

a renewed spirit



YATES
GROUP PLC

ANNUAL REPORT AND
ACCOUNTS 2002

preview

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Yates has 82 branches with late night licences and is developing a reputation as a late night venue.

Using plasma screen technology, Yates is able to show a range of lifestyle entertainment features, promote value offers and provide information on theme nights.

The new vibrant cocktail menu with all popular generic names and mixtures, also featuring Shooters, is beginning to generate new sales in the early evening.

Focusing on the use of aggressive drinks pricing on a range of premium brands, group like for like sales in the second half year have risen by 1.2%.

By placing greater emphasis on retail training, merchandising and customer service Yates' staff are highly motivated to cater for the needs of their customers.

Following the success of the Leicester Square, Northampton and Peterborough branches, Yates is refurbishing branches with this popular format. The refurbishment preserves the best attributes of Yates' heritage and meets the demands of a new generation of customers.

Yates is offering more food variety to its customers with a new comprehensive menu which is generating strong sales growth.

financial

summary

	2002	2001 (restated)	Change
Turnover	£161.7m	£156.2m	£5.5m
Operating profit, excluding exceptionals	£16.9m	£18.8m	(£1.9)m
Profit before tax, excluding exceptionals	£12.1m	£13.8m	(£1.7)m
Basic earnings per share			
including exceptionals	(1.0)p	20.3p	(21.3)p
excluding exceptionals	13.2 p	17.2p	(4.0)p
Dividends per share	4.95p	4.95p	–
Net cash inflow from operating activities	£28.0m	£24.3m	£3.7m
Gross capital expenditure	£13.5m	£35.5m	(£22.0)m
Assets per share	174p	181p	(7.0)p
Gearing	62%	69%	(7.0)%

shareholder

information

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A J Cooper

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REGISTRAR

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WEBSITE ADDRESSES

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www.yatesonthe.net
www.hahaonline.co.uk
www.18-84.com

FINANCIAL CALENDAR

Annual general meeting	25 July 2002
Final dividend paid	4 September 2002
Interim results announced	November 2002
Interim dividend paid	February 2003
Full year's results announced	June 2003

SHARE PRICE LISTING

Financial Times	Daily Telegraph
Daily Mail	Times
Daily Express	Independent
Western Mail	Manchester Evening News
Scotsman	Guardian

SHARE PRICE

At 1 April 2001	153p
At 31 March 2002	144p
Range	124p-225.5p
At 10 June 2002	159.5p

REGISTERED NUMBER

478794

RECENT DIVIDENDS

	Amount	Payable	Ex dividend date	Register closed	Scrip price
Interim 2001	1.65p	19/02/01	11/12/00	15/12/00	132.3p
Final 2001	3.3p	5/09/01	18/07/01	20/07/01	144.8p
Interim 2002	1.65p	18/02/02	12/12/01	14/12/01	147.5p
Final 2002	3.3p	4/09/02	17/07/02	19/07/02	-

chairman's statement

TRADING The year was characterised by a distinct change in Yates' trading fortunes between the first and second halves of the financial year. In the first six months of the year, profits continued to drift downwards causing the appointment of a new management team. The second half year saw a gradual but sustained improvement in performance with benefits arising from a major reorganisation to reduce costs and significant changes in trading format and style.

This transition stimulated like for like group sales

£13.8 million last year. The shortfall occurred in the first half year, after adjusting for the effects of the disposal of Watling Street Inns and the trade sales business.

Ha! Ha! Bar & Canteen achieved its sales targets and made an increased contribution to group profits. Group sales of £161.7 million showed a 3.5% increase over the previous year, but after allowing for the disposal of Watling Street Inns and the trade sales business, sales increased by 10.8%. During the year, ten new branches were opened, equally divided between Yates's and Ha! Ha! Bar & Canteen.

Pre-exceptional operating profits were

growth of 1.2% in the second half year, measured over 80% of all branches, reversing the 1.4% decline experienced in the first six months. The introduction of value offers throughout the business and the launch of a new food menu were the prime drivers of growth. Margins were not sacrificed for sales! In the second half year, improvements in product mix, the elimination of many slow moving low margin products and better supplier terms resulted in an enhancement of 1.4% in gross margins to 69.6%, compared to 68.2% in the same period last year.

There were benefits from cost savings in the second half year, but the major impact will occur in the year 2002/3 in line with the £1.4 million originally envisaged.

FINANCIAL RESULTS Profits before taxation and exceptional items were £12.1 million against

£16.9 million compared to £18.8 million the previous year.

Pre-exceptional earnings per share were 13.2 pence compared to 17.2 pence for the same period last year.

Exceptional costs of £10.0 million relate to the loss on disposal of branches, cancellation of a number of property projects, redundancies and other reorganisation costs. Cash proceeds of £4.7 million from the eleven disposed branches less the cash costs of the reorganisation generated an inflow in the year of £2.7 million. Seven branches are still being marketed.

Cash flow also improved with stringent control over capital expenditure and better management of working capital reducing borrowings by £10.2 million to £70.6 million compared to £80.9 million last year. Gearing was 61.7%, down from 68.8% last year.

DIVIDEND Mindful of these encouraging results coupled with a belief that the business can be driven forward, the board believes it is appropriate to maintain the final dividend at 3.3 pence per share and therefore the total dividend for the full year remains at 4.95 pence per share.

MANAGEMENT The adoption of a more open and egalitarian management style has fostered a change in attitudes at all levels of the business and promoted better relationships and communications generally. Morale has been restored, partly by the success of the turnaround, which entitled many managers and employees to bonus payments for achieving performance

The major push is now the acquisition of new sites to replenish the pipeline, which was culled due to poor site selection and the prospect of inadequate returns on investment. Considerable efforts are being made to identify new sites for both the Yates's and Ha! Ha! Bar & Canteen brands, but it is premature to pontificate over numbers and timing.

There is now renewed confidence in the business founded on the ability to compete in the marketplace and grow market share. In addition, I am pleased to announce the appointment of Mark Jones (41) as chief executive, Yates Group PLC. Mark is currently the managing director of

related targets. Moreover, branch managers were granted share options for the first time. Notwithstanding these benefits, the management and employees have put in a tremendous effort to revitalise the business and to improve the appeal and service to its hundreds of thousands of customers. Their efforts are evident in the gradual restoration of the group's fortunes and I would like to take this opportunity to thank them all for their positive response to change and unyielding determination to succeed.

OUTLOOK Since the financial year-end, the improvement in trading performance has been in line with expectations and, in particular, food sales and margins. The refurbishment programme is proving to be cost-effective in modernising the format and style of many branches and, equally important, enhancing branch profitability.

Pizza Hut. Previous to this he gained industry experience with Whitbread, Allied Domecq and Courage. Mark will join the group in early September. I will continue as executive chairman providing Mark with every support and encouragement.

All aspects of the business are increasingly performing to higher standards and, as a consequence, we are now better positioned in every respect to continue to recover shareholder value.

review of operations

YATES'S

NEW BRANCHES For the first time in many years, Yates's operational performance did not have a heavy reliance on the substantial benefits that derive from new branch openings!

Shareholders will be aware that in the middle of the financial year the new branch opening programme was culled because of the poor quality of sites and the prospect of dwindling returns on capital employed. Therefore only five new branches opened, all in the first half of the year: Leicester Square – London, Torquay,

Northampton, Peterborough and Shrewsbury. Looking forward, the group is searching for sites that can command weekly sales of around £20,000, positioned on the circuit in the larger towns and cities of the UK. The recently opened branch in Huddersfield is a good example. The search for new sites envisages having more than one site in a town or city where the brand is under represented in relation to the target market as well as in the more obvious locations where Yates's has no presence i.e. Edinburgh, Belfast and major parts of London. Using this criterion we believe that Yates's has the potential to expand to around 200 sites, either by new sites and/or selected acquisitions. The search for new sites has recommenced but it is premature to provide any accurate estimate of the number of new Yates's sites

that will open in 2002/3.

BRANCH OPERATIONS During the last six months all aspects of the group's operations have significantly improved.

Much has been achieved in eliminating costs through redundancies, the sale of some poor performing branches and stringent control over capital expenditure. In addition, the increase in the minimum hourly wage rate in October 2001 was absorbed by restructuring tasks and increased efficiency in branches, therefore the percentage wage costs to sales remained unchanged.

In other areas, the 0.9% turnaround in Yates's like for like sales in the second half year

when completed. By far the biggest opportunity is the correction of the wide disparity in performance between Yates's branches.

A number of key decisions are already bringing about change and improvement.

A new branch operational structure has evolved, supplemented by the recruitment of several senior operations managers. They are tasked with optimising branch financial performance and enhancing the quality of service and entertainment on offer to customers. A more detailed and accurate reporting system is now in place which provides greater transparency of branch activities and measurement of certain key performance

translated into average weekly sales increasing to £20,200 from £20,000 for the same period last year. However, because of the decrease in the first half year, full year average weekly sales declined to £19,900 from £20,100. The increase in the second half year was stimulated by sharper focus on marketing and aggressive sales promotion with strong contributions from food. Margins improved 1.4% by exercising price/volume considerations and better supplier terms. The refurbishment programme to modernise branches has produced some encouraging results. Better quality and experienced management has been recruited in many key functions. Systems are progressively being overhauled and enhanced. Nevertheless, there are a number of tasks underway which will create significant value

ratios. The introduction of benchmarking techniques is imminent together with systems to report sales during all key trading times. Where poor branch performance is ingrained more radical action is being instigated. Two 'Hit Squads' have been formed consisting of tenacious, experienced managers with complementary skills, which will be used to reconstruct all aspects of branch activities. Generally, good progress has been made in improving the skills of branch managers and their assistants through appraisal and training. The outcome has served several purposes; a more open and realistic management culture, ownership and accountability of results and a growing confidence arising from being able to have more influence. Finally, branch managers are now tasked to produce their own annual

budgets within certain prescribed criteria.

In tandem, branch management has been made easier by the adoption of more effective and workable sales and marketing policies and provision of more support at the centre through bolstering systems and the renewed attitude of people.

This fundamental change of approach has increased branch managers' job satisfaction and dramatically reduced the number of branch manager vacancies in the last few months.

However, there are still insufficient experienced attitudinal 'retail' skills in the business and more recruitment and training is necessary.

through the use of value offers and the success of this stance is evidenced by the fact that wet value offers are approximately 14% of total wet sales! Moreover, Yates's achieved record sales during some of the busiest nights of the year.

Discounted drinks prices are on offer at all branches, typically from 2pm to 5/8pm every day of the week. Value offers always feature branded products across major product groups such as bitter, lager, spirits, soft drinks, wines and so called alcopops. In addition, back bar displays are used to promote selective tertiary products in smaller numbers.

Effort has also been made to broaden the base

A number of exciting sales and marketing initiatives first launched in the second half year to drive growth, have proved very popular. Customers are now returning to Yates's to enjoy greater value for money, an improved menu, more modern surroundings, focused and informative point of sale and more varied entertainment, under the guise of theme nights.

AGGRESSIVE VALUE DRINKS OFFERS The circuit is now almost exclusively value driven with the exception of peak time trading on Fridays and Saturdays. Whilst formats may differ between operators and some allude to striving for added value, Yates's target market is very price conscious and prices need to be at the competitive edge.

During the last few months, Yates's has competed much more aggressively to generate sales growth

of the business at certain trading times with more focused offers. An example is the new, vibrant Cocktail menu with all the popular generic names and mixtures, also featuring Shooters, aimed at the early evening customer looking to chill out after work or shopping. The launch is only weeks old, but the early indicators are very encouraging with strong increases in both sales and margins.

HUNGRY – A New Menu Food sales have shown a continued resurgence over recent months. Again the focus is very much on Yates's target customer who is attracted by value for money, a wide variety of 'favourite' dishes and an opportunity to trade-up when it suits or on celebratory occasions. Like for like sales in the second half year increased by 6.8%.

The new 'HUNGRY' menu, introduced in late

February, embraces all these principles underpinning like for like sales growth. Equally important, margins have moved up 3.0% due to a more advantageous product mix and better buying terms.

The menu is encased in a transparent folder and is exhibited on tables in special upright holders allowing ease of access and selection. It has individual pages for nibbles, snacks, grills, main courses, puddings and wines. New features include grilled rump steaks and surf 'n' turf. Value driven customers are catered for by the ubiquitous 2 courses for £5.90 and, on Sundays, soups and puddings are £1 with main courses.

capital expenditure.

In recent years some Yates's branches suffered sales decline by clinging to tradition for too long, particularly on the more fashionable circuits.

Those Yates's branches most affected have been prioritised in the programme because they provide the best potential uplift in sales.

Where branches are trading to optimum level on Friday and Saturday nights, potential sales gains are more modest and mainly in food, because of additional seating and better surroundings.

Expenditure on branches in this category is therefore partly defensive predicated on the need to remedy fatigue and/or dilapidation with the

MODERNISATION, A PACE A major refurbishment programme implemented in December 2001 is intended to replace Yates's traditional Victorian format with a more minimal design layout, accompanied by simple décor and modern furnishings, whilst at the same time retaining the hallmarks of the Yates's brand, so easily recognisable on the circuit. More emphasis is being placed on lighting, music and entertainment to provide greater excitement and atmosphere.

Overriding the need for modernisation, is the financial criterion for the justification for refurbishment and the level of economic investment. Sales uplift and subsequent profit conversion to generate a minimum return of 20% and 30% on freehold and leasehold properties respectively, dictate the level of

attendant benefits of modernisation.

In other instances, refurbishment can offer branches real opportunities to generate new sales by better utilisation of space. For example, the removal of unnecessary raised areas, artificial barriers and general clutter has increased the informal area for dancing and provided more covers at meal times. Fire exits have been reviewed in the context of capacity numbers. Speed of service has been improved by the use of bottle bars. The creation of chill out areas with the emphasis on softer furnishings is attracting different customers at certain times of the day. Outside, where possible, better facilities and surroundings for beer gardens and patio areas add a new dimension to attracting customers.

In some cases, running alongside branch

refurbishment is the work to accommodate late night section 77 licences, which offer an opportunity to increase sales outside of Yates's normal licensing hours. Yates's has 82 late night licences and in numbers, is now one of the largest national operators in this time slot. Formats are evolving and the group is beginning to develop the mood, entertainment and skills of a late night operator on key trading nights. Some of Yates's larger branches are already generating around 20% of weekly sales in the late night slot, which provides a level of confidence in continuing to pursue a similar strategy in many towns and cities in the UK.

In the present fun environment it is essential to have the maximum impact on and response from more fashionable, computer technology aware customers. Plasma screens will over time become an integral part of Yates's entertainment, provide advertising offers and establish an effective medium for transmitting promotional information to Yates's customers.

The initial results of the refurbishment programme, covering eight sites, are encouraging with average weekly sales increases of £2,000.

It is anticipated that approximately 25 sites will be completed by the end of the first half year, and around 40 by the financial year-end. The estimated cost is £6 million.

THEME NIGHTS A format of popular theme nights has been introduced throughout the estate, primarily to stimulate business outside

of key trading nights.

The selection of themes is based on experience and matches many of the current activities of branches. The objective is to drive all activities professionally from the centre to ensure branches provide consistent entertainment to customers. Examples are Student nights, Karaoke for wannabe's, Live Music nights, 'Mischievous Nights' for ladies who want to have fun and Yates's Live Sports nights. Yates's branches will operate these activities on different nights depending on location, but the formats and entertainment are prescribed by a combination of operational and marketing

Fine tuning the Ha!Ha! concept involves the regular flexing of offers and prices which had a beneficial affect on trading margins in both drinks and food resulting in strong gains over the previous year.

Five new branches were opened in Colchester, Portsmouth, London – Villiers Street, Kingston upon Thames and Sheffield, all of which are trading well. The success of these branches is largely due to their more 'foody' locations and a varying degree of quirkiness!

Locating sites with these characteristics, at an economic price, is difficult and therefore looking forward the priority is to fill the pipeline at a

managers. Music will be a strong feature of many themes and specific drinks and food offers have been evolved to suit the occasion.

HA! HA! BAR & CANTEEN (HA! HA!) Ha! Ha! continued its successful roll out and achieved its financial targets.

Total sales increased by 49% to £16.3 million, fuelled by a like for like sales increase of 7.7% and the opening of new branches. This grew average weekly sales to £20,600 from £19,200 compared to the previous year. Ha! Ha! is presently driven by its food ethos which is very popular amongst like minded customers seeking quality and choice, without being overly concerned about price. This is a growing market and the success of Ha! Ha! is reflected in its consistent, double-digit growth in like for like food sales.

quicker rate, without sacrificing proven criterion.

This is a frustration since Ha! Ha! is a sector winner and consequently the group is ambitious to capitalise on its success and grab a significant share of this growing market.

Many of the earlier Ha! Ha! branches are victims of their own success and are now beginning to suffer varying degrees of fatigue. Therefore, in May a refurbishment programme was launched with the intention of enhancing ten Ha! Ha! branches in the next few months.

In the meantime, major growth drivers for 2002/3 are the new menu introduced in May, additional emphasis on wet sales during the evenings and selected section 77 late night licences.

M J W Hennessy, Executive Chairman

finance director's report

OPERATING RESULTS The new management team's focus on improving its core operations, started to produce benefits in the second half of the year.

The exceptional cost of the reorganisation charged to the profit and loss account is £10.0 million although in cash terms it generated an inflow of £2.7 million.

The costs arose from:

- the realised loss on the disposal of eleven branches and provision for losses pending the disposal of a further seven branches;

- cancellation of a number of property projects;
- implementation of a redundancy programme; and
- other general reorganisation items.

The seven properties remaining on the market will generate further cash, when sold.

Cash flow from operating activities was £3.6 million higher than last year, despite lower profits. This is due to a higher depreciation charge, sale of the trade sales operation and tighter controls over working capital.

Capital expenditure of £13.2 million was £22 million below the previous year as a result of fewer branch openings together with a more cost effective refurbishment programme.

Net cash inflow of £10.2 million reduced borrowings by year end to £70.6 million and gearing to 61.7% which is a significant

improvement over last year.

ACCOUNTING POLICIES AND ISSUES

A constant review of individual branch performance is an embedded process within the business. This process identifies branches where impairment issues may arise. Where this occurs, Operations determine and implement plans to improve results over a period of time. Progress is monitored monthly. Currently, the board believes that no impairment provision is required.

FRS19 is now in force and requires full provision for deferred tax. The Standard causes the headline tax rate to increase although it has no effect on the actual tax paid. To ensure

currently has only sixteen members. As such, it is small relative to the group and, whilst a number of actions will take place to more closely align its assets and liabilities, the perceived risk to the group is low. At 31 March 2002 the scheme showed a post tax surplus of £266,000.

TREASURY The group has funding available of £105 million of unsecured medium term loans and £12.5 million of overdraft facilities. Margins for both are fixed.

The most significant treasury risk for the group is an increase in interest rates. Therefore, interest rate swaps for a total of £57.5 million are in force at a weighted average interest rate

comparability the previous year has been restated on the same basis. The headline and actual tax rates of 29.2% and 19.1% are higher than their counterparts for last year of 21.1% and 12.6% respectively. This increase in rates is mainly a consequence of reduced capital expenditure and hence lower capital allowances. Clearly, future tax payments will be heavily influenced by the extent of the group's capital expenditure programme.

FRS17 'Retirement Benefits' has received comprehensive press coverage because of the possible volatile effect in companies' accounts. This is particularly true where the size of the pension fund is significant in relation to the company. The Yates defined benefit scheme has been closed, except under exceptional circumstances, to new members since 1994 and

(excluding margin) of 5.9 % which have a potential to run for between three and eight years. The group's currency risk is now minimal following the disposal of the trade sales business and, consequently, currency balances have fallen and currently no currency contracts are in place.

S L Fowler, Finance Director

directors'

report

The directors present their report and the accounts for the financial year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The group is involved in the retailing of food and beverages. A review of activities during the financial year and an assessment of likely future developments in the business of the group is presented in the Chairman's Statement, the Review of Operations and the Finance Director's Report.

DIVIDENDS

The directors recommend a final dividend of 3.3 pence per share. If approved, dividends for the year will total 4.95 pence per share, in line with last year.

DIRECTORS

The present members of the board are listed below. S L Fowler was appointed on 3 September 2001 and C Enevoldson was appointed on 1 October 2001. All the other directors held office throughout the year. P A Dickson resigned on 13 July 2001 and J J Green resigned on 27 April 2001. M J W Hennessy was appointed as executive chairman on 13 July 2001 following the resignation of P A Dickson. Details of the directors' remuneration, contracts of service and share options are given in the Report on Remuneration on pages 17 to 19.

	Appointed
M J Barnes (aged 53), Non-executive	1997
C Enevoldson (aged 49), Human resources director	2001
S L Fowler (aged 43), Finance director	2001
M J W Hennessy (aged 58), Executive chairman	1995
J R Kerr-Muir (aged 61), Non-executive	1998
T A Meggitt (aged 43), Property director	1997
A J Willmott (aged 47), Brands director	2000

M J W Hennessy, T A Meggitt, C Enevoldson and S L Fowler retire in accordance with the articles of association and offer themselves for re-election. Biographical details of those directors can be found in the accompanying circular, which contains notice of the annual general meeting of the company.

A J Willmott has been a consultant to the company since 1997 when she entered into an agreement to establish and develop the Ha! Ha! Bar & Canteen concept. That agreement remains in place and further details are provided in the Report on Remuneration on page 17. With this exception, none of the directors has or had during the year an interest in any material contract with the company.

J R Kerr-Muir and M J Barnes are members of the audit, remuneration and nominations committees.

M J Barnes was chairman of Harry Ramsden's PLC between 1988 and 2000. He is a non-executive director of Arena Leisure PLC and Caffè Nero PLC. He is the non-executive chairman of Zoo Digital Group PLC, La Tasca Restaurants Limited and Galaxy 105FM (Yorkshire) Limited. His previous experience includes roles in Europe and the USA with Procter & Gamble and Pepsico. He is chairman of the remuneration committee.

J R Kerr-Muir is chairman of Senior plc, Davenham Group Limited and Ehrmanns Holdings Limited, and a non-executive director of Gartmore Fledgling Trust plc. He was the group finance director of Kingfisher plc between 1992 and 1995 and also held a non-executive directorship at Boddington Group Plc. He is chairman of the audit committee.

directors'

report

COMPANY'S AUTHORITY TO PURCHASE ITS OWN SHARES

At the 2001 annual general meeting the company was granted shareholders' authority to purchase up to 3,256,297 ordinary shares at a minimum price of 25 pence per share and a maximum price of 105% of the average of the middle market quotations (derived from the London Stock Exchange Daily Official List) of the shares for the five business days immediately preceding the day of purchase. This authority, which as at both the year end and 10 June 2002 had not been exercised, shall expire at the conclusion of the 2002 annual general meeting. Further authority to purchase the company's shares will be sought at the 2002 annual general meeting. Details of the authority sought can be found in the accompanying circular.

DIRECTORS' SHAREHOLDINGS

The interests of the present members of the board and their immediate families in the share capital of the company are as follows:

	31/3/02 In issue	31/3/02 Under option	1/4/01 In issue	1/4/01 Under option
M J Barnes	7,188	–	7,086	–
C Enevoldson	–	125,156	–	–
S L Fowler	–	206,140	–	–
M J W Hennessy	8,387	434,843	8,110	–
J R Kerr-Muir	1,500	–	1,500	–
T A Meggitt	68,337	424,875	63,122	331,251
A J Willmott	–	142,354	–	62,215

The shareholdings are all beneficial. There have been no changes in the directors' interests in shares in issue and under option between the end of the financial year and 10 June 2002 other than an increase in J R Kerr-Muir's holding from 1,500 to 2,500 shares in issue on 5 April 2002. Other than A J Willmott's holding of 1,200 deferred shares of 1 pence each in Ha! Ha! Bar & Canteen Limited, the directors have no interest in the shares of any group company.

SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDINGS

Changes in the share capital are detailed in note 18 to the accounts.

In addition to the directors' interests, the directors have been notified of the following disclosable interests, at 10 June 2002, which are in excess of 3% of the issued share capital of the company:

S D Muggridge	3,382,020 shares – 5.1%
K M Martin-Bird	2,186,369 shares – 3.3%

ENVIRONMENTAL POLICY

The group maintains a regular review of its activities which have an impact on the environment. It is considered that the activities which have the greatest potential for environmental impact are the consumption of energy and the disposal of waste materials. During 1999, a group-wide initiative was introduced to reduce energy consumption by targeted amounts. Waste material disposal has been actively managed for a number of years with a view to maximising the recyclable content.

EMPLOYEE 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. During 2001, share options were granted to branch managers for the first time.

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.

PAYMENT OF CREDITORS

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 complied with them. Creditors represented 27 days purchases at the year end (2001: 29 days).

DONATIONS

Charitable donations of £6,439 (2001: £3,273) were made during the financial year. No political donations were made.

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 applicable UK accounting standards have been followed.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

The annual report is available on the group's website. The maintenance and integrity of the group's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the website.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

Notice of the annual general meeting, which is to be held on 25 July 2002, is set out in the accompanying circular, which also contains an explanation of the special business to be conducted at the meeting.

AUDITORS

Grant Thornton resigned as auditors on 22 March 2002 and RSM Robson Rhodes were appointed in their place. RSM Robson Rhodes have indicated their agreement to continue as auditors and offer themselves for re-appointment in accordance with 5385 of the Companies Act 1985.

On behalf of the board

A J Cooper

Secretary

Registered Office:

Peter Yates House, Manchester Road, Bolton BL3 2PY.

10 June 2002

report

on remuneration

The Combined Code requires the board to report to shareholders each year on the company's policy on directors' remuneration, setting out the remuneration package of each individual director. The composition and role of the remuneration committee are set out in the report on corporate governance on pages 20 and 21.

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 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.

DETAILS OF REMUNERATION

	Annual salary at April 2002 £000	Salaries/fees £000	Year ended 31 March 2002 Bonus £000	Benefits £000	Total £000	2001 Total £000
P A Dickson (i)	–	406	–	9	415	222
J J Green (ii)	–	11	–	2	13	138
T A Meggitt	138	133	20	13	166	139
A J Willmott (iii)	63	63	23	11	97	69
R G Marcall	–	–	–	–	–	227
M J W Hennessy	312	236	–	–	236	22
S L Fowler	147	82	20	8	110	–
C Enevoldson	90	43	15	6	64	–
M J Barnes	18	18	–	–	18	18
J R Kerr-Muir	20	20	–	–	20	20
2002 Total	788	1,012	78	49	1,139	855
2001 Total		765	20	70	855	

(i) P A Dickson resigned with effect from 13 July 2001. The amount shown above includes a termination payment of £345,000.

(ii) J J Green resigned with effect from 27 April 2001.

(iii) A J Willmott was appointed on 3 April 2000. In 1997 she entered into a consultancy agreement with Ha! Ha! Bar & Canteen Limited ("Ha! Ha!") to establish and develop the Ha! Ha! Bar & Canteen format. A separate agreement entered into at the same time provides for her to receive a capital sum, in the form of Yates Group PLC shares, of up to £1.2 million based on the performance of Ha! Ha! over the five years to 31 March 2003. Under the terms of a further agreement entered into on 17 July 2000, the company has agreed to pay A J Willmott the sum of £400,000 in the form of Yates Group PLC shares (or in cash if the company is de-listed) upon the occurrence of the earlier of the following events: the exercise of the option granted to Mrs Willmott under the earlier agreement, a change of control of the company or Ha! Ha!, the de-listing of the company, Mrs Willmott being unable to perform her duties or the company announcing proposals to cease or materially scale down the development of Ha! Ha!. Any sum paid under this agreement shall be deductible from any sum payable under the terms of the earlier agreement. In addition to the £97,000 remuneration she received during the year for her group role, Mrs Willmott received payments under the terms of her original consultancy agreement amounting to £59,000 (2001: £56,040).

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 basic remuneration.

report

on remuneration

PENSION PROVISION

The executive directors, other than M J W Hennessy and A J Willmott, are members of the Yates Group Pension Scheme ("the Scheme"). C Enevoldson is a member of the money purchase section of the Scheme and contributions made by the company amounted to £2,500 (2001: £nil). T A Meggitt and S L Fowler are members of the final salary section of the Scheme. Following a valuation of the Scheme as at 31 March 2001, the company restarted its final salary section contributions in April 2002.

Pension benefits earned by the directors:

Name of Director	Increase in accrued pension during the year (note 1) £000	Transfer value increase (note 2) £000	Accumulated total accrued pension at year end (note 3) £000
S L Fowler	2	12	2
T A Meggitt	3	21	26

Notes to Pension Benefits

1. The increase in accrued pension during the year excludes any increase for inflation.
2. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less directors' contributions.
3. The pension entitlement shown is that which would be paid annually at normal retirement date based on service to the end of the year.
4. Members of the Scheme have the option to pay additional voluntary contributions. Neither the contributions nor the resulting benefits are included in the table above.

CONTRACTS

The executive directors' service contracts have the following notice periods:

C Enevoldson	—One year
S L Fowler	—One year
M J W Hennessy	—Three months
T A Meggitt	—One year
A J Willmott	—One year

SHARE INCENTIVES

The remuneration 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 under the 1996 approved and unapproved executive share option schemes. The remuneration committee has adopted a policy of limiting the total value of options granted annually to two times salary, however the current intention is only to approve grants of up to one times annual salary unless exceptional circumstances justify a grant above that level. Under these schemes, options, which are granted at full market price, are exercisable between three and seven years after grant (unapproved scheme) or between three and ten years after grant (approved scheme) provided that a performance target related to annual percentage growth in earnings per share of the company above the percentage growth in the retail prices index is achieved.

Following shareholder approval in July 1998, the group introduced a long term incentive plan. The plan awards shares up to a maximum value of 250% of average annual salary depending upon cumulative earnings per share performance in excess of inflation and in comparison with a peer group over a three year period. The minimum targets are 17½% over the retail prices index and earnings per share performance superior to that of at least 25% of a peer group. Shares awarded will be held in an employee benefit trust for up to two years before being made available to the executive. The first three year measurement period

report

on remuneration

commenced in April 1998. No share awards have been made following the expiry of that period because the minimum targets were not met. There is no current intention to use this plan in the future.

OPTIONS CURRENTLY HELD BY THE DIRECTORS

	At 1/4/01	Granted	Exercised	Lapsed/ Cancelled	At 31/3/02	Option/ exercise price	Exercise period
C Enevoldson	–	22,086			22,086	135p	2004/2011
	–	103,070			103,070	135p	2004/2008
S L Fowler	–	22,086			22,086	135p	2004/2011
	–	184,054			184,054	135p	2004/2008
M J W Hennessy	–	20,905			20,905	143p	2004/2011
	–	413,938			413,938	143p	2004/2008
T A Meggitt	27,000				27,000	57p	1994/2003
	29,250				29,250	96p	1995/2004
	60,000				60,000	107p	1995/2004
	54,750				54,750	140p	1996/2005
	13,800				13,800	241p	1999/2003
	45,000				45,000	312p	2000/2004
	24,000				24,000	348p	2000/2004
	14,209				14,209	463p	2001/2005
	* 3,832		(3,832)		–	–	
	* 1,006		(1,006)		–	–	
	* 3,462				3,462	–	1997/2004
	* 993				993	–	1997/2004
	* 1,360			(1,360)	–	–	–
	49,383				49,383	257p	2003/2007
	–	92,927			92,927	143p	2004/2008
	* 3,206				3,206	–	2000/2007
	–	** 6,895			6,895	140p	2004/2005
A J Willmott	11,665				11,665	257p	2003/2010
	50,550				50,550	257p	2003/2007
	–	80,139			80,139	143p	2004/2008

Key

* Granted, or agreed to be granted, under the 1996 long term incentive plan prior to appointment as a director.

** Granted under the 1996 savings-related share option scheme.

T A Meggitt exercised options over 4,838 shares at the exercise price of nil. The mid market price of the shares at the date of their transfer was 147.5p. The aggregate gain on the exercise of these options was £7,136.

The mid market price on 31 March 2002 was 144p and the range during the year was 124p–225.5p.

M J Barnes

Chairman of the Remuneration Committee

The board supports the highest standards in corporate governance as set out in the Combined Code appended to the Listing Rules of the Financial Services Authority. This statement sets out how the principles identified in the Code have been applied to the company.

STATEMENT OF COMPLIANCE

The company has complied throughout the year with the provisions set out in section 1 of the Combined Code with the following exceptions:

- P A Dickson had a service contract with a notice period from the company of two years. The board considered that this was appropriate for the business (Code provision B.1.7).
- A J Willmott has a service contract which can be terminated by the company upon one year's notice, but any such notice may not expire before 7 September 2002 (the second anniversary of the service contract). The board considers that this is appropriate for the business (Code provision B.1.7).
- Following M J W Hennessy's change of role from non-executive vice chairman to executive chairman in July 2001 and the subsequent appointments of S L Fowler and C Enevoldson as executive directors, there have been five executive directors and two non-executive directors on the board. It is considered that the board maintains a correct balance of directors so that no individual or group of individuals can dominate decision taking. However, the current number of non-executive directors infringes Code provisions A.3.1 and D.3.1, which require that non-executive directors comprise at least one third of the board and that the audit committee has at least three non-executive directors.

THE BOARD

The board comprises of an executive chairman, four other executive directors and two non-executive directors. The posts of chairman and chief executive are both held by M J W Hennessy. Whilst the board considered that this was appropriate for an interim period, it was decided to recruit a chief executive to work alongside the chairman. M Jones has now been appointed as chief executive. Further details of his appointment can be found in the Chairman's Statement. It is considered by the board that both of the non-executive directors are independent of the executive team and have no business or other relationships which could interfere with the exercise of their independent judgement. Each operating division has its own lead executive. The roles of the executive chairman and the lead executives are separately held and are closely defined to ensure a clear division of responsibilities. J R Kerr-Muir is the designated senior independent non-executive director.

All the directors have access to the advice and services of the company secretary and directors may take independent professional advice at the company's expense if they consider it necessary in connection with the performance of their duties. The company's articles of association require all directors to retire by rotation and seek re-election by shareholders. One third of the directors retire each year. The service contracts of the executive directors can be terminated upon one year's notice or less from the company. Agreements with the non-executive directors can be terminated by either party without notice or compensation.

The board is responsible to shareholders for the effective control and proper management of the company and there is a schedule of matters specifically reserved to the board for approval, the contents of which are periodically reviewed. Formal board meetings are held at least six times a year with detailed papers circulated on a timely basis to enable the board to discharge its duties. In addition to regular meetings, the board meets periodically for more detailed discussions of particular business issues, including group strategy and annual operating plans.

The board has established three committees, as described below. Each of the committees has carefully drafted terms of reference.

AUDIT COMMITTEE

The committee comprises of the non-executive directors and is chaired by J R Kerr-Muir. The committee is responsible for monitoring the adequacy of the group's financial and internal controls and risk management, monitoring the company's accounting policies and other aspects of financial reporting, and for providing a forum for the external auditors to report to the board. The committee also considers the scope of the external auditors' work and their fees. It meets at least twice a year and the external auditors and the executive directors attend when required.

corporate

governance

REMUNERATION COMMITTEE

This committee comprises of the non-executive directors and is chaired by M J Barnes. It makes recommendations to the board on the overall framework for executive remuneration and approves specific remuneration packages for each of the executive directors. Its established remuneration policy and details of current remuneration are set out in the Report on Remuneration on pages 17 to 19.

NOMINATIONS COMMITTEE

The committee comprises of the non-executive directors and M J W Hennessy, who chairs this committee. The committee is responsible for making recommendations on all new appointments to the board and for considering and making recommendations on the composition and balance of the board.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given a high priority. In addition to the publication of an annual report and an interim report, there is regular dialogue with shareholders and analysts. The annual general meeting (AGM) is normally attended by all directors and provides an opportunity for communication with those institutional and individual shareholders attending. Notice of the AGM is given to shareholders at least twenty working days in advance and separate resolutions are proposed on each substantially separate issue. During the meeting the chairman invites questions from shareholders. Where resolutions at the AGM are dealt with by a show of hands, the results of proxy votes for and against are still announced.

INTERNAL CONTROL

The board is responsible for the group's system of internal controls and for reviewing its effectiveness and carries out its responsibilities throughout the year. During the year, a formal review of all risks faced by the group has been undertaken with the assistance of the business risk and audit department and, where additional controls were required, action plans have been put in place to address these. Successful completion of these action plans will be carefully monitored together with on-going reviews to identify new and emerging risks. This on-going process of identifying, evaluating and managing the significant risks faced by the group, has been in place for the full financial year and up to the date of approval of this annual report.

Key elements of the group's system of internal controls are as follows:

- 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;
- clear lines of authority between the management of the operating divisions and the board's executive directors;
- an investment evaluation process to ensure suitable board approval for all major capital expenditure commitments;
- an on-going process of identifying significant business risks faced by the group together with clear board responsibility for determining courses of action to minimise those risks.

The group's system of internal controls is designed to minimise and manage, rather than eliminate, the risk of failure to achieve business objectives. This system can, therefore, provide only reasonable and not absolute assurance against material misstatement or loss.

GOING CONCERN

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.

independent

auditors' report

TO THE SHAREHOLDERS OF YATES GROUP PLC

We have audited the financial statements on pages 23 to 44.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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 financial statements are free from material misstatement, 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 financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2002 and of the group's loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditors
Leeds, England
12 June 2002

group

profit and loss account

52 weeks ended 31 March 2002

	Note	Pre-exceptional £000	Exceptional £000	2002 Total £000	2001 (restated) £000
Turnover	2	161,706	–	161,706	156,179
Net operating costs	3 & 5	(144,800)	(2,416)	(147,216)	(137,361)
Group operating profit	2	16,906	(2,416)	14,490	18,818
Share of associate's operating profits		192	–	192	351
Total operating profit		17,098	(2,416)	14,682	19,169
Net losses on disposal of fixed assets	5	–	(7,539)	(7,539)	(415)
Profit on disposal of investment	5	–	–	–	2,307
Profit on ordinary activities before interest		17,098	(9,955)	7,143	21,061
Net interest payable	6	(4,963)	–	(4,963)	(5,338)
Profit on ordinary activities before tax		12,135	(9,955)	2,180	15,723
Taxation	7	(3,510)	703	(2,807)	(2,579)
(Loss)/profit after tax		8,625	(9,252)	(627)	13,144
Dividends	8	(3,245)	–	(3,245)	(3,220)
Retained (loss)/profit		5,380	(9,252)	(3,872)	9,924
Basic					
Earnings per share	9			(1.0)p	20.3p
Earnings per share (excluding exceptionals)	9			13.2 p	17.2p
Diluted					
Earnings per share	9			(1.0)p	20.2p
Earnings per share (excluding exceptionals)	9			13.2 p	17.1p

The results above relate to continuing activities.

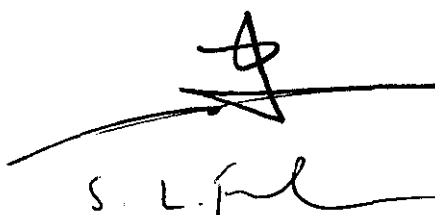
group balance sheet

31 March 2002

	Note	2002 £000	2001 (restated) £000
Fixed assets			
Tangible	11	197,693	207,676
Investments	12	3,907	3,844
		201,600	211,520
Current assets			
Stocks	13	3,788	4,612
Debtors	14	8,903	9,073
Cash at bank and in hand		5,811	2,556
		18,502	16,241
Creditors due within one year	15	(23,887)	(22,524)
Net current liabilities		(5,385)	(6,283)
Total assets less current liabilities		196,215	205,237
Creditors due after one year	16	(76,403)	(83,403)
Provisions for liabilities and charges	17	(5,312)	(4,344)
Net assets		114,500	117,490
Capital and reserves			
Called up share capital	18	16,433	16,270
Share premium account	19	18,005	17,183
Deferred equity consideration	19	1,399	1,399
Revaluation reserve	19	14,420	15,657
Profit and loss account	19	64,243	66,981
Equity shareholders' funds		114,500	117,490

Approved by the board on 12 June 2002

M J W Hennessy Director
S L Fowler Director



S. L. Fowler

group

cash flow statement

52 weeks ended 31 March 2002

	2002 £000	2001 £000
Net cash inflow from operating activities	27,967	24,327
Returns on investments and servicing of finance	(5,256)	(5,776)
Taxation	(1,862)	(1,279)
Capital expenditure and financial investment	(8,248)	(22,670)
Acquisitions and disposals	-	2,711
Equity dividends paid	(2,564)	(3,020)
Net cash inflow/(outflow) before financing	10,037	(5,707)
Financing	(6,782)	8,082
Increase in cash	3,255	2,375

analysis of cash flows from headings netted in the cash flow statement

	2002 £000	2001 £000
Returns on investments and servicing of finance		
Interest received	82	82
Interest paid	(5,338)	(5,858)
Net cash outflow from returns on investments and servicing of finance	(5,256)	(5,776)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(13,157)	(35,076)
Sale of tangible fixed assets	4,871	1,121
Sale of Watling Street Inn estate	-	11,286
Sale/(purchase) of quoted investments	38	(1)
Net cash outflow from capital expenditure and financial investment	(8,248)	(22,670)
Acquisitions and disposals		
Sale of business	-	110
Sale of investment in subsidiaries and associates	-	2,601
Net cash inflow from acquisitions and disposals	-	2,711
Financing		
Issue of share capital	218	182
Settlement of loan notes	-	(100)
New loans	-	8,000
Repayment of loans	(7,000)	-
Net cash (outflow)/inflow from financing	(6,782)	8,082

notes

to group cash flow statement

reconciliation of operating profit to net cash flow from operating activities	2002 £000	2001 £000
Operating profit	14,490	18,818
Depreciation	9,815	8,365
Loss on sale of plant and machinery	8	8
Decrease/(increase) in stocks	824	(328)
Decrease in debtors	1,409	257
Increase/(decrease) in creditors	1,421	(2,793)
Net cash inflow from operating activities	27,967	24,327

reconciliation of net cash flow to movement in net debt	2002 £000	2001 £000
Increase in cash in the year	3,255	2,375
Cash outflow/(inflow) from decrease/(increase) in debt	7,000	(7,900)
Movement in net debt in the year	10,255	(5,525)
Opening net debt	(80,847)	(75,322)
Closing net debt	(70,592)	(80,847)

analysis of changes in net debt	2/4/01 £000	Cash flow £000	31/3/02 £000
Cash at bank and in hand	2,556	3,255	5,811
Bank loans	(83,000)	7,000	(76,000)
Unsecured loan notes	(403)	—	(403)
	(80,847)	10,255	(70,592)

group statement of total recognised gains and losses

	2002	2001 (restated)
	£000	£000
(Loss)/profit for the financial year after taxation	(627)	13,144
Prior year adjustment relating to the adoption of FRS19 Deferred Taxation	(2,192)	–
Total (losses)/profits recognised since the previous year end	(2,819)	13,144

note of group historical cost profits and losses

	2002	2001 (restated)
	£000	£000
Reported profit before tax	2,180	15,723
Realisation of property revaluation surplus	1,237	1,700
Historical cost profit on ordinary activities before taxation	3,417	17,423
Historical cost (loss)/profit retained after taxation and dividends	(2,635)	11,624

reconciliation of movements in shareholders' funds

	2002	2001 (restated)
	£000	£000
(Loss)/profit for the financial year	(627)	13,144
Dividends	(3,245)	(3,220)
New shares issued	882	375
Goodwill written off	–	(4)
Goodwill transfer in respect of sale of the Watling Street Inn estate	–	1,142
Net (reduction)/addition to shareholders' funds	(2,990)	11,437
Equity shareholders' funds at the beginning of the financial year*	117,490	106,053
Equity shareholders' funds at the end of the financial year	114,500	117,490

*Originally £119.682 million before deducting prior year adjustment of £2.192 million (see note 7d)

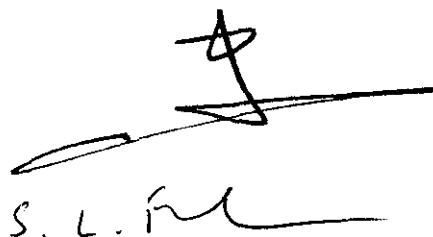
company balance sheet

31 March 2002

	Note	2002 £000	2001 (restated) £000
Fixed assets			
Tangible	11	197,693	207,676
Investments	12	6,239	6,277
		203,932	213,953
Current assets			
Debtors	14	4,976	3,427
Cash at bank and in hand		740	1,320
		5,716	4,747
Creditors due within one year	15	(11,934)	(9,778)
Net current liabilities		(6,218)	(5,031)
Total assets less current liabilities		197,714	208,922
Creditors due after one year	16	(113,119)	(115,176)
Provisions for liabilities and charges	17	(5,312)	(4,344)
Net assets		79,283	89,402
Capital and reserves			
Called up share capital	18	16,433	16,270
Share premium account	19	18,005	17,183
Deferred equity consideration	19	1,399	1,399
Revaluation reserve	19	14,420	15,657
Profit and loss account	19	29,026	38,893
Equity shareholders' funds		79,283	89,402

Approved by the board on 12 June 2002

M J W Hennessy Director
S L Fowler Director



S. L. Fowler

notes

to the accounts

1 accounting policies

The accounts of the company and its subsidiary undertakings are made up of a year of complete trading ending on or about 31 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.

NEW ACCOUNTING STANDARDS

FRS19 "Deferred Tax" has been adopted for the first time in these accounts. Comparative figures have been restated to be consistent with the new accounting policy for deferred tax that is described below. The effect of the change is quantified in note 7. FRS18 "Accounting Policies" has also been adopted. It did not cause any other changes in policy as, after careful review, the directors are satisfied that the current accounting policies are the most appropriate for the company. FRS17 "Retirement Benefits" need not be applied in full until the 2004 accounts, so as in previous years expenses have been charged under SSAP24. Some additional disclosures are given as required by FRS17 (see note 23).

BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the company and its subsidiary undertakings to 31 March 2002. All intra-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 loss of the company for the financial year was £7,774,000 (2001: Profit £4,824,000).

TURNOVER

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

DEPRECIATION

Properties

(a) Following the adoption of FRS15 "Tangible Fixed Assets", freehold properties are written down to their estimated residual value over a period of 50 years. Depreciation is also provided on leasehold property costs on a straight-line basis over the remaining period of the lease. Provision is made in the profit and loss account for any impairment in value.

(b) All properties are shown at cost or, where a valuation had been applied prior to 28 March 1999, at that valuation.

Freehold Land

No depreciation is provided on freehold land.

Equipment

Depreciation of equipment is calculated based on the original cost on a straight-line basis at rates between 10% and 33 1/3% per annum.

INVESTMENTS

Except as stated below, investments are included at cost less provision for diminution in value.

In the group's accounts the investment in the associated undertaking is accounted for using the equity method. The consolidated profit and loss account includes the group's share of the undertaking's profits less losses while the group's share of the net assets (excluding goodwill which is treated in accordance with the goodwill policy note below), of the associated undertaking is shown in the consolidated balance sheet.

STOCKS

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

INTEREST

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

Interest rate swaps are used to manage the interest basis of borrowings. Interest receipts and payments under these agreements are accrued so as to match the net income or cost with the related finance expenses. No amounts are recognised in respect of future periods.

1 accounting policies (continued)

DEFERRED TAXATION

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS19.

In accordance with FRS19 deferred tax is not provided for:

- (a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- (b) gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

The group has adopted a policy of discounting deferred tax assets and liabilities to reflect the time value of money. Deferred tax assets and liabilities are discounted using a discount rate equivalent to the post tax yield that could be obtained at the balance sheet date on government bonds with similar maturity dates and currencies. The increase or decrease in the discount deducted in arriving at the deferred tax balance is included in the deferred tax charge or credit in the profit and loss account.

Previously under SSAP15, provision was only made for deferred taxation, on an undiscounted basis, if it was probable that the tax would be payable in the foreseeable future.

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.

FOREIGN CURRENCIES

All monetary 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.

At times, the company may enter into certain forward foreign exchange contracts with a view to hedging future purchases. Gains and losses on these contracts are not recognised until the exposure being hedged is recognised.

GOODWILL

Goodwill arising on acquisition is capitalised within fixed assets and amortised on a straight line basis over the estimated useful economic life. Goodwill relating to acquisitions made prior to 28 March 1999, the date on which FRS10 "Goodwill and Intangible Assets" first applied to the group, has been written off against reserves on acquisition. The treatment is in accordance with the transitional rules of FRS10.

On the subsequent disposal or termination of a previously acquired business, the profit or loss arising on disposal or termination is calculated after charging or crediting the amount of any related goodwill previously taken to reserves.

PENSIONS

The group operates a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the group. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the profit and loss account over the average remaining service lives of current employees.

Deferred tax is fully accounted for on any difference between accumulated pension costs charged against profit and accumulated contributions paid.

The group also operates a defined contribution pension scheme for staff members. The pension costs for that scheme represents contributions payable by the group 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.

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52 weeks ended 31 March 2002

2 segmental analysis

	Turnover		Operating profit		Net operating assets/(liabilities)	
	2002	2001 (restated)	2002	2001	2002	2001 (restated)
	£000	£000	£000	£000	£000	£000
Retail	158,289	149,413	21,638	22,444	189,478	199,189
Trade sales	3,417	6,766	495	619	(1,016)	1,118
Central costs	–	–	(5,227)	(4,245)	(3,370)	(1,970)
Exceptionals	–	–	(2,416)	–	–	–
Loans and cash	–	–	–	–	(70,592)	(80,847)
	161,706	156,179	14,490	18,818	114,500	117,490

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

Group sales are made wholly in the United Kingdom.

3 net operating costs

	Pre-exceptional 2002	Exceptional 2002	Post exceptional 2002	2001 (restated)
	£000	£000	£000	£000
Cost of sales	47,815	60	47,875	49,789
Distribution costs	84,916	847	85,763	76,201
Administrative expenses	12,860	1,509	14,369	12,079
Other operating income – income from letting surplus space	(774)	–	(774)	(708)
Other operating income – royalty income	(17)	–	(17)	–
	144,800	2,416	147,216	137,361

4 operating profit

	2002 £000	2001 £000
Operating profit is stated after charging:		
Auditors' remuneration		
– fees paid to current auditors for audit services	34	40
– fees paid to current auditors for non-audit services	13	–
– fees paid to previous auditors for non-audit services	36	7
Operating lease rentals		
– plant	746	694
– property	10,812	9,099
Depreciation	9,815	8,365

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5 exceptional items	2002 £000	2001 £000
At operating profit level:		
Redundancy	(1,240)	-
Reorganisation	(907)	-
Other	(269)	-
	(2,416)	-
Below operating profit:		
Realised loss on property transactions	(4,418)	(972)
Provision for loss on property transactions	(3,121)	-
Profit on disposal of investment	-	2,307
Profit on sale of Watling Street Inn Estate	-	557
	(7,539)	1,892
Total exceptional items	(9,955)	1,892

The profit on sale of Watling Street Inn Estate includes £1,142,381 of goodwill previously written off directly to reserves, written back on disposal. Provision for loss on property transactions relates to assets held by the group at the year end which are being actively marketed for sale.

6 net interest payable	2002 £000	2001 £000
On bank overdraft	65	144
On bank loan repayable within five years	5,236	5,664
On loan notes repayable within five years	28	28
Interest receivable	(82)	(82)
Interest capitalised	(293)	(438)
Other	9	22
	4,963	5,338

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7 taxation on profit on ordinary activities

	2002 £000	2001 (restated) £000
(a) Analysis of current year tax charge		
The tax charge is based on the profit for the financial year and comprises:		
UK corporation tax	1,818	1,633
Over provisions in previous years	(31)	(255)
Total current tax	1,787	1,378
Deferred tax:		
Origination and reversal of timing differences	1,759	2,594
Increase in discount	(791)	(1,506)
Total deferred tax	968	1,088
Group taxation	2,755	2,466
Tax on share of profits of associate	52	113
Tax on profit on ordinary activities	2,807	2,579

The tax charge for 2002 includes a credit of £703,000 in respect of exceptional items (2001: £109,000).

(b) Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £000	2001 (restated) £000
Profit on ordinary activities before tax	2,180	15,723
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	654	4,717
Effects of:		
Expenses not deductible for tax purposes		
– ordinary activities	765	74
– exceptional items	914	–
Capital allowances for the period in excess of depreciation	(1,700)	(2,594)
Other short term timing differences	(59)	–
Capital losses or rollover relief on losses/(profit) on disposal of property		
– exceptional items	1,325	(434)
Adjustments to tax charge in respect of previous periods	(31)	(255)
Rate difference on tax charge	(23)	(24)
Associate profits	(58)	(106)
Current tax charge for the period (note 7(a))	1,787	1,378

(c) Factors that may affect future charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value.

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the properties were sold without it being possible to claim rollover relief. The total amount unprovided for is £4.3 million (2001: restated £4.3 million).

At present, it is not envisaged that any tax will become payable in the foreseeable future.

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7 taxation on profit on ordinary activities (continued)

(d) Change of accounting policy

The change in the accounting policy for deferred tax had the following effects on the group accounts:

	2002 £000	2001 (restated) £000
Profit for the year		
Group tax charge	1,422	730
Reduction in reported profit for the financial year	1,422	730
Balance sheet		
Group tax provision	3,614	2,192
Reduction in shareholders' funds	3,614	2,192

The change in policy did not affect the group cash flows.

8 dividends

	2002 £000	2001 £000
Interim – 1.65p (2001: 1.65p)	1,076	1,073
Final – 3.3p (2001: 3.3p)	2,169	2,147
	3,245	3,220

If approved, the final dividend will be paid on 4 September 2002 to shareholders on the register on 19 July 2002.

Shareholders have been given the option to take new ordinary shares of the company in lieu of both dividends paid in the year.

9 earnings per share

	2002 £000	2001 (restated) £000
Earnings per share have been calculated using the following data:		
Profit figures used for basic and diluted earnings per share calculation		
(Loss)/profit for the financial year	(627)	13,144
Profit for the financial year, excluding exceptional items net of taxation	8,625	11,143
	2002 Number	2001 Number
Weighted average number of ordinary shares under option during the year	2,146,847	2,264,665
Weighted average number of potentially dilutive share options	94,475	258,903
Weighted average number of ordinary shares in issue during the year	65,233,532	64,864,313
Total number of shares used to calculate diluted earnings per share	65,328,007	65,123,216

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9 earnings per share (continued)

The effects of the adjustments are as follows:

	Earnings £000	Basic Weighted average number of shares	Per share amount pence	Earnings £000	Diluted Weighted average number of shares	Per share amount pence
2002						
Earnings per share	(627)	65,233,532	(1.0)	(627)	65,328,007	(1.0)
Exceptional items, net of taxation	9,252	–	14.2	9,252	–	14.2
Adjusted earnings per share	8,625	65,233,532	13.2	8,625	65,328,007	13.2
2001						
Earnings per share	13,144	64,864,313	20.3	13,144	65,123,216	20.2
Exceptional items, net of taxation	(2,001)	–	(3.1)	(2,001)	–	(3.1)
Adjusted earnings per share	11,143	64,864,313	17.2	11,143	65,123,216	17.1

10 employees (including directors)

	2002 Number	2001 (restated) Number
The average number of employees of the group during the year was:		
Sales – full time	2,593	2,507
Sales – part time	1,124	1,078
Warehouse	16	16
Office and administration	174	221
	3,907	3,822
	2002 £000	2001 £000
The employment costs incurred were:		
Wages and salaries	36,029	34,703
Social security	2,426	2,428
Pension	351	412
	38,806	37,543

Details of directors' remuneration, contributions to the money purchase pension scheme and share options are given in the Report on Remuneration on pages 17 to 19.

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11 tangible fixed assets

	Property £000	Equipment £000	Total £000
Group and company			
Cost or valuation			
2 April 2001	182,995	48,940	231,935
Additions at cost	6,505	6,945	13,450
Disposals	(9,490)	(3,054)	(12,544)
31 March 2002	180,010	52,831	232,841
Depreciation			
2 April 2001	3,564	20,695	24,259
Charge for the year	2,280	7,535	9,815
Provision for loss on disposal	3,121	–	3,121
Disposals	(320)	(1,727)	(2,047)
31 March 2002	8,645	26,503	35,148
Net book value			
31 March 2002	171,365	26,328	197,693
1 April 2001	179,431	28,245	207,676

The net book value of property comprises freeholds of £95.1 million (2001: £100.4 million), long leaseholds of £1.8 million (2001: £1.8 million) and short leaseholds of £74.4 million (2001: £77.2 million). The cost of the property includes £2.6 million (2001: £2.8 million) in respect of capitalised interest, of which £293,000 has been capitalised in the year (2001: £438,000) at rates between 6% and 6.5%.

The total cost or valuation for land and buildings comprises:

		2002 £m	2001 £m
At professional valuation in:	1999	21.5	22.2
	1998	22.8	23.0
	1997	10.5	10.5
	1996	–	0.6
	1995	3.3	3.3
	1994	1.6	1.8
At cost		120.3	121.6
		180.0	183.0

The land and buildings were last revalued on 28 March 1999 on the basis of Existing Use Value including notional directly attributable acquisition costs. The valuations were independent and external being carried out by Fleurets, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The historical cost of land and buildings, that is the original cost to the group of all land and buildings, was £160.4 million (2001: £162.1 million) and the related accumulated depreciation was £8.1 million (2001: £3.1 million).

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12 fixed asset investments

	Investment in own shares and quoted investments £000	Shares in subsidiary undertakings £000	Investment in associated company £000	Total £000
Group				
2 April 2001	200	–	3,644	3,844
Additions during the year at cost	1	–	–	1
Disposals during the year at cost	(39)	–	–	(39)
Share of profit of associate	–	–	101	101
31 March 2002	162	–	3,745	3,907
Company				
2 April 2001	200	2,905	3,172	6,277
Additions during the year at cost	1	–	–	1
Disposals during the year at cost	(39)	–	–	(39)
31 March 2002	162	2,905	3,172	6,239

The principal subsidiary undertakings and associate of the company, all of which are directly held by the company at 31 March 2002 were:

	Class	% Holding	Activity
SUBSIDIARY UNDERTAKINGS			
Yates's Wine Lodges Limited	Ordinary	100	Retail
Yates Brothers Limited	Ordinary	100	Warehousing
Ha! Ha! Bar & Canteen Limited	Ordinary	100	Retail
ASSOCIATED UNDERTAKING			
Quaystone Properties Limited	Ordinary	49	Property investment

Investment in the associated undertaking comprises the group's share of its joint investment with Quintain Estates and Development PLC. The following additional information is provided regarding this investment:

	2002 £000	2001 (restated) £000
Group share of net assets	2,930	2,613
Group share of post acquisition reserves	590	432

The quoted investments are held by the trustees of the Employee Share Ownership Trust. Their market value at 31 March 2002 was £134,000 (2001: £159,000). They include 66,673 (2001: 84,702) shares in the company with a market value of £102,000 (2001: £130,000) which are held to satisfy options granted under the 1996 Long Term Incentive Plan.

Shares held in the company have full voting rights and dividend entitlements.

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.

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13 stocks

	Group 2002 £000	Group 2001 £000
Stocks for resale	2,980	2,922
Stock in bond	672	1,510
Consumable stores	136	180
	3,788	4,612

14 debtors

	Group 2002 £000	Group 2001 (restated) £000	Company 2002 £000	Company 2001 £000
Trade debtors	1,427	2,778	219	472
Debtor on sale of properties	1,200	—	1,200	—
Other debtors	1,259	711	312	69
Prepayments	5,017	5,584	3,245	2,886
	8,903	9,073	4,976	3,427

The debtor on sale of properties relates to monies due from a sale and leaseback transaction of the new Huddersfield branch.

15 creditors due within one year

	Group 2002 £000	Group 2001 (restated) £000	Company 2002 £000	Company 2001 £000
Bank overdraft	—	—	1,882	771
Trade creditors	10,012	9,503	1,862	1,305
Social security and other taxes	3,659	1,857	2,727	787
Corporation tax payable	1,195	1,270	—	—
Other creditors	422	738	422	732
Accruals	6,430	7,004	2,872	4,031
Proposed dividend	2,169	2,152	2,169	2,152
	23,887	22,524	11,934	9,778

16 creditors due after one year

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Bank loan (note 20)	76,000	83,000	76,000	83,000
Unsecured loan notes (note 20)	403	403	403	403
Amounts owed to group undertakings	—	—	36,716	31,773
	76,403	83,403	113,119	115,176

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17 provisions for liabilities and charges

	Deferred tax (restated) £000	Pensions £000	Total £000
Group and company			
2 April 2001	4,248	96	4,344
Charge for the year	968	–	968
31 March 2002	5,216	96	5,312

	Amount provided 2002 £000	2001 (restated) £000
Group and company		
Deferred tax comprises:		
Accelerated capital allowance	14,435	12,735
Short term timing differences	(86)	(145)
Undiscounted provision for deferred tax	14,349	12,590
Discount	(9,133)	(8,342)
Discounted provision for deferred tax	5,216	4,248

18 share capital

The authorised share capital of the company is £22.5 million (2001: £22.5 million), comprising 90 million ordinary shares of 25 pence each.

	2002 Number	2002 £000	2001 Number	2001 £000
Issued and fully paid	65,731,222	16,433	65,079,694	16,270

	Number	Nominal value £000	Consideration £000
The following shares were issued during the year:			
Exercise of SAYE share options	58	1	1
Exercise of executive share options	197,000	49	217
In lieu of dividends	454,470	113	664
	651,528	163	882

	Number	Price payable range	Period exercisable
Share options outstanding at 31 March 2002 comprise:	2,871,371	57p–469p	2002/2011

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19 reserves

	Share premium account £000	Deferred equity consideration £000	Revaluation reserve £000	Profit and loss account (restated) £000	Total (restated) £000
Group					
2 April 2001	17,183	1,399	15,657	66,981	101,220
Arising on issue of shares	719	–	–	–	719
Transfer relating to SAYE scheme	103	–	–	(103)	–
Realised revaluation surplus	–	–	(1,237)	1,237	–
Retained loss for the year	–	–	–	(3,872)	(3,872)
31 March 2002	18,005	1,399	14,420	64,243	98,067
Company					
2 April 2001	17,183	1,399	15,657	38,893	73,132
Arising on issue of shares	737	–	–	–	737
Transfer relating to SAYE scheme	85	–	–	(85)	–
Realised revaluation surplus	–	–	(1,237)	1,237	–
Retained loss for the year	–	–	–	(11,019)	(11,019)
31 March 2002	18,005	1,399	14,420	29,026	62,850

The cumulative amount of goodwill written off to the profit and loss reserve in respect of undertakings within the group is £1.44 million (2001: £1.44 million).

Deferred equity consideration at 31 March 2002 relates to an agreement with A J Willmott regarding the development of Ha! Ha! Bar & Canteen Limited. Further details of this agreement are provided in the Report on Remuneration on page 17.

20 financial instruments

Treasury management

The group's treasury activities are targeted to provide suitable, flexible funding arrangements to satisfy the group's requirements. In addition, interest rate risks, liquidity risks and foreign currency translation risks are managed at group level. Treasury management policy and the use of specific instruments is subject to group board approval.

Interest rate risk

The group finances its activities through a blend of retained profits and borrowings. All borrowings are in sterling at both fixed and floating rates of interest. Whilst aiming to minimise the cost of borrowings, the group also aims to undertake hedging activities which reduce the risk of exposure to higher rates of interest which could adversely affect the earnings profile.

Currency risks

During the year, the group made purchases to the value of approximately £1.3 million in foreign currencies, primarily Australian and US Dollars and Euros. Where appropriate, the group holds sufficient currency assets and enters into forward purchase contracts to minimise material currency risk.

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20 financial instruments (continued)

Liquidity management

The group aims to achieve a balance between continuity and flexibility of funding by maintaining a range of maturities on its borrowings.

Risk profile of financial liabilities and assets

All short term debtors and creditors have been excluded from the disclosures set out below.

Interest rate and currency risks

An analysis of gross borrowings, all of which are denominated in sterling at 31 March 2002, is set out below.

	2002	2001 (restated)
	£000	£000
Floating rate borrowings	18,500	25,500
Fixed rate borrowings	57,903	57,903
Gross borrowings	76,403	83,403

The floating rate borrowings are interest bearing borrowings at rates based upon LIBOR fixed for periods up to 3 months.

The fixed rate hedging comprises swaps with a weighted average interest rate (excluding margin) of 5.9% and which are fixed for a weighted average period of 6.5 years.

Fixed rate borrowings include unsecured loan notes of £403,000 which carry a coupon of 7% and fall due for repayment in November 2003 and June 2004.

The following table shows the currency risk profile of financial assets held by the group at 31 March 2002. All assets are held on a floating rate basis.

	2002	2001 (restated)
	£000	£000
Currencies		
Australian Dollar	156	313
US Dollar	128	215
Euro	226	647
Total currency	510	1,175
Sterling	5,301	1,381
Total group	5,811	2,556

Liquidity risk

The group's bank debt of £76 million falls due for repayment in a period between 1 and 2 years after the balance sheet date. However, after giving three months notice, the group can repay all bank debt in full without penalty.

The bank loan is unsecured and bears interest at 0.7% over LIBOR.

At 31 March 2002, the group had unutilised borrowing facilities of £29 million (2001: £52 million), expiring between 1 and 2 years (2001: between 2 and 3 years) after the balance sheet date.

At 31 March 2002, the group had unutilised overdraft facilities of £12.5 million (2001: £12.5 million), which are repayable on demand.

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20 financial instruments (continued)

Fair values

The table below compares, by category, the book value and fair values of the group's financial assets and liabilities as at 31 March 2002:

	2002		2001	
	Book value	Fair value	Book value (restated)	Fair value (restated)
	£000	£000	£000	£000
Financing instruments				
Long term borrowings	(76,000)	(76,000)	(83,000)	(83,000)
Unsecured loan notes	(403)	(403)	(403)	(403)
Cash deposits	5,811	5,811	2,556	2,556
Derivative instruments				
Interest rate swaps	-	(684)	-	(2,552)

The fair value of interest rate swaps have been determined by current yield curves and discounting to current values.

21 contingent liabilities

The company has contingent liabilities in respect of guarantees relating to bank facilities granted to group undertakings of £1.7 million (2001: £1.8 million).

22 financial commitments

	2002 £000	2001 £000
Group		
Under property operating leases which expire as follows:		
In one year or less	-	77
Between two and five years	170	83
After five years	11,442	9,791
	11,612	9,951
Group		
Under other operating leases which expire as follows:		
In one year or less	162	133
Between one and two years	258	354
Between two and five years	177	191
	597	678
For capital expenditure		
Contracted for but not provided	78	6,686

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23 pension schemes

The group operates a funded defined benefit scheme, the membership of which has been closed, except for exceptional circumstances, and a defined contribution scheme introduced in April 1994. The assets of the two schemes are held in a single separate trustee administered fund.

Triennial actuarial valuations of the pension scheme are performed by a qualified actuary using the projected unit method. The most recent formal actuarial review of the defined benefit pension scheme was at 31 March 2001. The market value of the scheme assets at that date was £10.2 million and the level of funding was 102%. The company eliminated the surplus by continuing its contribution holiday until 31 March 2002, following which employer contributions recommenced.

The major assumptions used by the actuary in assessing the scheme liabilities on a SSAP24 basis were:

Investment returns	7% p.a.
Rate of increase in salaries	5% p.a.
Rate of increase in pensions payment	3% p.a.
Rate of increase in dividend growth	3.5% p.a.

The total pension cost in respect of the defined contribution scheme was £351,000 (2001: £412,000).

The profit and loss account charge for pension costs, the accounting policies and the disclosures above are given on the basis of SSAP24. SSAP24 is going to be replaced by FRS17. The additional disclosures which follow are given in preparation for FRS17 being adopted. They are based on a full actuarial review at 31 March 2001, adjusted to the FRS17 basis and updated to 31 March 2002, relate only to the defined benefit scheme, and omit comparative figures in accordance with the transitional rules of FRS17.

SUPPLEMENTARY PENSION DISCLOSURES UNDER FRS17

(a) Contributions

The defined benefit scheme employers' contributions for 2002 were £Nil (2001: £Nil). With effect from 1 April 2002, the employers' contribution rate has been fixed as 12.8% of pensionable pay in respect of staff and 25.8% of the Inland Revenue Earnings Cap in respect of directors, subject to review on 31 March 2004.

(b) FRS17 balance sheet information

	Value at 31 March 2002 £000	Long-term rate of return expected at 31 March 2002 %
Equities	7,310	7.25
Bonds	1,285	5.25
Cash	490	4.00
Property	575	7.25
Fair value of assets	9,660	
Present value of scheme liabilities	(9,280)	
Actuarial surplus	380	
Deferred tax	(114)	
Actuarial surplus after tax	266	

All of the £266,000 would have been shown as an asset had the group's balance sheet been prepared under FRS17.

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23 pension schemes (continued)

(c) Profit and loss reserve

	2002 £000
As reported on SSAP 24 basis	64,243
SSAP 24 pensions creditor (net of £29,000 deferred tax)	67
Excluding SSAP 24 balance	64,310
FRS 17 pension asset (net of deferred tax)	266
On FRS 17 basis	64,576

(d) Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on a FRS17 basis were:

	At 31 March 2002 %
Rate of increase in salaries	4.75
Rate of increase in pensions payment	3.00
Discount rate	6.25
Inflation assumption	3.00

24 restated figures

The comparative profit and loss account has been restated so that retrospective and promotional income are treated consistently with the results for the 52 weeks ended 31 March 2002. This had the effect of reducing turnover and net operating costs by £1,072,000.

The tax charge has been restated to adopt FRS19 (as shown in note 7).

The group balance sheet has also been restated by netting off overdraft balances against cash balances where the total bank balance is in credit and where a set-off facility exists with the bank.

25 related party transactions

During the year, the associated company, Quaystone Properties Limited, rented property to the group at a cost of £94,466 (2001: £nil). There were no balances outstanding at 31 March 2002.

At 31 March 2002, A J Wilmott, a director of the company, has amounts owing to her under a performance related bonus. Full details are shown in the Report on Remuneration on page 17.

five year

summary

	1998	1999	2000	2001 (restated)	2002
	£000	£000	£000	£000	£000
Turnover	97,783	120,281	144,049	156,179	161,706
Operating profit (pre exceptional)	13,605	16,717	19,008	18,818	16,906
Share of profits of associates	44	264	390	351	192
Earnings before interest, taxation, depreciation and exceptional items	16,900	21,208	26,096	27,534	26,913
Exceptionals	1,655	-	(710)	1,892	(9,955)
Net interest payable	(1,719)	(2,855)	(3,818)	(5,338)	(4,963)
Profit before tax	13,585	14,126	14,870	15,723	2,180
Dividends	(2,205)	(2,664)	(3,219)	(3,220)	(3,245)
Retained profit/(loss)	9,690	9,875	9,766	9,924	(3,827)
Fixed assets	116,604	159,994	196,118	211,520	201,600
Shareholders' funds	82,468	96,789	107,515	117,490	114,500
Net cash inflow from operating activities	17,565	29,296	26,885	24,327	27,967
Gross capital expenditure	45,161	41,485	43,117	35,514	13,450
Net borrowings	31,822	51,835	75,322	80,847	70,592
Gearing	39%	54%	70%	69%	62%
Interest cover	7.9	5.9	5.1	3.6	3.4
Dividend cover	5.4	4.7	4.0	4.1	2.7
Average return on capital employed	15.5%	15.8%	15.3%	12.3%	10.5%
For each 25p ordinary share:					
Earnings (basic)	18.8p	19.6p	20.1p	20.3p	(1.0)p
Dividends	3.45p	4.14p	4.95p	4.95p	4.95p
Net assets	129p	150p	166p	181p	174p

Notes:

- 1 All the freehold and long leasehold properties were revalued at 27 March 1994.
- 2 As part of a rolling revaluation programme approximately 20% of the freehold and long leasehold properties have been revalued at each year end from 27 March 1994 to 28 March 1999. Following the adoption of FRS15, no further revaluations have taken place.
- 3 Interest cover is calculated before exceptional items.
- 4 Average return on capital employed is calculated before exceptional items and taxation.
- 5 Comparable figures for the year 2000 onwards have been impacted by the provision of additional depreciation charges to comply with FRS15.
- 6 Comparable figures for the year 2001 onwards have been impacted by the provision of additional taxation charges to comply with FRS19.