715143

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services Act 1986.

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying Proxy Form as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Republic of Ireland, Australia or Japan.

This document comprises Listing Particulars prepared in accordance with the Listing Rules made under Section 142 of the Financial Services Act 1986 and a copy of which has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

Application has been made to the UKLA for the Consideration Shares to be admitted to the Official List. Application has also been made to the London Stock Exchange for Admission to Trading. It is expected that Admission will become effective, and that dealings in the Consideration Shares on the London Stock Exchange will commence, on 7th July 2000.

GWR Group plc

Proposed acquisition of DMG Radio Group

Notice of an Extraordinary General Meeting of GWR, to be held at the offices of Nicholson Graham & Jones, 110 Cannon Street, London EC4N 6AR at 11.00 a.m. on 30th June 2000, is set out at the end of this document. Shareholders will find enclosed a Proxy Form for use in connection with the Extraordinary General Meeting. **To be valid, the accompanying Proxy Form should be completed, signed and returned in accordance with the instructions printed thereon, to Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0JQ as soon as possible but, in any event, so as to be received no later than 11.00 a.m. on 28th June 2000.**

SG Hambros Corporate Finance, a division of Société Générale, is acting for GWR in connection with the Acquisition and no one else and will not be responsible to anyone other than GWR for providing the protections afforded to customers of SG Hambros Corporate Finance nor for providing advice in relation to the Acquisition. Société Générale is regulated by The Securities and Futures Authority Limited for the conduct of investment business in the UK.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2000
Latest time and date for receipt of Proxy Forms for the Extraordinary General Meeting	11.00 a.m. on 28th June
Extraordinary General Meeting	11.00 a.m. on 30th June
Expected date for completion of the Acquisition	7th July
Expected date for commencement of dealing in Consideration Shares	8.00 a.m. on 7th July
Shares certificates expected to be despatched to DMGT	7th July

DEFINITIONS

The following definitions apply in this document, unless the context otherwise requires:

"Act"	the Companies Act 1985 (as amended)
"Acquisition"	the proposed acquisition by GWR of DMG Radio Group
"Acquisition Agreement"	the conditional agreement dated 13th June 2000 between GWR and DMGT, a summary of which is set out in Part VII of this document
"Admission"	admission of the Consideration Shares to the Official List
"Admission to Trading"	admission of the Consideration Shares to trading on the London Stock Exchange
"AM"	amplitude modulation
"Anti-dilution provision"	the provision of the Acquisition Agreement pursuant to which GWR will commit to ensure for a period of two years that DMGT can participate in non-pre-emption equity issues *pro rata* to its shareholding at the time as referred to on page 110 and in paragraph 9.8 of Part VII of this document
"Board" or "Directors"	the directors of GWR, whose names are set out on page 6 of this document
"Broadcasting Acts"	the Broadcasting Acts 1990 and 1996
"Centre FM"	the FM radio station operated by Centre Broadcasting Limited
"Classic FM"	the national FM radio station operated by a subsidiary of GWR
"Completion"	completion of the Acquisition
"Consideration Shares"	the 12,306,410 new Ordinary Shares to be issued by GWR to DMGT as part consideration for the acquisition of DMG Radio Group pursuant to the Acquisition Agreement
"Convertible Notes"	the £48.5 million nil coupon convertible subordinated unsecured loan notes due 2003 convertible into new GWR shares at the rate of one new GWR share for 877.5p nominal value of convertible loan note, the terms and conditions of which are summarised in Part VII of this document
"CREST"	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo Limited
"DMGT"	Daily Mail and General Trust plc
"DMGT Option"	the option for DMGT to acquire GWR's shareholding in DMGRIPL as described in paragraph 9.10 of Part VII of this document
"DMG Radio Group"	DMGT's radio operations comprising Formchoose and DMG Radio (Hungary) Limited and their respective subsidiaries and minority holdings (but excluding a 50.01 per cent. controlling interest in Eastern Counties Radio) and a 25 per cent. shareholding in DMGRIPL; save in Part II where, as explained in the second paragraph of the section entitled "Basis of preparation", "DMG Radio Group" includes the whole of DMGRIPL
"DMG Radio Group Shares"	the shares being acquired by GWR in DMG Radio Group
"Danubius"	Országos Kereskedelmi Rádió Rt., a company incorporated in the Republic of Hungary
"Danubius Radio"	the Hungarian national radio station operated by Danubius
"DMGH"	Daily Mail and General Holdings Limited
"DMGRIPL"	DMG Radio Investments Pty Limited
"DMGRL"	DMG Radio Limited

"Eastern Counties Radio"	Eastern Counties Radio Limited
"Enlarged Group"	the Group as enlarged by the Acquisition
"Euroinvest"	Euroinvest Kommunikációz kft, a company incorporated in the Republic of Hungary owned by Roxy
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company to be convened by the notice set out at the end of this document
"FIRB"	the Foreign Investment Review Board of Australia
"FM"	frequency modulation
"Formchoose"	Formchoose Limited
"GWR" or the "Company"	GWR Group plc
"Group"	the Company and its subsidiary undertakings
"*Headline Earnings Per Share*"	*earnings per share calculated in accordance with the Institute of* Investment Management and Research Statement of Investment Practice No 1. Earnings per share adjusted to exclude capital items and exceptional paragraph 20 FRS 3 items
"Listing Rules"	the listing rules of the UKLA made under the Financial Services Act 1986 (as amended)
"London Stock Exchange"	London Stock Exchange PLC
"LNR"	London News Radio Limited
"Northcliffe Newspapers"	the regional newspaper division of DMGT
"Official List"	the Official List of the UKLA
"Option"	the option for GWR to acquire the shareholding in DMGRIPL which it does not own following Completion
"Options"	the Option and the DMGT Option
"Ordinary Shares"	ordinary shares of 5p each in the capital of the Company
"Proposed Director"	Peter Willliams, who it is intended to appoint as an additional non-executive director of GWR following Completion
"Proxy Form"	the form of proxy accompanying this document for use at the Extraordinary General Meeting
"RAJAR"	Radio Joint Audience Research Limited
"Reach"	the number of persons aged 15 years or over (or 14 years or over in Hungary) who listen to a radio station within at least one quarter-hour period over the course of a week
"Registrars"	Northern Registrars Limited
"Resolutions"	the resolutions set out in the notice of Extraordinary General Meeting
"Roxy"	Roxy Rádió Vagyonkezeló Rt, a joint venture company incorporated in the Republic of Hungary
"Roxy Radio"	the FM radio station covering Budapest operated by Euroinvest
"SG Hambros"	SG Hambros Corporate Finance, a division of Société Générale
"Shareholders"	holders of Ordinary Shares
"Share Options"	share options outstanding under the Share Option Schemes
"Share Option Schemes"	the GWR 1985 Executive Share Option Scheme, the GWR 1995 Executive Share Option Scheme, the GWR 1995 Savings-Related Share Option Scheme and the GWR 1996 Executive Share Option Scheme
"TSA"	Total Survey Area, being the geographic area within which a radio station's audience is measured

"TSA population"	the number of persons aged 15 and over in the UK, 14 and over in Hungary and 10 and over in Australia, residing in a radio station's TSA
"UKLA"	the UK Listing Authority, a division of the Financial Services Authority
"Vibe FM"	the FM radio station operated by Eastern Counties Radio

Note: All TSA population and Reach figures are based on published RAJAR material for the UK, published Regional Radio Bureau (Australia) material for Australia and Szonda Ipsos market research reports for Hungary.

EXCHANGE RATES

The exchange rates set out on page 113 have been applied throughout this document.

DIRECTORS AND ADVISERS

Directors

Henry Meakin	Chairman
Ralph Bernard	Chief Executive
Roger Gilbert	Deputy Chairman
Richard Palmer	Vice Chairman
Patrick Taylor	Deputy Chief Executive and Finance Director
Roger Lewis	Managing Director and Programme Controller of Classic FM
Steve Orchard	Operations Director UK Local Radio and Group Programme Director
Simon Ward	Group Commercial Director
Eddie Blackwell	Non-Executive Director
Simon Duffy	Non-Executive Director
Sir Peter Michael	Non-Executive Director
Stella Pirie	Non-Executive Director
Jonathan Trafford	Non-Executive Director
Nicholas Tresilian	Non-Executive Director

Advisers

Sponsor and Financial Adviser
SG Hambros Corporate Finance
SG House
41 Tower Hill
London
EC3N 4SG

Legal Adviser to the Company
Nicholson Graham & Jones
110 Cannon Street
London
EC4N 6AR

Legal Adviser to SG Hambros
Norton Rose
Kempson House
Camomile Street
London
EC3A 7AN

Auditors and Reporting Accountants
KPMG Audit Plc
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

Stockbrokers to the Company
HSBC Investment Bank plc
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Bankers
Barclays Bank PLC
Corporate Banking Centre
PO Box 119
Park House, Newbrick Road
Stoke Gifford
Bristol BS12 6TN

Fortis Bank
Aztec Centre
Aztec West
Almondsbury
Bristol
BS32 4TD

Bank of Scotland
38 Threadneedle Street
London
EC2P 2EH

Registrar
Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

PART I

CHAIRMAN'S LETTER

GWR group plc

13th June 2000

To Shareholders and, for information only, to participants in the Share Option Schemes

Dear Shareholder

Proposed acquisition of DMG Radio Group

1. Introduction

Earlier today your Board announced the proposed acquisition from DMGT of DMG Radio Group for £146.0 million. DMG Radio Group comprises substantially all of DMGT's UK radio operations, its Hungarian radio assets and a 25 per cent. shareholding in the company which holds its Australian radio assets, DMGRIPL. GWR will have the option for three years to acquire DMGT's remaining 75 per cent. shareholding in DMGRIPL.

The purpose of this document is to set out the background to and reasons for the Acquisition, to give notice of the EGM and to give the recommendation of your Directors (other than Roger Gilbert who has not taken part in GWR's consideration of the Acquisition due to his position as a director of a subsidiary of DMGT) to vote in favour of the Resolutions.

2. Background to the relationship between GWR and DMGT

DMGT has been a shareholder in GWR since 1985 and currently holds 18.8 per cent. of GWR's issued share capital. Roger Gilbert, the managing director of Harmsworth Media Ltd., a subsidiary of DMGT, is the deputy chairman of GWR. DMGT has been a consistent and enthusiastic supporter of GWR's development and has provided substantial capital support.

DMGT has achieved considerable success in developing its radio operations over the course of the last six years through a combination of organic growth and acquisition. DMGT continues to be committed to participating in the future of the radio industry and recognises that its own radio operations would be of greater value as part of a larger, more focused, commercial radio company. Therefore, DMGT has agreed to consolidate certain of its radio operations into GWR and to pursue its interests in the radio sector principally as an investor in GWR rather than as an operator.

As announced in our preliminary results on 26th May, GWR and DMGT have identified a number of areas in which they can see commercial advantages to be gained from co-operation. Both companies have agreed to discuss collaboration on the development of local portal internet sites in areas in which GWR has local radio stations and DMGT has local newspapers, using the combined content, promotion and advertising sales strengths of the two organisations. In addition, GWR and DMGT will look at ways of leveraging the readership of Associated Newspapers (the Daily Mail and The Mail on Sunday having a combined readership of almost 8.8 million per week) and Classic FM (with 6.3 million listeners per week) in the new media environment.

GWR and DMGT are also planning to develop cross marketing and listener/readership promotions between:

- Classic FM and Daily Mail and The Mail on Sunday;
- Northcliffe Newspapers and GWR's local radio stations; and
- LNR and the Evening Standard and Metro.

In addition, GWR and DMGT are considering the relaunch, by December 2000, of DMGT's cable television channel, The Performance Channel, as Classic FM TV.

GWR Group plc, Terminal 4,3B2 Stonehill Green, Westlea, Swindon, Wiltshire SN5 7HF
Incorporated and Registered in England No: 715143

These initiatives reflect the strong commitment of the DMGT Board to develop a growing business relationship with GWR. This commitment is further demonstrated by the agreement to appoint to the GWR Board, Peter Williams, DMGT's finance director, who is closely involved in the development of DMGT's new media business.

Furthermore, reflecting its confidence in the future of the radio industry and GWR in particular, DMGT is, as partial consideration for the Acquisition, taking Consideration Shares so as to increase its current holding of 18.8 per cent. in GWR to 26.9 per cent. of the Enlarged Group and £48.5 million zero coupon Convertible Notes convertible into 5.5 million Ordinary Shares at a rate of 877.5 pence per Ordinary Share. Conversion of all the Convertible Notes would result in DMGT holding 29.9 per cent. of the Enlarged Group. As a provision of the Acquisition Agreement, GWR will also commit for a period of two years to ensure that DMGT can participate in future non pre-emptive equity issues for cash (including vendor placings) pro rata to its shareholding at that time (but not to exceed 25 per cent. of any such issue).

The Board of GWR also announced today that it has acquired from DMGT a further equity interest in LNR for £5 million in cash. As a result of this acquisition, GWR holds an aggregate economic interest of 49.9 per cent. in LNR.

3. Acquisition of DMG Radio Group

The boards of GWR and DMGT have reached an agreement under which GWR will acquire DMG Radio Group for £143 million on a debt free basis. GWR will also pay £3 million to subscribe for the exchangeable bond referred to in paragraph 4 below. Included in the Acquisition are substantially all of DMGT's UK radio operations, its Hungarian radio assets and a 25 per cent. shareholding in DMGRIPL in Australia. GWR will have the Option, for three years after Completion, to acquire from DMGT its remaining 75 per cent. shareholding in DMGRIPL at a price being the higher of (i) the carrying value based on the price per share which GWR will pay for a 25 per cent. shareholding as part of the Acquisition and (ii) the fair value of that interest less a variable discount based upon the difference between (i) and (ii) above. In the event that GWR acquires the whole of DMGRIPL and, within 12 months, sells it to a third party, GWR will account to DMGT for a proportion of any profit. If GWR has not exercised the Option by the end of that three year period, DMGT will have the option to acquire GWR's interest in DMGRIPL for a price being the higher of its fair value and GWR's carrying value during the period of its ownership. DMGT will have no option to require GWR to purchase its remaining shareholding in DMGRIPL. GWR has also agreed with DMGT to provide certain management advisory services to DMGRIPL during the period of the Option. Further details of the Acquisition Agreement and these arrangements are set out in paragraph 9 of Part VII of this document.

The Acquisition of DMG Radio Group will significantly improve the quality and reach of GWR's radio portfolio in the East of England, give GWR the opportunity to achieve a major position in the Australian market, which offers significant opportunities for expansion and consolidation, and strengthen GWR's European operations.

Consideration for the Acquisition will be satisfied as follows:

- £96.0 million by the issue of 12.3 million Consideration Shares at an issue price of 780 pence per Consideration Share;
- £48.5 million by the issue of £48.5 million in nominal amount of zero coupon Convertible Notes issued at par; and
- £1.5 million in cash.

All the Consideration Shares to be issued as consideration for the Acquisition will be issued fully paid and will rank *pari passu* in all respects with the existing Ordinary Shares which are traded on the London Stock Exchange, excluding the right to receive the final dividend of GWR for the year ended 31st March 2000.

Application has been made to the UKLA for all of the Consideration Shares to be admitted to the Official List and to the London Stock Exchange for Admission to Trading. Admission and Admission to Trading in relation to the Consideration Shares are expected to become effective on 7th July 2000. The Acquisition of DMG Radio Group, including the Options, is conditional on approval of GWR Shareholders and FIRB and the admission of the Consideration Shares to the Official List.

As set out in Part II of this document, DMG Radio Group (including the whole of DMGRIPL) generated profit before interest payable and taxation of £4.8 million on revenues of £34.2 million for the year ended 30th September 1999. As at 30th September 1999, DMG Radio Group (including 100 per cent. of the

£13.4 million net assets of DMGRIPL) had net assets of £25.1 million. Since that date, there have been a number of post balance sheet events which are summarised on page 33 of Part II of this document. In anticipation of the Acquisition, DMG Radio Group paid dividends to and received repayment of long term debt from subsidiaries of DMGT. As at 30th September 1999 such dividends amounted to £5.7 million and loans to £7.8 million. The benefit of certain loans due from DMG Radio Group to DMGT (approximately £7.9 million as at 30th September 1999) will be transferred on Completion to GWR, the consideration for which is taken into account in the Acquisition price.

The DMG Radio Group in each geographic region comprises well established businesses with positive cash flows and strong management teams.

The Directors believe that in the twelve months to 30th September 2000, the DMG Radio Group is capable of generating the following revenue and profits before synergies.

United Kingdom: £10.4 million of revenue; £2.8 million of profits before interest, tax, depreciation and amortisation; and £2.4 million of profits before interest and tax.

Hungary (before taking account of the minority interest of 47 per cent.): £6.3 million of revenue; £1.1 million of profits before interest, tax, depreciation and amortisation; and £1.0 million of profits before interest and tax.

Australia: no revenue will be reported in the consolidated results as Australia will be accounted for as an associate; £1.4 million of profits before interest, tax, depreciation and amortisation (representing 25 per cent. of the results of DMGRIPL); and £0.9 million of profits before interest and tax.

Further information relating to the above profit forecast is set out in Part VI of this document.

Your Board believes that the Acquisition will significantly enhance GWR's Headline Earnings Per Share in the first full year of ownership, being the year to 31st March 2002, before taking account of net cost savings.

Pre-emption rights exist in respect of the company which operates DMG Radio Group's national Hungarian radio station, Danubius and those parts of DMG Radio Group comprising UK minority interests which would or may, on completion of the Acquisition, entitle other shareholders in those companies to elect to acquire DMG Radio Group's holding in the respective company at a fair value. GWR is not aware of any intentions to pre-empt and does not believe it likely that any such rights will be exercised to an extent material in the context of the Acquisition.

Additional information relating to DMG Radio Group is set out in Parts II and VII of this document. Pro forma financial information on GWR as enlarged by the Acquisition is set out in Part V.

UK

In the UK, DMG Radio Group currently operates stations in the East of England and around the outskirts of London, namely Essex FM, Breeze 1359/1431 AM, Ten 17 FM, Mercury FM (96.6), Vibe FM, Mercury FM (102.7), Breeze 1521 AM, and Mercury FM (101.6). These stations have a combined TSA population of 3.9 million people and a Reach of almost one million. DMG Radio Group also has minority interests in Mansfield 103.2, Centre FM, 107.2 The Eagle and Medway FM. As part of the arrangements for the Acquisition, a controlling 50.01 per cent. shareholding in the company which holds the Vibe FM licence will remain with DMGT.

The Acquisition will significantly enhance the quality and Reach of GWR's radio portfolio in the East of England and provide GWR with an almost contiguous group of stations around the prosperous commuter belt of London. GWR believes that the Acquisition will allow it to build its audience share through the cross-promotion and better co-ordination of brands and franchises. GWR will use its proven radio programming expertise to ensure high quality local radio programming on the acquired stations. Significant cost savings will come mainly from the elimination of duplicated administrative expenses. The Board of GWR expects to achieve revenue enhancements and cost savings synergies in excess of £2 million in the first full year of ownership.

Overall, GWR's radio stations are currently listened to for approximately 101.7 million hours in the UK each week, some 20.7 per cent. of all commercial radio listening. The acquisition of DMG Radio Group will reinforce GWR's position as the largest radio group by audience delivery (as measured by listening hours and total audience) in the UK. Your Board believes that this enhanced audience will enable GWR to attract an increasing volume of UK radio advertising, expenditure on which continues to grow at a faster rate than that of any other traditional UK media. It will also enable GWR to exploit new media opportunities more effectively. In particular, the larger geographic coverage resulting from the Acquisition will enhance the reach of koko.co.uk, GWR's local internet portal business which is to be launched later this year. The scale of the Enlarged Group will also provide a strong platform from which to participate in any further consolidation of the UK radio industry.

Australia

In Australia, DMGRIPL is one of the leading radio operators with a portfolio of 58 radio licences, including 5AA in Adelaide. The other radio licences are operational in 29 regional markets predominantly in Queensland, New South Wales and Western Australia. Together, these stations have a potential audience of 3 million listeners. In 23 of these regional markets DMGRIPL's regional stations are the only commercial radio stations in their broadcast areas. As such, they fulfil an important role in their local communities and thereby provide a valuable medium for both local and national advertisers.

In addition, on 24th May 2000, a subsidiary of DMGRIPL successfully acquired, for Aus $155 million (£59 million), a significant new commercial licence for the Sydney area, with a potential audience of 3.75 million listeners.

The acquisition of a 25 per cent. shareholding in DMGRIPL, with an Option to acquire the balance, will give GWR the opportunity to acquire a significant share of an important market which is culturally compatible with GWR's UK operations. DMGRIPL's radio licences have a total potential audience of 6.75 million listeners, equivalent to 36 per cent. of the Australian population. If GWR exercises the Option (subject to any requisite approval of Shareholders and FIRB), it will also benefit from the discount to fair market value at which it acquires the remaining 75 per cent. shareholding in DMGRIPL in the event of GWR increasing the value of that company as a result of services provided under its management services contract. GWR will also have the opportunity to exploit its new media expertise as internet opportunities are presented. The Australian radio advertising market has grown by 6.2 per cent. per annum over the last five years. In 1999, radio accounted for 8.8 per cent. of the total display advertising spend in Australia. With a number of licences due to be auctioned in major metropolitan areas over the next few years, Australia provides substantial growth opportunities in a lightly regulated market.

Hungary

DMG Radio Group's principal interest in Hungary is a holding of 53 per cent. in Danubius, the operator of Hungary's leading national commercial radio station by number of listeners with a TSA population of over 8 million, which reaches over 3.7 million listeners. It also has a minority holding in a new start up station broadcasting to Budapest, called Roxy Radio.

The acquisition of Danubius significantly strengthens GWR's Central European operations by adding Hungary's leading national radio station to GWR's Austrian assets. The Hungarian advertising market has grown at an average of 35.6 per cent. per annum over the last 5 years. Over the same period, the Hungarian radio advertising market has grown by 28 per cent. per annum. In 1999, radio accounted for 5.9 per cent. of total Hungarian advertising spend.

4. Broadcasting legislation and its impact on the Enlarged Group

Under current UK radio ownership legislation, GWR is restricted from controlling significantly more UK radio licences than it currently holds. Current legislation provides that, under a system by which points are ascribed to commercial licences, no group of companies or connected persons may hold more than 15 per cent. in aggregate of the total points in issue. The licences currently held by the companies which will form the Enlarged Group would exceed this limit.

GWR's policy has been to improve the overall quality of its portfolio of licences by taking advantage of attractive acquisition opportunities and the disposal of such smaller stations as may be necessary to remain within the limits of ownership prescribed by current legislation.

Your Board believes that, in line with that strategy, the Acquisition provides the opportunity to enhance materially GWR's radio portfolio. Your Board is currently considering the disposal of UK local radio licences it may need to make to continue to comply with the points restrictions of current broadcasting legislation.

Under current legislation, GWR is not permitted to control Eastern Counties Radio, the holder of the Vibe FM licence, because its coverage area overlaps that of certain GWR stations. As part of the Acquisition GWR, therefore, has agreed to acquire 49.99 per cent. of Eastern Counties Radio and has subscribed for a bond, exchangeable on or after 1st July 2001, for the remaining DMGT shareholding, in the event that it is permitted to acquire it. DMGT will have the option to require GWR to exercise that right after five years. Further details of these arrangements are set out in paragraphs 9.7 and 9.8(c) of Part VII of this document.

For a number of years, GWR along with many others in the UK radio industry, has campaigned to persuade the Government to relax UK ownership restrictions in analogue radio. The Government has been reviewing its policy and is due to issue a White Paper in the autumn this year. This is expected by many in the industry to herald a relaxation in media ownership rules and in particular the very restrictive rules that attach to the commercial radio industry.

5. Information on GWR

Over the last decade GWR has grown from a UK local radio broadcaster with a market capitalisation of £11 million into an international radio business capitalised at £868 million based on the closing price of Ordinary Shares on 12th June 2000 of 777.5 pence per Ordinary Share.

GWR's strategy over this period has been to focus on expanding its core UK radio business, both organically and by acquisition, and improving its profitability, operations and systems. At the same time, overseas investments have been made in new licences and in countries where a significant presence could be achieved. In recent years GWR has also sought to be at the forefront of the development of digital radio in the UK. Earlier this year, GWR announced its internet strategy as outlined below.

Today, GWR is the UK's leading commercial radio broadcasting company by reference to listening hours with some 101.7 million weekly hours of listening. It operates the largest UK commercial national station, Classic FM, and 38 local licences in the UK. In addition it operates stations in Austria and Finland and has investments in radio businesses in Holland, Poland, Bulgaria and South Africa.

In the latest RAJAR audience research figures announced on 11th May 2000, GWR's UK local stations achieved good results with its larger stations achieving record figures. In total, GWR's local stations achieved just over 56 million total hours of listening per week, 11.4 per cent. of all commercial radio listening with 4.7 million weekly listeners. GWR is now the market leader in terms of number of listeners in all but two of its local areas. Its national licence, Classic FM, achieved its highest ever listening hours of 45.6 million and a market share of 9.3 per cent. of all commercial radio listening. Radio advertising continues to grow at a faster rate than all other traditional media advertising in the UK; being forecast to grow at 11.5 per cent. per annum in the two years to December 2001.

GWR is a leading operator in digital radio in which it has pioneered development for the commercial radio industry. It owns a 63 per cent. shareholding in the premier UK digital multiplex licence operator, Digital One. Digital One operates the sole national commercial radio multiplex which has launched five new national digital-only channels in addition to simulcasting the three existing analogue national stations.

GWR has also recently announced the launch of Ecast Ventures, an internet investment vehicle, with the following three part strategy: to develop, alongside GWR's radio stations, a national network of local-oriented web sites providing local news, information and entertainment under the brand name "koko"; to develop Musicradio.com, a radio entertainment portal which provides radio programmes on the internet; and to invest as partners in early stage internet businesses where clear strategic benefits can be seen and GWR's airtime can be exchanged for equity. The delivery of radio programmes on the internet is a form of delivery that is growing in popularity as internet connection costs diminish. Audiences of Classic FM, the Group's local stations, Core and Planet Rock will all potentially grow from this new distribution channel. The potential for GWR to create value from its internet developments was reflected in the RAJAR report to the Radio Advertising Bureau in May 2000, which showed that radio listeners and, in particular, commercial radio listeners, were demonstrably more active in their use of the internet than other adults.

6. Preliminary results and current trading

On 26th May 2000, your Board announced GWR's audited preliminary results for the year ended 31st March 2000. The results are summarised below and the full text is set out in Part IV of this document.

	2000	*1999*	*Change*
Turnover	£102.3m	£84.2m	+22%
Pre tax profit	£18.8m	£18.3m	+3%
Underlying pre tax profit*	£24.9m	£18.1m	+37.5%
Headline Earnings Per Share	14.0p	11.1p	+26%
Dividend	5.0p	4.2p	+19%

** Underlying pre tax profit has been calculated as profit before tax stated before the results of the internet and digital divisions and local radio businesses acquired on 31st March 1999 and thereafter.*

The current financial year has seen a strong revenue performance with excellent RAJAR figures being announced on 11th May for both Classic FM and GWR's local stations. Good progress is also being made in GWR's associated companies, particularly LNR, and overseas in Finland and Austria. The directors of GWR are confident of the prospects of the Enlarged Group.

Due to the timetable impact of the Acquisition, GWR's proposed final dividend will be paid on 14th August rather than 4th August as previously announced in our preliminary results on 26th May.

7. Principal terms of the Convertible Notes

The subscription for the Convertible Notes by DMGT is an important element of the Acquisition. Your Board welcomes this investment and the benefits that should accrue to both parties as part of their ongoing relationship. The Convertible Notes will be transferable outside of DMGT and its subsidiaries.

The Convertible Notes will bear no interest and, if not converted, will be redeemed at par at the end of the three year period following their issue. They will be subordinated to all other GWR financing facilities. The Convertible Notes may be converted solely at the option of their holders in whole or in part at any time during such period and in successive tranches, if required. GWR does not intend to apply to list the Convertible Notes on any stock exchange.

GWR and DMGT have agreed in the Acquisition Agreement that GWR will offer to redeem a proportion of Convertible Notes held by DMGT out of any net disposal proceeds received from sales of businesses or assets other than in the ordinary course of trading; and GWR will be entitled to do so up to an aggregate amount of £13.5 million for three months after Completion. Further details of these arrangements are set out in paragraph 9.8 of Part VII of this document.

The Convertible Notes will be convertible into new Ordinary Shares at the rate of one new Ordinary Share for every 877.5 pence nominal of Convertible Note converted, subject to adjustment to reflect alterations to the Company's share capital. Based on the closing middle market price of GWR Ordinary Shares of 777.5 pence per share on 12th June 2000 (the date prior to announcement of the Acquisition and the latest practicable date prior to the publication of this document), the conversion price represents a premium of 12.9 per cent.

The new Ordinary Shares to be issued on conversion of the Convertible Notes will rank *pari passu* with the Ordinary Shares in issue at the time of conversion. GWR has agreed to use its best endeavours to obtain admission of the new Ordinary Shares issued on conversion of the Convertible Notes to the Official List.

8. Extraordinary General Meeting

Because of the size of the Acquisition and the fact that DMGT presently has an 18.8 per cent. holding in the ordinary share capital of GWR, the Listing Rules require the Company to obtain shareholder approval for the Acquisition. As a result, the Acquisition is conditional *inter alia* on the passing of an ordinary resolution to be proposed at the EGM on 30th June 2000 to approve the Acquisition. In accordance with the Listing Rules, DMGT will abstain, and has taken all reasonable steps to ensure that its associates will abstain, from voting at the EGM in respect of the resolution to approve the Acquisition.

The EGM will be held at 11.00 a.m. on 30th June 2000, at the offices of Nicholson Graham & Jones, 110 Cannon Street, London EC4N 6AR at which the following Resolutions will be proposed:

(a) to approve the Acquisition and the Options; and

(b) to increase the authorised share capital of the Company from £7,500,000 to £8,700,000 and to authorise the Directors to allot relevant securities pursuant to Section 80 of the Act up to an additional aggregate nominal amount of £943,495.

Notice of the Extraordinary General Meeting is set out in Part VIII of this document.

You will find enclosed with this document a Proxy Form to be used in connection with the Extraordinary General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the Proxy Form in accordance with the instructions printed on it to Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0JQ so as to arrive as soon as possible and in any event no later than 11.00 a.m. on 28th June 2000.

Completion and return of the Proxy Form will not preclude you from attending the meeting and voting in person, if you so wish.

9. Further information

Your attention is drawn to the further information set out in the remaining parts of this document.

10. Recommendation

Your Directors (other than Roger Gilbert who has not participated in the Board's discussions because he is also a director of Harmsworth Media Ltd., a subsidiary of DMGT, which owns an 18.8 per cent. interest in GWR), who have been so advised by SG Hambros, consider the Acquisition and the Options to be fair and reasonable so far as the Shareholders of the Company are concerned. In providing advice to the Directors, SG Hambros has taken into account the Directors' commercial assessment of the Acquisition and the Options.

Your Directors (other than Roger Gilbert) believe the Acquisition and the Options are in the best interests of the Shareholders as a whole. Accordingly, such Directors unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as they intend to do in respect of their own beneficial holdings, amounting to an aggregate of 7.6 million Ordinary Shares (representing 6.8 per cent. of the current issued ordinary share capital of the Company).

Yours sincerely,

H.P.J. Meakin
Chairman

PART II

FINANCIAL INFORMATION RELATING TO DMG RADIO GROUP

KPMG

KPMG Audit Plc
100 Temple Street
Bristol
BS1 6AG
United Kingdom

The Directors
GWR Group plc
PO Box 2345
3B2 Westlea
Swindon
Wiltshire
SN5 7HF

The Directors
SG Hambros Corporate Finance
SG House
41 Tower Hill
London
EC3N 4SG

13th June 2000

Dear Sirs

DMG Radio Group

We report on the financial information set out in paragraphs 1 to 5 below. This financial information has been prepared for inclusion in the Class 1 Circular dated 13th June 2000 of GWR Group plc ("GWR" or "the Company").

Basis of preparation

The financial information set out in paragraphs 1 to 5 is based on the aggregated financial statements of the companies that the Company is proposing to acquire from Daily Mail and General Trust plc ("DMGT") ("the acquisition"). The companies being acquired are collectively referred to herein as DMG Radio Group.

DMG Radio Group comprises the operations of DMG Radio Investments Pty Limited ("DMGRIPL") and DMG Radio Limited ("DMGRL") and their respective subsidiary and associated undertakings. The Company proposes to acquire the whole of the issued share capital of DMGRL and 25 per cent. of the issued share capital of DMGRIPL, with a call option over the remaining 75 per cent.

Where applicable the companies comprising DMG Radio Group prepared audited accounts to meet local statutory requirements, although no consolidated audited accounts were prepared for DMG Radio Group as a whole for any of the three years ended 30th September 1999. Financial information for those years on the individual companies comprising DMG Radio Group was submitted to DMGT for incorporation in the consolidated accounts of DMGT for each of the three years ended 30th September 1999.

For the purposes of the acquisition, aggregated financial information on DMG Radio Group for the three years ended 30th September 1999 ("the aggregated financial information") has been prepared by aggregating the financial information included by DMGT in its consolidated accounts relating to each of the individual companies comprising DMG Radio Group thereby presenting the results and assets of DMG Radio Group as if DMG Radio Group had formed a single operation for the entire three year period. The financial information set out in this report is based on the aggregated financial information, after making such adjustments as we consider necessary.

DMG Radio Group is not a separate legal entity. Details of the basis of preparation of the combined financial information are set out under the heading "Basis of preparation and aggregation" in paragraph 5.1 below.

Responsibility

The DMGT consolidated financial statements are the responsibility of the directors of DMGT and have been approved by them.

The Directors of the Company are responsible for the contents of the Class 1 circular dated 13th June 2000 in which this report is included.

It is our responsibility to compile the aggregated financial information set out in our report from the financial information submitted to DMGT for inclusion in its consolidated accounts relating to each of the individual companies comprising DMG Radio Group, to form an opinion on the aggregated financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the aggregated financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the aggregated financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the aggregated financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the aggregated financial information gives, for the purposes of the Class 1 circular, a true and fair view of the state of affairs of DMG Radio Group as at the dates stated and of its profits, statement of recognised gains and losses and cash flows for the years then ended.

1. DMG Radio Group aggregated profit and loss accounts

	Notes	For the year ended 30th September 1997 £'000	1998 £'000	1999 £'000
Turnover				
Continuing operations		13,187	27,501	32,930
Acquisitions – 1999				1,278
Turnover	5.3	13,187	27,501	34,208
Operating expenses	5.4	(11,593)	(23,555)	(29,959)
Operating profit/(loss)				
Continuing operations		1,594	3,946	4,260
Acquisitions – 1999				(11)
Operating profit	5.3	1,594	3,946	4,249
Share of (losses)/profits in associated undertakings		(21)	(542)	317
Total operating profit – DMG Radio Group and share of associates		1,573	3,404	4,566
Profit on sale of investments		—	99	209
Investment income	5.7	52	262	277
Amounts written off investments		(182)	(36)	—
Interest payable and similar charges	5.8	(400)	(553)	(387)
Profit on ordinary activities before taxation	5.9	1,043	3,176	4,665
Taxation	5.10	90	(1,635)	(2,048)
Profit on ordinary activities after tax		1,133	1,541	2,617
Minority interests		—	11	—
Retained profit for the year		1,133	1,552	2,617

There is no material difference between profit on the historical cost basis and that disclosed above. Accordingly, no note of historical cost profits and losses has been included.

2. DMG Radio Group aggregated balance sheets

	Notes	As at 30th September 1997 £'000	1998 £'000	1999 £'000
Fixed assets				
Intangible assets	5.11	—	—	6,890
Tangible assets	5.12	4,446	10,390	14,722
Investments	5.13	5,125	15,654	10,404
		9,571	26,044	32,016
Current assets				
Stocks		—	62	60
Debtors	5.14	15,697	6,240	7,618
Cash at bank and in hand		518	843	1,928
		16,215	7,145	9,606
Creditors: amounts falling due within one year	5.15	(5,628)	(2,748)	(3,116)
Net current assets		10,587	4,397	6,490
Total assets less current liabilities		20,158	30,441	38,506
Creditors: amounts falling due after more than one year	5.16	(4,249)	(9,320)	(11,879)
Provisions for liabilities and charges	5.17	(741)	(1,365)	(1,552)
Net assets		15,168	19,756	25,075
Aggregated shareholders' funds	5.20	14,362	18,176	25,075
Minority interests		806	1,580	—
Total capital employed		15,168	19,756	25,075

3. DMG Radio Group aggregated cash flow statements

	Notes	For the year ended 30th September 1997 £'000	1998 £'000	1999 £'000
Operating activities				
Net cash inflow from operating activities	5.22	1,655	4,912	5,783
Returns on investments and servicing of finance				
Net interest (paid)/received		(328)	(533)	156
Interest paid on finance leases		(17)	(27)	(24)
Net cash outflow from returns on investments and servicing of finance		(345)	(560)	132
Taxation				
UK Corporation tax (paid)/recovered		—	64	(272)
Overseas tax paid		(640)	(576)	(319)
		(640)	(512)	(591)
Capital expenditure and financial investment				
Sale of tangible fixed assets		54	377	71
Sale of intangible assets		—	—	122
Purchase of tangible fixed assets		(1,320)	(1,703)	(4,433)
Purchase of intangible fixed assets		—	—	(1,168)
Purchase of fixed asset investments		(325)	(541)	(46)
Net cash outflow from capital expenditure and financial investment		(1,591)	(1,867)	(5,454)
Acquisitions and disposals				
Purchase of subsidiaries		(8,234)	(60,265)	(5,338)
Payments in respect of prior year acquisitions		—	(2,983)	(1,649)
Cash acquired with subsidiaries		102	750	19
Overdraft acquired with subsidiaries		—	(131)	(43)
Purchase of minority interest		—	—	(1,580)
Sale of minority interest		—	775	—
Purchase of investments in associates		(376)	(4,444)	(381)
Purchase of investments in DMGT undertakings		(1,756)	—	—
Disposal of investments in DMGT undertakings		—	—	3,853
Net cash outflow from acquisitions and disposals		(10,264)	(66,298)	(5,119)
Net cash outflow before use of liquid resources and financing		(11,185)	(64,325)	(5,249)
Financing				
Issue of shares		20,102	55,540	2,945
Increase in borrowings from DMGT undertakings		738	6,660	1,920
Increase in loans to DMGT undertakings		(9,789)	(9,176)	—
Repayment of principal under finance leases		(39)	(64)	(174)
Repayment of loans by associated undertakings		—	1,213	707
Repayment of loans by DMGT undertakings		—	10,152	653
Net cash inflow from financing		11,012	64,325	6,051
(Decrease)/increase in cash in the year	5.23 5.24	(173)	—	802

4. DMG Radio Group aggregated statements of total recognised gains and losses

		For the year ended 30th September		
		1997	*1998*	*1999*
	Notes	*£'000*	*£'000*	*£'000*
Profit for the financial year		1,133	1,552	2,617
Currency translation differences on foreign currency investments		—	(1,672)	958
		1,133	(120)	3,575

5. Notes to the aggregated financial information

5.1 Basis of preparation and aggregation

During the period presented DMG Radio Group was not constituted as a separate legal group. The aggregated financial information of DMG Radio Group has been prepared on the following bases:

- an aggregation of the financial statements of DMGRIPL, DMGRL and their respective subsidiary undertakings which the Company is proposing to acquire from DMGT;
- certain subsidiary and associated undertakings of DMGRL which will not form part of the proposed acquisition have been accounted for as investments and are disclosed as DMGT companies and other investments respectively in note 5.13;
- during the period presented, DMGT undertakings incurred certain overhead costs relating to the DMG Radio Group business and have not recharged all of these costs to DMG Radio Group. In addition, GWR management intend to reduce certain overhead costs incurred by DMG Radio Group businesses following the acquisition. Consequently overhead costs in the aggregated financial information are not necessarily representative of the costs that will be incurred by DMG Radio Group following the acquisition;
- the aggregated financial information includes interest income and expense earned by or charged to the companies comprising DMG Radio Group. During the period presented, DMG Radio Group's operations were principally funded by share capital and loans from DMGT undertakings. This basis of funding, and consequently the interest charges and financing cash flows, is not necessarily representative of the capital structure, interest charges and financing cash flows of DMG Radio Group following the acquisition;
- where tax has been paid or accrued by individual companies within DMG Radio Group, these amounts are included in the aggregated financial information;
- the share capitals and reserves of DMGRIPL and DMGRL have been amalgamated and are referred to as aggregated shareholders' funds;
- the share capital and pre acquisition reserves of subsidiaries of DMGRIPL and DMGRL have been eliminated;
- intra DMG Radio Group transactions and balances have been eliminated so that the aggregated financial information relates to external transactions of DMG Radio Group;
- the results of subsidiary undertakings acquired in the period presented are included in the aggregated profit and loss account from the date of acquisition;
- the aggregated financial information has been prepared using the same accounting principles and policies as those adopted by the Company;
- the principal subsidiary undertakings forming DMG Radio Group, and its principal associated undertakings, are set out in note 5.13.

5.2 Principal accounting policies

The aggregated financial information has been prepared in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period except where indicated, are set out below.

Basis of accounting

The aggregated financial information has been prepared in accordance with the historical cost convention.

Associated undertakings

An associated undertaking is one in which DMG Radio Group holds for the long term a participating interest of between 20 per cent. and 50 per cent. and exerts significant influence over the operating and financial policies of the undertaking. DMG Radio Group's share of the results, recognised gains and losses and net assets of associates are included in the aggregated financial information under the equity method of accounting.

Treatment of goodwill

Prior to the year ended 30th September 1999 goodwill arising on the acquisition of subsidiaries and associates was written off immediately against reserves. Following the introduction of Financial Reporting Standard No. 10 goodwill arising on the acquisition of subsidiaries is capitalised and amortised by equal annual instalments over its estimated useful life of 20 years. This change in policy is effective for acquisitions of subsidiaries from 1 October 1998. Goodwill arising on the acquisition of associates after 1 October 1998 less any amortisation or impairment write-down, is included in the carrying amount of the investment. No adjustment has been made in respect of goodwill eliminated against reserves in prior years, which will be recognised in the profit and loss account on a subsequent disposal of any business to which it relates.

Intangible fixed assets

Expenditure incurred on successful re-applications for licences and on the purchase of licences is capitalised as an intangible fixed asset and amortised on a straight-line basis over the lower of the remaining period of the licences and 20 years.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price less accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

– freehold buildings	2%
– transmitters	5%
– fixtures and technical equipment	10-33%
– motor vehicles	20%

Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Assets held under finance lease are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Turnover

Turnover represents amounts invoiced in respect of all services and goods provided during the year, excluding value added tax and net of advertising agency commission.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary and associated undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Pension costs

Some of DMG Radio Group's employees participate in defined contribution pension schemes, where pension costs are calculated as the amount of contributions payable to the schemes in respect of the accounting period. Other employees participate in a defined benefit pension scheme. The funds are valued every three years by a professionally qualified independent actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the relevant company benefits from the employees' services.

5.3 *Segmental information*

Turnover by origin and market

	1997 *£'000*	*1998* *£'000*	*1999* *£'000*
UK	—	4,872	9,485
Australasia	13,187	22,629	24,723
	13,187	27,501	34,208

Operating profit

	1997 *£'000*	*1998* *£'000*	*1999* *£'000*
UK	—	(130)	185
Australasia	1,594	4,076	4,064
Operating profit	1,594	3,946	4,249

DMG Radio Group has only one material class of business.

Net assets

	1997 *£'000*	*1998* *£'000*	*1999* *£'000*
UK	12	3,280	9,486
Australasia	5,708	9,587	15,293
Net operating assets	5,720	12,867	24,779
Net assets of associated undertakings	386	1,489	989
Non operating net assets/(liabilities)	9,062	5,400	(693)
	15,168	19,756	25,075

5.4 *Operating expenses*

Operating expenses, all of which arose from continuing operations were as follows:

	1997 *£'000*	*1998* *£'000*	*1999* *£'000*
Selling and administrative expenses	11,512	23,462	29,785
Charges from DMGT undertakings	81	93	174
	11,593	23,555	29,959

5.5 *Employee information*

The average number of persons employed during the years were as follows:

	1997 Number	*1998 Number*	*1999 Number*
UK	—	82	106
Australia	325	597	617
	325	679	723

The aggregate payroll costs for these persons were as follows:

	1997 £'000	*1998 £'000*	*1999 £'000*
Wages and salaries	5,200	10,861	12,237
Social security costs	248	567	741
Pension costs	101	185	287
	5,549	11,613	13,265

5.6 *Directors' emoluments*

Remuneration of the directors of DMGRIPL and DMGRL is included within operating expenses and amounted to £445,000 in the year to 30th September 1999 (1998: £361,000, 1997: £5,000).

5.7 *Investment income*

	1997 £'000	*1998 £'000*	*1999 £'000*
Interest receivable	52	65	33
Interest received from associates	—	197	244
	52	262	277

5.8 *Interest payable*

	1997 £'000	*1998 £'000*	*1999 £'000*
DMGT undertakings	4	64	75
Bank loans and overdrafts	2	1	1
Finance leases	15	27	24
Other loans (see note 5.16)	379	209	44
Share of interest payable in associates	—	252	243
Interest payable	400	553	387

5.9 *Profit on ordinary activities before taxation*

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1997 £'000	*1998 £'000*	*1999 £'000*
Loss/(profit) on disposal of fixed assets	15	(20)	12
Depreciation charge for the year:			
Tangible owned fixed assets	470	1,319	1,588
Tangible fixed assets held under finance leases	27	70	61
Goodwill and licence amortisation	—	—	257
Auditors' remuneration (including expenses):			
audit fees	41	60	82
other services paid to the auditors and their associates for services in the UK	—	19	—
Hire of plant and machinery - operating leases	6	156	153
Hire of other assets - operating leases	55	96	275

5.10 Taxation

	1997 *£'000*	*1998* *£'000*	*1999* *£'000*
UK corporation tax at 30.5% (1998: 31%, 1997: 32%)			
Current	2	64	236
Deferred	—	76	145
Total UK taxation	2	140	381
Overseas taxation at 36% (1998: 36%, 1997: 36%)	(92)	1,495	1,667
	(90)	1,635	2,048

The 1997 tax charge was reduced by £554,000 due to tax losses surrendered by DMGT undertakings for which no payment was made by DMG Radio Group.

In each of the three years presented the effective tax rate has been above the standard rates due to the share of losses and interest charges in associated undertakings for which no tax credit was recognised as well as permanently disallowable items.

5.11 Intangible fixed assets

	Goodwill *£'000*	*Licences* *£'000*	*Total* *£'000*
Cost			
At 1st October 1998	—	—	—
Additions	5,431	1,168	6,599
Transfer from investments	—	540	540
Exchange movements	—	8	8
At 30th September 1999	5,431	1,716	7,147
Amortisation			
At 1st October 1998	—	—	—
Amortisation charge for the year	197	60	257
At 30th September 1999	197	60	257
Net book value			
30th September 1999	5,234	1,656	6,890
30th September 1998	—	—	—

The goodwill arose on the acquisition of subsidiary undertakings as described in note 5.21.

5.12 *Tangible fixed assets*

	Freehold land and buildings £'000	Short leasehold buildings £'000	Fixtures and technical equipment £'000	Assets in course of construction £'000	Total £'000
Cost					
At 1st October 1997	1,701	—	5,725	—	7,426
Additions	13	—	1,683	7	1,703
Purchase of businesses	2,770	—	9,906	—	12,676
Disposals	(88)	—	(397)		(485)
Exchange movements	(938)	—	(2,852)	(1)	(3,791)
At 30th September 1998	3,458	—	14,065	6	17,529
Additions	85	—	1,375	3,104	4,564
Purchase of businesses	—	31	765	—	796
Disposals	(13)	—	(515)	(7)	(535)
Exchange movements	433	—	1,430	30	1,893
At 30th September 1999	3,963	31	17,120	3,133	24,247
Depreciation					
At 1st October 1997	114	—	2,866	—	2,980
Depreciation charge for year	38	—	1,351	—	1,389
Purchase of businesses	61	—	4,381	—	4,442
Disposals	(3)	—	(224)	—	(227)
Exchange movements	(39)	—	(1,406)	—	(1,445)
At 30th September 1998	171	—	6,968	—	7,139
Depreciation charge for year	37	—	1,612	—	1,649
Purchase of businesses	—	3	425	—	428
Disposals	(1)	—	(444)	—	(445)
Exchange movements	21	—	733	—	754
At 30th September 1999	228	3	9,294	—	9,525
Net book value					
30th September 1999	3,735	28	7,826	3,133	14,722
30th September 1998	3,287	—	7,097	6	10,390

Included in the total cost of fixtures and technical equipment is £596,000 (1998: £531,000), in respect of assets held under finance leases. Accumulated depreciation on these assets is £229,000 (1998: £170,000).

5.13 Fixed asset investments

	Associated undertakings £'000	*DMGT companies £'000*	*Other investments £'000*	*Total £'000*
Cost				
At 1st October 1997	386	3,756	1,165	5,307
Additions	4,444	9,176	541	14,161
Share of results for the year	(794)	—	—	(794)
Loan repayments	(1,213)	(254)	—	(1,467)
Reclassifications	(800)	—	—	(800)
Exchange movements	(129)	—	—	(129)
Goodwill	(406)	—	—	(406)
At 30th September 1998	1,488	12,678	1,706	15,872
Additions	381	—	46	427
Share of results for the year	74	—	—	74
Disposals	—	(3,823)	—	(3,823)
Loan repayments	(707)	(653)	—	(1,360)
Reclassifications	6	—	(540)	(534)
Exchange movements	(252)	—	—	(252)
At 30th September 1999	990	8,202	1,212	10,404
Provision				
At 1st October 1997	—	182	—	182
Change in year	—	36	—	36
At 30th September 1998	—	218	—	218
Disposals	—	(218)	—	(218)
At 30th September 1999	—	—	—	—
Net book value				
30th September 1999	990	8,202	1,212	10,404
30th September 1998	1,488	12,460	1,706	15,654

Principal associates are as follows:

Name	*Country of incorporation, registration and operation*	*Accounting period end*	*Class of capital held*	*Percentage shareholding*
Országos Kereskedelmi Rádió Rt	Hungary	31st December	Ordinary	45.67%

The above associated company is an independent radio operator.

Principal subsidiary undertakings are as follows:

Name	*Country of incorporation, registration and operation*	*Class of capital held*	*Percentage shareholding*
Essex Radio Limited	Great Britain	Ordinary shares	100%
Kent & Sussex Radio Limited	Great Britain	Ordinary shares	100%
Radio Mercury Limited	Great Britain	Ordinary shares	100%
DMG Regional Radio Pty Limited	Australia	Ordinary shares	100%
Festival City Broadcasters Pty Limited	Australia	Ordinary shares	100%

All of the above subsidiary companies are commercial radio broadcasters.

5.14 Debtors

	1998 £'000	1999 £'000
Amounts falling due within one year:		
Trade debtors	5,357	6,143
Corporation tax	—	137
Other debtors	292	365
Prepayments and accrued income	584	926
Total amounts falling due within one year	6,233	7,571
Other debtors falling due after more than one year	7	47
Total debtors	6,240	7,618

5.15 Creditors: amounts falling due within one year

	1998 £'000	1999 £'000
Obligations under finance leases	139	157
Trade creditors	881	713
Amounts owed to DMGT undertakings	20	49
Corporation tax	129	93
Other taxation and social security	235	272
Other creditors	203	371
Deferred consideration on acquisitions	262	—
Accruals and deferred income	879	1,461
	2,748	3,116

5.16 Creditors: amounts falling due after more than one year

	1998 £'000	1999 £'000
Amounts owed to DMGT undertakings	7,887	11,702
Other loans	1,231	—
Obligations under finance leases	202	171
Other creditors	—	6
	9,320	11,879

Amounts owed to Australian DMGT undertakings of £3,729,000 (1998: £2,359,000) bear a floating interest rate; the remainder, in respect of UK DMGT companies, does not bear interest. There are no set terms for the repayment of these amounts.

Other loans were due to the vendors of Broadcast Media Group ("BMG") in connection with DMG Radio Group's acquisition of BMG.

5.17 Provisions for liabilities and charges

	1998	*1999*
	£'000	*£'000*
Provisions	1,088	1,130
Deferred tax (note 5.18)	277	422
	1,365	1,552

Movements in provisions were as follows:

	Total
	£'000
At 1st October 1997	741
Transfer from profit and loss account	643
Utilised in year	(512)
Purchase of business	411
Exchange movements	(195)
At 30th September 1998	1,088
Transfer from profit and loss account	661
Utilised in year	(619)
Purchase of business	5
Exchange movements	(5)
At 30th September 1999	1,130

Provisions comprise amounts in respect of employee annual and long service leave in Australia.

5.18 Deferred taxation

Deferred taxation

	1998	*1999*
	£'000	*£'000*
At beginning of year	—	277
Purchase of businesses	201	—
Profit and loss account	76	145
At end of year	277	422

Deferred taxation provided, which represents the total potential liability for deferred taxation is as follows:

	1998	*1999*
	£'000	*£'000*
Accelerated capital allowances on tangible fixed assets	373	495
Other timing differences	(433)	(413)
Net deferred tax liabilities	(60)	82
Less: deferred tax asset not recognised	337	340
Total deferred tax liabilities provided	277	422

5.19 Pension obligations

UK

DMG Radio Group operates a defined contribution pension scheme with the Commercial Radio Companies Association Staff Benefits Plan for its UK employees other than those of DMGRL. The assets of the scheme are held separately from those of DMG Radio Group in an independently administered fund. The pension charge represents contributions payable to the relevant fund and amounted to £82,000 (1998: £58,000, 1997: nil). There were no contributions outstanding at 30th September 1999 (1998: £10,000, 1997: nil).

DMGRL's pension arrangements are provided by schemes operated by DMGT under which contributions are paid by the employer and employees. The schemes are defined benefit based on final pensionable salary. Pension costs are assessed on the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation of these funds was at 31st March 1998. The assumptions having the most significant effect on the results of the valuation are shown in the following table:

– Price inflation	3% per annum
– Salary increase	4.75% per annum
– Pension increases	3% per annum
– Investment return	7.25% per annum
– Dividend growth	3.5% per annum

The pension costs for the year ended 30th September 1999 were £73,000 (1998: £41,000, 1997: nil).

Australia

Festival City Broadcasters Pty Limited contributes to a combined defined contribution and defined benefit employee superannuation plan and has a legally enforceable obligation to contribute to the plan.

Employer contributions to the defined contribution element of the plan are based on the required statutory rate of 7 per cent. since July 1998. Employer contributions to the defined benefit element of the plan are based on the advice of the plan's independent actuary. The plan provides defined benefits based on years service and final average salary. Pension costs are assessed on the advice of an independent qualified actuary.

The assets of the plan are held separately from those of DMG Radio Group Australia in an independently administered fund. The pension charge represents contributions payable to the fund and amounted to £100,000 in the year ended 30th September 1999 (1998: £87,000, 1997: £101,000). There were no contributions outstanding at any of the balance sheet dates presented.

The most recent valuation of the defined benefit plan was at 1st October 1999. The assumptions having the most significant effect on the results of the valuation are as follows:

Salary increase	4% per annum
Investment return	8% per annum

5.20 Aggregated shareholders' funds

	1998 £'000	1999 £'000
At beginning of year	14,362	18,176
Retained profit for the year	1,552	2,617
Foreign exchange (loss)/gain	(1,672)	958
Issue of shares	55,540	2,945
Goodwill written (off)/back	(51,606)	379
At end of year	18,176	25,075

5.21 Acquisitions

During the three year period DMG Radio Group made the following acquisitions, all of which have been accounted for by the acquisition method of accounting.

Year ended 30th September 1997

On 18th November 1996 the entire issued share capital of Radio Albury Wodonga Pty Limited ("Albury") was acquired for a cash consideration of £3,156,000 and deferred consideration of £902,000.

In July 1997, the entire issued share capital of Mid Coast Broadcasters Pty Limited ("Mid Coast") was acquired for a cash consideration of £4,995,000.

These transactions are summarised as follows:

	Book value Albury £'000	Book value Mid Coast £'000	Accounting policy adjustment £'000	Fair value £'000
Intangible assets - goodwill	1,897	1,629	(3,526)	—
Tangible fixed assets	316	504	—	820
Cash	36	66	—	102
Debtors	339	213	—	552
Creditors	(86)	(95)	—	(181)
Provisions	(45)	(117)	—	(162)
	2,457	2,200	(3,526)	1,131
Consideration:				
Cash consideration				8,151
Deferred consideration				902
Expenses of acquisitions				83
				9,136
Fair value of net assets acquired				(1,131)
Goodwill				8,005

The accounting policy adjustment is to write off goodwill in accordance with DMG Radio Group's accounting policy.

These acquisitions contributed £1.626 million to turnover and contributed £316,000 to operating profit in the year ended 30th September 1997.

Year ended 30th September 1998

On 9th October 1997 the entire issued share capital of Regional Broadcasters Australia Pty Limited ("RBA") was acquired for a cash consideration of £40,000,000.

In February 1998 the entire issued share capital of Essex Radio Limited ("Essex") was acquired for a cash consideration of £19,205,000.

These transactions, together with other small acquisitions made during the year ended 30th September 1998, are summarised as follows:

	Book value			Accounting policy adjustment	Fair value
	RBA	*Essex*	*Other*		
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Intangible assets - goodwill	18,684	—	—	(18,684)	—
Tangible fixed assets	5,472	2,661	102	—	8,235
Cash	345	405	—	—	750
Stock	—	57	—	—	57
Debtors	3,192	1,652	—	—	4,844
Creditors	(819)	(1,252)	(6)	—	(2,077)
Bank overdraft	(131)	—	—	—	(131)
Provisions	(936)	(288)	—	(221)	(1,445)
Minority interest	—	(206)	—	—	(206)
	25,807	3,029	96	(18,905)	10,027
Consideration:					
Cash consideration					59,504
Transfer from associates					895
Expenses of acquisitions					761
Deferred consideration					262
Minority interest					(195)
					61,227
Fair value of net assets acquired					(10,027)
Goodwill					51,200

The accounting policy adjustment is to write off goodwill in accordance with DMG Radio Group's accounting policy and to write off a deferred tax asset.

In the year to 30th June 1997, RBA's turnover was £12,315,000 and its profit before interest and tax was £3,182,000.

These acquisitions contributed £15.0 million to turnover and contributed £3.4 million to operating profit in the year ended 30th September 1998.

Year ended 30th September 1999

On 8th February 1997 the entire issued share capital of Radio Mercury Limited ("Mercury") was acquired for a cash consideration of £3,750,000.

In December 1998 the balance of the issued share capital of Kent & Sussex Radio Limited ("Kent & Sussex") was acquired for a cash consideration of £1,509,000.

These transactions are summarised as follows:

	Book value		
	Mercury £'000	*Kent & Sussex £'000*	*Fair value £'000*
Tangible fixed assets	224	143	367
Cash	19	—	19
Debtors	259	190	449
Creditors	(172)	(307)	(479)
Bank overdraft	—	(43)	(43)
	330	(17)	313
Consideration:			
Cash consideration			5,259
Expenses of acquisitions			79
Transfer from associates			406
			5,744
Fair value of net assets acquired			(313)
Goodwill on consolidation			5,431

These acquisitions contributed £1.3 million to turnover and contributed an operating loss of £11,000 in the year ended 30th September 1999.

5.22 Reconciliation of operating profit to net cash inflow from operating activities

	1997 £'000	1998 £'000	1999 £'000
Operating profit	1,594	3,946	4,249
Depreciation of tangible fixed assets	497	1,389	1,649
Amortisation of intangible fixed assets	—	—	257
Loss/(profit) on disposal of tangible fixed assets	15	(20)	12
(Increase)/decrease in stocks	—	(5)	15
(Increase)/decrease in debtors	(90)	2,883	(383)
Increase/(decrease) in creditors	(405)	(3,337)	(1)
Movement in provisions	44	56	(15)
Net cash inflow from operating activities	1,655	4,912	5,783

5.23 Aggregated reconciliation of net cash flow to movement in net debt

	For the year ended 30th September 1997 £'000	 1998 £'000	 1999 £'000
Increase/(decrease) in cash in the year	(173)	—	802
Cash inflow from increase in debt and lease financing	(699)	(3,613)	(97)
Change in net debt from cash flows	(872)	(3,613)	705
New finance leases	(68)	(199)	(161)
Other non cash movements	(902)	(262)	(1,563)
Translation differences	152	638	(205)
Movement in net debt in the year	(1,690)	(3,436)	(1,224)
Net debt at the start of the year	(3,752)	(5,442)	(8,878)
Net debt at the end of the year	(5,442)	(8,878)	(10,102)

5.24 Net debt

	1st October 1998 £000	Exchange differences £000	Other non-cash movements £000	Cash (inflow)/ outflow £000	30th September 1999 £000
Cash at bank	843	283	—	802	1,928
Debt due within one year – other	(262)	—	—	262	—
Debt due after one year – DMGT	(7,887)	(332)	(1,563)	(1,920)	(11,702)
Debt due after one year – other	(1,231)	(156)	—	1,387	—
Finance leases	(341)	—	(161)	174	(328)
Net debt	(8,878)	(205)	(1,724)	705	(10,102)

	1st October 1997 £000	Exchange differences £000	Other non-cash movements £000	Cash (inflow)/ outflow £000	30th September 1998 £000
Cash at bank	518	325	—	—	843
Debt due within one year – DMGT	(738)	—	738	—	—
Debt due within one year – other	(897)	118	517	—	(262)
Debt due after one year – DMGT	—	(489)	(738)	(6,660)	(7,887)
Debt due after one year – other	(4,119)	684	(779)	2,983	(1,231)
Finance leases	(206)	—	(199)	64	(341)
Net debt	(5,442)	638	(461)	(3,613)	(8,878)

	1st October 1996 £000	Exchange differences £000	Other non-cash movements £000	Cash (inflow)/ outflow £000	30th September 1997 £000
Cash at bank	506	185	—	(173)	518
Debt due within one year – DMGT	—	—	—	(738)	(738)
Debt due within one year – other	—	5	(902)	—	(897)
Debt due after one year – other	(4,081)	(38)	—	—	(4,119)
Finance leases	(177)	—	(68)	39	(206)
Net debt	(3,752)	152	(970)	(872)	(5,442)

5.25 Related party transactions

Details of amounts charged to DMG Radio Group by DMGT are given in notes 5.4 and 5.8.

Details of investments in DMGT companies are given in note 5.13 and loans from DMGT undertakings are given in note 5.16.

Interest charged to associated undertakings is given in note 5.7.

5.26 Contingent liabilities

DMGRL, as part of an interest set-off arrangement, has guaranteed the overdraft facilities of a number of fellow subsidiaries of DMGT. The maximum liability under the guarantee is limited to the credit balances in those bank accounts of DMGRL which are part of the interest set-off arrangements together with the proceeds of any items in the course of collection for such credit of such bank accounts. At 30th September 1999 the potential liability was £56,000 (1998: nil).

5.27 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	1998		*1999*	
	Land and buildings £'000	*Other £'000*	*Land and buildings £'000*	*Other £'000*
Operating leases which expire				
Within one year	—	12	214	152
In second to fifth year inclusive	31	110	456	77
Over five years	22	—	329	—

Capital commitments at the balance sheet dates for which no liability has been recognised in the aggregated financial information are as follows:

	1998 £'000	*1999 £'000*
Contracted - fixtures and technical equipment	—	2,900

5.28 Post balance sheet events

Between December 1999 and February 2000 DMGRL, through one of its subsidiaries, increased its shareholding in Országos Kereskedelmi Rádió Rt from 45.67 per cent. to 53 per cent. for a cash consideration of £299,000.

In April 2000 DMG Radio Group acquired a 20 per cent. interest in Roxy Rádió Vegyonkezeló Rt ("Roxy") for a cash consideration of £702,000. Roxy owns 100 per cent. of Euroinvest Kommunikációs Kft which trades as Roxy Radio.

Between March and April 2000 DMG Radio Group increased its shareholding in Medway FM Limited from 1 per cent. to 22 per cent. for a cash consideration of £628,000.

In anticipation of the acquisition, on 27 April 2000 investments in subsidiary and associated undertakings which are not part of the acquisition were transferred by DMG Radio Group to DMGT undertakings.

On 24 May 2000 DMG Radio Group secured at auction the new Sydney Metropolitan FM licence awarded by the Australian Broadcasting Authority in perpetuity. This licence was awarded at a cost of £60.3 million, where £6.0 million was paid on 25 May 2000 and £54.3 million is payable on 8 July 2000.

Yours faithfully,

KPMG Audit Plc

PART III

FINANCIAL INFORMATION RELATING TO GWR GROUP PLC

1. Financial information on GWR

The financial information contained in this Part III is extracted without material adjustment from the published audited consolidated statutory accounts of GWR for each of the three financial periods ended respectively on 31st March 1997, 31st March 1998 and 31st March 1999.

The financial information contained in this Part III does not constitute statutory accounts within the meaning of Section 240 of the Act. The statutory accounts of GWR and its subsidiaries for the three financial periods ended 31st March 1999 have been delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the Act. The auditor's reports on the consolidated statutory accounts for the three financial periods ended 31st March 1999 were unqualified and did not contain a statement under Section 237(2) or (3) of the Act.

Save as disclosed in this document, the directors of GWR are not aware of any material changes in the financial or trading position of GWR since 31st March 1999, the date to which its last published audited accounts were prepared.

2. Consolidated profit and loss accounts

The following is a summary of the consolidated profit and loss accounts of GWR and dividends paid for the three financial periods ended 31st March 1999, extracted from the published audited consolidated profit and loss accounts of those periods.

	Notes	*18 months ended 31st March 1997 £'000*	*Year ended 31st March 1998 £'000*	*Year ended 31st March 1999 £'000*
Turnover				
Continuing operations		65,374	73,709	84,160
Acquisitions		11,678	—	—
	8.1	77,052	73,709	84,160
Discontinued operations		8,027	—	—
		85,079	73,709	84,160
Operating expenses	8.2	(73,446)	(59,186)	(64,033)
Operating profit				
Continuing operations		9,574	14,686	20,127
Acquisitions		2,742	—	—
Abortive acquisition costs		(1,032)	(163)	—
Discontinued operations		349	—	—
Total operating profit		11,633	14,523	20,127
Profit on disposal of continuing operations		965	552	—
Profit on disposal of discontinued operations		3,510	—	—
Costs of fundamental reorganisation		(863)	802	—
(Deficit)/income from interests in associated undertakings	8.1	(519)	156	103
Investment income	8.5	271	336	285
Net interest payable and similar charges	8.1,8.6	(687)	(2,269)	(2,213)
Profit on ordinary activities before taxation	8.7	14,310	14,100	18,302
Taxation	8.8	(5,411)	(4,794)	(6,565)
Profit on ordinary activities after taxation		8,899	9,306	11,737
Minority interest		265	305	395
Profit for the financial period		9,164	9,611	12,132
Dividends	8.9	(3,594)	(3,707)	(4,611)
Retained profit for the period	8.21	5,570	5,904	7,521
Earnings per share	8.10	10.8p	8.8p	11.1p
Fully diluted earnings per share	8.10	n/a	8.8p	11.0p
Headline earnings per share	8.10	7.7p	8.2p	11.1p
Dividends per share		3.85p	3.4p	4.2p

There is no material difference between profit on the historical cost basis and that disclosed above. Accordingly, no note of historical cost profits and losses has been included.

3. Consolidated balance sheet

The following is a summary of the consolidated balance sheet of GWR as at 31st March 1997, 31st March 1998 and 31st March 1999 based on the published audited consolidated balance sheets at those dates.

	Notes	*18 months ended 31st March 1997 £'000*	*Year ended 31st March 1998 £'000*	*Year ended 31st March 1999 £'000*
Fixed assets				
Intangible assets	8.11	727	704	30,545
Tangible assets	8.12	16,981	16,587	20,539
Investments	8.13	2,121	5,691	6,834
		19,829	22,982	57,918
Current assets				
Stocks		76	65	76
Debtors	8.14	19,490	19,302	24,928
Cash at bank and in hand		361	—	2,968
		19,927	19,367	27,972
Creditors: amounts falling due within one year	8.15	(45,997)	(28,657)	(64,614)
Net current liabilities		(26,070)	(9,290)	(36,642)
Total assets less current liabilities		(6,241)	13,692	21,276
Creditors: amounts falling due after more than one year	8.16	(9,796)	(22,996)	(24,126)
Provision for liabilities and charges	8.17	(636)	(1,022)	(1,457)
Net liabilities		(16,673)	(10,326)	(4,307)
Capital and reserves				
Called up share capital	8.19	5,403	5,452	5,495
Share premium account	8.21	1	56	733
Shares to be issued	8.21	42	—	—
Special capital reserve	8.21	369	369	369
Revaluation reserve	8.21	1,113	1,113	1,113
Profit and loss account	8.21	(23,336)	(16,747)	(8,919)
Equity shareholders' funds		(16,408)	(9,757)	(1,209)
Minority interests - equity		(265)	(569)	(3,098)
		(16,673)	(10,326)	(4,307)

4. Consolidated cash flow statement

The following is a summary of the consolidated cash flow statements of GWR for the three financial periods ended 31st March 1999, extracted from the published audited consolidated profit and loss accounts of those periods.

	Notes	*18 months ended 31st March 1997 £'000*	*Year ended 31st March 1998 £'000*	*Year ended 31st March 1999 £'000*
Operating activities				
Net cash inflow from continuing operating activities	.8.23	10,983	12,153	22,056
Returns on investments and servicing of finance				
Investment income received		271	9	54
Interest paid		(532)	(2,114)	(2,155)
Interest paid on finance leases		(155)	(138)	(71)
Dividend received		—	310	234
Net cash outflow from returns on investments and servicing of finance		(416)	(1,933)	(1,938)
Taxation				
UK Corporation tax paid		(2,955)	(3,746)	(4,198)
Overseas tax paid		—	(241)	(91)
Net cash outflow from payment of taxation		(2,955)	(3,987)	(4,289)
Capital expenditure and financial investments				
Sale of intangible fixed assets		146	1	—
Sale of tangible fixed assets		391	67	210
Purchase of tangible fixed assets		(5,187)	(2,588)	(5,149)
Purchase of intangible fixed assets		(248)	(34)	(1,304)
Purchase of fixed asset investments		—	(394)	(779)
Net cash outflow from capital expenditure & financial investment		(4,898)	(2,948)	(7,022)
Acquisitions and disposals				
Purchase of subsidiaries		(52,055)	—	(16,791)
Cash acquired with subsidiaries		4,323	—	262
Overdraft acquired with subsidiaries		(5,884)	—	(427)
Disposal of subsidiaries		22,019	—	—
Cash disposed of with subsidiaries		(73)	—	—
Purchase of investments in associates		(2,533)	(4,259)	(112)
Disposal of investments in associates		—	424	—
Disposal of other investments		—	412	—
Net cash outflow from acquisitions and disposals		(34,203)	(3,423)	(17,068)
Equity dividends paid		(3,144)	(2,778)	(4,044)

	Notes	18 months ended 31st March 1997 £'000	Year ended 31st March 1998 £'000	Year ended 31st March 1999 £'000
Net cash outflow before use of liquid resources and financing		(34,663)	(2,916)	(12,305)
Financing				
Issue of shares		13,244	63	720
Increase in short term borrowings		29,224	—	13,501
Repayment of short term borrowings		(10,503)	(9,746)	—
Increase in medium term borrowings		4,237	18,393	3,707
Repayment of loans		(551)	—	(4,100)
Expenses of share issue		(121)	—	—
Issue of share capital by group companies		—	—	388
Repayment of principal under finance leases		(760)	(4,693)	(202)
Net cash inflow from financing		34,770	4,017	14,014
Increase in cash for the period	8.24 8.25	137	1,101	1,709

5. Consolidated statement of total recognised gains and losses

	18 months ended 31st March 1997 £'000	Year ended 31st March 1998 £'000	Year ended 31st March 1999 £'000
Profit for the period	9,164	9,611	12,132
Currency translation differences on foreign currency investments	—	(83)	(152)
	9,164	9,528	11,980

6. Reconciliation of movements in shareholders' funds

	18 months ended 31st March 1997 £'000	Year ended 31st March 1998 £'000	Year ended 31st March 1999 £'000
Profit for the period	9,164	9,611	12,132
Dividends	(3,594)	(3,707)	(4,611)
	5,570	5,904	7,521
Currency translation difference on foreign currency investments	—	(83)	(152)
New share capital issued	2,038	49	43
Shares to be issued	(69)	(42)	—
Expenses of share issue	(121)	—	—
Premium on shares issued	83,116	55	677
Premium on shares to be issued	1,900	—	—
Goodwill movements	(119,388)	768	459
Net increase in/(reduction to) shareholders' funds	(26,954)	6,651	8,548
Opening shareholders' funds	10,546	(16,408)	(9,757)
Closing shareholders' funds	(16,408)	(9,757)	(1,209)

7. Principal accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important GWR accounting policies, which have been applied consistently except where indicated, is set out below.

Basis of accounting

The accounts are prepared in accordance with the historical cost convention, modified by the revaluation of certain properties.

Basis of consolidation

The consolidated accounts include GWR and all its subsidiary undertakings. The results of subsidiaries acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associated undertaking is one in which GWR holds for the long term a participating interest of between 20 per cent. and 50 per cent. and exerts significant influence over the operating and financial policies of the company. GWR's share of the results, recognised gains and losses and net assets of associates are included in the consolidated financial statements by applying the equity method of accounting. In the consolidated balance sheet goodwill arising on the acquisition of associates after 1st April 1998 less any amortisation or impairment write-down, is included in the carrying amount of the investment.

Treatment of goodwill

In the periods to 31st March 1997 and 1998 goodwill arising on the acquisition of subsidiaries and associates was written off immediately against reserves. Following the introduction of Financial Reporting Standard No.10 this policy has now changed and goodwill is capitalised and amortised by equal annual instalments over its estimated useful life. This change in policy is effective from 1st April 1998. No adjustment has been made in respect of goodwill eliminated against reserves in prior years, which will be recognised in the profit and loss account on a subsequent disposal of any business to which it relates.

Intangible fixed assets

Expenditure incurred on successful re-applications for licences and on the purchase of licences is capitalised as an intangible fixed asset and amortised on a straight line basis over the remaining period of the licences.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price less accumulated depreciation, adjusted for the revaluation of certain properties.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

—	freehold buildings	2%
—	transmitters	5%
—	fixtures and technical equipment	10%-33%
—	motor vehicles	20%

Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Assets held under finance leases are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Turnover

Turnover represents amounts invoiced in respect of all services and goods provided during the year, excluding value added tax and net of advertising agency commission. GWR has only one material class of business.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary and associated undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Pension costs

Some of GWR's employees participate in defined contribution pension schemes, where pension costs are calculated as the amount of contributions payable to the schemes in respect of the accounting period. Other GWR employees participate in a defined benefit pension scheme. The funds are valued every three years by a professionally qualified independent actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the relevant company benefits from the employees' services.

8. Extracts from the notes to the published accounts

8.1 Segmental information

	18 months ended 31st March 1997 £'000	*Year ended 31st March 1998 £'000*	*Year ended 31st March 1999 £'000*
Continuing operations			
Turnover:			
UK operations	76,560	73,049	83,478
Overseas operations	492	660	682
	77,052	73,709	84,160
Operating profit/(loss)			
UK operations	13,858	15,935	21,900
Overseas operations	(1,542)	(1,412)	(1,773)
	12,316	14,523	20,127
Abortive acquisition costs	(1,032)	—	—
Profit on disposal of UK continuing operations	965	552	—
Provision for closure of overseas subsidiaries	(863)	802	—
Income/(deficit) from interests in associated undertakings:			
UK	(519)	213	174
Overseas	—	(57)	(71)
Investment income:			
UK	271	336	283
Overseas	—	—	2
Interest (payable)/receivable:			
UK	(687)	(2,821)	(2,589)
Overseas	—	552	376
Profit before taxation - continuing operations	10,451	14,100	18,302
Discontinued operations			
Turnover	8,027	—	—
Operating profit	349	—	—
Profit on disposal of discontinued operations	3,510	—	—
Profit before taxation - discontinued operations	3,859	—	—
Profit before taxation - total operations	14,310	14,100	18,302

There is only one principal type of business, the ownership and operation of radio stations.

8.2 Operating expenses

	18 months ended 31st March 1997 £'000	*Year ended 31st March 1998 £'000*	*Year ended 31st March 1999 £'000*
Continuing operations			
Selling and administration expenses	56,314	48,197	54,670
Other operating expenses	9,454	10,989	9,363
Total continuing	65,768	59,186	64,033
Discontinued operations			
Selling and administration expenses	4,800	—	—
Other operating expenses	2,878	—	—
	7,678	—	—
Total operating expenses	73,446	59,186	64,033

8.3 Employee information

The average monthly number of persons (including directors) employed by the Group in each reporting year/period and the actual number employed at the end of the year/period, analysed by category, was as follows:

	Programming	*Sales*	*Technical*	*Management and administration*	*Total*
Monthly average during the 18 months ended 31st March 1997	147	369	48	170	734
At the end of the 18 months ended 31st March 1997	187	404	54	182	827
Monthly average during the year ended 31st March 1998	148	381	46	186	761
At the end of the year ended 31st March 1998	152	398	54	184	788
Monthly average during the year ended 31st March 1999	115	396	51	198	760
At the end of the year ended 31st March 1999	145	420	54	235	854

Staff costs (for the above persons)

	18 months ended 31st March 1997 £'000	*Year ended 31st March 1998 £'000*	*Year ended 31st March 1999 £'000*
Wages and salaries	19,976	16,977	19,101
Social security costs	1,814	1,777	1,922
Pension costs	487	521	493
Other	479	35	56
Total	22,756	19,310	21,572

8.4 Directors' emoluments

18 months ended 31st March 1997	*Basic salary £'000*	*Fees £'000*	*Bonus £'000*	*Benefits in kind £'000*	*Total £'000*	*Pensions £'000*
Executive						
R.M. Bernard	300	—	100	19	419	45
J.P.E. Taylor F.C.A.	87	3	40	9	139	13
S. Orchard	45	—	—	4	49	6
N.S. Tresilian	60	—	1	10	71	3
S.C. Ward	46	—	—	—	46	6
Non-executive						
H.P.J. Meakin	—	110	—	—	110	—
R.N. Gilbert F.C.A.	—	26	—	—	26	—
R.J. Palmer	—	30	—	—	30	—
C.E. Blackwell	49	25	4	11	89	—
S. Duffy M.B.A.	—	1	—	—	1	—
P.J. Harris	—	4	—	—	4	—
Sir Peter Michael C.B.E.	—	1	—	—	1	—
S.J. Pirie F.C.A.	81	9	37	—	127	—
J.H. Trafford	—	4	—	—	4	—
Total	668	213	182	53	1,116	73

Year ended 31st March 1998	*Basic salary £'000*	*Fees £'000*	*Bonus £'000*	*Benefits in kind £'000*	*Total £'000*	*Pensions £'000*
Executive						
R.M. Bernard	250	—	100	15	365	37
J.P.E. Taylor F.C.A.	160	—	48	7	215	24
S. Orchard	125	—	20	10	155	18
S.C. Ward	125	—	28	10	163	16
Non-executive						
H.P.J. Meakin	—	70	—	—	70	—
R.N. Gilbert F.C.A.	—	17	—	—	17	—
R.J. Palmer	—	22	—	—	22	—
C.E. Blackwell	—	20	—	8	28	—
S. Duffy M.B.A.	—	7	—	—	7	—
P.J. Harris	—	3	—	—	3	—
Sir Peter Michael C.B.E.	—	7	—	—	7	—
S.J. Pirie F.C.A.	—	17	—	—	17	—
J.H. Trafford	—	8	—	—	8	—
N.S. Tresilian	31	5	—	7	43	12
Total	691	176	196	57	1,120	107

Year ended 31st March 1999	*Basic salary £'000*	*Fees £'000*	*Bonus £'000*	*Benefits in kind £'000*	*Total £'000*	*Pensions £'000*
Executive						
R.M. Bernard	275	—	127	19	421	55
J.P.E. Taylor F.C.A.	175	—	107	14	296	31
R. Lewis	62	—	37	5	104	9
S. Orchard	150	—	25	12	187	22
S.C. Ward	150	—	25	8	183	22
Non-executive						
H.P.J. Meakin	—	70	—	—	70	—
R.N. Gilbert F.C.A.	—	17	—	—	17	—
R.J. Palmer	—	22	—	—	22	—
C.E. Blackwell	—	20	—	10	30	—
S. Duffy M.B.A.	—	10	—	—	10	—
P.J. Harris	—	—	—	—	—	—
Sir Peter Michael C.B.E.	—	10	—	—	10	—
S.J. Pirie F.C.A.	—	17	—	—	17	—
J.H. Trafford	—	12	—	—	12	—
N.S. Tresilian	49	22	—	15	86	—
Total	861	200	321	83	1,465	139

In addition to the above, during the year ended 31st March 1999, a payment of £50,000 was made to N.S. Tresilian on the termination of his executive contract with the Company. The payment equated to one year's salary and benefits in accordance with the terms of his contract.

8.5 Investment income

	18 months ended 31st March 1997 £'000	*Year ended 31st March 1998 £'000*	*Year ended 31st March 1999 £'000*
Interest receivable	166	17	46
Dividends receivable from other investments	77	310	234
Rents receivable	28	9	5
	271	336	285

8.6 Interest payable

	18 months ended 31st March 1997 £'000	Year ended 31st March 1998 £'000	Year ended 31st March 1999 £'000
Bank loans and overdrafts	532	2,131	2,155
Finance leases	155	138	58
	687	2,269	2,213

8.7 Profit on ordinary activities before taxation

	18 months ended 31st March 1997 £'000	Year ended 31st March 1998 £'000	Year ended 31st March 1999 £'000
Profit on ordinary activities before taxation is stated after crediting:			
Profit/(loss) on disposal of tangible fixed assets	(349)	50	53
Profit on disposal of intangible fixed assets	50	—	—
Profit on disposal of investments	4,718	552	—
And after charging:			
Depreciation charge for the year:			
Tangible owned fixed assets	2,611	2,587	3,160
Tangible fixed assets held under finance leases	462	171	167
Goodwill	—	—	25
Other intangible fixed assets	265	56	91
Auditors remuneration (including expenses):			
Audit - KPMG Audit Plc	93	87	60
Audit - Moore Stephens, New Zealand	20	—	—
Other services - KPMG Audit Plc and associates	243	132	204
Hire of plant and machinery - operating leases	396	160	230
Hire of other assets - operating leases	948	1,429	1,382
Other fees from KPMG Audit Plc and its associates incurred and capitalised	486	34	260

8.8 Taxation

	18 months ended 31st March 1997 £'000	Year ended 31st March 1998 £'000	Year ended 31st March 1999 £'000
United Kingdom corporation tax at: 1997: 33%; 1998: 31%; 1999: 31%			
Current	5,538	4,393	6,607
Deferred	(45)	156	(186)
(Over)/under provision in respect of prior years:			
Deferred	98	(63)	—
Share of taxation of associated undertakings	(196)	67	53
Total UK taxation	5,395	4,553	6,474
Overseas tax	16	241	91
Total	5,411	4,794	6,565

8.9 Dividends

	18 months ended 31st March 1997 £'000	Year ended 31st March 1998 £'000	Year ended 31st March 1999 £'000
Interim (1997: 1.07p per share; 1998: 1.3p per share; 1999: 1.6p per share)	920	1,417	1,754
Second interim (1997: 1.53p per share)	1,313	—	—
Final (1997: 1.25p per share; 1998: 2.1p per share; 1999: 2.6p per share)	1,361	2,290	2,857
	3,594	3,707	4,611

8.10 Earnings per share

The calculation of earnings per share is based on the weighted average number of shares in issue for the period (1997: 84,620,491 - 1998: 108,952,191 - 1999: 109,454,029) and the profit for the financial period (1997: £9,164,000 - 1998: £9,611,000 - 1999: £12,132,000).

The calculation of fully diluted earnings per share uses the weighted average number of shares in issue as above adjusted to take account of the dilutive effect of the number of options granted (1997: n/a - 1998: 662,959 - 1999: 804,912) giving a total of (1997: n/a - 1998: 109,615,150 - 1999: 110,258,941).

The calculation of the Headline earnings per share is based on the definition by the Institute of Investment Management and Research in their Statement of Investment Practice No.1. The calculation is based on the weighted average number of shares in issue for the period (1997: 84,620,491 - 1998: 108,952,191 - 1999: 109,454,029) and the adjusted profit of (1997: 6,534,000 - 1998: £8,918,000 - 1999: £12,104,000). The reconciliation from profit for the financial period to adjusted profit is as follows:

	18 months ended 31st March 1997 £'000	Year ended 31st March 1998 £'000	Year ended 31st March 1999 £'000
Profit for the financial period	9,164	9,611	12,132
Profit on the sale of fixed assets	(333)	(50)	(53)
Goodwill amortisation	—	—	25
Profit on the sale of continuing operations	(965)	(552)	—
Profit on disposal of discontinued operations	(3,510)	—	—
Profit on sale of other investments	(244)	—	—
Provision for closure of overseas subsidiaries	863	(802)	—
Tax effect of the above	1,559	711	—
	6,534	8,918	12,104

8.11 Intangible fixed assets

	Goodwill *£'000*	*Other* *£'000*	*Total* *£'000*
Cost			
At 1st October 1995	—	571	571
Purchases of businesses	—	5,548	5,548
Disposals of businesses	—	(4,507)	(4,507)
Additions	—	248	248
Disposals	—	(331)	(331)
At 31st March 1997	—	1,529	1,529
Additions	—	33	33
Disposals	—	(213)	(213)
At 31st March 1998	—	1,349	1,349
Additions	28,863	1,013	29,876
Purchases of businesses	—	81	81
At 31st March 1999	28,863	2,443	31,306
Amortisation			
At 1st October 1995	—	455	455
Purchases of businesses	—	1,334	1,334
Disposals	—	(1,252)	(1,252)
Charge for period	—	265	265
At 31st March 1997	—	802	802
Disposals	—	(212)	(212)
Charge for year	—	55	55
At 31st March 1998	—	645	645
Charge for year	25	91	116
At 31st March 1999	25	736	761
Net book value at 31st March 1997	—	727	727
Net book value at 31st March 1998	—	704	704
Net book value at 31st March 1999	28,838	1,707	30,545

Goodwill in respect of the acquisitions of Orchard Media Ltd and Medien 2000 Holding AG during 1999 is amortised over 20 years. The Orchard group of companies operate four local radio licences in the West Country which the directors consider have a useful economic life of not less than 20 years. Medien 2000 Holding AG has interests in radio licences in Austria, which the directors consider have a useful economic life of not less than 20 years.

8.12 Tangible fixed assets

	Land and buildings £'000	Fixtures and technical equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1st October 1995	6,316	11,232	1,051	18,599
Purchases of businesses	2,147	14,047	667	16,861
Disposals of businesses	(338)	(5,374)	(161)	(5,873)
Additions	444	4,758	64	5,266
Disposals	(251)	(1,022)	(585)	(1,858)
At 31st March 1997	8,318	23,641	1,036	32,995
Additions	155	2,368	65	2,588
Disposals	(209)	(2,629)	(301)	(3,139)
Exchange movements	—	(103)	—	(103)
At 31st March 1998	8,264	23,277	800	32,341
Additions	1,813	3,335	—	5,148
Purchases of businesses	1,124	1,860	465	3,449
Disposals	—	(1,430)	(152)	(1,582)
Exchange movements	—	62	—	62
At 31st March 1999	11,201	27,104	1,113	39,418
Depreciation				
At 1st October 1995	1,213	7,155	642	9,010
Purchases of businesses	862	6,322	350	7,534
Disposals of businesses	(73)	(2,310)	(102)	(2,485)
Disposals	(197)	(452)	(469)	(1,118)
Charge for period	196	2,576	301	3,073
At 31st March 1997	2,001	13,291	722	16,014
Disposals	(211)	(2,571)	(201)	(2,983)
Charge for year	259	2,398	101	2,758
Exchange movements	5	(40)	—	(35)
At 31st March 1998	2,054	13,078	622	15,754
Purchases of businesses	347	773	79	1,199
Disposals	—	(1,311)	(114)	(1,425)
Charge for year	504	2,762	61	3,327
Exchange movements	—	24	—	24
At 31st March 1999	2,905	15,326	648	18,879
Net book value at 31st March 1997	6,317	10,350	314	16,981
Net book value at 31st March 1998	6,210	10,199	178	16,587
Net book value at 31st March 1999	8,296	11,778	465	20,539

8.12 Tangible fixed assets (cont)

	Land and buildings £'000	Fixtures and technical equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation at 31st March 1997 is represented by:				
Valuation in 1988	1,750	—	—	1,750
Cost	6,568	23,641	1,036	31,245
	8,318	23,641	1,036	32,995
Cost or valuation at 31st March 1998 is represented by:				
Valuation in 1988	1,750	—	—	1,750
Cost	6,514	23,277	800	30,591
	8,264	23,277	800	32,341
Cost or valuation at 31st March 1999 is represented by:				
Valuation in 1988	1,750	—	—	1,750
Cost	9,451	27,104	1,113	37,668
	11,201	27,104	1,113	39,418
The above figures include assets held under finance lease as follows:				
Depreciation charge for the period ended 31st March 1997	—	235	203	438
Net book value at 31st March 1997	—	2,934	236	3,170
Depreciation charge for the year ended 31st March 1998	—	151	20	171
Net book value at 31st March 1998	—	157	35	192
Depreciation charge for the year ended 31st March 1999	—	149	18	167
Net book value at 31st March 1999	—	174	17	191

Freehold land and buildings at the Bournemouth and Reading sites were the subject of a valuation in June 1988 by Conrad Ritblat and Company, a firm of independent consultant surveyors and valuers, on an open market valuation for existing use basis. The following table compares the freehold land and buildings as stated in the accounts to the historical cost equivalent:

	Historical cost £'000	As stated in the accounts £'000
Gross book value at 31st March 1997	7,205	8,318
Depreciation	(1,968)	(2,001)
Net book value at 31st March 1997	5,237	6,317
Gross book value at 31st March 1998	6,521	8,264
Depreciation	(1,986)	(2,054)
Net book value at 31st March 1998	4,535	6,210
Gross book value at 31st March 1999	9,458	11,201
Depreciation	(2,837)	(2,905)
Net book value at 31st March 1999	6,621	8,296

	1997 £'000	1998 £'000	1999 £'000
Land and buildings at net book value comprise:			
Freehold	5,132	5,093	5,592
Short leasehold	1,185	1,117	2,704
	6,317	6,210	8,296

8.13 Investments

	Associated undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1st October 1995	580	1,735	2,315
Additions	3,033	—	3,033
On purchases of businesses	—	12	12
Disposals	(129)	—	(129)
Transfers	—	(1,611)	(1,611)
Share of results for year	(323)	—	(323)
Goodwill movements	(1,176)	—	(1,176)
At 31st March 1997	1,985	136	2,121
Additions	4,681	667	5,348
Disposals	(775)	—	(775)
Transfers	95	(95)	—
Share of results for year	89	—	89
Goodwill movements	(1,092)	—	(1,092)
At 31st March 1998	4,983	708	5,691
Additions	128	836	964
On purchases of businesses	—	109	109
Disposals	—	(7)	(7)
Transfers	(785)	785	—
Share of results for year	50	—	50
Transfer to other creditors	44	—	44
Goodwill movements	(17)	—	(17)
At 31st March 1999	4,403	2,431	6,834

The principal associated undertakings were as follows:

Name	*Country of incorporation*	*Class of capital held*	*Proportion of nominal value of issued shares held by the Group %* 1997	1998	1999
London News Radio Limited	Great Britain	Ordinary £1 shares	20	20	20
Plymouth Sound Limited	Great Britain	Ordinary £1 shares	49	—	—
Minster Sound Radio plc	Great Britain	Ordinary £1 shares	27.8	20	20
The Local Radio Company Limited	Great Britain	"A" ordinary £1 shares	20	20	20
Radio FM PLUS	Bulgaria	Ordinary 100 leva shares	48	—	—
GWR Medien GmbH	Austria	Ordinary shares	—	24	24
Inforadio Sp zo.o.	Poland	Ordinary 15,000 zloty shares	—	33	—

All of the above companies operated in their country of incorporation and all of them are local radio contractors.

8.13 Investments (cont)

Interests in GWR undertakings

The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of GWR:

Name of undertaking	*Percentage of nominal value of issued shares held by the Group*		
	1997	*1998*	*1999*
	%	%	%
GWR Radio Services Limited	—	100	100
Classic FM plc	100	100	100
Beacon Broadcasting Limited	100	100	100
Wiltshire Radio plc	100	100	100
GWR (West) Limited	100	100	100
Thames Valley Broadcasting plc	100	100	100
Two Counties Radio Limited	100	100	100
Chiltern Radio PLC	100	100	100
Radio Trent Limited	100	100	100
Radio Broadland Limited	100	100	100
Suffolk Group Radio plc	100	100	100
Orchard Media Limited	—	—	100

All of the above companies are independent radio contractors and have only one class of issued share capital, voting ordinary shares, except for Wiltshire Radio plc and Classic FM plc. Wiltshire Radio plc also has non-voting ordinary shares and Classic FM plc has A deferred shares of 1p each and B deferred shares of £1 each. All of the above companies are incorporated and operate in England and Wales.

8.14 Debtors

	1997	*1998*	*1999*
	£'000	*£'000*	*£'000*
Amounts falling due within one year			
Trade debtors	14,791	14,213	16,606
Amounts owed by associated undertakings	258	286	677
Other debtors	599	1,301	4,521
Prepayments and accrued income	2,733	3,502	3,124
	18,381	19,302	24,928
Amounts falling due after more than one year			
Other debtors	1,109	—	—
	19,490	19,302	24,928

8.15 Creditors: amounts falling due within one year

	1997	*1998*	*1999*
	£'000	*£'000*	*£'000*
Loan notes	—	—	11,010
Bank loans and overdrafts	20,760	9,552	26,988
Obligations under finance leases	753	182	168
Trade creditors	5,207	2,013	1,968
Amounts owed to associated undertakings	835	314	337
Corporation tax	5,120	5,334	8,018
Advanced corporation tax	340	572	—
Other taxation and social security	1,598	1,635	1,869
Other creditors	1,197	506	2,139
Accruals	8,826	6,259	9,260
Dividends payable	1,361	2,290	2,857
	45,997	28,657	64,614

8.16 Creditors: amounts falling due after more than one year

	1997	*1998*	*1999*
	£'000	*£'000*	*£'000*
Bank loans and overdrafts	4,500	22,893	23,958
Obligations under finance leases	4,249	89	168
Other creditors	1,047	14	—
	9,796	22,996	24,126

Bank loans and overdrafts

	1997	*1998*	*1999*
	£'000	*£'000*	*£'000*
Repayable as follows:			
In one year or less, or on demand	20,760	9,552	26,988
Between one and two years	4,500	3,175	4,492
Between two and five years	—	19,718	19,466
	25,260	32,445	50,946
The loans are denominated in the following currencies:			
Sterling	25,260	29,677	50,946
Austrian Schillings	—	2,768	—
	25,260	32,445	50,946

Finance leases

The net finance lease obligations to which GWR is committed are as follows:

	1997	*1998*	*1999*
	£'000	*£'000*	*£'000*
In one year or less	753	182	168
Between one and two years	639	66	64
Between two and five years	3,486	23	104
Over five years	124	—	—
	5,002	271	336

8.17 Provisions for liabilities and charges - deferred taxation

	£'000
At 1st October 1995	277
Profit and loss account	53
In respect of acquisitions and disposals	23
Advance corporation tax	(340)
Deferred tax on capital gain	623
31st March 1997	636
Transfer from corporation tax creditor	525
Profit and loss account	93
Advance corporation tax	(232)
31st March 1998	1,022
Purchase of businesses	49
Profit and loss account	(186)
Advance corporation tax	572
31st March 1999	1,457

Deferred taxation provided in the accounts, which represents the total potential liability for deferred taxation, is as follows:

	1997	1998	1999
	£'000	*£'000*	*£'000*
Accelerated capital allowance	284	478	585
Other timing differences	692	1,116	872
	976	1,594	1,457
Less: advance corporation tax	(340)	(572)	—
	636	1,022	1,457

8.18 Pension obligations

(i) Some GWR staff participate in defined contribution pension schemes available to permanent employees, including the GWR Pension Scheme and the Commercial Radio Companies Association Staff Benefits Plan.

The schemes are funded by the payment of contributions to separately administered funds, which are independent of the GWR's finances.

(ii) Eligible employees at Radio Trent Limited, Leicester Sound Limited and Mercia Sound Limited are members of the Midlands Radio Group Pension Scheme, whose joint principal employers are GWR Radio Services Ltd and Birmingham Broadcasting Ltd. Pension costs relating to this scheme are assessed with the advice of independent qualified actuaries. The Pension Scheme is a defined benefit scheme and is established under trust with the assets held separately from those of GWR.

Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over the members' working lives with GWR. The pension cost charged to the profit and loss account is calculated by a qualified actuary.

The last actuarial valuation was carried out as at 1st October 1996. At that date, the market value of the Scheme's assets was £3,222,000 (the share of this relating to GWR was £1,050,000), which exceeded the value of the Scheme's liabilities by 10 per cent.

As the Scheme is now closed to new members the actuarial method used to calculate pension costs is the current unit method using the assumptions specified in the government regulations for the Minimum Funding Requirement. Allowance was made for increases to pensions in payment in accordance with Scheme rules, specifically, increases of 3 per cent. per annum of pensions accrued prior to 6th April 1996 and of the rate of increase in the Retail Prices Index, subject to a maximum of 5 per cent. and the minimum of 3 per cent. for pensions accrued on or after 6th April 1997.

(iii) GWR also contributes to personal pension schemes for some employees.

The total pension cost to GWR for the period ended 31st March 1999 was £493,000 (1998: £521,000, 1997: £487,000).

8.19 Called up share capital

		Authorised		Allotted, called-up and fully paid	
	Notes	*Number*	*£'000*	*Number*	*£'000*
Ordinary shares of 5p each					
At 1st October 1995		93,300,000	4,665	67,292,973	3,365
Issued on acquisition of Chiltern Radio plc	1	—	—	2,232,857	112
Increase 9th April 1996	2	16,700,000	835	—	—
Rights issue 16th April 1996	3	—	—	6,434,921	322
Share options exercised		—	—	108,338	5
Issued on acquisition of East Anglian Radio plc		—	—	9,820,811	491
Issued on acquisition of Classic FM plc		—	—	22,167,069	1,108
Increase 16th October 1996	4	40,000,000	2,000	—	—
At 31st March 1997		**150,000,000**	**7,500**	**108,056,969**	**5,403**
Issued on acquisition of Radio Wyvern plc	5	—	—	837,091	42
Share options exercised		—	—	149,820	7
At 31st March 1998		**150,000,000**	**7,500**	**109,043,880**	**5,452**
Shares options exercised		—	—	852,245	43
At 31st March 1999		**150,000,000**	**7,500**	**109,896,125**	**5,495**

Notes:

1. These shares were issued under the provision of section 429 of the Companies Act 1985 whereby the Company acquired the remaining shares in Chiltern Radio plc that it did not already own as at 30th September 1995.

2. On 9th April 1996 at an extraordinary general meeting of the shareholders of GWR plc an ordinary resolution was passed to increase the authorised share capital of the Company. The increase was principally necessitated by the rights issue.

3. On 22nd March 1996 GWR announced the launch of a 10 for 39 rights issue payable in two instalments of 74p and 131p. The first instalment was used to repay the loan originally taken out to acquire Prospect. The second instalment of the rights issue was subsequently cancelled on the 3rd April 1996 when the New Zealand government announced that the Group had not been successful in its offer to acquire Radio New Zealand. The shares in connection with this rights issue were issued on 16th April 1996.

4. On 16th October 1996 at an extraordinary general meeting of the Shareholders of GWR plc an ordinary resolution was passed to increase the authorised share capital of the Company. This increase was required as a result of the Company's merger with Classic FM plc.

5. These shares were issued under the provisions of section 429 of the Companies Act 1985 whereby the Company acquired 100 per cent. of the shares in Radio Wyvern plc.

At 31st March 1999, GWR had options over 4,506,160 Ordinary shares that remained unexercised under its Share Option Schemes (1998: 3,618,097, 1997: 3,438,656).

8.20 Acquisitions and disposals

(i) Acquisition and restructuring of investment in London News Radio

On 1st April 1996 GWR completed its acquisition of a 31 per cent. stake in London News Radio Limited ("LNR") which operates two radio services in London. The shareholders in LNR initially subscribed in aggregate £160,000 in their respective proportions for LNR shares of £1 each. The shareholders also subscribed £1,440,000 in aggregate of LNR unsecured loan notes of £1 each at their nominal value. GWR's total initial subscription in shares was £49,600 and in loan notes was £446,400 a total amount of £496,000. GWR also committed to a further investment of £1,705,000 to fund working capital for LNR.

In an agreement dated 26th March 1997 the shareholders of LNR agreed to restructure the shares and loan notes in LNR. This led to a reduction in GWR's stake in LNR to 20 per cent. At 31st March 1997 GWR held £1,373,166 of LNR unsecured loan notes, £133,434 of convertible loan notes in LNR and £167,400 in LNR shares.

(ii) Acquisition and disposal of Prospect

On 1st March 1996 GWR announced its acquisition of certain subsidiaries and assets representing the radio businesses formerly belonging to Independent Broadcasting Company (1990) Limited, known as Prospect, for a cash consideration of NZ$26.2 million (£11.4 million).

The Group used acquisition accounting to account for the purchase. Prospect made a profit on ordinary activities before taxation of £565,009 from 1st July 1995, the beginning of its financial year, to the date of acquisition and made a profit of NZ$1,544,000 (£696,000) for the previous financial year.

The fair value of the consideration including associated costs was £13.1 million. The assets and liabilities acquired were as follows:

	Book value *£'000*	*Adjustments* *£'000*	*Fair value* *£'000*
Fixed assets			
Intangible assets	4,126	(535)	3,591
Tangible assets	3,127	—	3,127
	7,253	(535)	6,718
Current assets			
Debtor	1,242	—	1,242
Cash	293	—	293
Total assets	8,788	(535)	8,253
Liabilities			
Creditors	(1,059)	—	(1,059)
Net assets	7,729	(535)	7,194
Consideration			
Cash consideration			11,423
Expenses			1,657
			13,080
Fair value of net assets acquired			(7,194)
Goodwill			5,886

The fair value adjustment above has been made to align the accounting policies of Prospect with those of GWR.

On 15th November 1996 GWR announced the disposal of the business and assets of Prospect for NZ$40 million (£17.1 million) in cash to The Radio Network of New Zealand Limited. This resulted in a consolidated profit, net of expenses of £361,000 of NZ$9.7 million (£3.5 million).

The fair value of the assets and liabilities disposed are set out below:

	Fair value £'000
Fixed assets	6,393
Debtors	1,646
Cash	73
Total assets	8,112
Creditors	(788)
Net assets disposed of	7,324
Goodwill written back	5,886
Profit on disposal	3,510
	16,720
Satisfied by	
Cash consideration	17,081
Expenses	(361)
	16,720

During the period the Prospect group contributed £313,000 to the Group's net operating cash flows and utilised £181,000 for capital expenditure.

(iii) Acquisition of East Anglian Radio PLC

The GWR offer for the entire issued share capital of East Anglian Radio PLC became unconditional on 12th April 1996, when the Company had received acceptances in respect of 895,361 East Anglian Radio PLC shares representing 95.46 per cent. of the total issued share capital of that company. GWR has subsequently acquired the remainder of East Anglian Radio PLC's shares under the provisions of Section 429 of the Companies Act 1985.

The consideration for the purchase of the shares under the offer was the issue of 10.5541 GWR shares for each East Anglian Radio PLC share. There was also a cash alternative of £23.46 per East Anglian Radio share. As part of the acquisition GWR acquired 22,298 shares in East Anglian Radio PLC from Capital Radio PLC. The shares were acquired in exchange for GWR shares, on the same basis as that available to all other East Anglian Radio PLC shareholders under the terms of the offer.

In accordance with the merger relief provisions of Section 131 of the Companies Act 1985, the Company's investment in East Anglian Radio PLC has been stated as the aggregate of the nominal value of the shares issued, together with associated acquisition costs. The fair value of the consideration including associated acquisition costs is £25.2 million. The premium on shares issued has increased the Group's merger reserve by £21.9 million with the majority of the goodwill relating to the acquisition being written off against the merger reserve and the remainder being written off to the special and goodwill reserves.

The Group has used acquisition accounting to account for the purchase. East Anglian Radio PLC and its subsidiaries made a profit on ordinary activities before taxation of £858,100 from 1st October 1995 to the date of acquisition and of £502,000 for the previous financial year.

The fair value of the assets and liabilities acquired are set out below:

	Book value and fair value *£'000*
Fixed assets	
Tangible assets	1,178
Current assets	
Debtors	899
Cash	3,191
Total assets	5,268
Liabilities	
Creditors	(2,259)
Net assets	3,009
Consideration	
Issue of 3,466,356 Ordinary shares	7,879
Cash alternative – proceeds of share placing	14,488
– cash payments	1,616
Cash payment for expenses	1,182
	25,165
Fair value of net assets acquired	(3,009)
Goodwill	22,156

During the period East Anglian Radio PLC contributed £2,331,000 to the Group's net operating cash flows, received £26,000 in respect of net returns on investments and servicing of finance, paid £469,000 in respect of taxation and utilised £122,000 for capital expenditure.

(iv) Acquisition of Classic FM plc

On 23rd August 1996 GWR announced the proposed acquisition of the entire share capital of Classic FM plc which it did not already own. GWR already owned 17.2 per cent. of the ordinary shares and 11.3 per cent. of the preference shares in Classic FM plc. The fair value of the total consideration paid was £76.8 million of which £49.4 million was in the form of new GWR shares and £27.4 million was in cash. The fair value of the consideration including acquisition expenses is approximately £82.9 million.

In accordance with the merger relief provisions of Section 131 of the Companies Act 1985, the Company's investment in Classic FM plc has been stated as the aggregate of the nominal value of the shares issued, together with associated acquisition costs. The premium on shares issued has increased the Group's merger reserve by £48.3 million with the majority of the goodwill relating to the acquisition being written off against the merger reserve and the remainder being written off to the special and goodwill reserves.

The Group has used acquisition accounting to account for the purchase. Classic FM plc and its subsidiaries made a loss on ordinary activities before taxation of £6.22 million from 1st December 1995 to the date of acquisition and a loss of £2.52 million for the financial year ended 30th November 1995.

The fair value of the assets and liabilities acquired are set out below:

	Fair value £'000
Fixed assets	
Intangible assets	623
Tangible assets	4,565
Investments	12
	5,200
Current assets	
Stock	136
Debtors	5,923
Cash	98
Total assets	11,357
Liabilities	
Bank overdraft	(5,863)
Trade and other creditors	(6,094)
Finance lease creditors	(4,960)
Net liabilities	(5,560)
Consideration	
Issue of 22,167,069 Ordinary shares	49,432
Cash consideration	27,421
Expenses of acquisition	4,399
Transfer from investments	1,611
	82,863
Fair value of net liabilities acquired	5,560
Goodwill	88,423

During the period Classic FM Plc contributed £483,000 to the Group's net operating cash flows, paid £167,000 in respect of net returns on investments and servicing of finance, and utilised £650,000 for capital expenditure.

(v) Acquisition of Radio Wyvern Plc

On 24th September 1996 GWR entered into an agreement with Radio Wyvern Plc, subject to certain conditions, that GWR would offer to acquire the entire share capital of Radio Wyvern Plc for a consideration of £7.55 per share. This offer valued Radio Wyvern Plc at approximately £3.9 million. After 12th November 1996 the consideration payable was increased in respect of notional interest at the rate of 10 per cent. per annum.

The offer was declared unconditional on 21st March 1997 following the announcement by the Radio Authority that under the public interest test provisions of the Broadcasting Acts 1990 and 1996, the holding by GWR of both the Severn Sound and Wyvern FM radio licences could not be expected to operate against the public interest. At that time GWR had received valid acceptances under the offer in respect of 486,294 Radio Wyvern Plc Shares, representing approximately 96.2 per cent. of the issued ordinary share capital of Radio Wyvern Plc.

GWR has applied for the provisions of sections 428 to 430F of the Companies Act 1995 to acquire compulsorily any outstanding Radio Wyvern Plc Shares.

The Group has used acquisition accounting to account for the purchase. Radio Wyvern Plc made a profit on ordinary activities before taxation of £53,054 from 1st October 1996 to the date of acquisition and of £44,910 for the financial year ended 30th September 1996. The fair value of the assets and liabilities acquired are set out below:

	Book value *£'000*	*Adjustments* *£'000*	*Fair value* *£'000*
Fixed assets			
Tangible assets	480	—	480
Current assets			
Debtors	265	267	532
Cash	140	—	140
Total assets	885	267	1,152
Liabilities			
Overdraft	(21)	—	(21)
Creditors	(367)	—	(367)
Net assets	497	267	764
Consideration			
Nominal value of 837,091 Ordinary shares to be issued			42
Premium on shares to be issued			1,900
Cash consideration			2,405
Expenses of acquisition			308
			4,655
Fair value of net assets acquired			(764)
Goodwill			3,891

The adjustment to book values relates to the sale of Radio Wyvern AM for £275,000 which was announced on 21st March 1997. Radio Wyvern AM was acquired as part of the Radio Wyvern Plc acquisition.

During the period Radio Wyvern did not contribute to the Group's cash flows.

(vi) Acquisition of Radio T1 (formerly known as Radio Edelweiss GmbH)

On 21st June 1996 GWR announced its intention to acquire a 60 per cent. stake in a network of 15 FM frequencies in the Austrian and Italian Tyrol regions. The initial consideration for the acquisition was £726,000 with two further payments to be made in 1997 and 1998 of £155,000 each. Additional payments of deferred consideration of up to £1.1 million will be payable in the event that certain performance targets are met.

The Group has used acquisition accounting to account for the purchase. The businesses that comprise Radio T1 made a profit on ordinary activities before taxation of £167,643 for the year ended 31st March 1996.

The fair value of the assets and liabilities acquired are set out below:

	Book value £'000	Adjustments £'000	Fair value £'000
Fixed assets			
Tangible assets	273	(273)	—
Current assets			
Debtors	96	(56)	40
Cash	601	—	601
Total assets	970	(329)	641
Liabilities			
Creditors	(641)	(16)	(657)
Net assets/(liabilities)	329	(345)	(16)
Consideration			
Initial cash consideration			726
Deferred consideration – fixed			310
– variable			1,100
Cash payment for expenses			262
			2,398
Fair value of net liabilities acquired			16
Goodwill			2,414

The fair value adjustments above have been made to align the accounting policies of Radio T1 with those of GWR.

During the period Radio T1 utilised £833,000 of the Group's net operating cash flows and £109,000 for capital expenditure.

(vii) Acquisition of Orchard Media Ltd

On 11th March 1999 GWR completed its acquisition of Orchard Media Ltd for £25.6 million. At this date the Company had received acceptances in respect of 1,219,614 Orchard Media Ltd shares representing 98.4 per cent. of the total issued share capital of that company. The Company is now acquiring the remainder of the shares under the provisions of Section 429 of the Companies Act 1985.

The consideration for the purchase was cash of £20.65 per share. Alternatively Orchard Media Ltd shareholders could elect for a loan note alternative of £1 nominal of loan notes for every £1 cash consideration.

The Group has used acquisition accounting to account for this purchase. Orchard Media Ltd and its subsidiaries made a loss before taxation of £369,000 from 1st October 1998 to the date of acquisition and a profit on ordinary activities before taxation of £1,196,000 for the previous financial year ended 30th September 1998.

The fair value of the assets and liabilities acquired are set out below:

	Book value and fair value £'000
Fixed assets	
Tangible assets	1,276
Current assets	
Debtors	1,070
Cash	216
Total assets	2,562
Liabilities	
Creditors	(1,098)
Deferred taxation	(49)
Net liabilities	1,415
Consideration	
Cash consideration	14,593
Loan notes issued	11,010
Expenses	270
	25,873
Fair value of net assets acquired	(1,415)
Goodwill	24,458

During the year Orchard Media did not contribute to the Group's net operating cash flows, returns on investments and servicing of finance, taxation or capital expenditure cash flows.

(viii) Acquisition of 75.1 per cent. of Medien 2000 Holding AG

On 31st March 1999 GWR acquired 75.1 per cent. of Medien 2000 Holding AG, which owns 49 per cent. of Antenne Wien GmbH and other smaller Austrian radio investments. The consideration for the purchase was cash of £2,175,000.

The Group has used acquisition accounting to account for the purchase of Medien 2000 Holding AG and Antenne Wien GmbH, as a connected party holds a further 2 per cent. in Antenne Wien GmbH. Medien 2000 Holding AG and Antenne Wien GmbH, made a loss on ordinary activities before taxation of £850,000 from 1st January 1999 to the date of acquisition and of £4,185,000 for the previous financial year to 31st December 1998.

The fair value of the assets and liabilities acquired are set out below:

	Fair value *£'000*
Fixed assets	
Intangible assets	119
Tangible assets	974
Investments	109
Current assets	
Debtors	3,247
Cash	46
Total assets	4,495
Liabilities	
Bank loans and overdrafts	(4,573)
Creditors	(3,929)
Net liabilities	(4,007)
Minority interest	2,521
Net liabilities acquired	(1,486)
Consideration	
Cash consideration	2,175
Expenses	76
	2,251
Fair value of net liabilities acquired	1,486
Goodwill	3,737

During the year Medien 2000 Holding AG did not contribute to the Group's net operating cash flows, returns on investments and servicing of finance, taxation or capital expenditure cash flows.

8.21 Reserves

	Share premium account £'000	Shares to be issued £'000	Special capital reserve £'000	Special reserve £'000
At 1st October 1995	1,138	111	369	—
Rights issue	12,870	—	—	—
Expenses of share issue	(121)	—	—	—
Share options exercised	46	—	—	—
Cancellation of share premium account	(13,932)	—	—	13,932
Arising on acquisition of Chiltern Radio	—	(111)	—	—
Arising on acquisition of Radio Wyvern	—	42	—	—
Goodwill written off on acquisitions	—	—	—	(13,932)
As 31st March 1997	1	42	369	—
Arising on acquisition of Radio Wyvern	—	(42)	—	—
Share options exercised	55	—	—	—
As 31st March 1998	56	—	369	—
Share options exercised	677	—	—	—
As 31st March 1999	733	—	369	—

	Revaluation reserve £'000	Merger reserve £'000	Goodwill reserve £'000	Profit and loss account £'000
At 1st October 1995	1,113	—	—	4,450
Shares issued on acquisition of:				
East Anglian Radio	—	21,876	—	—
Classic FM	—	48,324	—	—
Shares to be issued on acquisition of:				
Radio Wyvern	—	1,900	—	—
Goodwill written off on acquisitions	—	(72,100)	(40,065)	—
Goodwill written back on disposals	—	—	6,586	123
Retained profit for the period	—	—	—	5,570
As 31st March 1997	1,113	—	(33,479)	10,143
Change in disclosure of goodwill written off	—	—	33,479	(33,479)
Exchange movements	—	—	—	(83)
Goodwill on acquisitions	—	—	—	165
Goodwill on disposals	—	—	—	603
Retained profit for the year	—	—	—	5,904
As 31st March 1998	1,113	—	—	(16,747)
Exchange movements	—	—	—	(152)
Adjustments to goodwill previously written off	—	—	—	459
Retained profit for the year	—	—	—	7,521
As 31st March 1999	1,113	—	—	(8,919)

	£'000
GWR's share of post acquisition reserves of associated undertakings	
As 1st October 1995	205
Loss for the period	(323)
At 31st March 1997	(118)
Profit for the year	89
At 31st March 1998	(29)
Profit for the year	50
At 31st March 1999	21

8.22 Goodwill

The cumulative amount of goodwill resulting from acquisitions, net of goodwill written back through the profit and loss account attributable to subsidiary undertakings amounted to £154,479,000 (1998: £154,938,000, 1997: £156,227,000).

8.23 Reconciliation of operating profit to net cash inflow from continuing operating activities

	18 months ended 31st March 1997 £'000	*Year ended 31st March 1998 £'000*	*Year ended 31st March 1999 £'000*
Operating profit	11,633	14,523	20,127
Depreciation of tangible fixed assets	3,073	2,758	3,327
Amortisation of intangible fixed assets	265	56	116
Loss/(profit) on disposal of tangible fixed assets	349	(50)	(53)
Loss/(profit) on disposal of intangible fixed assets	(50)	—	—
Loss/(profit) on disposal of investments	(211)	—	13
Decrease/(increase) in stocks	60	10	(11)
Decrease/(increase) in debtors	(1,352)	823	(6,293)
Increase/(decrease) in creditors	(2,784)	(5,967)	4,830
Net cash inflow from operating activities	10,983	12,153	22,056

8.24 Reconciliation of net cash flow to movement in net debt

	18 months ended 31st March 1997 £'000	*Year ended 31st March 1998 £'000*	*Year ended 31st March 1999 £'000*
Increase in cash in the period	137	1,101	1,709
Cash inflow from decrease in debt and lease financing	(21,817)	(3,954)	(12,906)
Change in net debt from cash flows	(21,680)	(2,853)	(11,197)
Loan notes issued	—	—	(11,010)
Loans and finance leases acquired with subsidiaries	(4,977)	—	(4,401)
Finance leases disposed of with business sales	—	38	—
New finance leases	(79)	—	—
Movements in net debt in year	(26,736)	(2,815)	(26,608)
Net debt at 1st October 1995/1st April 1997/1998	(3,165)	(29,901)	(32,716)
Net debt at 31st March 1997/1998/1999	(29,901)	(32,716)	(59,324)

8.25 Analysis of net debt

	For the 18 months ended 31st March 1997				
	1st October 1995 £'000	Cash flow £'000	Acquisitions (exc cash and overdrafts) £'000	Other non-cash £'000	31st March 1997 £'000
Cash in hand	170	191	—	—	361
Overdrafts	(2,248)	(54)	—	—	(2,302)
		137			
Debt due within one year	(118)	(18,340)	—	—	(18,458)
Debt due after one year	(263)	(4,237)	—	—	(4,500)
Finance leases	(706)	760	(4,977)	(79)	(5,002)
Total	(3,165)	(21,680)	(4,977)	(79)	(29,901)

	For the year ended 31st March 1998			
	1st April 1997 £'000	Cash flow £'000	Other non-cash £'000	31st March 1998 £'000
Cash in hand	361	(361)	—	—
Overdrafts	(2,302)	1,462	—	(840)
		1,101		
Debt due within one year	(18,458)	9,746	—	(8,712)
Debt due after one year	(4,500)	(18,393)	—	(22,893)
Finance leases	(5,002)	4,693	38	(271)
Total	(29,901)	(2,853)	38	(32,716)

	For the year ended 31st March 1999			
	1st April 1998 £'000	Cash flow £'000	Other non-cash £'000	31st March 1999 £'000
Cash in hand	—	2,968	—	2,968
Overdrafts	(840)	(1,259)	—	(2,099)
		1,709		
Debt due within one year	(8,712)	(13,501)	(13,686)	(35,899)
Debt due after one year	(22,893)	393	(1,458)	(23,958)
Finance leases	(271)	202	(267)	(336)
Total	(32,716)	(11,197)	(15,411)	(59,324)

8.26 Executive Share Option Scheme

The 1996 Executive Share Option Scheme is available to all full time employees at the discretion of the Remuneration Committee. Options are priced at not less than the greater of the nominal and market value of a share. The rules of this Scheme provide that the market value of shares held under any option scheme by an individual must not exceed 8 times his annual remuneration. Options are exercisable between three and seven years from the date of grant, assuming that the relevant performance criteria have been met. These provide that the percentage growth in the Group's earnings per share from the date of grant of the option to the third anniversary of the grant, is equal to or greater than the percentage increase in RPI plus 6 per cent.

Options granted to executive directors under the 1995 and 1996 Executive Share Option Schemes are subject to more challenging performance criteria. Options granted to R.M. Bernard and J.P.E. Taylor are subject to the condition that only 25 per cent. of the option shares will vest if the Group's earnings per share grows by 5 per cent. compound growth per annum above RPI during the option period, 50 per cent. will vest if growth exceeds RPI by 7.5 per cent., 75 per cent. will vest if growth exceeds RPI by 12.5 per cent. and all the option shares will vest if growth exceeds RPI by 17.5 per cent.

At 31st March 1999 3,115,552 options had been granted under this Scheme at prices ranging between 173p and 365.8p per share exercisable by 2006.

Details of individual options held by directors, including those under the Savings-Related Share Option Scheme, are set out below.

Directors	*Number of options*			*Exercise price*	*Date from which exercisable*	*Expiry date*
	At 30.9.95	*Granted/ (exercised) in year*	*At 31.3.97*			
R.M. Bernard	325,046	—	325,046	46.76p	2.2.96	1.2.03
	—	1,000,000	1,000,000	212p	11.4.99	10.4.03
	—	12,789	12,789	134.87p	4.1.01	4.7.01
	325,046	1,012,789	1,337,835			
J.P.E. Taylor	—	400,000	400,000	220.5p	27.9.99	26.9.03
S. Orchard	81,261	—	81,261	46.76p	2.2.96	1.2.03
	203,154	—	203,154	120.11p	29.7.98	28.7.05
	12,789	—	12,789	173p	22.7.99	22.1.00
	297,204	—	297,204			
S.C. Ward	203,154	—	203,154	120.11p	29.7.98	28.7.05
	12,789	—	12,789	173p	22.7.99	22.1.00
	215,943	—	215,943			
N.S. Tresilian	32,504	—	32,504	31.75p	3.3.95	2.3.02
	—	1,127	1,127	173p	22.7.99	22.1.00
	—	3,836	3,836	134.87p	4.1.01	4.7.01
	32,504	4,963	37,467			
S.J. Pirie	48,757	(48,757)	—	46.76p	2.2.96	1.2.03

Directors	Number of options			Exercise price	Date from which exercisable	Expiry date
	At 31.3.97	*Granted/ (exercised) in year*	*At 31.3.98*			
R.M. Bernard	325,046	—	325,046	46.76p	2.2.96	1.2.03
	1,000,000	—	1,000,000	212p	11.4.99	10.4.03
	12,789	—	12,789	135p	4.1.01	4.7.01
	1,337,835	—	1,337,835			
J.P.E. Taylor	400,000	—	400,000	220.5p	27.9.99	26.9.03
	—	7,065	7,065	138p	18.7.00	18.1.01
	400,000	7,065	407,065			
S. Orchard	81,261	(81,261)	—	46.76p	2.2.96	1.2.03
	203,154	—	203,154	120.11p	29.7.98	28.7.05
	12,789	—	12,789	135p	4.1.01	4.7.01
	297,204	(81,261)	215,943			
S.C. Ward	203,154	—	203,154	120.11p	29.7.98	28.7.05
	12,789	—	12,789	135p	4.1.01	4.7.01
	215,943	—	215,943			
N.S. Tresilian	32,504	(32,504)	—	31.75p	3.3.95	2.3.02
	1,127	—	1,127	173p	22.7.99	22.1.00
	3,836	—	3,836	135p	4.1.01	4.7.01
	37,467	(32,504)	4,963			

Directors	Number of options			Exercise price	Date from which exercisable	Expiry date
	At 31.3.98	Granted/ (exercised) in year	At 31.3.99			
R.M. Bernard	325,046	(325,046)	—	46.76p	2.2.96	1.2.03
	1,000,000	—	1,000,000	212p	11.4.99	10.4.03
	12,789	—	12,789	135p	4.1.01	4.7.01
	—	150,000	150,000	179.5p	16.4.01	15.4.05
	1,337,835	(175,046)	1,162,789			
J.P.E. Taylor	400,000	—	400,000	220.5p	27.9.99	26.9.03
	7,065	—	7,065	138p	18.7.00	18.1.01
	—	100,000	100,000	179.5p	16.4.01	15.4.05
	407,065	100,000	507,065			
R. Lewis	—	200,000	200,000	210.8p	13.11.01	12.11.05
S. Orchard	203,154	(203,154)	—	120.11p	29.7.98	28.7.05
	12,789	—	12,789	135p	4.1.01	4.7.01
	—	100,000	100,000	179.5p	16.4.01	15.4.05
	215,943	(103,154)	112,789			
S.C. Ward	203,154	(203,154)	—	120.11p	29.7.98	28.7.05
	12,789	—	12,789	135p	4.1.01	4.7.01
	—	100,000	100,000	179.5p	16.4.01	15.4.05
	215,943	(103,154)	112,789			

S.J. Pirie exercised all her share options on 28th March 1996, when the market price of the Company's shares was 234p, the total gain on the sale of these shares at that date would have been £91,000.

S Orchard exercised 81,261 of his share options on 30th September 1997, when the market price of the Company's shares was 189p. The total gain on the sale of these shares at that date would have been £115,600. He exercised an option over 203,154 shares on 31st July 1998, when the market price of the Company's shares was 232p. The total gain on the sale of these shares at that date would have been £227,300.

N.S. Tresilian exercised the remaining 32,504 of his executive share options on 16th March 1998, when the market price of the Company's shares was 186.5p. The total gain on the sale of these shares at that date would have been £50,300. On 18th June 1998 he exercised his remaining share option within the 1995 Savings-Related Share Option Scheme over 1,818 shares at an option price of 173p. The market price of the Company's shares at that date was 244.5p. The total gain on the sale of these shares at that date would have been £1,300.

S. Ward exercised an option over 203,154 shares on 31st March 1999 when the market price of the Company's shares was 366.5p. The total gain on the sale of these shares at that date would have been £500,600.

R.M. Bernard exercised an option over 325,046 shares on 31st July 1998 when the market price of the Company's Shares was 232p. The total gain on the sale of these shares at that date would have been £602,000.

The market price of the shares at 31st March 1999 was 366.5p (31st March 1998 : 178.5p - 31st March 1997 : 232p). The range during the 12 months to 31st March 1999 was from 165p to 366.5p (12 months to 31st March 1998 from 156.5p to 232p - 18 months to 31st March 1997 from 136p to 259p).

PART IV

PRELIMINARY RESULTS OF GWR GROUP PLC FOR THE YEAR ENDED 31st MARCH 2000

Below is the full text of the audited preliminary results and Chairman's Statement for the year ended 31st March 2000 which were published on 26th May 2000.

CHAIRMAN'S STATEMENT

It has been another year of strong growth for GWR and of investment both in our industry's digital future and in launching our internet plans. Together, these will become increasingly important to the future of the Group.

During the last year, GWR has invested £46 million in new businesses and in developing its digital and internet division. Excluding the impact of these investments, the Group's profits before tax from underlying businesses rose by 37.5 per cent. from £18.1 million to £24.9 million.

Sales are up by 22 per cent. at £102 million and profits before tax and goodwill amortisation are up 11 per cent. to £20.4 million from £18.3 million last year.

Headline earnings per share increased by 26 per cent. from 11.1p to 14.0p. The board is recommending a final dividend of 3.1p per share making a total for the year of 5.0p, an increase of 19 per cent.

UK Radio

The UK radio industry continues to grow rapidly, with revenues growing by 11 per cent. in 1999. Independent sources predict further expansion of over 10 per cent. in UK radio advertising expenditure this year, again ahead of all other traditional media.

In June we acquired Plymouth Sound which, with Orchard Media, acquired six months earlier, represents an attractive market covering most of South West England outside Cornwall. These six stations have been integrated swiftly into the group and are now delivering rapid growth.

Our 38 local stations enjoyed an excellent year mainly due to more efficient use of their resources and stronger performances from our larger stations. Latest RAJAR audience figures have produced strong results for the group with our local FM stations maintaining their market leadership in all but two geographical areas.

Classic FM continues to go from strength to strength, notably recording large audience increases in the under 35 age group. Latest RAJAR figures show strong growth, in listening hours, of 12 per cent. which greatly extends Classic FM's lead as the UK's largest commercial radio station. These excellent figures are being reflected in markedly higher advertising revenues.

We were pleased that Classic FM's analogue licence has been renewed for a further 8 years. Under the terms of our licence, the increased annual broadcasting fees will diminish as listeners and advertisers migrate to the digital format.

Digital Radio

In a momentous event for the industry, Digital One, 63 per cent. owned by GWR and 37 per cent. by NTL, successfully launched the commercial national digital radio network in November.

GWR operates three of the new national digital stations: Classic FM, Core and Planet Rock (a joint venture with NTL). Planet Rock is a classic rock channel appealing to the 35+ age group whilst Core is a chart-based music channel appealing to younger people.

Momentum behind the adoption of digital radio is building at an encouraging rate. The industry is wholly committed to digital both nationally and locally, as is the BBC. Sixteen manufacturers have produced digital radio sets. The price of digital radio has already fallen, as expected, and is forecast to continue to decrease. Demand is being built by a combination of Digital One's marketing activity and promotion by the existing national services, which reach over 10 million analogue listeners.

GWR is a pioneer in digital radio broadcasting which we are confident will be the future of radio listening. GWR has secured the UK's premier digital licences and we believe they will be a major contributor to group profitability in years to come.

Internet and e-commerce

Radio is the only medium which can be used simultaneously by the fast developing numbers of internet users as they surf the web. Our plans for our first diversification outside radio were announced earlier this year and all our internet developments will take place in a separate wholly-owned company, Ecast Ventures Limited.

Ecast Ventures has a three part strategy:

- to develop, alongside our radio stations, a national network of locally-oriented web sites providing local news, information and entertainment under the brand name "koko";
- to develop Musicradio.com, a radio entertainment portal which provides radio programmes on the internet. This form of delivery is growing in popularity as internet connection costs diminish. Audiences of Classic FM, the Group's local stations, Core and Planet Rock will all potentially grow from this new distribution channel; and
- to invest as partners in early stage internet businesses where clear strategic benefits can be seen and GWR's airtime can be exchanged for equity.

Relationship with DMGT

GWR and Daily Mail and General Trust plc ("DMGT"), which holds 18.8 per cent. of GWR, have identified a number of areas in which we can see commercial advantages from co-operation. We have agreed to discuss collaboration on the development of local portal internet sites in areas in which GWR has local radio stations and DMGT has local newspapers, using the combined content, promotion and advertising sales strengths of the two organisations.

We will also look at ways of leveraging the readership of Associated Newspapers (the Daily Mail and The Mail on Sunday having a combined readership of almost 8.8 million people per week) and the listenership of Classic FM (with 6.3 million listeners a week) in the new media environment.

We are also planning to develop cross marketing and listener/readership promotion opportunities between:

- Classic FM, Daily Mail and Mail on Sunday;
- Northcliffe Newspapers and GWR's local radio stations; and
- London News Radio and the Evening Standard and Metro.

In addition, we are considering the relaunch, by December 2000, of DMGT's cable television channel, The Performance Channel, as Classic FM TV.

Proposals to consolidate certain of DMGT's radio assets into GWR have also been explored. In current stockmarket conditions it has not been possible to implement these proposals.

Overseas

Audience numbers at our Vienna station are growing at a steady pace since we repositioned the programming. A joint company is being set up with a large newspaper group, whose stations will, together with ours, cover 4.5 million adults and allow break-even to be achieved more quickly. The Group's stations in Bulgaria are performing very strongly. Classic FM in Finland has made excellent progress and is now trading profitably.

Associates

The opportunity arose to increase the Group's interest to 49 per cent. in both Stray FM in Harrogate and the Minster Sound Radio group with Radio Investments as partners. This affluent area of Yorkshire provides good prospects for growth. With our partners ITN, London News Radio has been restructured, which has resulted in a substantial turnaround in the company's fortunes.

Regulation

The Government has announced that there will be a White Paper on the communications industry in the autumn. Along with our colleagues in the commercial radio industry, we continue to lobby strongly for changes in ownership rules. In addition, we believe that the BBC enjoys unfettered and unfair advantage which should be controlled by a regulator outside of the Corporation. There has been recent press comment that ministers plan to ease media ownership rules. This would be welcomed by GWR as it would offer considerable opportunities to expand our business in the UK.

Board and Management

The pace of change in our industry and in the area of new media continues to accelerate. GWR continues to demonstrate leadership in many areas of our business. On behalf of our board and shareholders, I thank Ralph Bernard, the Executive Committee and all the dedicated people within our group for another highly successful year.

Outlook

Trading since the year end has been very encouraging with strong increases in turnover and underlying profits. The group has established some key strategic opportunities for its future expansion. In digital radio *we control the transmission rights to all ten national commercial channels. Our plans for local web portals* are developing rapidly in conjunction with our local stations. Classic FM is enjoying the benefits of the increasing power of its UK brand. The potential from working in conjunction with DMGT to develop local and national joint initiatives is considerable. In addition to these strengths, we expect to continue to grow the profits of our substantial network of local stations.

Henry Meakin
Chairman

26 May 2000

Consolidated profit and loss account

for the year ended 31 March 2000

	Notes	*2000* *£'000*	*1999* *£'000*
Turnover	2	**102,271**	84,160
Operating expenses		**(80,512)**	(64,033)
Operating profit	2	**21,759**	20,127
Income from interests in associated undertakings		**135**	103
Investment income	3	**317**	285
Interest payable and other similar charges	4	**(3,461)**	(2,213)
Profit on ordinary activities before taxation	2, 5	**18,750**	18,302
Taxation	6	**(6,019)**	(6,565)
Profit on ordinary activities after taxation		**12,731**	11,737
Minority interests – equity		**1,057**	395
Profit for the financial year		**13,788**	12,132
Dividends	7	**(5,577)**	(4,611)
Retained profit for the year	15	**8,211**	7,521
Earnings per share	8	**12.5p**	11.1p
Diluted earnings per share	8	**12.2p**	11.0p
Headline earnings per share	8	**14.0p**	11.1p

All of the Group's turnover and profit were generated from continuing activities.

There is no material difference between profit on the historical cost basis and that disclosed above. Accordingly, no note of historical cost profits and losses has been included.

Consolidated Balance sheet at 31 March 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Intangible assets		**38,349**	30,545
Tangible assets	9	**21,114**	20,539
Investments	10	**19,958**	6,834
		79,421	57,918
Current assets			
Stocks		**136**	76
Debtors	11	**34,288**	24,928
Cash at bank and in hand		**1,592**	2,968
		36,016	27,972
Creditors: amounts falling due within one year	12	**(73,321)**	(64,614)
Net current liabilities		**(37,305)**	(36,642)
Total assets less current liabilities		**42,116**	21,276
Creditors: amounts falling due after more than one year	13	**(34,716)**	(24,126)
Provisions for liabilities and charges		**(2,129)**	(1,457)
Net assets/(liabilities)	2	**5,271**	(4,307)
Capital and reserves			
Called up share capital	14	**5,583**	5,495
Share premium account	15	**7,140**	733
Other reserves	15	**369**	1,482
Profit and loss account	15	**(3,775)**	(8,919)
Equity shareholders' funds		**9,317**	(1,209)
Minority interests - equity		**(4,046)**	(3,098)
		5,271	(4,307)

Consolidated cash flow statement

for the year ended 31 March 2000

	Notes	*2000* *£'000*	*1999* *£'000*
Operating activities			
Net cash inflow from operating activities	17	**20,605**	22,056
Returns on investments and servicing of finance			
Investment income received		**76**	54
Net interest paid		**(3,307)**	(2,155)
Interest paid on finance leases		**(49)**	(71)
Dividend received		**263**	234
Net cash outflow from returns on investments and servicing of finance		**(3,017)**	(1,938)
Taxation			
UK Corporation tax paid		**(8,103)**	(4,198)
Overseas tax paid		**(107)**	(91)
		(8,210)	(4,289)
Capital expenditure and financial investment			
Sale of tangible fixed assets		**233**	210
Purchase of tangible fixed assets		**(5,700)**	(5,149)
Purchase of intangible fixed assets		**(1,592)**	(1,304)
Purchase of fixed asset investments		**(12,466)**	(779)
Net cash outflow from capital expenditure and financial investment		**(19,525)**	(7,022)
Acquisitions and disposals			
Purchase of subsidiaries		**(6,062)**	(16,791)
Cash acquired with subsidiaries		**520**	262
Overdraft acquired with subsidiaries		**—**	(427)
Purchase of investments in associates		**(5,113)**	(112)
Disposal of investments in associates		**2,184**	—
Net cash outflow from acquisitions and disposals		**(8,471)**	(17,068)
Equity dividends paid		**(4,971)**	(4,044)
Net cash outflow before financing		**(23,589)**	(12,305)
Financing			
Issue of shares		**6,495**	720
Increase in short term borrowings		**9,049**	13,501
Increase in medium term borrowings		**12,000**	3,707
Repayment of loans		**(3,150)**	(4,100)
Issue of share capital by group companies		**110**	388
Repayment of principal under finance leases		**(192)**	(202)
Net cash inflow from financing		**24,312**	14,014
Increase in cash for the year	18, 19	**723**	1,709

Statement of total recognised gains and losses

for the year ended 31 March 2000

	2000 £'000	1999 £'000
Profit for the financial year	**13,788**	12,132
Currency translation differences on foreign currency investments	**73**	(152)
Restatement of fixed assets at cost	**(1,113)**	—
Total recognised gains for the financial year	**12,748**	11,980

Reconciliation of movements in consolidated shareholders' funds

for the year ended 31 March 2000

	2000 £'000	1999 £'000
Profit for the financial year	**13,788**	12,132
Dividends	**(5,577)**	(4,611)
Retained profit for the financial year	**8,211**	7,521
Currency translation differences on foreign currency investments	**73**	(152)
New share capital issued	**88**	43
Premium on shares issued	**6,407**	677
Goodwill movements	**1,273**	459
Restate fixed assets at cost	**(1,113)**	—
QUEST employee share scheme	**(4,413)**	—
Net increase in shareholders' funds	**10,526**	8,548
Opening shareholders' funds	**(1,209)**	(9,757)
Closing shareholders' funds	**9,317**	(1,209)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2000

1. Basis of preparation

The financial information set out above does not constitute the Group's statutory accounts for the year ended 31 March 1999 or 2000, but is derived from those accounts. Statutory accounts for the year ended 31 March 1999 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2000 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

When published, the Company's Annual Report and Accounts will be sent to shareholders and will be made available to the public at the Company's registered office.

2. Segmental information

The following is a geographical analysis of the results for the Group.

	UK		*Overseas*		*Total*	
	2000	*1999*	***2000***	*1999*	***2000***	*1999*
	£'000	*£'000*	***£'000***	*£'000*	***£'000***	*£'000*
Turnover	**100,554**	83,478	**1,717**	682	**102,271**	84,160
Operating profit/(loss)	**24,079**	21,900	**(2,320)**	(1,773)	**21,759**	20,127
(Deficit)/income from interests in associated undertakings	**(120)**	174	**255**	(71)	**135**	103
Investment income	**296**	283	**21**	2	**317**	285
Interest (payable)/receivable	**(3,662)**	(2,589)	**201**	376	**(3,461)**	(2,213)
Profit/(loss) on ordinary activities before taxation	**20,593**	19,768	**(1,843)**	(1,466)	**18,750**	18,302
Net assets/(liabilities)	**12,510**	2,571	**(7,239)**	(6,878)	**5,271**	(4,307)

The Group has only one material class of business.

3. Investment income

	2000	*1999*
	£'000	*£'000*
Interest receivable	**75**	46
Dividends receivable from other investments	**242**	234
Rents receivable	**—**	5
	317	285

4. Interest payable and other similar charges

	2000	*1999*
	£'000	*£'000*
Bank loans and overdrafts	**3,412**	2,155
Finance leases	**49**	58
	3,461	2,213

5. Profit on ordinary activities before taxation

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Loss/(profit) on disposal of tangible fixed assets	**75**	(53)
Profit on disposal of investments	**(87)**	13
Depreciation charge for the year:		
Tangible owned fixed assets	**3,425**	3,160
Tangible fixed assets held under finance leases	**154**	167
Goodwill	**1,628**	25
Other intangible fixed assets	**138**	91
Auditors' remuneration (including expenses):		
Audit – KPMG Audit Plc (Company 2000: £5,000 (1999: £4,500))	**65**	60
Other services – KPMG Audit Plc and its associates	**80**	204
Hire of plant and machinery – operating leases	**258**	230
Hire of other assets – operating leases	**1,451**	1,382

The Company incurred £225,000 (1999: £260,000) of fees from KPMG Audit Plc, the Company's auditors, and its associates, principally in relation to the Classic FM licence renewal (*1999:* application for Digital One Ltd), which have been capitalised during the year.

6. Taxation

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999: 31%)		
Current	**5,239**	6,607
Deferred	**672**	(186)
Share of taxation of associated undertakings	**1**	53
Total United Kingdom taxation	**5,912**	6,474
Overseas tax	**107**	91
Total	**6,019**	6,565

7. Dividends

		2000 £'000	1999 £'000
Interim	1.9p per share (1999: 1.6p) paid 12 January 2000	**2,116**	1,754
Final proposed	3.1p per share (1999: 2.6p) to be paid on 4 August 2000	**3,461**	2,857
	5.0p (1999: 4.2p)	**5,577**	4,611

The final dividend has an ex-dividend date of 3 July 2000 and a record date of 7 July 2000.

8. Earnings per share

The calculation of earnings per share is based on the weighted average number of shares in issue for the year of 110,709,656 (1999: 109,454,029) and the profit for the financial year of £13,788,000 (1999: £12,132,000).

The calculation of diluted earnings per share uses the weighted average number of shares in issue as above adjusted to take account of the dilutive effect of the number of options granted of 1,912,897 (1999: 804,912) giving a total of 112,622,553 (1999: 110,258,941).

The calculation of the Headline earnings per share is based on the definition by the Institute of Investment Management and Research in their Statement of Investment Practice No.1. The calculation is based on the weighted average number of shares in issue for the year of 110,709,656 (1999: 109,454,029) and the adjusted profit of £15,444,000 (1999: £12,117,000). The reconciliation from profit for the financial year to adjusted profit is as follows:

	2000 £'000	1999 £'000
Profit for the financial year	**13,788**	12,132
Loss/(profit) on the sale of fixed assets	**75**	(53)
Profit on the sale of investments	**(87)**	13
Goodwill amortisation	**1,628**	25
Tax effect of the above	**40**	—
	15,444	12,117

9. Tangible fixed assets

	Land and buildings £'000	*Fixtures and technical equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Cost				
At 1 April 1999 – at cost or valuation	11,201	27,104	1,113	39,418
Restate assets at cost	(1,287)	—	—	(1,287)
At 1 April 1999 – restated at cost	9,914	27,104	1,113	38,131
Exchange movements	(45)	(276)	8	(313)
Additions	1,782	3,918	—	5,700
Purchases of businesses	214	627	221	1,062
Disposals	(172)	(357)	(266)	(795)
At 31 March 2000	**11,693**	**31,016**	**1,076**	**43,785**
Depreciation				
At 1 April 1999	2,905	15,326	648	18,879
Exchange movements	44	62	13	119
Depreciation charge for year	628	2,815	136	3,579
Purchases of businesses	—	485	94	579
Disposals	(3)	(310)	(172)	(485)
At 31 March 2000	**3,574**	**18,378**	**719**	**22,671**
Net book value				
At 31 March 2000	**8,119**	**12,638**	**357**	**21,114**
Net book value				
At 31 March 1999	8,296	11,778	465	20,539

10. Investments

	Associated Undertakings £'000	*Other investments £'000*	*Total £'000*
At 1 April 1999	4,403	2,431	6,834
Additions	5,113	12,454	17,567
Disposals	(2,032)	—	(2,032)
Share of results for year	(18)	—	(18)
Goodwill movements	(2,393)	—	(2,393)
At 31 March 2000	**5,073**	**14,885**	**19,958**

11. Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year		
Trade debtors	**18,252**	16,606
Amounts owed by associated undertakings	**844**	677
Other debtors	**7,127**	4,521
Prepayments and accrued income	**3,015**	3,124
Capital prepayments	**5,050**	—
	34,288	24,928

12. Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Loan notes	**10,643**	11,010
Bank loans and overdrafts	**32,591**	26,988
Obligations under finance leases	**74**	168
Trade creditors	**4,160**	1,968
Amounts owed to associated undertakings	**1,484**	337
Corporation tax	**5,103**	8,018
Other taxation and social security	**1,626**	1,869
Other creditors	**5,121**	2,139
Accruals	**9,058**	9,260
Dividends payable	**3,461**	2,857
	73,321	64,614

The loan notes are variable rate guaranteed unsecured loan notes redeemable at par on 31 March 2004. Notes are also repayable on quarterly interest dates following 30 days written notice being given to the Company.

13. Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Bank loans and overdrafts	**32,288**	23,958
Obligations under finance leases	**70**	168
Other creditors	**2,358**	—
	34,716	24,126

Bank loans and overdrafts

	2000 £'000	1999 £'000
Repayable as follows:		
In one year or less, or on demand	**32,591**	26,988
Between one and two years	**2,900**	4,492
Between two and five years	**29,388**	19,466
	64,879	50,946

The Group has one three year and three five year committed loan facilities in the United Kingdom, and one six year committed loan facility in Austria. All borrowings are unsecured. The debt incurs interest at variable LIBOR related rates which fluctuate in line with market conditions.

14. Called up share capital

	Authorised Number	Authorised £'000	Allotted, called-up and fully paid Number	Allotted, called-up and fully paid £'000
Ordinary shares of 5p each				
At 1 April 1999	150,000,000	7,500	109,896,125	5,495
Share options exercised	—	—	979,965	49
Shares issued	—	—	780,169	39
At 31 March 2000	**150,000,000**	**7,500**	**111,656,259**	**5,583**

15. Reserves

Other reserves

	Special capital reserve £'000	*Revaluation reserve £'000*	*Total Other reserves £'000*
At 1 April 1999	369	1,113	1,482
Restate tangible fixed assets at cost	—	(1,113)	(1,113)
At 31 March 2000	**369**	—	**369**

	Share premium account £'000	*Profit and loss account £'000*
At 1 April 1999	733	(8,919)
Shares issued	82	—
Share options exercised	1,939	—
QUEST employee share scheme	4,386	(4,413)
Exchange movements	—	73
Adjustments to goodwill previously written off	—	1,273
Retained profit for the year	—	8,211
At 31 March 2000	**7,140**	**(3,775)**

16. Goodwill

The cumulative amount of goodwill resulting from acquisitions, net of goodwill written back through the profit and loss account attributable to subsidiary undertakings amounted to £154,557,000 (1999: £154,479,000).

17. Reconciliation of operating profit to net cash inflow from operating activities

	2000 £'000	*1999 £'000*
Operating profit	**21,759**	20,127
Depreciation of tangible fixed assets	**3,579**	3,327
Amortisation of intangible fixed assets	**1,766**	116
Loss/(profit) on disposal of tangible fixed assets	**75**	(53)
(Profit)/loss on disposal of investments	**(87)**	13
Increase in stocks	**(60)**	(11)
Increase in debtors	**(3,535)**	(6,293)
Increase in capital prepayments	**(5,050)**	—
Increase in creditors	**2,158**	4,830
Net cash inflow from operating activities	**20,605**	22,056

18. Reconciliation of net cash flow to movement in net debt

	2000 *£'000*	*1999* *£'000*
Increase in cash in the year	**723**	1,709
Cash inflow from increase in debt and lease financing	**(15,840)**	(12,906)
Change in net debt from cash flows	**(15,117)**	(11,197)
Loan notes redeemed/(issued)	**367**	(11,010)
Loans and finance leases acquired with subsidiaries	—	(4,401)
Movements in net debt in year	**(14,750)**	(26,608)
Net debt at 1 April 1999	**(59,324)**	(32,716)
Net debt at 31 March 2000	**(74,074)**	(59,324)

19. Analysis of net debt

	1 April 1999 £'000	*Cash Flow £'000*	*Other Non-cash £'000*	***31 March 2000 £'000***
Cash in hand	2,968	(1,376)		**1,592**
Overdrafts	(2,099)	2,099		—
		723		
Debt due within one year	(35,899)	(9,049)	1,714	**(43,234)**
Debt due after one year	(23,958)	(8,500)	170	**(32,288)**
Finance leases	(336)	192	—	**(144)**
Total	(59,324)	(16,634)	1,884	**(74,074)**

PART V

PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following pro forma unaudited statement of net assets, which has been prepared for illustrative purposes only and because of its nature it may not give a true picture of the issuer's financial position or results, indicates the effect on the net assets of GWR of the merger. The pro forma statement is based upon the balance sheet for GWR adjusted for the figures for DMG Radio Group, the cost of the acquisition and the restructuring undertaken pre-completion.

		Adjustments					
	GWR 31st March 2000 (note 1) £'000	*DMG Radio Group 30th September 1999 (note2) £'000*	*Deconsolidate DMGRIPL (note 3) £'000*	*Share of net assets of DMGRIPL (note 3) £'000*	*Cost of acquisition (note 4) £'000*	*Pre completion restructuring (note 5) £'000*	*Pro forma Enlarged Group (notes 6-8) £'000*
Fixed assets							
Intangible assets	38,349	6,890	(1,656)	—	140,600	(7,900)	(176,283)
Tangible assets	21,114	14,722	(11,712)	—	—	—	24,124
Investments	19,958	10,404	(444)	3,359	—	(7,800)	25,477
	79,421	32,016	(13,812)	3,359	140,600	(15,700)	225,884
Current assets							
Stock	136	60	(13)	—	—	—	183
Debtors	34,288	7,618	(5,027)	—	—	—	36,879
Cash at bank and in hand	1,592	1,928	(1,583)	—	—	—	1,937
	36,016	9,606	(6,623)	—	—	—	38,999
Creditors less than one year	(73,321)	(3,116)	1,966	—	(5,400)	2,100	(77,771)
Net current (liabilities)/ assets	(37,305)	6,490	(4,657)	—	(5,400)	2,100	(38,772)
Total assets less current liabilities	42,116	38,506	(18,469)	3,359	135,200	(13,600)	187,112
Creditors due after more than one year	(34,716)	(11,879)	3,906	—	(48,500)	7,900	(83,289)
Provisions for liabilities and charges	(2,129)	(1,552)	1,129	—	—	—	(2,552)
Net assets	5,271	25,075	(13,434)	3,359	86,700	(5,700)	101,271

Notes

1. Extracted from the audited preliminary financial statements of GWR at 31st March 2000
2. Extracted from the Accountant's Report on DMG Radio Group at 30th September 1999
3. DMGRIPL is deconsolidated and treated as a 25 per cent. associate in accordance with UK Acounting Standards.
4. The cost of acquisition reflects the following:
   - the cost of acquisition of DMG Radio Group is £146 million of which £96 million is in the form of Consideration Shares, £48.5 million is in the form of Convertible Notes and £1.5 million in cash.
   - goodwill is based on cost of investment of £149.9 million, less net assets acquired of £9.3 million (being the aggregate of adjustments 2, 3 and 5).
   - expenses of acquisition estimated at £3.9 million
5. Pre-completion restructuring reflects repayment of long term intercompany debt of £7.8 million, transfer to GWR of intercompany creditors of £7.9 million and payment of dividends to DMGT of £5.7 million
6. No account has been taken of the trading results since 1st October 1999 for DMG Radio Group and since 1st April 2000 for GWR
7. No account has been taken of fair value and accounting basis adjustments on acquisition.
8. The information has been prepared in a manner consistent with both the format and accounting policies adopted by GWR in its financial statements.

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GWR Group plc
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The Directors
SG Hambros Corporate Finance
SG House
41 Tower Hill
London
EC3N 4SG

13th June 2000

Dear Sirs,

Pro forma financial information

We report on the pro forma financial information set out in Part V of the Class 1 circular dated 13th June 2000, which has been prepared, for illustrative purposes only, to provide information about how the acquisition of the DMG Radio Group might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors of GWR Group plc to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules.

It is our responsibility to form an opinion, as required by the Listing Rules of the UKLA, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors of GWR Group plc.

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis set out therein;
- such basis is consistent with the accounting policies of GWR Group plc; and
- the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UKLA.

Yours faithfully

KPMG Audit Plc

PART VI

PROFIT FORECAST FOR DMG RADIO GROUP

The Directors believe that, in the absence of unforeseen circumstances and on the basis of the assumptions set out below, for the twelve months to 30th September 2000, DMG Radio Group is capable of generating the following revenue and profits before synergies:

	Revenue £million	*Profits before interest, tax, depreciation and amortisation £million*	*Profits before interest and tax £million*
UK	10.4	2.8	2.4
Australia†	–	1.4	0.9*
Hungary‡	6.3	1.1	1.0
	16.7	5.3	4.3

* before amortisation of goodwill and licences
† representing 25 per cent. of the results
‡ representing 100 per cent. of the results and, therefore, before taking out the minority interest of 47 per cent.

Basis of preparation and key assumptions

The Directors' forecast of profit for the twelve months to 30th September 2000 is based upon management projections prepared by them taking account of the unaudited management accounts for the seven months to 30th April 2000 and a five month forecast for the period ending 30th September 2000. Profit before interest and tax has been forecast as DMG Radio Group is being purchased on a debt free basis. The forecast has been prepared using the accounting policies described in the Accountants' Report in Part II of this document and includes the following critical assumptions which are within the control of the Directors:

- Turnover growth is 16 per cent. in the UK and Hungary and 7 per cent. in Australia in comparison with the previous year;
- Certain Australian stations are being centralised within one hub. This centralisation reduces personnel costs by 7.6 per cent.

In addition, the forecasts are based on the following general assumptions all of which are outside the control of the Directors:

- Rates of interest and exchange rates will not change significantly during the remainder of the forecast periods;
- Changes in United Kingdom legislation or national and local government regulation will not materially affect the results of the operations.

KPMG

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The Directors
GWR Group plc
PO Box 2345
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Wiltshire
SN5 7HF

13th June 2000

Dear Sirs

DMG Radio Group

We have reviewed the accounting policies and calculations for the forecast of profit before interest, tax, depreciation and amortisation and the forecast of profit before interest and tax (and amortisation of goodwill and licences in the case of Australia) (together **"the forecast"**) of DMG Radio Group for the year ending 30th September 2000, set out in Part VI of the Class 1 circular dated 13th June 2000. The directors are solely responsible for the forecast.

We conducted our work in accordance with Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

In our opinion the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors set out in Part VI of the Class 1 circular and is presented on a basis consistent with the accounting policies normally adopted by GWR Group plc.

Yours faithfully

KPMG Audit Plc

SG

The Directors
GWR Group plc
PO Box 2345
3B2, Westlea
Swindon
SN5 7NF

SG Hambros
Corporate Finance

13th June 2000

Dear Sirs

We have discussed with the Directors of GWR Group plc (the "Company") the forecast of profit before interest, tax, depreciation and amortisation and the forecast of profit before interest and tax (and amortisation of goodwill and licences in the case of Australia) (together **"the forecast"**) of DMG Radio Group for the year ending 30th September 2000, set out in Part VI of the Class 1 circular to shareholders dated 13th June 2000 together with the bases and assumptions upon which the profit forecast is made. We have also discussed the accounting policies and calculations for the profit forecast with KPMG Audit plc and have considered their letter dated 13th June 2000 addressed to yourselves and ourselves on this matter.

We consider that the profit forecast, for which the directors of the Company are solely responsible, has been prepared after due and careful enquiry.

Yours faithfully

SG Hambros Corporate Finance

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PART VII

ADDITIONAL INFORMATION

1. Responsibility statement

The Directors and the Proposed Director (whose names appear in paragraph 2 below) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company, the Directors and Proposed Director

The directors of GWR, and their functions, are as follows:

Henry Meakin	Chairman
Ralph Bernard	Chief Executive
Roger Gilbert	Deputy Chairman
Richard Palmer	Vice Chairman
Patrick Taylor	Deputy Chief Executive and Finance Director
Roger Lewis	Managing Director and Programme Controller of Classic FM
Steve Orchard	Operations Director UK Local Radio and Group Programme Director
Simon Ward	Group Commercial Director
Eddie Blackwell	Non-Executive Director
Simon Duffy	Non-Executive Director
Sir Peter Michael	*Non-Executive Director*
Stella Pirie	Non-Executive Director
Jonathan Trafford	Non-Executive Director
Nicholas Tresilian	Non-Executive Director
Peter Williams	Proposed Non-Executive Director

The business address of each of the Directors is the same as the registered and head office of the Company which appears in paragraph 2.1 below.

The business address of the Proposed Director is Northcliffe House, 2 Derry Street, Kensington, London W8 5TT.

2.1 Incorporation

The Company is incorporated and registered in England and Wales (registered number 0715143). The Company was incorporated on 12th February 1962 and registered as a public company on 29th March 1982. The Company operates under the Act. The registered and head office of the Company is at Terminal 4, 3B2 Stonehill Green, Westlea, Swindon, Wiltshire SN5 7HF.

2.2 Activities

The Company is the holding company of the Group. The members of the Group operate independent radio licences which involve the production and provision of radio programmes principally in the United Kingdom.

2.3 Subsidiary undertakings

The Company is a holding company and its principal subsidiaries are listed below:

Name of undertaking	*Proportion of nominal value of issued shares held by:*	
	Group %	*Company* %
GWR Radio Services Limited	100	100
Classic FM plc	100	100
Beacon Broadcasting Limited	100	—
Wiltshire Radio plc	100	—
GWR (West) Limited	100	—
Thames Valley Broadcasting plc	100	—
Two Counties Radio Limited	100	—
Chiltern Radio PLC	100	—
Radio Trent Limited	100	—
Radio Broadland Limited	100	—
Suffolk Group Radio plc	100	—
Orchard Media Limited	100	—
Leicester Sound Limited	100	—
Mercia Sound Limited	100	—
Mid Anglia Radio Limited	100	—
Radio Wyvern plc	100	—
Plymouth Sound Limited	100	—

All of the above companies are independent radio contractors and are registered and incorporated in England and Wales. All of the above companies have the same registered office as that of the Company.

3. Share capital

3.1 The authorised and issued share capital of the Company at the date of this document is as follows:

	Authorised		*Issued and fully paid*	
	£	*Number*	*£*	*Number*
Ordinary Shares	7,500,000	150,000,000	5,582,812.95	111,656,259

3.2 The expected authorised and issued share capital of the Company at Admission will be as follows:

	Authorised		*Issued and fully paid*	
	£'000	*Number*	*£'000*	*Number*
Ordinary Shares	8,700,000	174,000,000	6,198,133.45	123,962,669

3.3 A summary of the changes to the issued share capital of the Company appears in the called up share capital section of the Financial Information contained in Parts III and IV. There have been no changes to the issued share capital of the Company since 31st March 2000.

3.4 Save as mentioned in this paragraph 3, paragraph 6 or paragraph 9:

(i) no unissued share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(ii) no share or loan capital of the Company or any of its subsidiaries (other than intra-group issues by wholly-owned subsidiaries) has been issued for cash or other consideration within the three year period immediately preceding the date of this document and no such issue is proposed;

(iii) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within the two years immediately preceding the date of this document in connection with the sale or issue of any share capital or loan capital.

3.5 The Consideration Shares can be held and traded in uncertificated form in CREST. Further details are available from the Registrars.

3.6 The issue price of the Consideration Shares of 780p represents a premium of 775p over the nominal value of 5p per Ordinary Share.

3.7 The Directors intend to grant further options to employees of the Group pursuant to the terms of the Share Options Schemes.

3.8 By an ordinary resolution passed at the Annual General Meeting of the Company on 29th July 1999, the Directors were authorised, pursuant to Section 80(1) of the Act, to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £2,005,170 on the basis that such authority would expire at the conclusion of the Annual General Meeting of the Company to be held in August 2000, save that the Directors may allot relevant securities pursuant to such authority at any later date where such allotment is pursuant to any offer or agreement made by the Company before the expiry of such authority.

3.9 By a special resolution passed at the Annual General Meeting of the Company on 29th July 1999, the Directors were authorised to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority specified above as if Section 89(1) of the Act did not apply to any such allotment, on the basis that such power be limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares where such securities are offered to holders of ordinary shares in proportion (as nearly as may be) to the number of ordinary shares then held by them;

(ii) the allotment of equity securities (otherwise than pursuant to sub-paragraph (i) above) up to an aggregate nominal amount of £274,740.

3.10 *Ordinary resolutions will be proposed at the Extraordinary General Meeting to the effect, inter alia,* conditional upon the approval of the Acquisition, that:

(i) the authorised share capital of the Company be increased from £7,500,000 to £8,700,000;

(ii) authority be conferred on the Directors under section 80 of the Act to exercise the powers of the Company to allot 18,869,900 new Ordinary Shares being relevant securities (as defined in section 80(2) of the Act) (representing approximately 17 per cent. of the issued share capital as at the date of this document) in connection with the Acquisition. This authority will commence on the date that the resolution is passed and expire on the conclusion of the next Annual General Meeting of the Company.

4. Historical market value of Ordinary Shares

The closing middle market quotations for Ordinary Shares for the first dealing day in each of the six months before the date of this document and the latest practicable date prior to the date of this document are as follows (as derived from the Official List of the UKLA):

Date	*Price*
4th January 2000	650.0p
1st February 2000	722.5p
1st March 2000	931.5p
3rd April 2000	957.5p
2nd May 2000	850.0p
1st June 2000	676.5p
12th June 2000	777.5p

5. Memorandum and Articles of Association

The Memorandum of Association ("the Memorandum") provides that the principal objects of the Company are, *inter alia*, to produce and provide programmes for independent radio broadcasting and to carry on business as producers, editors, sellers, distributors, agents and dealers in programmes and materials of all kinds and all forms of broadcasting and entertainment on radio whether transmitted, recorded, reproduced or howsoever received and to enter into and carry into effect such contracts and agreements and to do all such other things as shall in the opinion of the Company be conducive to the above purposes. The objects of the Company are set out in full in clause IV of the Memorandum, which is available for inspection as specified in paragraph 15 below.

The Articles of Association of the Company (the "Articles") which were adopted by a Special Resolution of the Company passed on 30th March 1995 and amended on 14th August 1996, 30th July 1998 and 29th July 1999 contain, *inter alia*, provisions to the following effect:

5.1 Voting rights

At any general meeting, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for every share of which he is the holder.

Any member who has been served with a Transfer Notice (as defined below) shall not in respect of the number of shares specified in the Transfer Notice be entitled with effect from the date of service of the Transfer Notice to receive a notice of, or attend or vote at, any general meeting of the Company or any separate meeting of the holders of any class of shares or on a poll to exercise any other right conferred by membership in relation to any such meeting or poll.

5.2 Transfer of shares

All transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares unless:

(i) it is in respect of a share which is fully paid up;

(ii) it is in respect of a share on which the Company has no lien;

(iii) it is in respect of only one class of share;

(iv) it is in favour of a single transferee or not more than four joint transferees;

(v) it is duly stamped (if so required); and

(vi) it is delivered for registration to the registered office or such other place as the Board may from time to time determine accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so.

If the Board considers (after due consultation with the Radio Authority (the "Authority"), whether pursuant to information or evidence provided in response to a notice under the Articles or on any other basis, that the Authority may revoke, suspend or determine any licence granted by the Authority (the "Licence") or decline to renew or extend the Licence by reason of the interest of a person in shares of the Company, the Board may serve written notice ("a Transfer Notice") on such person, or if different, the holder or holders of the shares, requiring him to sell all or part of the shares held by him ("a Compulsory Transfer").

A Transfer Notice shall specify in general terms the reason for the Board's determination; refer to the cessation of voting rights as set out in the Articles; specify the number of shares to be disposed of, and where more than one holder (treating joint holders as a single holder) is required to dispose of shares, specify the number of shares to be disposed of by each holder. The number of shares to be disposed of and the identity of the holders to so dispose of shares shall be in the absolute discretion of the Board and need not be made *pro rata*.

A Compulsory Transfer shall be completed within thirty days of the service of the Transfer Notice, and the holder shall lodge the transfer with the Company for registration within such period. If the holder shall fail to do so, the holder shall be deemed to have appointed the Board his agent for the sale of the shares specified in the Transfer Notice. The Board shall, so far as it is reasonably able, complete the Compulsory Transfer at a price which it, in its absolute discretion, determines to be the best price reasonably obtainable in the circumstances and shall give written notice of the disposal to the holder concerned.

To give effect to a Compulsory Transfer, the Board may authorise some person to transfer the shares, enter the name of the transferee in the Company's register of members, notwithstanding the absence of a share certificate and issue a new certificate to the transferee. An instrument of transfer lodged by that person shall be as effective as if it had been executed by the holder of those shares. The transferee shall not be bound to see to the application of the purchase monies nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the Compulsory Transfer. The net proceeds of sale shall be received by the Company, whose receipt shall be a good discharge for the purchase monies, and shall be paid (without any interest being payable on it) to the former holder upon surrender by him of the share certificate in respect of those shares.

Any determination of the Board under the Articles in connection with a Compulsory Transfer shall be final and conclusive but without prejudice to the power of the Board to subsequently vary or revoke such determination prior to the completion of a Compulsory Transfer.

5.3 Failure to disclose interests in shares

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act and has failed in relation to any shares (the "Default Shares") to give the Company the information required within the prescribed period from the date of notice, the following sanctions shall apply:

(a) the member shall not be entitled in respect of the Default Shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) where the Default Shares represent at least 0.25 per cent. in nominal value of their class:

  (i) any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and

  (ii) no transfer, other than an approved transfer as defined in the Articles as being a transfer pursuant to acceptance of a takeover offer for the Company or a *bona fide* sale to an unconnected third party of any shares held by the member, shall be registered unless:

    – the member is not himself in default as regards supplying the information required; and

    – the member proves to the satisfaction of the Board that no person in default as regards supplying the such information is interested in any of the shares which are the subject of the transfer.

5.4 Dividends

Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare that, out of profits available for distribution, dividends be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board. Interim dividends may be declared and paid provided that they appear to the Board to be justified by the profits of the Company available for distribution and the position of the Company.

All dividends shall be declared and paid according to the amounts paid up (otherwise than in advance calls) on the shares on which the dividend is paid. Subject to the foregoing all dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. All dividends, interest or other sums payable and unclaimed for 12 months after becoming payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. All dividends unclaimed after a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and revert to the Company.

5.5 Distribution of assets on liquidation

On a winding up of the Company, any surplus assets available for distribution shall be divided among the members in proportion to the amounts paid up on their respective shares at the commencement of the winding-up or, with the sanction of an extraordinary resolution of the Company, be divided amongst the members *in specie* in such manner as shall be determined by the liquidator.

5.6 Changes in Share Capital

The Company may by ordinary resolution at a general meeting alter its share capital as follows:

(a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;

(b) consolidate and divide all or any of its share capital into share of larger nominal value;

(c) cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and

(d) subject to the Act, sub-divide its shares or any or them into shares of smaller nominal value than is fixed by the Memorandum.

5.7 Variation of rights

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may or may be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of extraordinary resolution passed at a separate general meeting of the holders of the shares of the class duly convened.

The quorum for such a separate meeting of the holders of the shares of the relevant class shall be not less than two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the relevant class.

5.8 Directors' interests in contracts

(a) Subject to the provisions of the Act and the Articles, notwithstanding his office, a director:

(i) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;

(ii) may hold any other office or place of profit under the Company in conjunction with the office of director and may act by himself or through his firm in a professional capacity for the Company;

(iii) may be a member of or a director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by or promoting the Company or in which the Company is otherwise interested; and

(iv) shall not, by reason of his office, be liable to account to the Company for any dividend, profit, any remuneration, superannuation payment or other benefit which he derives from any such office, employment, contract, arrangement, transaction or proposal or from any interest in any such body corporate; and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

(b) A director who to his knowledge is in any way (directly or indirectly) interested in any contract, arrangement, transaction or proposal with the Company must declare the nature of his interest to the Board.

(c) Save as provided below, a director of the Company shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of any committee of the Board in respect of any contract, arrangement, transaction or any proposal whatsoever in which he has any material interest or duty which conflicts with the interests of the Company. A director of the Company shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to, *inter alia*, one of the following matters:

(i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed sole or joint responsibility in whole or in part;

(iii) the subscription or purchase by him of any shares, debentures or other securities of the Company or any of its subsidiary undertakings pursuant to any offer or invitation to each of the members of the Company, or to the public in which offer or invitation the director is entitled to participate as a holder of securities or the underwriting by him of any shares or other securities;

(iv) any contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other company in which he is interested, provided that he is not directly or indirectly a holder of or beneficially interested in 1 per cent. or more of the issued equity share capital of such company;

(v) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension or retirement, death or disability benefits scheme or personal pension plan under which he may benefit and which either has been approved by the Board of the Inland Revenue for taxation purposes; or relates to both employees and directors of the Company or any of its subsidiary undertakings;

(vi) any contract, arrangement, transaction or proposal for the benefit of employees of the company or any of its subsidiary undertakings under which the director benefits in a similar manner to employees and which either does not accord any director any privilege or advantage not accorded to the employees to whom it relates or has been approved or is subject to and conditional upon approval by the Board of the Inland Revenue for taxation purposes provided that a director shall not vote or be counted in the quorum on any matter relating solely to his own participation in such arrangement; or

(vii) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy bought or maintained pursuant to the Articles.

(d) The Company may by ordinary resolution suspend or relax the provisions relating to directors' interests either generally or in respect of any particular matter or ratify any transaction not duly authorised by reason of the contravention thereof.

5.9 Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertakings, property, assets (present or future) and uncalled capital and, subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights exercisable by the Company in respect of its subsidiary undertakings so as to procure that the aggregate principal amount at any one time outstanding in respect of monies borrowed by the Group shall not at any time, without the previous sanction of an ordinary resolution, exceed an amount equal to two and a half times the adjusted capital and reserves without sanction of members by ordinary resolution.

5.10 Directors

The number of Directors shall not be less than four unless determined otherwise by an ordinary resolution of the Company.

No Director is to retire from office by reason of the fact that he has attained the age of 70 or any other age, and section 293 of the Act does not apply to the Company.

The Company may by ordinary resolution of which special notice has been given in accordance with section 379 of the Act remove any director from such office notwithstanding anything else in the Articles or in any agreements between the Company and such director.

One third of the Directors who are subject to retirement by rotation must retire at every Annual General Meeting. All directors must offer themselves up for re-election on at least one occasion in every period of three years and those directors who have been longest in office since their last appointment or re-appointment must retire first. A Director who so retires shall be eligible for re-election and may, if willing to act, be re-appointed.

The Directors shall be entitled to receive by way of fees such sum as the Board may determine from time to time. Such sums shall be divided amongst the Directors in such proportions as the Board may determine. Each Director is entitled to reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as Director, including expenses incurred in attending meetings of the Board or a committee of the Board, general meetings or any separate meetings of holders of a class of shares or of debentures of the Company.

The salary of executive Directors may be paid by way of a fixed sum of money or may be governed wholly or in part by business done or profits made or as otherwise determined by the Board and may be in addition to or in lieu of any fee payable to him for his services as a Director.

6. Share Option Schemes

The following are summaries of the Share Option Schemes adopted by the Company.

6.1 The GWR Group plc 1985 Executive Share Option Scheme

The 1985 Executive Share Option Scheme 1985 closed for the grant of new options in 1995.

Options are held to subscribe for 69,305 shares at prices of 46.27p and 120.106p per share exercisable by 2005.

6.2 The GWR Group plc 1995 Executive Share Option Scheme (the "1995 Scheme")

(a) Adoption

The 1995 Scheme was adopted on 30 March 1995 and amended on 27 March 1996. The 1995 Scheme is approved by the Inland Revenue under Schedule 9 Income and Corporation Taxes Act 1988 ("Schedule 9"). The 1995 Scheme is administered by a duly authorised committee of the board of directors, consisting wholly or mainly of non-executive directors (the "Remuneration Committee").

(b) Eligibility

All employees and full-time directors of the Company or any participating subsidiary are eligible to participate in the 1995 Scheme at the discretion of the Remuneration Committee.

(c) Grant of options

Subject to the Rules of the 1995 Scheme and The Model Code for Securities Transactions by directors of listed companies, the Remuneration Committee may grant options over Ordinary Shares in the Company to any eligible employee or director who is not within two years of the date at which he is bound to retire under his contract of employment, at any time within the period of 42 days following the announcement to the London Stock Exchange of the Company's annual or interim results or at any other time if the Remuneration Committee considers that exceptional circumstances exist which justify the grant of options.

However no option may be granted to a person who, at the proposed date of grant, is precluded from participating in the 1995 Scheme by virtue of paragraph 8 of Schedule 9 and no option may be granted more than 10 years after the 1995 Scheme is adopted.

Options are granted by deed for nil consideration and are not transferable or assignable.

(d) Share Capital Limits on options

No option may be granted if it would cause the number of Ordinary Shares to be issued on exercise, when aggregated with the number of Ordinary Shares issued or remaining issuable in respect of options granted under the 1995 Scheme and any other Share Option Scheme of the Company and Ordinary Shares issued in the previous 10 years under any employee's share scheme of the Company (other than a Share Option Scheme), to exceed 10 per cent., of the issued ordinary share capital of the Company on the date the option is granted.

(e) Exercise Price

The price at which optionholders under the 1995 Scheme may acquire Ordinary Shares on the exercise of their options shall be determined by the Remuneration Committee but shall not be less than the higher of the nominal value and the market value of an Ordinary Share on the date that the option is granted.

Whilst the shares in the Company are listed on the London Stock Exchange, market value for this purpose is the average of the middle market quotations of an Ordinary Share in the Company for the last 3 business days prior to the grant of the option. In any other case market value is the value agreed for this purpose with the Shares Valuation Division of the Inland Revenue.

(f) *Individual Limits*

The Rules of the 1995 Scheme provide that no option may be granted if the aggregate price for the Ordinary Shares payable by an optionholder on the exercise of all options granted to him under the 1995 Scheme and any other share option scheme adopted by the Company or an associated company (other than a savings-related share option scheme) approved by the Inland Revenue under Schedule 9 would exceed the greater of (a) £100,000 and (b) four times the employee or directors' annual emoluments for that or the previous tax year.

However as a result of legislation introduced by the Finance Act 1996 the above limits have been superseded. Instead no person may be granted an option under the 1995 Scheme if this would cause the aggregate market value of Ordinary Shares which may be acquired by him under this and any other Inland Revenue approved scheme (other than a savings related share option scheme) to exceed £30,000 (or such other amount as may be allowed under paragraph 28 of Schedule 9).

(g) *Exercise and Lapse of options*

Options granted under the 1995 Scheme may usually only be exercised between 3 and 10 years after their grant. However earlier exercise is permitted if the optionholder ceases to be employed by the Company or a subsidiary by reason of death, injury, disability, ill-health, retirement, redundancy, or if the Company or undertaking by which he is employed is transferred outside the Group or in the event of takeover, reconstruction or voluntary winding-up of the Company. If the optionholder leaves in other circumstances his option usually lapses on cessation, unless the Remuneration Committee exercise their discretion to keep it open for a longer period.

The Remuneration Committee may impose objective conditions or performance targets which must be met before an option can be exercised.

(h) *Exchange of options following a Change of Control*

In the event that a company obtains control of the Company or becomes bound or entitled to acquire all the shares in the Company under the provisions of the Companies Acts 1985-89, than (as an alternative to exercising options as described above) optionholders may, if the acquiring company so agrees. release their options in return for the grant of options over shares in the acquiring company (or a parent thereof) having the same market values and exercise prices as the options released, the new options being generally exercisable on the same terms as the old.

(i) *Adjustment of options*

In the event of a capitalisation or rights issue or the sub-division, consolidation or reduction of the Company's share capital, then (subject to the approval of the Inland Revenue) the Remuneration Committee may make such adjustments to the number of Ordinary Shares under option and the exercise price as it considers fair and reasonable, provided that the adjustment shall not cause the exercise price to fall below the nominal value of an Ordinary Share.

(j) *Amendment*

The Remuneration Committee may amend the 1995 Scheme provided that no amendment to the material advantage of optionholders (present or future) may be made to certain definitions or Rules without the approval of the Company at a general meeting and no amendment which would adversely affect the rights of an optionholder as regards an option granted prior to the amendment being made may be made without his written consent.

However, the Remuneration Committee may amend the 1995 Scheme to secure or maintain its approval by the Inland Revenue and minor amendments may be made to benefit the administration of the 1995 Scheme, to take account of a change in legislation or maintain favourable tax treatment for an optionholder. These amendments may be made without the consent of the Company or the optionholder.

However, no amendment shall have effect unless and until it is approved by the Inland Revenue.

6.3 The GWR Group plc 1995 Savings Relating Share Option Scheme (the "SAYE Scheme")

(a) Adoption

The SAYE Scheme was adopted on 30th March 1995 and amended on 27th March 1996, 20th June 1996 and 30th September 1999. The SAYE Scheme is approved by the Inland Revenue under Schedule 9.

(b) Invitations to apply for options

Subject to The Model Code for Securities Transactions by Directors of listed companies and the Rules of the SAYE Scheme, the Remuneration Committee may issue invitations to apply for options at any time within the period of 42 days following the announcement to the London Stock Exchange of the Company's annual or interim results or at any time when the Remuneration Committee considers that exceptional circumstances exist which justify the grant of options.

Invitations to apply for options may be issued to employees and full-time directors (i.e. those having a normal working week of 25 hours or more, excluding meal breaks) of the Company or a participating subsidiary, who are chargeable to tax in respect of his employment under Case 1 of Schedule E of The Income and Corporation Taxes Act 1988 and who have a qualifying period of service with the Company or a participating subsidiary of such period (not exceeding 5 years ending on the relevant date of grant of the options) as the Remuneration Committee may determine.

The Remuneration Committee may nominate other directors or employees of the Company or a participating subsidiary as being eligible to participate in the SAYE Scheme.

When sending out invitations to apply for options the Remuneration Committee must specify details of eligibility, the date an application for an option must be made, the permitted monthly contributions to a savings account, whether a repayment under the savings account will include a bonus and if so whether the bonus will be a standard or a maximum bonus and the exercise price per share (which shall not be less than the higher of the nominal value of an Ordinary Share and 80 per cent. of the market value of an Ordinary Share on the business day preceding the date on which invitations are issued).

(c) Applications for options

An application for an option must contain a form applying for an option duly completed and a savings contract application specifying the monthly contribution. Each application shall be deemed to be for the maximum number of Ordinary Shares which can be purchased with the proceeds of the relevant savings account.

(d) Scaling down of Applications

The Remuneration Committee have power to determine a maximum number of Ordinary Shares available for the grant of options. If applications for Ordinary Shares are greater than the maximum number determined by the Remuneration Committee the Remuneration Committee may scale down applications on the basis set out in the Rules of the SAYE Scheme.

(e) Grant of options

Options are granted either by the Company or by the Trustee of an employee benefit trust established by the Company. Options are granted by deed for no consideration and are not transferrable or assignable.

No option may be granted to an individual who is precluded from participating in the SAYE Scheme under paragraph 8 of Schedule 9 and no option may be granted more than 10 years after the date on which the SAYE Scheme is adopted by the Company.

(f) Scheme Limits on options

No option may be granted if it would cause the number of Ordinary Shares to be issued on exercise, when aggregated with the number of Ordinary Shares issued or remaining issuable in respect of options granted in the previous 10 years under the SAYE Scheme, and any other

Share Option Scheme adopted by the Company or issued under any employee's share scheme of the Company (other than a Share Option Scheme) to exceed 10 per cent. of the Ordinary Shares in issue on that date.

No option may be granted if it would cause the number of Ordinary Shares to be issued on exercise when aggregated with the number of Ordinary Shares issued or remaining issuable in respect of options granted in the previous 3 years under the SAYE Scheme and any other Share Option Scheme of the Company or issued in the period of 3 years under any employee's share scheme of the Company (other than a Share Option Scheme) to exceed 3 per cent. of the Ordinary Shares in issue on that date.

(g) *Exercise and Lapse of options*

Options may usually only be exercised in the period of 6 months following the bonus date under the relevant savings contract. However earlier exercise is permitted if the relevant optionholder ceases to be employed by the Company or a subsidiary by reason of death, injury, disability, retirement or redundancy or if the Company or undertaking by which he is employed is transferred outside the control of the Company, or in the event of a takeover reconstruction or voluntary winding-up of the Company. If the optionholder ceases to be employed by the Company or any member of the Group more than 3 years after the grant of the option (other than for gross misconduct) he may exercise his option within 6 months of cessation. If he ceases to be employed in other circumstances his option will lapse.

(h) *Rights attaching to Shares*

All Ordinary Shares allotted under the SAYE Scheme rank *pari passu* with all other Ordinary Shares for the time being in issue, save as regards any rights arising by reference to a record date prior to the date of allotment. Applications will be made for any such Ordinary Shares to be admitted to the Official List.

(i) *Exchange of options following a Change of Control*

In the event of another Company acquiring control of the Company through a takeover or reconstruction then (as an alternative to exercising options as described above) optionholders may, if the acquiring company so agrees, release existing options in exchange for the grant of options over shares in the acquiring company or a parent thereof, having the same aggregate exercise prices and the same market value as the Ordinary Shares which are the subject of the option released, the new options being generally exercisable on the same terms as the old.

(j) *Adjustment of options*

In the event of a capitalisation or rights issue or the sub-division, consolidation or reduction of the Company's share capital, then (subject to the approval of the Inland Revenue) the Remuneration Committee may make such adjustment to the number of Ordinary Shares and the exercise price as it considers fair and reasonable, provided that the adjustment shall not cause the exercise price to fall below the nominal value of an Ordinary Share.

(k) *Administration and Amendment*

The SAYE Scheme is administered by the Remuneration Committee and may be amended by it on the same basis as the 1995 Scheme.

(l) *Quest*

The Company set up a Qualifying Employee Share Ownership Trust on 26th October 1999 to deal with the transfer of shares on the exercise of options under the SAYE Scheme.

Under the Quest any member of the Group may, in its discretion, transfer sums of money to the trustees who hold such monies as capital in the manner set out in the Quest on trust for the beneficiaries who are defined *inter alia* as employees eligible to participate in the SAYE Scheme.

An ancillary Agreement for Satisfaction of Options dated 5th November 1999 and made between the Company and the Company's (Trustee Company) Limited provides for the trustees of Quest to acquire shares in the Company in order to transfer shares to optionholders under the SAYE Scheme on the exercise of their options.

6.4 **The GWR Group plc 1996 Executive Share Option Scheme (the "1996 Scheme")**

The 1996 Scheme was adopted on 27th March 1996. The 1996 Scheme is not approved by the Inland Revenue under Schedule 9. The Rules of the 1996 Scheme are substantially the same as the 1995 Scheme with the following changes:

(a) *Exercise of options*

Options are usually exercisable between three and seven years after their grant.

(b) *Individual Limits*

The £30,000 limit applicable to the 1995 Scheme is not applicable to the 1990 Scheme. Instead, under the 1996 Scheme no option may be granted to an eligible employee or director if the market value of the Ordinary Shares under option, when aggregated with the market value of Ordinary Shares subject to options or other rights (including any which have lapsed or been cancelled or surrendered) granted to him under the 1996 Scheme or any other employee share scheme adopted by the Company, would exceed 8 times his annual remuneration.

(c) *Adjustment of options*

Options may be adjusted on the same basis as under the 1995 Scheme but without the consent of the Inland Revenue to such adjustments being required.

(d) *Amendments*

The 1996 Scheme may be amended on the same basis as the 1995 Scheme but without the approval of the Inland Revenue to such amendments being required.

7. Directors and other interests

7.1 The interests of the directors as at the date of this document (including interests of persons connected, within the meaning of Section 346 of the Act, with them which would, if the connected person were a director, be required to be disclosed, and the existence of which is known to, or could with reasonable diligence be ascertained by, that director) in the share capital of the Company which are required to be notified by each director to the Company pursuant to Section 324 or 328 of the Act or are required to be entered in the Register referred to in Section 325 of the Act, and immediately following the issue of the Consideration Shares will be as follows:

Name	*Number of Ordinary Shares (at the date of this document)*	*Percentage of issued share capital (at the date of this document)*	*Percentage of issued share capital following the issue*
H.P.J. Meakin	15,925	0.014	0.013
R.M. Bernard	400,000	0.358	0.323
R.N. Gilbert	9,972	0.009	0.008
R.J. Palmer	50,370	0.045	0.041
J. P.E. Taylor	45,000	0.040	0.036
R.C. Lewis	—	—	—
S. Orchard	500	0.0004	0.004
S.C. Ward	149,375	0.134	0.120
C.E. Blackwell	81,000	0.073	0.065
S.P. Duffy	—	—	—
Sir Peter Michael	6,757,369	6.052	5.451
S.J. Pirie	29,000	0.026	0.023
J.H. Trafford	11,414	0.010	0.009
N.S. Tresilian	40,000	0.036	0.032

All interests shown above are beneficial with the exception of 26,328 shares held by R.M. Bernard, 2,200 shares held by S.J. Pirie, 45,000 shares held by C.E. Blackwell and 3,081 shares held by N.S. Tresilian. 465,000 shares and 46,000 shares are held by nominee companies for J.P.E. Taylor and R.J. Palmer respectively. Sir Peter Michael owns 400,000 shares. Sir Peter Michael's family trusts own Stockford Ltd which owns 6,357,369 shares.

The following options held by the directors are outstanding at the date of this document:

Name	*Number of Ordinary Shares under option*	*Exercise period*	*Exercise price*
R.M. Bernard	265,000	11.04.99 – 10.04.03	212p
	12,789	04.01.01 – 04.07.01	135p
	150,000	16.04.01 – 15.04.05	179.5p
	150,000	29.09.02 – 28.09.06	409p
J.P.E. Taylor	400,000	27.09.99 – 26.09.03	220.5p
	7,065	18.07.00 – 18.01.01	138p
	100,000	16.04.01 – 15.04.05	179.5p
	100,000	29.09.02 – 28.09.06	409p
R.C. Lewis	200,000	13.11.01 – 12.11.05	210.8p
	3,036	01.09.02 – 01.03.03	319p
	100,000	29.09.02 – 28.09.06	409p
S. Orchard	12,789	04.01.01 – 04.07.01	135p
	100,000	16.04.01 – 15.04.05	179.5p
	75,000	29.09.02 – 28.09.06	409p
S.C. Ward	12,789	04.01.01 – 04.07.01	135p
	100,000	16.04.01 – 15.04.05	179.5p
	75,000	29.09.02 – 28.09.06	409p

Save as disclosed above, none of the directors is beneficially interested in the share capital of any member of the Group.

7.2 There are no outstanding loans or guarantees provided by the Company or any of its subsidiaries to or for the benefit of any of the directors.

7.3 In the financial year ended 31st March 2000 the aggregate remuneration paid (including pension contributions) and benefits in kind granted to the directors was £2,019,000. On the basis of the arrangements in force at the date of this document it is estimated that the aggregate remuneration payable (including pension contributions) and benefits in kind granted to the directors for the year ending 31st March 2001 will be £2,119,950. There will be no variation to the emoluments receivable by the directors as a consequence of this transaction.

7.4 The relevant management experience and expertise of each of the directors is as follows:

(a) Henry Meakin has widespread experience in the media industry having been a founder director of the media and communications company, Aspen Communications PLC. He was also a founding director of Wiltshire Radio plc in 1981 which became the Company, GWR in 1987 and has been Chairman since 1988.

(b) Ralph Bernard has over 25 years' experience in the radio industry. He joined the industry as a journalist in 1975 becoming Managing Director of Wiltshire Radio plc in 1983. He has been Chief Executive of the Company since formation in 1987. He is also Chairman of London News Radio and a non-executive director of Commercial Radio Companies Association and Independent Radio News Limited. He was made a Fellow of the Radio Academy in 1998 in recognition of his distinguished service to the radio industry.

(c) Roger Gilbert has a wealth of relevant management experience being the managing director of Harmsworth Media Ltd, a subsidiary of DMGT's with interests in teletext, exhibitions and radio. Mr Gilbert is a chartered accountant and has been working for DMGT for 28 years. He joined the Board in 1988.

(d) Richard Palmer has a background in marketing and joined the board in 1989. He has been Chairman of Thames Valley Broadcasting plc, a subsidiary of the Company, since 1985.

(e) Patrick Taylor is a chartered accountant and worked for Coopers & Lybrand (now PricewaterhouseCoopers) for 6 years as a partner. He joined the Board in 1994 while he was finance director for Capital Radio plc before becoming Deputy Chief Executive and Finance Director of the Company in September 1996.

(f) Roger Lewis has had a successful career in radio since 1981. He has worked for Radio Tees, Capital Radio and the British Broadcasting Corporation where he became Head of Music at BBC Radio One in 1987. Since then Mr Lewis has been a Director and Managing Director of the Classical Division at EMI Records and President of the Decca Record Company at Polygram. He joined the Board in 1998.

(g) Steve Orchard began his career as a Reporter for Wiltshire Radio plc. His management experience has been within the Group, he became Group Programme Director in 1993 and joined the Board in November 1996.

(h) Simon Ward has 25 years of commercial radio experience in the UK. He became the Group's Sales and Marketing Director in 1991, and joined the Board in 1996 and has been Commercial Director since 1998.

(i) Eddie Blackwell has extensive knowledge and experience of commercial radio and other media. He was the founding Chief Executive of Essex Radio and is a non-executive director of London News Radio Limited. He joined the Board in 1990 and was Group Operations Director from 1992 until he became a non-executive director in September 1996.

(j) Simon Duffy was Group Finance Director of EMI Group plc from 1992 and Deputy Chairman from 1998. He left EMI in 1999 to become Chief Executive Officer of World Online International NV. He is also non-executive Chairman of Cantab Pharmaceuticals plc and a non-executive director of Imperial Tobacco Group plc. He joined the Board in February 1997.

(k) Sir Peter Michael has been chairman of Classic FM since 1993 and joined the Board in 1997. He has considerable management experience across a variety of fields and has various other chairmanships. He is the former Chairman of UEI plc and Cray Electronics and has worked for a number of Government bodies.

(l) Stella Pirie is a chartered accountant. She was Divisional Finance Director for Rotork plc for 10 years and Group Finance Director of the Company from 1993 to 1996. She is Chairman of GWR (West) Limited, a subsidiary of the Company. She has various other non-executive directorships and is Chairman of the Western Training and Enterprise Council.

(m) Jonathan Trafford is a solicitor who practised with the firm Bond Pearce where he was senior partner from 1988 to 1996. He was a founder director of Plymouth Sound Ltd and has considerable knowledge of the radio industry. He joined the Board as a non-executive director in 1987.

(n) Nicholas Tresilian is a former broadcaster with both the British Broadcasting Corporation and Independent Television. He was a founder of the business television company, Spafax Television plc, and the founding Chairman of Wiltshire Radio plc in 1981. He now broadcasts on Classic FM. He joined the Board in 1987 when the Company was formed and was Development Director from 1992 to 1997.

7.5 The current service agreements of each of the executive directors contain the following principal terms:

(a) Ralph Bernard is employed as the Chief Executive of the Company under an agreement dated 21st March 1997 between the Company and Mr. Bernard. The agreement is terminable by either party giving to the other not less than two years' written notice to that effect. The current salary payable to Mr. Bernard is £350,000 per annum and in addition, Mr. Bernard is entitled to a bonus based on objective earnings per share performance criteria and benefits in kind comprising a company car, fuel, medical health cover and pension entitlements of 25 per cent. of annual salary paid to a pension scheme of Mr. Bernard's choice. The agreement contains a restriction preventing Mr. Bernard working for a competing business of the Group within a defined area in the twelve months following termination of his employment with the Company.

(b) Patrick Taylor is employed as Deputy Chief Executive of the Company under an agreement dated 16th September 1996 between the Company and Mr. Taylor. The agreement is terminable by either party giving to the other not less than two years' written notice to that effect. The current salary payable to Mr. Taylor is £284,350 per annum and in addition, Mr. Taylor is entitled to a bonus based on objective earnings per share performance criteria and benefits in kind comprising a company car, fuel and medical health cover. Mr Taylor does not receive any pension contributions. The agreement contains a restriction on Mr. Taylor working for a competing business of the Group within a defined area in the twelve months following termination of his employment with the Company.

(c) Roger Lewis is employed as Managing Director and Programme Controller of Classic FM under an agreement dated 27th May 1999 between the Company and Mr. Lewis. The agreement is terminable by either party giving to the other not less than twelve months' written notice to that effect. The current salary payable to Mr. Lewis is £200,000 per annum and in addition, Mr. Lewis is entitled to a bonus payment based on objective earnings per share performance criteria and benefits in kind comprising a company car, fuel, medical health cover and pension entitlements of 15 per cent. of his annual salary paid into his own pension scheme. The agreement contains a restriction on Mr. Lewis working for a competing business of the Group within a defined area in the twelve months following termination of his employment with the Company.

(d) Steve Orchard is employed as Operations Director for the UK Local Radio and Group Programme Director under an agreement dated 1st June 1990 between the Company and Mr. Orchard. The agreement is terminable by either party giving to the other not less than twelve months' written notice to that effect. The current salary payable to Mr. Orchard is £215,000 per annum and in addition to his basic salary, Mr. Orchard is entitled to a bonus payment based on objective earnings per share performance criteria and benefits in kind comprising a company car, fuel, medical health cover and pension entitlements of 15 per cent. of annual salary paid into his own pension scheme. The agreement contains a restriction on Mr. Orchard working for a competing business of the Group within a defined area in the twelve months following termination of his employment with the Company.

(e) Simon Ward is employed as Group Commercial Director under an agreement dated 2nd April 1990 between the Company and Mr. Ward. The agreement is terminable by either party giving to the other not less than twelve months' written notice to that effect. The current salary payable to Mr. Ward is £200,000 and in addition to this basic salary, Mr. Ward is entitled to bonus payments based on objective earnings per share performance criteria and benefits in kind including company car, fuel, medical health cover and pension entitlements of 15 per cent. of his annual salary paid into his own pension scheme. The agreement contains a restriction on Mr. Ward working for a competing business of the Group within a defined area in the twelve months following termination of his employment with the Company.

The current letters of engagement of non-executive directors contain the following principal terms:

(f) Henry Meakin is Chairman of the Company and receives annual fees of £70,000 and is not entitled to any benefits in kind. There are no written terms that govern his appointment.

(g) Roger Gilbert is Deputy Chairman of the Company and receives annual fees of £25,000 per annum and is not entitled to any benefits in kind. There are no written terms that govern his appointment.

(h) Richard Palmer's services as Vice Chairman of the Company are provided pursuant to a letter of engagement dated 26th February 1998. Mr. Palmer's agreement is for a twelve month period renewable at the invitation of the Board. The current fees payable to Mr. Palmer are £24,000 per annum. The letter of engagement does not entitle Mr. Palmer to bonus payments, benefits in kind or compensation on termination of his appointment. Mr. Palmer has agreed not to become directly or indirectly employed, engaged, concerned or interested in, or hold office in, any business or undertaking which competes with the business of any member of the Group (as defined in the letter of engagement) during the term of his appointment.

(i) Eddie Blackwell's services as a Non-Executive Director of the Company are provided pursuant to a letter of engagement dated 26th February 1998. Mr. Blackwell's appointment is for a twelve month period renewable at the invitation of the Board. The current fees payable to Mr. Blackwell are £17,000 per annum. The letter of engagement does not entitle Mr. Blackwell to bonus payments, benefits in kind or compensation on termination of his appointment, however, Mr. Blackwell did receive benefits in kind amounting to £19,000 in the year to 31st March 2000. Mr. Blackwell has agreed not to become directly or indirectly employed, engaged, concerned or interested in, or hold office in, any business or undertaking which competes with the business of any member of the Group (as defined in the letter of engagement) during the term of his appointment.

(j) Simon Duffy's services as a Non-Executive Director of the Company are provided pursuant to a letter of engagement dated 30th July 1998, Mr. Duffy's appointment is for a twelve month period renewable at the invitation of the Board. The current fees payable to Mr. Duffy are £12,000 per annum. The letter of engagement does not entitle Mr. Duffy to bonus payments, benefits in kind or compensation on termination of his appointment. Mr. Duffy has agreed not to become directly or indirectly employed, engaged, concerned or interested in, or hold office in, any business or undertaking which competes with the business of any member of the Group (as defined in the letter of engagement) during the term of his appointment.

(k) Sir Peter Michael's services as a Non-Executive Director of the Company are provided pursuant to a letter of engagement dated 30th July 1998. Sir Peter Michael's appointment is for a twelve month period renewable at the invitation of the Board. The current fees payable to Sir Peter Michael are £12,000 per annum. The letter of engagement does not entitle him to bonus payments, benefits in kind or compensation on termination of his appointment. Sir Peter Michael has agreed not to become directly or indirectly employed, engaged, concerned or interested in, or hold office in, any business or undertaking which competes with the business of any member of the Group (as defined in the letter of engagement) during the term of his appointment.

(l) Stella Pirie's services as a Non-Executive Director of the Company are provided pursuant to a letter of engagement dated 26th February 1998. Mrs. Pirie's appointment is for a twelve month period renewable at the invitation of the Board. The current fees payable to Mrs. Pirie are £18,000 per annum. The letter of engagement does not entitle her to bonus payments, benefits in kind or compensation on termination of her appointment. Mrs. Pirie has agreed not to become directly or indirectly employed, engaged, concerned or interested in, or hold office in, any business or undertaking which competes with the business of any member of the Group (as defined in the letter of engagement) during the term of her appointment.

(m) Jonathan Trafford's services as a Non-Executive Director of the Company are provided pursuant to a letter of engagement dated 26th February 1998. Mr. Trafford's appointment is for a twelve month period renewable at the invitation of the Board. The current fees payable to Mr. Trafford are £15,000 per annum. The letter of engagement does not entitle him to bonus payments, benefits in kind or compensation on termination of his appointment. Mr Trafford has agreed not to become directly or indirectly employed, engaged, concerned or interested in, or hold office in, any business or undertaking which competes with the business of any member of the Group (as defined in the letter of engagement) during the term of his appointment.

(n) Nicholas Tresilian's services as a Non-Executive Director of the Company are provided pursuant to a letter of engagement dated 8th July 1998. Mr. Tresilian's appointment is for a twelve month period renewable at the invitation of the Board. The current fees payable to Mr. Tresilian are £18,000 per annum. The letter of engagement does not entitle him to bonus payments, benefits in kind or compensation on termination of his appointment, however, Mr. Tresilian did receive benefits in kind amounting to £3,000 in the year to 31st March 2000. Mr Tresilian has agreed not to become directly or indirectly employed, engaged, concerned or interested in, or hold office in, any business or undertaking which competes with the business of any member of the Group (as defined in the letter of engagement) during the term of his appointment.

(o) Peter Williams is proposed to be retained as a Non-Executive Director on terms yet to be agreed.

The full terms of the directors' service contracts and letters of engagement are available for inspection as provided for in paragraph 15 below.

7.6 The current and past directorships and partnerships of the Directors (being those held during the previous five years and excluding subsidiaries of a holding company in which the Director holds a position) are as follows:

Henry Paul John Meakin

Current directorships:	Pensa Limited	
	Cardionetics Limited	
	Silk Road Travel (Europe) Limited	
Past directorships:	Aspen Business Communications plc	(Resigned on 30/04/1997)
	Aspen Communications Limited	(Resigned on 30/04/1997)

	Aspen Direct Limited	(Resigned on 30/04/1997)
	Aspen Field Marketing Limited	(Resigned on 30/04/1997)
	Aspen Group plc	(Resigned on 30/04/1997)
	Aspen Interactive Limited	(Resigned on 30/04/1997)
	Aspen Marketing Communications Limited	(Resigned on 30/04/1997)
	Aspen Preprint Limited	(Resigned on 30/04/1997)
	Aspen Production Services Limited	(Resigned on 30/04/1997)
	Aspen Specialist Media plc	(Resigned on 30/04/1997)
	Blueprint Media Limited	(Resigned on 30/04/1997)
	Cleartone Telecoms PLC	(Resigned on 30/04/1997)
	Heanor Gate Printing Limited	(Resigned on 30/04/1997)
	Marketing Direction Limited	(Resigned on 30/04/1997)
	Page Print Finish Limited	(Resigned on 30/04/1997)
	Pensord Press Limited	(Resigned on 30/04/1997)
	Preprint Sales Limited	(Resigned on 30/04/1997)
	Spafax Airline Network Limited	(Resigned on 30/04/1997)
	Strategic Response Marketing Limited	(Resigned on 30/04/1997)
	Zeros Printers Limited	(Resigned on 30/04/1997)
Roger Neill Gilbert		
Current directorships:	Daily Mail & General Holdings Limited	
	Independent Television News Limited	
	Studygreat Limited	
	Trilion plc	
Past directorships:	Associated White Rose Limited	(Resigned on 20/11/1995)
	Commuter Publishing Partnership	(Resigned on 07/02/1995)
	Entertainment Online Limited	(Resigned on 30/01/1997)
	Independent Television News Limited	(Resigned on 23/11/1999)
	London Business Radio Limited (dissolved)	(Resigned on 05/09/1995)
	London Light Radio Limited (dissolved)	(Resigned on 30/01/1996)
	London's Business Radio Limited (dissolved)	(Resigned on 10/09/1996)
	Newstalk UK Limited (dissolved)	(Resigned on 02/07/1996)
	Radiotrust plc	(Resigned on 02/07/1996)
	Select TV PLC	(Resigned on 15/04/1996)
	Shoalview Limited	(Resigned on 01/10/1996)
	St Elmo House Management Company Limited	(Resigned on 05/03/1997)
	Westcountry Television Limited	(Resigned on 20/12/1996)
Ralph Mitchell Bernard		
Current directorships:	Central Region News Radio Limited	
	Commercial Radio Companies Association	
	Independent Radio News Limited	
	Local Radio Company Limited	
	London News Radio Limited	
	LBC 1152 Limited	
	London Broadcasting Company 1996 Limited	
	North East News Radio Limited	
	North West News Radio Limited	
	Radio Advertising Bureau Limited	
	Swindon Railway Heritage Centre Trust	
Past Directorships:	Bristol Channel Broadcasting Company Limited	(Resigned on 25/10/1995)
	GTCF Plc (Formerly Isle of Wight Radio (Holdings) plc) (dissolved)	(Resigned on 31/05/1996)
	Isle of Wight (Holdings) Limited	(Resigned on 30/06/1997)
	Isle of Wight Radio Limited	(Resigned on 30/06/1997)
	Masterclass Music Charitable Trust	(Resigned on 15/05/2000)
	Radio First (Cheltenham & Gloucester) Limited	(Resigned on 10/01/1997)
	Radio First (Northants) Limited	(Resigned on 10/01/1997)

John Patrick Enfield Taylor FCA

Current Directorships:	G.M. Radio News (UK) Limited	
	Independent Radio News Limited	
	Lowwood Products Limited	
Past Directorships:	Affinity Broadcasting Company Limited	(Resigned on 29/03/1996)
	Birmingham Broadcasting Limited	(Resigned on 29/03/1996)
	BRMB Limited	(Resigned on 29/03/1996)
	Capital Advertising Limited	(Resigned on 29/03/1996)
	Capital Gold Limited	(Resigned on 29/03/1996)
	Capital Group Studios Limited	(Resigned 1995)
	Capital London Limited	(Resigned on 29/03/1996)
	Capital Radio (London) Limited	(Resigned on 29/03/1996)
	Capital Radio Enterprises Limited	(Resigned on 29/03/1996)
	Capital Radio Investments Limited	(Resigned on 29/03/1996)
	Capital Radio Management Limited	(Resigned on 29/03/1996)
	Capital Radio plc	(Resigned on 29/03/1996)
	Capital Radio Sales Limited	(Resigned on 29/03/1996)
	Capital Studios Limited	(Resigned on 07/08/1995)
	Carter Oliver Limited	(Resigned on 29/03/1996)
	Coast AM Limited	(Resigned on 29/03/1996)
	Essex Radio plc	(Resigned May 1996)
	Expressway Limited	(Resigned on 29/03/1996)
	First Oxfordshire Radio Limited	(Resigned April 1996)
	Inhurst House School Trust Limited	(Resigned December 1994)
	Invicta Concerts and Promotions Limited	(Resigned on 29/03/1996)
	Invicta Radio Group Limited	(Resigned on 29/03/1996)
	Invicta Radio Limited	(Resigned on 29/03/1996)
	Invicta Sound Broadcasting Limited	(Resigned on 29/03/1996)
	MAC TV Limited	(Resigned 1995)
	Mellow (Colchester) Limited	(Resigned on 29/03/1996)
	Midlands Radio plc	(Resigned on 29/03/1996)
	Ocean FM Limited	(Resigned on 29/03/1996)
	Ocean Sound (Holdings) Limited	(Resigned on 29/03/1996)
	Ocean Sound Limited	(Resigned on 29/03/1996)
	Power FM Limited	(Resigned on 29/03/1996)
	Radio 1066 Limited	(Resigned on 29/03/1996)
	Radio Brighton Limited	(Resigned on 29/03/1996)
	Radio Derwent Limited	(Resigned on 29/03/1996)
	Radio Eastbourne Limited	(Resigned on 29/03/1996)
	Radio Hastings Limited	(Resigned on 29/03/1996)
	Radio Invicta Limited	(Resigned on 29/03/1996)
	Radio South Limited	(Resigned on 29/03/1996)
	Radio Sussex Limited	(Resigned on 29/03/1996)
	Radio Witham Limited	(Resigned on 29/03/1996)
	Satellite Media Services Limited	(Resigned 1997)
	South Coast Radio Limited	(Resigned on 29/03/1996)
	Southern Radio Management Limited	(Resigned on 29/03/1996)
	Southern Radio PLC	(Resigned on 29/03/1996)
	Southern Sound PLC	(Resigned on 29/03/1996)
	Sutton Tower Limited	(Resigned on 29/03/1996)
	The Diamond FM Limited	(Resigned on 29/03/1996)
	The Light FM Limited	(Resigned on 29/03/1996)
	The Ocean Radio Group Limited	(Resigned on 29/03/1996)
	The Wren Orchestra of London Limited	(Resigned 1995)
	United Radio Limited	(Resigned on 29/03/1996)
	YFM Limited	(Resigned on 20/02/1996)

Richard John Palmer

Past Directorships:	Berks and North Hants Productivity Association Limited	(Dissolved)
	London City Young Men's Christian Association	(Resigned on 23/09/1998)

Roger Charles Lewis

Current Directorships:	Masterclass Music Charitable Trust	
	Masterprize Limited	
	Ogmore Centre Trust	
	Radio Corporation Limited	
Past Directorships:	Argo Record Company Limited	(Resigned on 25/09/1998)
	Brunswick Limited	(Dissolved)
	Decca Music Group Limited	(Resigned on 25/09/1998)
	Decca Record Company Limited	(Resigned on 25/09/1998)
	Decca Recordings (Europe) Limited	(Dissolved)
	Qualiton Records (1968) Limited	(Resigned on 25/09/1998)

Stephen Orchard

Current Directorships:	Masterclass Music Charitable Trust	
	Minster Sound Radio Limited	
Past Directorships:	None	

Simon Charles Ward

Current Directorships:	Capital Games Limited	
	Futurelinks Limited	
Past Directorships:	Sward Sports Limited	(Dissolved)
	Sward Sky Gear Limited	(Dissolved)
	The Parachute Display Company Limited	(Dissolved)
	Sky Science Limited	(Dissolved)

Clarence Edwin Blackwell

Current Directorships:	North East News Radio	
	North West News Radio Limited	
	London News Radio Limited	
Past Directorships:	Spire FM Limited	(Resigned on 08/03/1996)

Simon Patrick Duffy

Current Directorships:	Cantab Pharmaceuticals plc	
	Cantab Pharmaceuticals Research Limited	
	EMI Group Home Electronics (UK) Limited	
	Imperial Tobacco Group plc	
	Sybic Limited	
	The Intellectual Property Institute	
	World Online (UK) Holdings) PLC	
Past Directorships:	Arrow Broadcasting Limited	(Resigned on 03/04/1995)
	Berisford plc	(Resigned on 25/01/1999)
	EMI Group plc	(Resigned on 31/12/1999)
	EMI Group Finance plc	(Resigned on 31/12/1999)
	EMI Group (MPR) Limited	(Resigned on 02/04/1997)
	EMI Group Sites Limited	(Resigned on 02/04/1997)
	Gartmore plc	(Resigned on 26/04/1996)
	HMV Media Group plc	(Resigned on 31/12/1999)
	Mawlaw 430 Limited	(Resigned on 31/12/1999)
	The Enterprise Lottery Company Limited	(Resigned on 07/03/1995)

Jonathan Hugh Trafford

Current Directorships:	Devon Community Foundation	
	Mount House School Trust Limited	
	Silvanus Services Limited	
	Tradreed Limited	
	The Duke of Edinburgh Award (Devon)	
Past Directorships:	Acrebeech Limited	(Resigned)
	Candidum Trading International Limited	(Resigned)
	Devon Cablevision Limited	(Resigned)
	MAO Services Limited	(Resigned)
	Plymouth Law Society	(Resigned)
	South West Enterprise Limited	(Resigned)
	Sutton Harbour Company	(Resigned on 31/08/1998)
	Sutton Harbour Holdings	(Resigned on 31/08/1998)

Mrs Stella Jane Pirie

Current Directorships:	Bath Festivals Trust	
	Endeavour International Limited	
	Endeavour Manufacturing Services Limited	
	WESTEC (Limited by guarantee)	
Past Directorships:	Business Link West Limited	(Resigned on 30/05/1997)

Sir Peter Colin Michael

Current Directorships:	Adam Associates Limited	
	Alto Group Limited	
	Cairnmark Limited	
	Greenham Common Community Trust Limited	
	Stockford Limited	
	The Sculpture Company Limited	
Past Directorships:	Pilot Investment Trust Limited	(Resigned on 21/12/1996)
	Rutherford Asset Management Limited	(Resigned on 21/12/1996)

Nicholas Stewart Tresilian

Past Directorships:	Arnolfini Gallery Limited	(Resigned on 14/10/1996)

John Peter Williams

Current Directorships:	Associated Newspapers Trustees Limited	
	Daily Mail and General Trust plc	
	Euromoney ESOP Trustee Limited	
	Euromoney Publications PLC	
	Euromoney Publications (Overseas) Limited	
	Farhigh Limited	
	Harmsworth Pension Funds Trustees Limited	
	Harmsworth Pension Funds Trustees (No 2) Limited	
	Harmsworth Pension Investment Management Limited	
	Harmsworth Supplementary Fund Trustees Limited	
	Jewelcrest Limited	
	Northcliffe Trustees Limited	
Past Directorships:	Associated Investments Harmsworth Ltd	(Resigned on 24/07/1996)
	Euromoney Publications Pty Ltd	(Resigned on 18/01/1996)
	Harmsworth (Landbeach) Limited	(Resigned on 29/10/1997)

7.7 No Director of the Company has:

- any unspent convictions in relation to indictable offences;

- had a Bankruptcy Order made against him or been the subject of an individual voluntary arrangement;
- been a director of a company which has been placed in receivership, liquidation or administration or has been a party to any company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors or of any company where such person was a director with an executive function of that company at the time of or within 12 months after he ceased to be a director of that company;
- been a partner of a partnership which has been placed in compulsory liquidation or administration or has been a party to any partnership voluntary arrangement while he was a partner of that partnership or within 12 months after he ceased to be a partner of that partnership;
- been involved in any receivership of his own assets or of a partnership of which he was a partner at the time or within the 12 months preceding the receivership of any assets of that partnership;
- been publicly criticised by any statutory or regulatory authority (including recognised professional bodies);
- been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7.8 None of the Directors has been a party to or had an interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group, and which were effected during the current or immediately preceding financial year; or were effected during an earlier year and remain outstanding or unperformed in any respect.

8. Major interests in Shares

So far as the Company is aware, the following persons are at the date of this document interested (within the meaning of the Act) directly or indirectly in 3 per cent. or more of the issued share capital of the Company:

	Number of shares	*Percentage of issued share capital*
	At the date of this document	
Daily Mail and General Trust PLC*	21,011,466	18.8
Henderson Investors Limited	11,729,173	10.8
Deutsche Asset Management Limited	10,947,648	9.8
Sir Peter Michael**	6,757,369	6.1
Schroder Investment Management Limited	6,192,511	5.5
Morley Fund Management Limited	4,836,910	4.3
Prudential Portfolio Managers Limited	3,834,395	3.4

* Daily Mail and General Trust plc investment is held by subsidiaries

** Sir Peter Michael owns 400,000 shares. Sir Peter Michael's family trusts own Stockford Ltd, which owns 6,357,369 shares

There are no controlling shareholders or agreements between shareholders to exercise control of the Company and the Directors of the Company are free to conduct business operations normally.

So far as the Company is aware, immediately following completion of the Acquisition and the issue of the Consideration Shares, the following persons will be interested (within the meaning of the Act) in 3 per cent. or more of the enlarged issued share capital of the Company:

	Number of shares	*Percentage of issued share capital*
Daily Mail and General Trust PLC*	33,317,876	26.9
Henderson Investors Limited	11,729,173	9.5
Deutsche Asset Management Limited	10,947,648	8.8
Sir Peter Michael**	6,757,369	5.5
Schroder Investment Management Limited	6,192,511	5.0
Morley Fund Management Limited	4,836,910	3.9
Prudential Portfolio Managers Limited	3,834,395	3.1

* Daily Mail and General Trust plc investment is held by subsidiaries

** Sir Peter Michael owns 400,000 shares. Sir Peter Michael's family trusts own Stockford Ltd, which owns 6,357,369 shares

9. Material contracts

Save as disclosed below, no contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company and its subsidiaries in the two years immediately preceding the date of this document and are or may be material. There have been no other contracts (not being a contract entered into in the ordinary course of business) which have been entered into by any member of the Company which contains any provision under which any member of the Company has any obligation or entitlement which is material to the group as at the date of this document:

9.1 An offer dated 10th February 1999 pursuant to which (and to the exercise of its rights under Sections 428-430F of the Act) the Company acquired the whole of the issued share capital of Orchard Media Limited at a price of £20.65 in cash for each ordinary share in Orchard Media Limited, with a loan note alternative of £1 nominal of loan notes in lieu of every £1 of cash consideration. The said offer was declared unconditional in all respects on 11th March 1999. The total consideration for the acquisition was £25.6 million.

9.2 An offer dated 2nd December 1999 pursuant to which (and to the exercise of their rights under Sections 428-430F of the Act) the Company and Radio Investments Limited acquired the whole of the issued share capital of Minster Sound Radio plc not already owned by the Company or Radio Investments Limited at a price of £9.75 for each ordinary share in Minster Sound Radio plc. The said offer was declared unconditional in all respects on 23rd December 1999. The total consideration paid by the Company (which now owns 49 per cent. of the issued share capital of Minster Sound Radio plc) was £2,442,414.

9.3 An offer dated 29th June 1999 pursuant to which (and to the exercise of their rights under Sections 428-430F of the Act) the Company and Radio Investments Limited acquired the whole of the issued and to be issued share capital of Stray FM plc not already owned by the Company or Radio Investments Limited at a price of £7.50 in cash for each share in Stray FM plc. The said offer was declared unconditional in all respects on 4th August 1999. The total consideration paid by the Company which now owns 49 per cent. was £863,873.

9.4 On 31st March 1999 the Company acquired 75.1 per cent. of Medien 2000 Holding AG, Austria. The total consideration for the purchase was £2,175,000, paid in cash.

9.5 A share purchase agreement dated 30th June 1999 between The Local Radio Company Limited and the Company whereby the Company acquired the whole of the issued share capital of Plymouth Sound Limited for a total consideration of £5,280,000. The consideration was satisfied in part cash of £3,560,000 and part redemption of loan notes of £1,720,000.

9.6 A subscription agreement dated 31st March 2000 between Alto Group Limited, Ecast Ventures Limited, a wholly-owned subsidiary of the Company, and GWR, whereby Ecast Ventures Limited subscribed for new ordinary shares in Alto Group Limited amounting to 5 per cent. of its issued ordinary share capital. The total consideration for the subscription was £7,000,000 and was paid in cash.

9.7 An agreement dated 13th June 2000 between DMGH and GWR whereby the parties agreed (conditional on Completion) certain matters in relation to their respective shareholdings (in the case of GWR, through Essex Radio Limited) in Eastern Counties Radio. The parties agreed to procure that on Completion, Eastern Counties Radio shall issue to Essex Radio Limited £991,834 in nominal amount of convertible unsecured loan stock in Eastern Counties Radio in order to refinance its loan capital, the said stock to carry a coupon of 10 per cent. per year or, if less, such amount as would be equivalent to the pre-tax profits of Eastern Counties Radio and to be convertible into ordinary shares in Eastern Counties Radio at par at any time after 3 years (or earlier if conversion would not result in a breach of the Broadcasting Acts). The agreement provides for the constitution of the board of directors of Eastern Counties Radio and the management and financing of that company. Under the agreement, transfers of shares in Eastern Counties Radio will generally not be permitted before 30th June 2005, after which pre-emption rights between the parties will apply.

9.8 The Acquisition Agreement dated 13th June 2000 and made between DMGH, GWR and DMGT the principal terms of which are as follows:

(a) DMGH has agreed to sell, or procure the sale of, and GWR has agreed to purchase the whole of the issued share capital of each of Formchoose Limited and DMG Radio (Hungary) Limited together with their respective subsidiaries and interests in associates (including a 49.99 per cent. minority interest in Eastern Counties Radio) (**"the English Companies"** and **"the Hungarian**

Companies" respectively), 25 per cent. of the equity share capital of DMGRIPL (together with its subsidiaries and interests in associates referred to as **"the Australian Companies"**) Aus$12,500,000 in aggregate principal amount of convertible loan stock issued by DMGRIPL fully paid (**"the Australian Loan Stock"**) and certain loan notes (**"Vendor Loan Notes"**) issued by Formchoose to DMGH in respect of part of the loans that are owed or will at Completion be owing to members of DMGT's group other than other members of the DMG Radio Group (**"the Retained Group"**) other than in the ordinary course of business (**"the Vendor Loans"**).

(b) Completion of the Acquisition Agreement is subject to:

(i) the passing of the Resolutions at the Extraordinary General Meeting;

(ii) the occurrence of any of the following: (A) the Federal Treasurer of Australia giving his approval (without imposing materially adverse conditions) to the acquisition of 25 per cent. of DMGRIPL pursuant to the Acquisition Agreement and the entry into the joint venture agreement described in paragraph 9.10 of this Part VII (**"the Australian Joint Venture Agreement"**); (B) the relevant notice period given by GWR in connection with the acquisition by GWR, pursuant to the Acquisition Agreement, of the shares in DMGRIPL and the entry into the Australian Joint Venture Agreement under s26 of the Foreign Acquisitions and Takeovers Act 1975 of Australia ("FATA") expiring with no order being made under FATA prohibiting such transactions; or (C) the receipt of written notice from the Federal Treasurer of Australia that no objection will be made by the Federal Government of Australia, following completion of such transactions and such notice not being subject to materially adverse conditions; and

(iii) the Federal Treasurer of Australia not indicating that there is or is likely to be any objection in the future to the transactions the subject of the Australian Joint Venture Agreement; and

(iv) Admission and Admission to Trading of the shares in GWR to be allotted to DMGH in part settlement of the consideration for the Acquisition.

(c) The consideration payable under the Acquisition Agreement for the DMG Radio Group Shares and the Australian Loan Stock and the Vendor Loan Notes (**"the Consideration"**) has a value equal to £142,989,200 on a debt free basis. The Consideration will be apportioned in respect of the English, Australian and Hungarian members of the DMG Radio Group as to £89,779,200 for the English Companies and the Vendor Loan Notes, £36,340,000 for the 25 per cent. stake in DMGRIPL and the Australian Loan Stock and £16,870,000 for the Hungarian Companies. In addition, GWR has agreed to subscribe £3,000,800 for an unsecured exchangeable bond due 2005 (the "Exchangeable Bond") to be issued by DMGH, carrying a coupon of 10 per cent. per annum (or if less an amount equal to net dividends received by DMGH from Eastern Counties Radio), redeemable by DMGH on 30th June 2005 and exchangeable on or after 1st July 2001 for DMGH's 50.01 per cent. shareholding in Eastern Counties Radio. On Completion, DMGH and GWR will enter into an option agreement under which DMGH will have the right after 5 years or, if earlier, on the occurrence of certain circumstances, require GWR to exercise its exchange right under the Exchangeable Bond.

DMGH has undertaken that there will be no Hungarian Vendor Loans and that the aggregate amount of the Australian Vendor Loans shall not exceed the nominal amount of the Australian Loan Stock whilst the aggregate amount of the English Vendor Loans not represented by Vendor Loan Notes (**"Vendor Cash Loans"**) shall not exceed the amount of cash-at-bank of DMG Radio Limited at Completion (**"the DMG Radio Cash"**) plus £1,500,000. The Consideration payable and the subscription monies for the Exchangeable Bond shall be satisfied at Completion by the issue to DMGH or its nominees of £48,500,000 of Convertible Notes, the allotment and issue to DMGH of 12,306,410 Consideration Shares at an issue price of 780 pence per Consideration Share (subject to minor rounding adjustments) and the payment of £1,500,000 in cash (either by way of consideration or in discharge of Vendor Cash Loans). In addition, the DMG Radio Cash will be applied in funding the relevant English Company to repay that part of the Vendor Cash Loans at Completion.

(d) DMGH has agreed to procure (or in the case of other companies in the DMG Radio Group (the "**Companies**") not under its direct or indirect control, so far as it can procure) that between the date of the Acquisition Agreement and Completion each of the Companies shall *inter alia*, carry on its business as a going concern and only in its ordinary course and so as to maintain its goodwill and connections.

(e) The Acquisition Agreement also contains certain specific indemnities relating to:

(i) guarantees or indemnities given by any member of the DMG Radio Group for the benefit of any member of the Retained Group during the period prior to Completion;

(ii) the pre-sale reorganisation undertaken by DMGH;

(iii) certain matters relating to the Hungarian members of the DMG Radio Group; and

(iv) certain uninsured liabilities of members of the DMG Radio Group.

These indemnities are subject to the overall limitation on claims under the Acquisition Agreement of the aggregate of £145,990,000 and all amounts paid for further shares in DMGRIPL pursuant to the Australian Joint Venture Agreement.

(f) DMGH has agreed to give certain representations, warranties and undertakings usual in a transaction of this nature to GWR, as set out in Schedule 4 of the Acquisition Agreement and to enter into a deed of indemnity relating to tax on Completion. These are subject to usual limitations.

(g) Each of DMGT and DMGH has in summary undertaken that neither it nor any of its subsidiary undertakings shall (a) for 5 years from Completion, own, control or be interested in any sound only Radio Business (as defined) competing within Great Britain, or licensed radio services in Hungary with any Company, (b) for 5 years from completion, hold or apply for any specified types of radio licence (principally national and local analogue and digital radio service licences) or hold or apply for any sound broadcasting or radio multiplex licence in Great Britain, (c) for 5 years from completion, hold or apply for any such licence covering any area in Great Britain which is part of the total survey area of any Company, (d) for five years from Completion, hold or apply for licences comparable to those referred to in (b) and (c) in Hungary, (e) for 2 years from Completion, employ, engage or seek to entice away from any Company any officer or senior employee (but not so as to restrict employment following a *bona fide* advertisement), (f) for 5 years from completion, solicit radio advertising or radio sponsorship from an advertiser or sponsor of any Company or (g) carry on the business of an airtime sales house for radio businesses. The said restrictions shall not prevent DMGT or DMGH or any other member of the DMGT group from holding certain investments in Radiotrust plc, GWR, Eastern Counties Radio, Roxy or LNR. Nor will the restrictions apply to listed investments of less than 5 per cent., carrying on existing businesses of the DMGT Group or dealing with third parties in the ordinary course, carrying on the current and future businesses of Teletext Holdings Limited and its subsidiary undertakings that are not Radio Businesses (as defined) providing services via the internet or other on-line systems or owning interests in businesses carrying on or providing such services or making any acquisition where a radio business is only an ancillary or incidental part of the business being acquired (but in that event DMGT will procure that such radio business is offered for sale to GWR at its fair market value) or carrying on ordinary course of business activities.

(h) GWR has agreed to procure that, promptly after Completion, completion accounts are prepared in accordance with Schedule 7 of the Agreement in respect of:

(i) Formchoose and its subsidiaries;

(ii) DMG Radio Hungary and its subsidiaries; and

(iii) DMGRIPL and its subsidiaries (other than McKay Transmission Facilities Pty and GD Ventures Pty Ltd).

If such completion accounts disclose a Deficit or Deficits (as such term is defined in the Acquisition Agreement) the Consideration shall be reduced, if the Deficit relates to Formchoose and its subsidiaries and/or DMG Radio Hungary and its subsidiaries, by an amount equal to the amount of the Deficit(s) and, if the Deficit relates to DMGRIPL, DMGH shall pay to DMGRIPL an amount equal to such Deficit. DMGH shall make the payment in cash of such amount or amounts to the relevant company forthwith upon final agreement or determination of the completion accounts. Such amount or amounts will bear interest at 1½ per cent. above base rate from Completion to the date of payment.

(i) GWR has agreed that:

(a) during the period commencing on Completion and ending two years thereafter, it will not make an allotment of Ordinary Shares or other relevant securities for cash or pursuant to a vendor placing (other than by way of a rights issue, open offer or other offer made available to all shareholders) unless it first offers to DMGH (or such other member of DMGT's group as it shall nominate), on the same terms as such allotment is to be made, of the same percentage (not to exceed 25%) of the securities to be allotted as DMGH group's fully diluted shareholding is of the fully diluted shareholding then in issue. Such offer must be made at least five business days prior to the date of such allotment and remain open for at least three business days and the offer and its acceptance may be conditional upon the; allotment to which it relates proceeding; and

(b) if, during the period commencing on the date of the Acquisition Agreement and ending on the date when no member of DMGT's group continues to hold any Convertible Notes, any Disposals are made which result in Net Disposal Proceeds (as both such terms are defined in the Acquisition Agreement), GWR will offer to redeem at par the Relevant Portion of the Convertible Notes, being 67.5 per cent. in respect of aggregate Net Disposal Proceeds up to and including £20,000,000, 75 per cent. in respect of Net Disposal Proceeds exceeding £20,000,000 up to and including £60,000,000 and nil in respect of aggregate Net Disposal Proceeds in excess of £60,000,000. If GWR, during the period commencing on Completion and ending 93 days thereafter, makes an offer to redeem up to £13,500,000 in aggregate nominal amount of the Convertible Notes at par out of Net Disposal Proceeds, such members of DMGT's group as then hold Convertible Notes, shall be obliged to accept such offer.

9.9 The Convertible Notes will be issued pursuant to a deed poll instrument, the principal terms of which are as follows: (a) the total nominal amount will be limited to £48,500,000; (b) no interest will be payable, except on overdue payments; (c) the Convertible Notes will, if not converted beforehand, be repaid by the Company at par on the third anniversary of their issue; (d) the Convertible Notes may be converted at any time (and at different times in separate tranches if so required) before such third anniversary; (e) the Convertible Notes are subordinated to the claims of all other creditors of the Company pursuant to its financing facilities or otherwise; (f) the Convertible Notes are convertible at a conversion price of 877.5 pence per Ordinary Share, subject to adjustment to take account of changes to the Company's share capital; (g) the Convertible Notes become repayable by the Company if the Company is in default under the deed poll or its bank facilities and in certain other circumstances; (h) the Convertible Notes may be freely transferred to any other person; (i) the holders of Convertible Notes will be entitled to payment in respect of all dividends on Ordinary Shares declared after the date 7 business days prior to the conversion of the Convertible Notes; (j) the Company has agreed not to reduce, repurchase or, alter the rights attaching to or make certain other alterations with respect to its share capital for so long as any of the Convertible Notes remain outstanding; and (k) the Company has agreed not to permit the creation of any security interests (with certain exceptions) over its assets for so long as any of the Convertible Notes remain outstanding.

9.10 A joint venture agreement dated 13th June 2000 between DMGT and GWR, conditional on Completion, on the terms and conditions of which the parties have agreed to regulate their respective participation in DMGRIPL. The principal terms are as follows. The agreement provides for DMGT to appoint four directors and GWR to appoint two directors of DMGRIPL. There will also be an agreement between DMGRIPL and GWR, whereby GWR will make available certain management advisory services to DMGRIPL. The management advisory services agreement will be co-terminous with the joint venture agreement (unless terminated earlier for breach or if GWR's shareholding in DMGRIPL falls below 5 per cent.) and will entitle GWR to charge expenses to DMGRIPL. The joint venture agreement provides that DMGRIPL and its subsidiaries will be funded by external debt or, if so determined by the DMGRIPL board, by DMGT and GWR in their respective proportions (provided that, if either does not wish to provide its proportion of funding, the other may do so and the non-funding party's interest would be diluted accordingly). The profits of DMGRIPL required for working capital or future investment will be retained by the company and the balance will be available for distribution at the discretion of the board. Certain material decisions relating to

DMGRIPL will require the consent of both shareholders. Each shareholder agrees not to transfer any shares in DMGRIPL for one year following Completion (other than intra-group or by mutual agreements) and, after that year, pre-emption rights at a fair value price will apply. If DMGT wishes to sell less than 50 per cent. of the shares in DMGRIPL, it will have the right to require GWR to sell the equivalent proportionate part of its own holding on the same terms; and GWR will have the right to require that it does so; and on the sale of all or any part of DMGT's holding, except where DMGT wishes to sell such part of its majority holding as will not take its shareholding below 50 per cent., GWR may, alternatively, require DMGT to sell GWR's entire holding on the same terms. Where DMGT wishes to sell more than 50 per cent. of the shares in DMGRIPL it may also require GWR to sell all of its holding on the same terms. GWR will have a call option entitling it (subject to any requisite consent of Shareholders or FIRB) to acquire the DMGT majority interest in DMGRIPL for three years following Completion at a price being the higher of (i) the carrying value based on the price per share which GWR will pay for a 25 per cent. shareholding as part of the Acquisition and (ii) the fair value of that interest less a variable discount determined according to the increase in value of DMGRIPL during the period following Completion. This discount, to be given against the difference between (i) and (ii) above (provided that (ii) is higher), will be nil if the increase in value per annum is less than 8 per cent. and will rise (by a percentage corresponding to the percentage increase in value) to a maximum of 25 per cent. of the increase in value of DMGRIPL. In the second and third years of the option period, if DMGT wishes to sell its interest to a third party, GWR will be entitled to pre-empt that disposal by exercising and, within a period of three months, completing the call option. If GWR has not exercised the Option by the end of that three year period, DMGT will have the option to acquire GWR's interest in DMGRIPL for a price being the higher of its fair value and GWR's carrying value during the period of its ownership. If within a period of one year after completion of its call option, GWR disposes of an interest in DMGRIPL to a third party or otherwise realises value from its interest in DMGRIPL, in either case at a price exceeding the call price, GWR will pay a proportion of that excess to DMGT. GWR is not permitted to compete with the business of DMGRIPL for five years after the date of the Australian Joint Venture Agreement and for one year after it ceases to be a shareholder in DMGRIPL. Either shareholder may terminate the agreement in the event of certain events of default affecting the other shareholder in which case the defaulting shareholder must offer to sell its shares to, or buy the shares of, the non-defaulting shareholder. If the interest of either shareholder is such that it jeopardises the broadcasting licences of the DMGRIPL group or in comparable events, the board may disenfranchise that shareholder, which may be required to dispose of its interest.

9.11 By bidding at auction on 24th May 2000 in accordance with a commercial broadcasting licence application procedure, held by the Australian Broadcasting Authority (the "ABA") under the Broadcasting Services Act 1992 of Australia, GD Ventures Pty Ltd, a company in the DMG Radio Group agreed to acquire a new commercial FM radio licence for Sydney, Australia for a price of Aus$155 million. Full payment for the licence must be made between the 10th and 12th July 2000, following which the licence will be allocated. Commercial radio broadcasting must begin within one year of being allocated the licence (or within a longer period with the ABA's permission).

Save as aforesaid, so far as the Company is aware, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by DMG Radio Group or members of the DMG Radio Group, within the period of two years preceding the date of this document which are or may be material to the DMG Radio Group as a whole, nor has any other contract (not being a contract entered into in the ordinary course of business) been entered into by any member of the DMG Radio Group which contains any provision, which subjects any member of the DMG Radio Group to obligations or entitlements which are material to the DMG Radio Group as a whole.

10. Litigation

10.1 GWR

There are no legal or arbitration proceedings in which any member of the Group is, or has been, engaged or which are, so far as the Company is aware, pending or threatened by or against any member of the Group which may have, or have had during the twelve months preceding the date of this document, a significant effect on the Group's financial position.

10.2 DMG Radio Group

There are no legal or arbitration proceedings in which DMG Radio Group is, or has been, engaged or which are, so far as the Company is aware, pending or threatened by or against DMG Radio Group which may have, or have had during the twelve months preceding the date of this document, a significant effect on DMG Radio Group's financial position.

11. Principal establishments

The principal establishments of the Group being those accounting for more than 10 per cent. of the annual turnover were as follows in the financial year to 31st March 2000:

11.1 Classic FM plc

Classic FM plc is a public limited company incorporated in England and Wales under number 02622707. The principal activities of Classic FM plc are independent radio programming and broadcasting. The Group holds 100 per cent. of the capital of Classic FM plc. The business address of Classic FM plc is 7 Swallow Place, Oxford Circus, London W1 5MF and the registered office is that of the Company.

The Company occupies the building under a headlease dated 2nd December 1997 between The Crown Estate Commissioners and GWR for a term of years commencing at the date of the lease and expiring on 28th September 2010. The building comprises seven floors and the lease covers the third, fourth, fifth, sixth and seventh floors. The total floor space of the leasehold interest is 26,574 sq. ft. The Company has recently sub-let the third floor of the building which comprises 7,381 sq. ft.

There are no other subsidiaries which account for 10 per cent. or more of the consolidated net profits or assets of the Group.

12. Principal investments

The Group has made an investment commitment of £6.5 million from 31st March 2000 to 31st March 2001 to develop its internet business through its subsidiary Ecast Ventures Limited. Ecast Ventures Limited will operate as a separate division of the Group and will develop four distinct internet businesses.

13. Employees

The average number of persons employed by the Group at 31st March 1999 was 854. The number of employees employed by the Group by categories defined by the Group's operations at 31st March 1999 were:

–	Programming	145
–	Sales	420
–	Technical	54
–	Managerial and Administration	235

14. Miscellaneous

14.1 Significant changes

(a) GWR

There has been no significant change in the financial or trading position of the Group since 31st March 2000, the date to which the audited preliminary financial statements of the Group were prepared.

(b) DMG Radio Group

There has been no significant change in the financial or trading position of DMG Radio Group since 30 September 1999, the date to which its latest audited accounts were prepared.

14.2 Interruptions

There have been no interruptions to the Group's business within the previous twelve months which have had a significant effect on the Group's financial position.

14.3 Expenses

The expenses of the Acquisition are estimated to amount to approximately £3.9 million and are payable by the Company. Application for Admission is sought only in respect of the Consideration Shares.

14.4 *Working capital*

The Company considers that, after taking into account the cash balances and banking facilities available to it, the Enlarged Group has and will have sufficient working capital for its present requirements, that is for at least twelve months from the date of this document.

14.5 *Consents*

KPMG Audit Plc has given and have not withdrawn its written consent to the inclusion in this document of the accountant's reports set out in Parts II and VI of this document and its letter relating to the illustrative pro-forma statement of consolidated net assets of the Group set out in Part V and the references thereto in the form and context in which they are included. KPMG Audit Plc has authorised the contents of its report and letter and the use of its name for the purposes of section 152(1)(e) of the Financial Services Act 1986.

SG Hambros, a division of Société Générale, which is regulated by The Securities and Futures Authority Limited for the conduct of investment business in the United Kingdom has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.

KPMG Audit Plc has given and not withdrawn its written consent to the inclusion in Parts II, V and VI of this document of its letters in the form and context in which they appear.

14.6 *Auditors*

KPMG Audit Plc, Chartered Accountants and Registered Auditors, of 100 Temple Street, Bristol, BS1 6AG has been auditors of the Group for the last three financial years. No information in this document has been audited.

14.7 *Licences and commercial agreements*

The Radio Authority has awarded Digital One Limited, a 63 per cent. owned subsidiary of the Group, the national commercial digital multiplex licence under the Broadcasting Act 1996. The licence has been granted for a period of twelve years and covers the whole of Great Britain. Digital radio is a new transmission system which provides the listener with bundles of audio services with a clearer reception than analogue transmission and has the ability to provide text as well as sound.

Classic FM plc, a subsidiary of the Group has renewed the broadcasting licence for Classic FM the national radio station as from 1st October 1999 and the first complete renewal year licence fee is £1,000,000.

14.8 *Registrars*

The registrars of the Company are Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA.

14.9 *Unqualified auditors reports*

The financial information contained in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act. Statutory accounts of the Company and its subsidiaries for the three financial periods ended 31st March 1997, 1998 and 1999 have been delivered to the Registrar of Companies and the auditors gave reports under section 235 of the Companies Act 1985 on such accounts which were not qualified and did not contain any such statement under section 237(2) or (3) of the Act.

14.10 *Exchange Rates*

The following exchange rates have been applied throughout this document.

	Average rate for year ended 30th September			
	1997	*1998*	*1999*	*2000*
Australian $	2.1235	2.5663	2.5470	2.62
Hungarian Forint	N/A	316.20	375.06	431.0
	Year ended 30th September			
	1997	*1998*	*1999*	*2000*
Australian $	2.2308	2.8694	2.5235	N/A
Hungarian Forint	N/A	370.52	400.31	N/A

15. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any week day (Saturdays and public holidays excepted) from the date of this document until the date of the EGM at the offices of Nicholson Graham & Jones, 110 Cannon Street, London EC4N 6AR:

(a) the Memorandum and Articles of Association;

(b) the published audited and consolidated accounts of the Company for the two financial years ended 31st March 1998 and 31st March 1999 and the preliminary results of the Group for the year ended 31st March 2000;

(c) the material contracts referred to in paragraph 9 above;

(d) the service agreements and letters of engagement of the directors referred to in paragraph 7.5 above;

(e) the letters consenting to the issue of this document referred to in paragraph 14.5 above;

(f) the accountant's reports included in Parts II, V and VI of this document;

(g) written statements signed by the auditors or accountants setting out the adjustments made in arriving at the figures shown in the accountants report in Part III of this document.

Dated: 13th June 2000.

PART VIII

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of GWR Group plc will be held at the offices of Nicholson Graham & Jones, 110 Cannon Street, London EC4N 6AR at 11.00 a.m. on 30th June 2000 for the purpose of considering and, if thought fit, passing the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

1. THAT:

   (a) the proposed acquisition by the Company of all the issued share capital of each of Formchoose Limited and DMG Radio (Hungary) Limited and 25 per cent. of the issued shares of DMG Radio Investments Pty Limited; and

   (b) the proposed options for the Company to acquire the remaining shares in DMG Radio Investments Pty Limited and for Daily Mail and General Trust plc or a subsidiary thereof to reacquire shares in DMG Radio Investments Pty Limited held or to be held by the Company,

   each in the manner and on the terms as described in a circular to shareholders of the Company dated 13th June 2000, be and are hereby approved and that the Directors be and are hereby authorised to vary, amend or extend any of such terms as they think fit (provided any such variation, amendment or extension is not of a material nature) and to take such steps on behalf of the Company as they may consider necessary or desirable to complete and carry the proposed agreements into effect.

2. THAT, subject to and conditional upon Resolution 1 set out in the notice of this meeting being passed:

   (i) the authorised ordinary share capital of the Company be increased to £8,700,000 by the creation of 24,000,000 new ordinary shares of 5p in the capital of the Company to rank *pari passu* in all respects with the existing ordinary shares of 5p each in the capital of the Company and having the rights and privileges and being subject to the restrictions contained in the Articles of Association of the Company; and

   (ii) in addition and without prejudice to the authority given to them by the Ordinary Resolution of the Company passed on 29th July 1999, pursuant to section 80 of the Companies Act 1985 ("the Act" references to which include any modification or re-enactment thereof for the time being in force) the Directors be and are hereby generally and unconditionally authorised (for the purposes of section 80 of the Act) to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £943,495 during the period commencing on the date this Resolution is passed and ending at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after that date and the Company may implement the same as if the authority conferred hereby had not expired.

Registered office:
3B2 Stonehill Green
Westlea, Swindon
Wiltshire SN5 7HF

By order of the Board
Ms W Pallot ACA
Company Secretary

13th June 2000

Notes:

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed.

2. Members who are unable to be present at the Extraordinary General Meeting are invited to complete and return the form of proxy. To be effective, the form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority must be deposited at the offices of the Company's registrars, *Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0JQ* not less than 48 hours before the time appointed for the meeting. The lodgement of a form of proxy will not preclude a member from attending and voting at the meeting in person.

3. In accordance with Regulation 34 of the Uncertified Securities Regulations 1995, to be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 11.00 a.m., on 28th June (the specified time). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting at the time specified in that notice.