.R.S.

EDITED BY THE REV. J. H. STUART-MILL, D.D., F.R.S.

AND THE REV. J. EDWARDS, D.D., F.R.S.

WITH THE ASSISTANCE OF THE REV. J. H. STUART-MILL, D.D., F.R.S.

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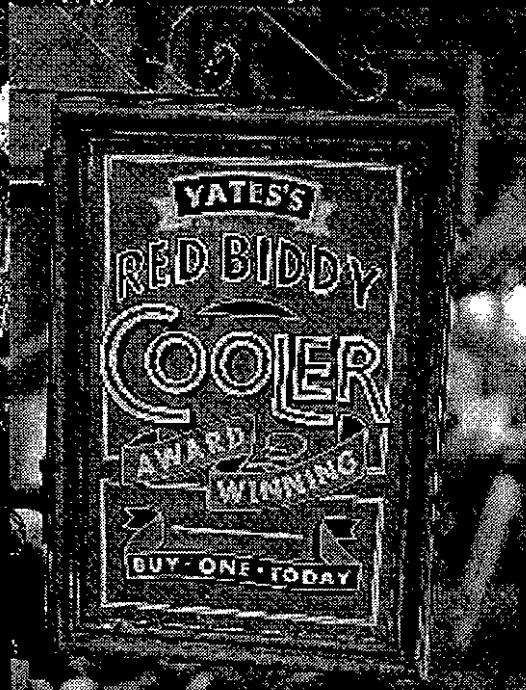
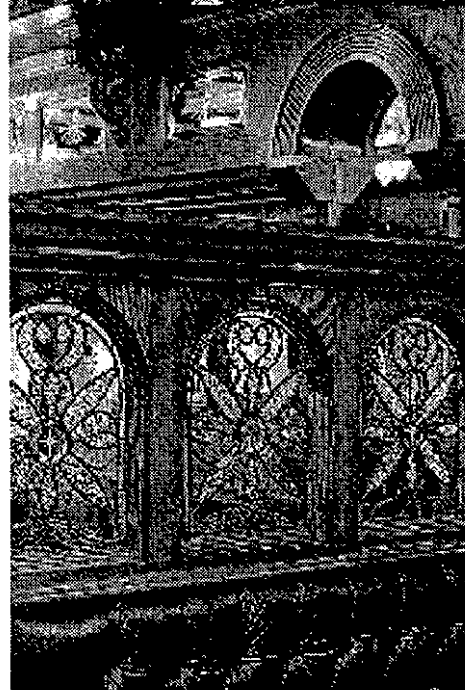
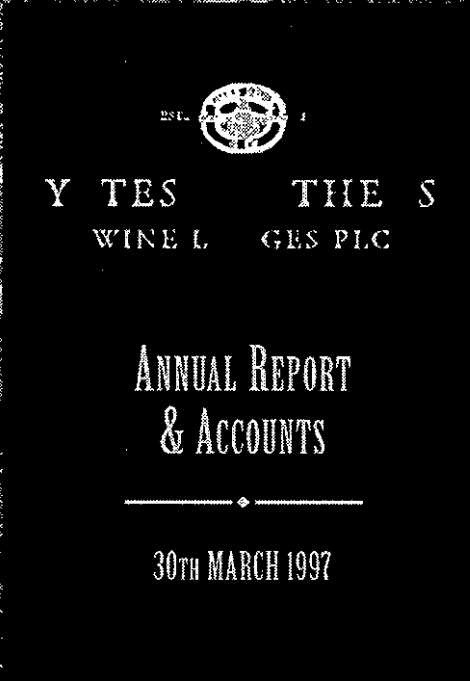
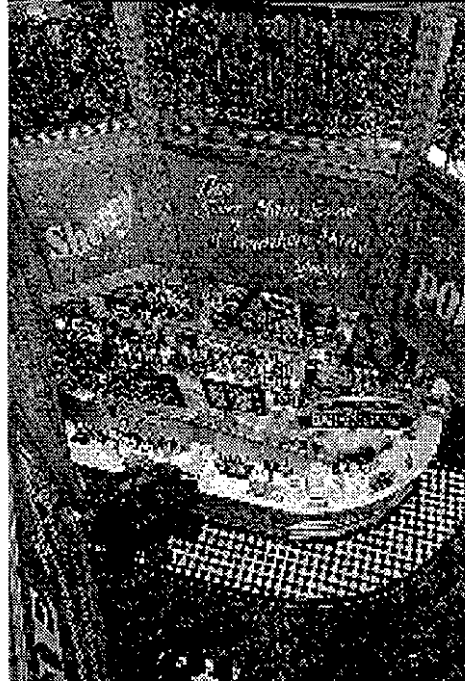
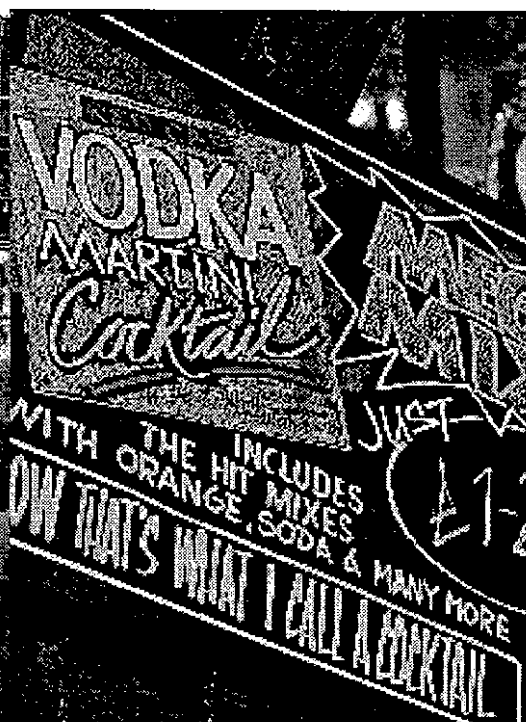
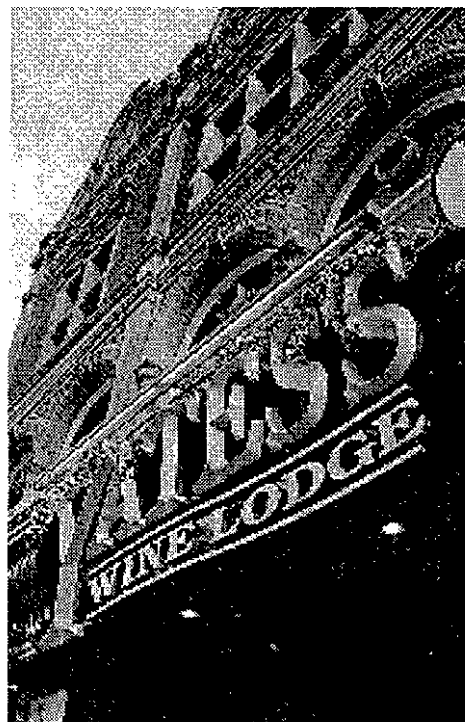
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Bootle	Hartlepool+	Sheffield
Bradford	Hounslow*	Stockport
Bromborough	Huddersfield	Swinton
Burnley	Hull	Tamworth*
Carlisle	Leamington Spa*	Urmston
Chelmsford*	Leeds	Wakefield
Cheltenham*	Lewisham*	Warrington
Chester	Luton	Watford
Colchester+	Manchester*	Wigan
Coventry	Nottingham	Wolverhampton*
Croydon	Nuneaton*	York

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