STATIONS LISTING

GWR-FM Bristol/Brunel Classic Gold 1260 Bristol's most popular stations, original site of the Classic Gold AM service. Programme production studio for GWR Group.

GWR-FM Wiltshire/Brunel Classic Gold 1161 The Wiltshire stations at the historic heart of GWR Group: licences re-awarded by the Radio Authority to run for 8 years.

2-TEN FM/Classic Gold 1431 At the heart of the M4 corridor, covering Reading, Andover, Newbury and Basingstoke: successful fundraisers for the stations' Give A Child a Chance appeal.

2CR-FM/Classic Gold 828 The stations for Bournemouth, Dorset and West Hampshire. During 1994 ran "Radio D-Day", a special station commemorating the D-Day landings. Studio base for commercial production for all GWR South stations.

Trent FM/GEM AM Serving Nottingham and - through a new separate audio feed - Mansfield. Base for Regional Sales Team and Commercial Production studio for GWR Midlands and GWR East stations.

RAM FM/GEM AM Derby's new FM station was launched in a record 33 days: the launch campaign won an Excellence in Marketing award from the East Midlands Chartered Institute of Marketing.

Mercia FM/Mercia Classic Gold Covering Coventry and Warwickshire, both FM and AM stations were relaunched during 1994, with excellent results. Mercia FM's Snowball appeal passed the £1 million milestone during the year.

Leicester Sound FM Relicenced by the Radio Authority for a further 8 years in 1994, Leicester Sound also houses one of the training facilities of GWR's Radio Training Unit.

Beacon Radio/WABC The Wolverhampton and Black Country stations met the challenge of the launch of the new midlands regional "Soft Rock" service by getting closer to their listeners through detailed research: audiences have not been affected and revenues are strong.

Isle of Wight Radio Serving the Island community with "Greatest Hits and Island News" with almost half the area's listeners tuning in each week.

Hereward FM/WGMS The core stations of the former Mid Anglia group, covering Peterborough and North Cambridgeshire. GWR Group's audience research and programming input has revitalised the stations, with excellent results.

Q103 The former CN-FM covering Cambridge and Newmarket: relaunched as a completely new brand, the station is already making a big impact in the area, doubling its market share in just 3 months.

KL-FM A true community station serving fiercely independent West Norfolk: it now has its own Sales Director and Programme Controller, with greater autonomy from the Peterborough stations: listeners are enthusiastic about the improved local output.

Contents

GWR aims to become the premier radio group in the UK by

Using strategy and research to increase audiences and sales revenue to the maximum.

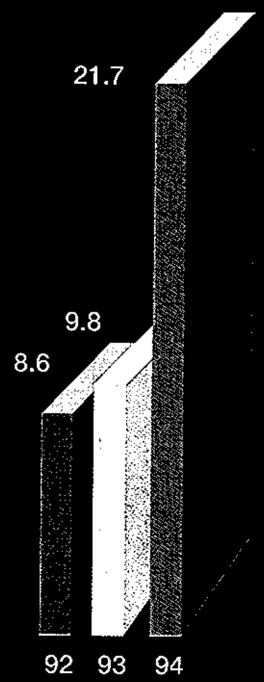
Seeking every opportunity to increase the company's profitability by greater efficiency, expansion and acquisition.

Demonstrating its belief that training, developing, promoting and rewarding its people is the key to success.

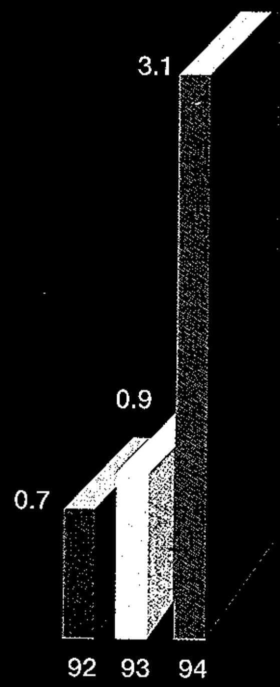
FINANCIAL HIGHLIGHTS

Movement over the previous year

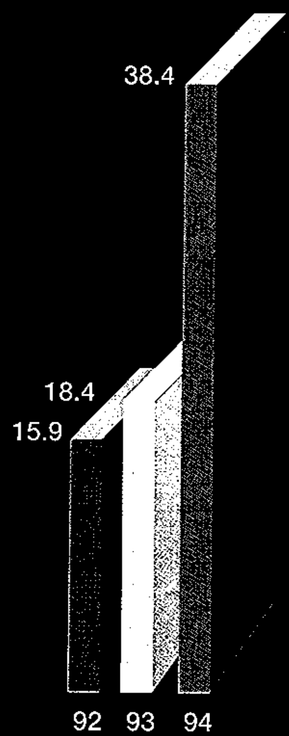
- Turnover increased 122%
- Profit before tax increased 241%
- Earnings per share increased 109%
- Dividend per share increased 44%



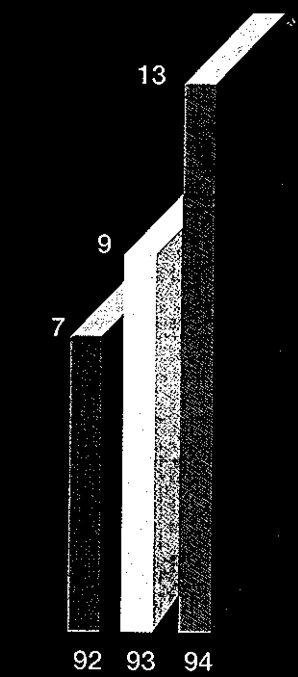
Turnover (£m)



Profit before tax (£m)



Earnings per share (p)



Dividend per share (p)

CHAIRMAN'S STATEMENT

INTRODUCTION

I am delighted to report another year of good progress and record results for GWR Group. Strong performances have been recorded by our original stations as well as the four Midlands companies acquired in January 1994 and the Mid Anglia stations which were purchased in June.

Group turnover for the period rose 122% to £21.7 million. Profits before tax increased by 241% to £3.1 million. Earnings per share grew from 18.4p to 38.4p, an increase of 109%.

The Directors recommend a 50% increase in the final dividend to 7.5p which together with the interim dividend totals 13p, an uplift of 44% and a record distribution to our shareholders.

OPERATIONS

In twelve months the Group has grown and changed very substantially. Its stations now reach eight million potential listeners from three million a year ago. Four companies were acquired in January 1994, Radio Trent Ltd - Nottingham and Derby, Mercia Sound Ltd - Coventry and Warwickshire, Leicester Sound Ltd and Beacon Broadcasting Ltd - Wolverhampton and Shropshire. Since then the Derby service of Trent FM has been re-launched as RAM FM, a successful new station that now serves the Derby community. These stations are now grouped as GWR Midlands.

In June we acquired four licences through the Mid Anglia Group in Peterborough, Cambridge, and Kings Lynn - GWR East.

The majority of the acquired stations had considerable potential for audience increases. Over an intensely active five month period eight of the new stations were relaunched, supported by new marketing and sales strategies. The results have been very satisfactory and our research shows the FM stations have increased their audience share by between 70% and 154% since March.

At the same time GWR's original stations in the South have performed well, with healthy growth in audience shares. Overall, within the Group as a whole we have achieved audience brand leadership, ahead of Radio 1, in every market except one.

The increased audiences are already yielding stronger advertising figures: in the Midlands local revenue increased by 23%, national revenue by 17%; in the East local revenue grew by 5%, national by 63% and in the South local revenue grew by 30% and national by 40%.

INVESTMENTS

Classic FM, in which the Group has a 17% interest continues to grow its revenues and has developed into a significant national institution. The leading advertising magazine "Campaign" voted the station Medium of the Year, ahead of The Guardian and The Financial Times. In 1994 it began to expand its operations overseas with stations in Holland, Finland and Sweden and a proposed affiliation in the USA.

Spire FM (40%-Salisbury) has had an extremely successful year. It was voted "Local Station of the Year" in the prestigious Sony Awards and it has made a healthy contribution to Group profits in the year.

Stray FM (22% - Harrogate) was launched in July to much local acclaim and we are optimistic about its potential.

Minster FM (16% - York and Scarborough) has performed well, making satisfactory profits for the first time.

In Devon, West Country Broadcasting (50%) is being restructured to trade profitably on revenues from Plymouth Sound, which has now split into separate programme services on FM and AM.

Interest in the opportunities provided by new licence applications continues: our concept of London Business Radio did not succeed in the last round of London licences and we are now considering our next move with this format which we are confident would be very successful in London.

The Group continues its plans to acquire interests in selected radio licences in the United Kingdom.

OVERSEAS

We continue to be active in developing overseas plans which are being progressed through our wholly-owned subsidiary Central European Broadcasting.

Radio FM Plus (48%) in Sofia, Bulgaria is now the leading private station and is currently on target to make a modest profit. In Poland, we are in partnership with BBC World Service and four Polish media groups to establish Inforadio (33%) in Warsaw. This news and talk based station is the first such collaboration between BBC World Service and a commercial radio operator: it plans to supply a feed of news and information to other Polish stations, similar to that of Independent Radio News in the UK.

We will continue to examine prospects abroad which we expect will be beneficial to future earnings.

In twelve months the Group has grown and changed very substantially. Its stations now reach eight million potential listeners from three million a year ago.

BOARDS

The Group Board was strengthened in March by the arrival of Patrick Taylor, Finance Director of Capital Radio, reflecting his company's shareholding in GWR Group. Lord Stokes retired after many years of service on both the Group and 2CR boards: it is fitting that he has been appointed Life President of 2CR, and we send him our best wishes for an active retirement. I thank all my colleagues for their contributions to the company's progress.

The principles of the Cadbury Committee on corporate governance guide our board practices, and we comply with all the material recommendations.

Local boards continue to be a vital link between each of our stations and the areas they cover. Subsidiary boards have been strengthened in each of the newly acquired areas with a new board set up in Derby for the new service RAM FM. GWR Group Vice Chairman, Richard Palmer, is responsible for developing local boards across the Group, and we now benefit from an increasing number of enthusiastic non-executive directors who are forming new links between the stations and the communities they serve. Their efforts mean a great deal to the success of the stations, and I would like to thank all of them for their contribution.

MANAGEMENT AND STAFF

By any measure – audience, revenue or broadcasting area – the year has seen very exceptional expansion of the Group. Our management teams have embraced the new challenges with determination, energy and demonstrable skill whilst continuing to grow the original GWR stations. I warmly congratulate them on their achievements. Chief Executive Ralph Bernard and Operations Director Eddie Blackwell have introduced a regional management structure, headed by Simon Cooper in the South and Ian Rufus in the Midlands. We warmly welcome all the new people – 236 in all – who have joined the Group this year. On behalf of the Board I thank everyone for their contribution to a highly successful year.

LEGISLATION

GWR Group now owns 20 radio licences which is the maximum permitted under current legislation. Our percentage coverage of the UK population is significantly less than some other groups with fewer licences but we are barred from owning more UK licences. We continue to support the Radio Authority as they take the argument to Government that the radio ownership rules should be relaxed. Until there is a change in legislation the Group's progress is being restricted.

The Department of National Heritage (DNH) has undertaken to review the ownership rules and has received submissions from both the Radio Authority and the Association of Independent Radio Companies which seek the removal of the 20 licence limit. The board is hopeful that the DNH will react positively to these submissions.

> *Revenues are ahead of budget and strongly ahead of last year. Radio continues to be the fastest growing sector in the UK advertising industry.*

FUTURE PROSPECTS

The current year has begun well, with revenues ahead of budget and strongly ahead of last year. Radio continues to be the fastest growing sector in the UK advertising industry. The board believes, notwithstanding the success to date, that there remains considerable potential in the stations acquired since January 1994. Our original companies continue to develop ways to grow their revenues. The results achieved by our stations suggest that the Group's strategy of building by acquisition a national group of local stations will bring considerable rewards.

Henry Meakin
Chairman
23rd February, 1995

DIRECTORS AND ADVISERS

Secretary
B Giffard Taylor F.C.A.

Registered Office
The Watershed, Canon's Road
Bristol BS99 7SN

Advisers

Auditors
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Bull Wharf, Redcliff Street
Bristol BS1 6QR

Solicitors
Osborne Clarke
30 Queen Charlotte Street
Bristol BS99 7QQ

Nicholson Graham & Jones
25-31 Moorgate
London EC2R 6AR

Principal Bankers
National Westminster Bank PLC
84 Commercial Road, Swindon
Wiltshire SN1 5NU

Barclays Bank PLC
28 Regent Street, Swindon
Wiltshire

Stockbrokers
James Capel & Co
Thames Exchange
10, Queen Street Place
London EC4R 1BL

Registrars
Royal Bank of Scotland
Registrars Department
PO Box 82
Caxton House, Redcliffe Way
Bristol BS99 7NH

‡ Henry Meakin (Chairman)

Aged 51, Chairman of Aspen Communications plc, of which he was a founding director in 1969. A founder Director of Wiltshire Radio in 1982. Chairman of GWR Group since January 1988. Founding Chairman of Classic FM PLC in 1991 and a Director since 1993.

Ralph Bernard (Chief Executive)*

† ‡ Roger Gilbert F.C.A. (Deputy Chairman)

Aged 50, Chartered Accountant, Managing Director of Harmsworth Media Limited, a division of Associated Newspapers Holdings Limited, of which he is a main Board Director. Other directorships include a wide range of media related companies.

† ‡ Richard Palmer (Vice Chairman)

Aged 68, Director of Thames Valley Broadcasting Plc since 1982 and Chairman since 1985. A Magistrate since 1960 and Deputy Lieutenant of the Royal County of Berkshire.

Eddie Blackwell (Operations Director)*

Stella Pirie F.C.A. (Finance Director)*

Patrick Taylor F.C.A.

Aged 46, Director of Finance and Business Development at Capital Radio plc. Other directorships include Independent Radio News Ltd, Satellite Media Services Ltd, Essex Radio plc and West Country Broadcasting Limited.

† Jonathan Trafford

Aged 61, the senior partner of Bond Pearce, solicitors with offices in Plymouth and Exeter. A founder director of Plymouth Sound. GWR Group Director since 1987.

Nicholas Tresilian (Development Director)*

* Executive Directors
† Member of the Audit Committee
‡ Member of the Remuneration Committee

The well publicised decline of BBC Radio 1's audience has not been wholly self-inflicted. Commercial radio has made substantial audience progress in many regions of the country by offering a much better product to its listeners. GWR Group has contributed significantly to the growth in commercial radio's total audience by providing programming which is responsive to researched audience preferences. The outstanding listening figures achieved by our newly acquired stations have helped the commercial radio industry to a milestone in its history by overtaking the BBC audience share for the first time.

Towards the end of 1994 commercial radio overtook the BBC's audience share for the first time in its history.

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

The radio industry passed through a significant phase of development during 1993/4.

Radio was once again the fastest growing advertising medium in the UK. Towards the end of 1994 commercial radio overtook the BBC's audience share for the first time in its history. It is therefore with some pride that GWR Group can claim to have made a substantial contribution to this outstanding growth through the revenue and audiences of its own stations during the year in which the company more than doubled in size.

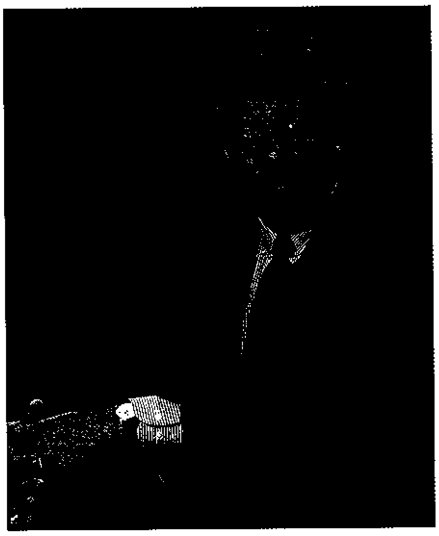
Our stations can now be defined by their stage of development: the more mature stations in the South where the Group's techniques have led to well established dominant market positions; those in the Midlands which have been with the Group for most of the year and are beginning to reap the benefits of GWR's research-led approach; and those in the East of England which have just joined the group and are undergoing a re-launch phase with consequent improvement.

GWR SOUTH

During the early part of this decade GWR Group made a commitment to major investment in research despite the deep recession in the advertising industry.

Using detailed listener research our FM stations adopted listener-driven programming. In all GWR South areas where FM services are accompanied by a complementary AM channel which targets an older audience, market leadership has been achieved.

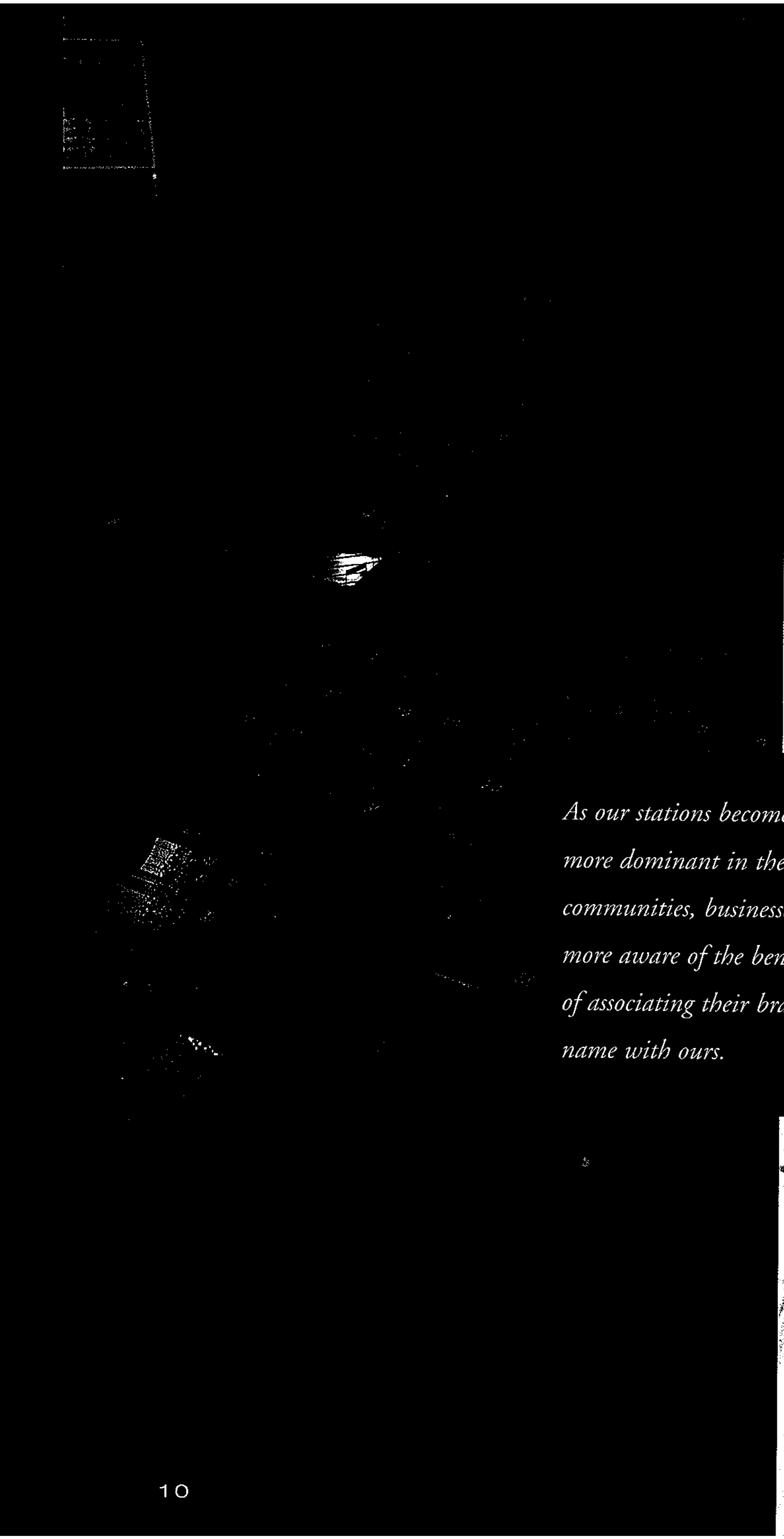
Given dominance in listening, the task for our GWR South stations is to convert this into increased advertising and sponsorship revenue. We are confident that our well-trained and effectively motivated sales teams will sell the necessary volume of advertising. Therefore the key issue is achieving the best price for our airtime. The installation of a computerised advertising trafficking system across the Group will greatly assist improvements in revenue per minute at times of high demand.



Our stations are enthusiastic contributors to the local communities which are at the heart of their success. This was recognised by the Radio Authority in re-awarding licences to our Wiltshire FM and AM services: indeed, so strong is their support in the community that our licence applications were unopposed in Wiltshire and Bristol.

Charity auctions and appeals mobilise listeners to support the work of the voluntary sector, and thriving Partnership Groups give local decision makers direct access to programme makers. Partnership Groups have inspired series on summer health risks, features encouraging businesses to "buy local", and items bringing farming issues to a wider public.

The GWR and Classic Gold services in Bristol and Swindon collaborated to avert a shortage of blood supplies in the Christmas season: the "Thousand Pints of Blood" campaign challenged listeners to donate, and the stations received the National Blood Service's Corporate Award in recognition of their success. On the south coast, the D-Day Landings were commemorated



As our stations become more dominant in their communities, businesses are more aware of the benefits of associating their brand name with ours.

GWR continually strives to increase income by improving yields and seeking new sources of revenue. A growth area for our stations has been sponsorship, the ability to associate the name of a company's brand or service with our programming.

This area of revenue has grown rapidly following a change in broadcasting rules in 1990.

All our stations have a high profile in their transmission areas and as they increase their dominance of the local markets, businesses are more aware of the benefits of associating their brand name with ours.

Our sponsorship teams have an excellent record of growth. Revenue from this source now makes an important contribution to turnover.

through Radio D-Day, a month-long special service run by 2CR, and 2-TEN in Reading raised over £30,000 for the station's Give a Child A Chance Appeal.

GWR MIDLANDS

The stations which joined the Group in January 1994 have undergone rapid development. Intensive work by the Group's executives alongside existing station staff has seen excellent improvements in audiences and revenue, rewarding the Group's investment in the stations.

Perhaps the greatest change has occurred in Nottingham. Our research showed that focussing Trent FM to concentrate on Nottingham and creating a brand new station for Derby, would be welcomed by listeners. RAM FM was developed and launched in record time, with impressive results.

Trent FM now achieves more listening in Nottingham alone than it did 12 months earlier in the two cities combined. RAM FM has already expanded into a full service radio station with a separate local board and management and is no longer a "satellite" of Nottingham.

Further revenue opportunities have resulted from the construction of the Mansfield relay transmitter which provides an additional advertising area.

Across all our Midlands stations the Group has invested in audience research, dedicated programme management, and high impact publicity campaigns. In the nine weeks between the acquisition of the stations and the start of the Spring 1994 RAJAR audience research, the FM stations in Nottingham, Coventry and Leicester were re-launched with new programme formats.

The increased audiences in the Midlands have provided the sales teams with more material to convert into increased revenue.

As the stations mature, the focus of revenue development will broaden. Co-operative advertising - securing manufacturers' funds to support local campaigns by local retailers - has long been a rich source of revenue for local newspapers, and GWR's "Co-op" unit is now beginning to succeed in developing this revenue for our stations.

The Midlands stations run a successful Regional Sales team, offering Group-wide buying opportunities to larger clients. The team has been added to, and now covers our Southern and Eastern stations. Sponsorship and Promotions revenue continues to grow in importance: as our stations become more dominant in their communities, businesses are more aware of the benefits of promoting their brand name with ours.

GWR's commitment to training and staff development underpins these new initiatives, and our status as a training provider is confirmed by the development of the Radio Training Unit. Chaired by David Wayne, former Head of Broadcasting for BBC Midlands, the unit has now taken on a London office and has trained more than 500 broadcasters and business people in the last year. GWR Group's training practices are guided by the Government's Investors in People standard: we aim to achieve full accreditation in 1996.

The Radio Authority's programme of licence advertisement this year included Leicester, where the FM licence was re-awarded to Leicester Sound. The AM licence, which had been operated by Sunrise Radio, was sold to Sabras Sound.

In Wolverhampton, competition from a new regional station has been countered by the introduction

The investment by the Group in a sophisticated computer-based system of managing airtime availabilit has been a vital tool in improving advertising yields. Radio advertising airtime is a similar product to airline seats or hotel bookings - once the flight has taken off or the night passed the empty seat or room has lost its value. Our airtime is therefore a commodity which is priced with great care to ensure maximum benefit to turnov - selling at higher rates at times of greater demand. To achieve this we have introduced a system which provide rapid information on availability of airtime t enable our sales team to deliver the highest rate of income per minute sold.

The Group believes that the management of sales yield is an essential ingredient to our continued success.

of continuous audience and music research: Beacon's audience performance has not been affected and revenues are ahead of budget.

As stations mature into market leadership, charity fund-raising becomes more effective: in Coventry, Mercia's Snowball Appeal passed the £1 million mark during the Goldrush charity auction.

GWR EAST

The stations in Cambridge, Peterborough and King's Lynn which joined the Group in June have also been subject to rapid development. The stations have been given greater autonomy, with Cambridge now operating independently of Peterborough for the first time.

The former Mid Anglia board, which covered all three sites, has divided into two, enabling a stronger Cambridge board to be established, chaired by David Ball; the Peterborough and King's Lynn board is chaired by Stewart Francis who has relinquished his Managing Director's role.

The Group's listener research showed that, whilst the FM stations in Peterborough and King's Lynn were well regarded by the audience, CN-FM in Cambridge and Newmarket had a poor image. The station was therefore re-launched with a new brand name - Q103. Listeners quickly committed themselves to the new service and our research shows that Q103 is now market leader in the city, doubling its listening in a very short time.

The developing stations take their community responsibilities very seriously, and the GWR East Christmas Charity Appeal, which included a concert by the Royal Philharmonic Orchestra in Peterborough Cathedral and a business lunch with the Prime Minister as guest of honour, raised £55,000.

SUMMARY

The year has seen the Group more than double in size, and the speed with which our new colleagues have integrated into the company is encouraging for future prosperity.

We await the relaxation of the 20 licence limit at which point GWR could expand its licence ownership by up to 50%. Our view is that radio regulation should ultimately mirror the limits that the Office of Fair Trading sets for other industries, which would allow us to more than double the number of licences owned.

Whatever the timescale for that announcement the Group's ability to grow audiences and revenues in our existing stations remains substantial. We are confident that the foundations which were laid during the recession of the early 1990's are solid and will support continued growth in audiences, revenues and dividends.

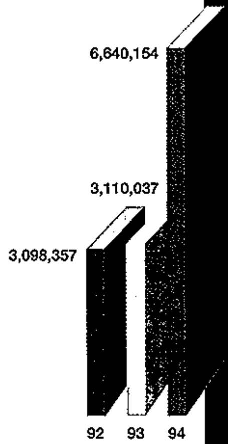
Ralph Bernard

Ralph Bernard
Chief Executive
23 February 1995

FINANCIAL REVIEW

SHARES IN ISSUE

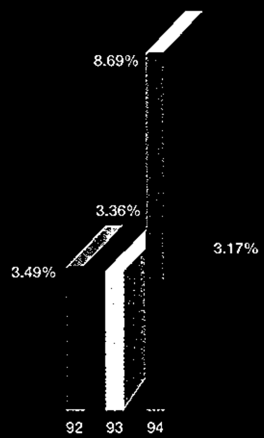
A total of 3.3 million shares were issued during the year as a result of acquisitions. 3.0 million of these were issued in December 1993 and January 1994 to finance the acquisition of four companies in the Midlands, as well as to fund associated working capital requirements. The remaining 300,000 shares were issued from June 1994 onwards to finance the acquisition of three companies in the Mid Anglia area.



Shares in issue

SHARE OF LISTENING

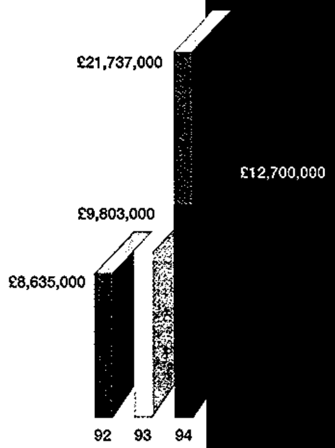
During the year, the group has achieved an increase in its share of total listening hours in Commercial Radio in the UK market of 259% from 3.36% to 8.69%. (Source: RAJAR)



Share of listening

TURNOVER

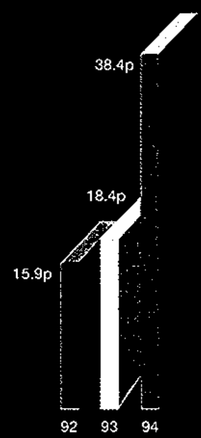
Total turnover in 1994 has risen by 122% to £21.7 million. Turnover generated by continuing operations has increased by 30% to £12.7 million, representing 59% of total turnover for the year.



Turnover

EARNINGS PER SHARE

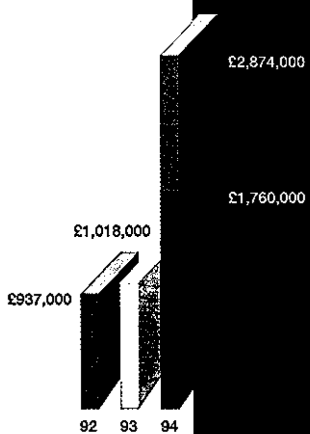
Shareholder returns continue to improve with earnings per share rising by 109% to 38.4p.



EPS

OPERATING PROFIT

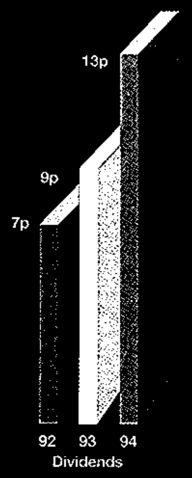
Operating profit has risen by 182% to £2.9 million. Continuing activities have contributed £1.8 million, 61% of total operating profit, an increase of 73% on last year.



Total operating profit

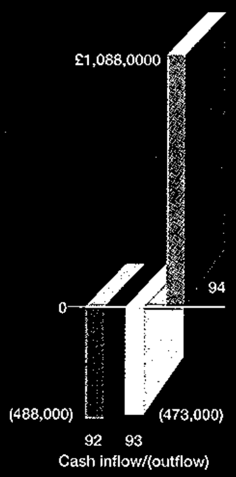
Whole group

Continuing operations



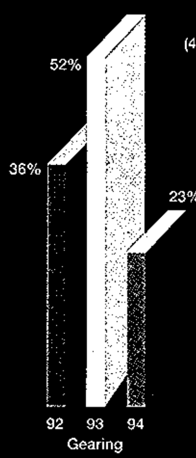
DIVIDENDS

The recommended final dividend for the year is 7.5p which, together with the interim of 5.5p, totals 13p – an increase of 44% on 1993, which is a record level.



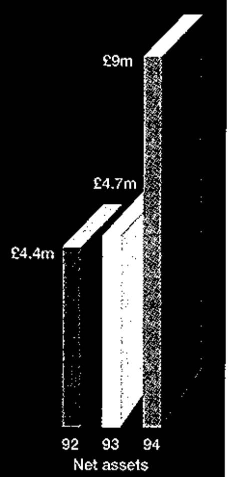
CASH FLOW

The group has generated net cash of £1.1 million during 1994 compared to an outflow of £473,000 in 1993. £4.3 million (1993: £630,000) arose on operating activities during the year.



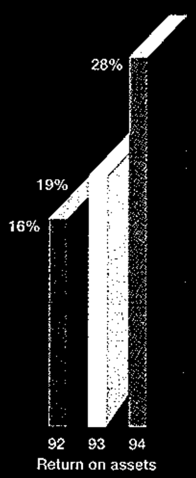
GEARING

Gearing, as defined by net borrowings as a percentage of total shareholders' funds, fell from 52% to 23% mainly due to an increase in net assets arising from the equity financed acquisitions.



SHAREHOLDERS' FUNDS

Total shareholders' funds have risen to £9 million, an increase of 91% on last year. £1.9 million of assets were acquired through acquisitions during the year. £19.6 million was paid in consideration for those assets with the resulting goodwill of £17.7 million being written off against a special reserve created by a transfer from the share premium account.



RETURN ON ASSETS

The increased level of profits this year has contributed to the return on assets, as defined by profit before interest and tax as a percentage of assets employed, rising by 48% to 28%.

The directors present their report and the audited financial statements for the year ended 30 September 1994.

Principal activities

The consolidated profit and loss account for the year is set out on page 18. The principal activities of the group are the operation of independent radio licences in the South, Midlands and East of England.

Review of business

A review of business is included within the Chief Executive's report on pages 8 – 13.

On 14 January 1994 the company acquired the whole of the issued share capital of Radio Trent Limited, Mercia Sound Limited, Leicester Sound Limited and Beacon Broadcasting Limited. On 3 June 1994 the group's offer for the issued share capital of Mid Anglia Radio plc was declared unconditional. At 30 September 1994 GWR Group plc owned 99.97% of that company's issued share capital. Details of the net assets acquired and consideration paid are set out in note 21 to the financial statements.

During the year, the company received approval from the High Court of Justice for permission to credit a special reserve account from the share premium account in order to set off the goodwill created on consolidation of acquisitions. See note 22.

Dividends and transfers to reserves

The directors have declared the following dividends in respect of the year ended 30 September 1994:

	£'000
Ordinary dividends:	
Interim paid	365
Final proposed	498
	863

After payment of the above dividends £1,241,000 of the profit for the financial year will be transferred to the group's reserves.

Directors

Details of the directors of the company at 30 September 1994, all of whom have been directors for the whole of the year ended on that date, except for Mr P Taylor who was appointed on 5 April 1994, are listed on page 7. Lord Stokes resigned from the board on 27 October 1994. In accordance with the articles of association, Mrs S Pirie and Mr H Meakin retire by rotation and, being eligible, offer themselves for re-election. Mrs S Pirie holds a director's service contract which is terminable by the company giving twelve months notice. Mr P Taylor offers himself for re-election in accordance with Article 90.

Directors' interests

The interests of the directors in the shares of the company at 30 September 1994, together with their interests at 1 October 1993, or when first appointed a director, are as follows:

	Shares		Share options		
	1 October or when first appointed a director	**30 September**	1 October or when first appointed a director	Exercised	**30 September**
HPJ Meakin	-	**490**	-	-	-
RM Bernard	32,850	**45,810**	163,412	123,412	**40,000**
RN Gilbert FCA	748	**1,141**	-	-	-
RJ Palmer	11,263	**11,263**	-	-	-
CE Blackwell	6,593	**10,093**	12,000	12,000	-
SJ Pirie FCA	1,150	**1,755**	6,000	-	**6,000**
Lord Stokes	42,060	**20,000**	-	-	-
JPE Taylor FCA	-	-	-	-	-
JH Trafford	856	**1,306**	-	-	-
NS Tresilian	5,619	**3,381**	8,000	-	**8,000**

All the above shares are held beneficially except for 7,960 held non-beneficially by R Bernard and 6,380 held non-beneficially by Lord Stokes.

R Gilbert is a director of Harmsworth Media Limited, which held 1,261,113 shares in GWR Group plc at 30 September 1994. Harmsworth Media Limited is a subsidiary of Daily Mail and General Trust PLC.
R Gilbert is also a director of Radiotrust PLC which held 183,928 shares in GWR Group plc at 30 September 1994.

P Taylor is a director of Capital Radio plc, which held 1,213,148 shares in GWR Group plc at 30 September 1994.
There has been no change in the interests set out above between 30 September 1994 and 14 February 1995.

Changes in fixed assets
The movements in fixed assets during the year are set out in notes 12 to 14 to the financial statements.

Substantial shareholdings
According to notifications received in accordance with the requirements of the Companies Act, shareholdings of 3 per cent or more of the company's issued share capital at 14 February 1995 are as follows:

	Number of shares	% of issued share capital
Harmsworth Media Limited	1,261,113	18.99
Capital Radio plc	1,213,148	18.27
Fidelity Investment Services Limited	615,759	9.27
Henderson Cygnet Exempt Trust	361,681	5.45
Gartmore Investment Management Limited	213,986	3.22

Employees
The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on factors affecting the performance of the group. This is achieved through formal and informal meetings.

It is the group's policy to give full and fair consideration to the employment of disabled persons, the continuing employment of employees becoming disabled, and to the full development of the careers of disabled employees, having regard to their particular aptitudes and abilities.

Insurance of directors
The group maintains insurance for the directors of GWR Group plc in respect of their duties as directors of the group.

Taxation status
The company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors
A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

Corporate Governance
The Board supports best practice in corporate governance and confirms that the company has complied throughout the period with the Cadbury Committee's Code of Best Practice apart from the guidance relating to reporting on internal control which as it was only recently issued the directors have yet to consider in detail.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

Our auditors have reported to the company that in their opinion the directors' comments above on going concern provide the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance) and are not inconsistent with the information of which they are aware from their audit work on the financial statements, and the above statement appropriately reflects the company's compliance with the other paragraphs of the Code specified by the London Stock Exchange for their review. They have not carried out the additional work necessary to, and do not, express any opinion on the effectiveness of the group's corporate governance procedures, nor the ability of the group to continue in operational existence.

Directors' responsibility
The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 1994. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for maintaining adequate accounting records, for taking reasonable steps to safeguard the assets of the company and the group, and to prevent and detect fraud and other irregularities.

By order of the board

B Giffard Taylor FCA
Company secretary
28 February 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September 1994

	Notes	1994 £'000	1993 £'000
Turnover			
Continuing operations		**12,718**	9,803
Acquisitions		**9,019**	-
Total turnover		**21,737**	9,803
Operating expenses		**(18,863)**	(8,715)
Exceptional operating expenses		**-**	(70)
Total operating expenses	2	**(18,863)**	(8,785)
Operating profit			
Continuing operations		**1,757**	1,018
Acquisitions		**1,117**	-
Total operating profit		**2,874**	1,018
Income from interests in associated undertakings		**241**	91
Investment income	5	**128**	6
Net interest payable and similar charges	6	**(131)**	(202)
Profit on ordinary activities before taxation	7	**3,112**	913
Taxation	8	**1,008**	341
Profit for the financial year	9	**2,104**	572
Dividends	10	**863**	280
Retained profit for the year	22	**1,241**	292
Earnings per share	11	**38.4p**	18.4p
Fully diluted earnings per share	11	**38.2p**	17.1p

The group had no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

BALANCE SHEETS

For the year ended 30 September 1994

	Notes	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Fixed assets					
Intangible assets	12	**752**	406	**-**	-
Tangible assets	13	**7,919**	3,935	**551**	468
Investments	14	**2,836**	1,162	**23,308**	4,144
		11,507	5,503	**23,859**	4,612
Current assets					
Stocks		**75**	20	**-**	-
Debtors	15	**7,823**	4,215	**6,069**	2,942
Cash at bank and in hand		**548**	-	**169**	-
		8,446	4,235	**6,238**	2,942
Creditors: amounts falling due within one year	16	**8,412**	3,857	**4,498**	4,912
Net current assets/(liabilities)		**34**	378	**1,740**	(1,970)
Total assets less current liabilities		**11,541**	5,881	**25,599**	2,642
Creditors: amounts falling due after more than one year	17	**2,228**	895	**1,814**	761
Provisions for liabilities and charges	18	**241**	242	**-**	77
		2,469	1,137	**1,814**	838
Net assets		**9,072**	4,744	**23,785**	1,804
Capital and reserves					
Called up share capital	20	**1,328**	622	**1,328**	622
Share premium account	22	**2,684**	212	**2,684**	212
Special capital reserve	22	**369**	369	**369**	369
Special reserve	22	**-**	-	**17,781**	-
Revaluation reserve	22	**1,113**	1,113	**-**	-
Merger reserve	22	**491**	491	**-**	-
Profit and loss account	22	**3,087**	1,937	**1,623**	601
		9,072	4,744	**23,785**	1,804

The financial statements on pages 18 to 38 were approved by the board of directors on 28 February 1995 and were signed on its behalf by:

Stella Pirie

Stella Pirie

Ralph Bernard

Ralph Bernard

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 1994

	Notes	1994 £'000	1993 £'000
Operating activities			
Net cash inflow from continuing operating activities	24	**4,587**	630
Returns on investments and servicing of finance			
Investment income received		**128**	6
Interest paid		**(67)**	(152)
Interest paid on finance leases		**(83)**	(30)
Dividend received from associated undertaking		**20**	-
Dividend paid		**(521)**	(248)
Net cash outflow from returns on investments and servicing of finance		**(523)**	(424)
Taxation			
UK Corporation tax paid		**(806)**	(236)
Investing activities			
Licence reapplication costs capitalised		**(325)**	(72)
Purchase of tangible fixed assets		**(834)**	(261)
Sale of tangible fixed assets		**55**	9
Purchase of fixed asset investments		**(855)**	-
Purchase of subsidiaries - Radio Trent, Mercia Sound, Leicester Sound, Beacon Broadcasting	21	**(9,628)**	-
Purchase of subsidiary - Mid Anglia Radio plc	21	**(3,301)**	-
Purchase of associate		**(86)**	-
Net cash outflow from investing activities		**(14,974)**	(324)
Net cash outflow before financing		**(11,716)**	(354)
Financing			
Issue of shares		**13,579**	28
Repayment of loan		**(119)**	-
Expenses of share issue		**(405)**	-
Repayment of principal under finance leases		**(251)**	(147)
Net cash inflow/(outflow) from financing		**12,804**	(119)
Increase/(decrease) in cash and cash equivalents	25	**1,088**	(473)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1994

1 Principal accounting policies

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

Basis of accounting
The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain fixed assets.

Basis of consolidation
The consolidated financial statements include the company and all its subsidiary undertakings. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

Associated undertakings
The group's share of profits of associated undertakings is included in the consolidated profit and loss account, and the group's share of their net assets is included in the consolidated balance sheet.

Goodwill
Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

Intangible fixed assets
Expenditure incurred on the launch of split frequency transmission and successful reapplications for licences, has been deferred and is being amortised 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. The basis of valuation of those properties is explained in note 13.

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:

Fixtures and technical equipment	10%-20%
Motor vehicles	20%

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

No depreciation is provided on freehold land and buildings, because the directors are of the opinion that at the end of their useful lives, the residual value of the freehold buildings is such that any depreciation would be immaterial. The group's appraisal of residual values is based on prices prevailing at the time of acquisition or subsequent valuation. Its policy is to make provision in the profit and loss account in the event of any permanent diminution in property value.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1994

1 Principal accounting policies (continued)

Deferred taxation

Provision for deferred taxation is made using the liability method where there is a reasonable probability that the liability or asset will crystallise.

Pension costs

Some of the group companies 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 group companies participate in a defined benefit pension scheme which is contracted out of the state scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service life of members of the scheme.

2 Operating expenses

	Continuing operations £'000	**Acquisitions £'000**	**1994 Total £'000**	1993 Total Continuing operations £'000
Selling and administration expenses	**9,092**	**5,375**	**14,467**	7,152
Other operating expenses	**1,869**	**2,527**	**4,396**	1,633
	10,961	**7,902**	**18,863**	8,785

3 Directors' emoluments

	1994 £'000	1993 £'000
Fees	**133**	36
Salary payments (including benefits in kind)	**369**	188
Pension contributions	**22**	15
	524	239

The above total includes:

	1994 £'000
Performance related emoluments:	
Based on earnings per share	**57**
Based on profit before taxation	**32**
	89

Fees include amounts paid to third parties for the services of directors of £111,000 (1993: £10,500).

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1994 £'000	1993 £'000
The chairman	**55**	8
The highest paid director:		
Fees and other emoluments	**126**	101
Performance related bonus	**68**	-
	194	101

3 Directors' emoluments (continued)

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1994 Number	1993 Number
£0 to £5,000	**3**	4
£5,001 to £10,000	**-**	1
£10,001 to £15,000	**1**	1
£25,001 to £30,000	**-**	2
£35,001 to £40,000	**-**	1
£45,001 to £50,000	**2**	-
£50,001 to £55,000	**2**	-
£85,001 to £90,000	**1**	-
£100,001 to £105,000	**-**	1
£190,001 to £195,000	**1**	-

4 Employee information

The average weekly number of persons (including executive directors) employed during the year was 393 (1993:157).

	1994 £'000	1993 £'000
Staff costs (for the above persons):		
Wages and salaries	**6,188**	2,277
Social security costs	**535**	239
Pension costs (see note 19)	**160**	35
	6,883	2,551

5 Investment income

	1994 £'000	1993 £'000
Rents receivable	**128**	6

6 Net interest payable and similar charges

	1994 £'000	1993 £'000
On bank loans/overdrafts/other loans:		
Repayable within 5 years, not by instalments	**17**	122
Repayable within 5 years, by instalments	**49**	-
Repayable wholly or partly in more than 5 years	**-**	50
	66	172
On finance leases	**83**	30
	149	202
Interest receivable	**(18)**	-
	131	202

For the year ended 30 September 1994

7 Profit on ordinary activities before taxation

	1994	1993
	£'000	£'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	**128**	6
Profit on disposal of tangible fixed assets	**28**	4
And after charging:		
Depreciation charge for the year:		
Intangible fixed assets	**132**	70
Tangible owned fixed assets	**515**	230
Tangible fixed assets held under finance leases	**228**	57
Auditors' remuneration for:		
Audit (company £3,300 (1993: £3,000))	**44**	30
Other services to the company	**32**	40
Hire of plant and machinery - operating leases	**222**	15
Hire of other assets - operating leases	**444**	237

The company incurred £184,000 of auditors' remuneration for other services in addition to that above, which has been capitalised as part of the cost of acquisitions made during the year.

8 Taxation

	1994	1993
	£'000	£'000
United Kingdom corporation tax at 33% (1993 : 33%)		
Current	**865**	449
Deferred	**9**	(81)
(Over)/under provision in respect of prior years:		
Current	**18**	-
Deferred	**36**	-
	928	368
Associated undertakings	**80**	(27)
	1,008	341

9 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. Of the profit for the financial year £1,885,000 (1993: £236,000) is dealt with in the financial statements of the company.

10 Dividends

	1994	1993
	£'000	£'000
Interim paid of 5.5p per share (1993: 4p per share)	**365**	124
Final proposed of 7.5p per share (1993: 5p per share)	**498**	156
	863	280

11 Earnings per share

The calculation of earnings per share has used 5,481,451(1993: 3,101,184) ordinary shares, being the weighted average number of ordinary shares in issue during the year, and is based on the profit on ordinary activities after taxation of £2,104,000 (1993: £572,000).

The fully diluted earnings per share figure has been compiled on the basis of 5,578,541 (1993: 3,452,792) ordinary shares, this calculation allows for the full conversion of share options.

For the year ended 30 September 1994

12 Intangible fixed assets
Group

	£'000
Cost	
At 1 October 1993	920
In respect of new subsidiaries	476
Additions	325
At 30 September 1994	**1,721**
Depreciation	
At 1 October 1993	514
In respect of new subsidiaries	323
Charge for year	132
At 30 September 1994	**969**
Net book value	
At 30 September 1994	**752**
Net book value	
At 30 September 1993	406

13 Tangible fixed assets
Group

	Land and buildings £'000	Fixtures and technical equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 October 1993	2,869	2,884	259	6,012
In respect of new subsidiaries	2,704	3,877	483	7,064
Additions	18	780	36	834
Disposals	-	(7)	(169)	(176)
At 30 September 1994	**5,591**	**7,534**	**609**	**13,734**
Depreciation				
At 1 October 1993	220	1,669	188	2,077
In respect of new subsidiaries	321	2,568	255	3,144
Charge for year	50	599	94	743
Disposals	-	(3)	(146)	(149)
At 30 September 1994	**591**	**4,833**	**391**	**5,815**
Net book value				
At 30 September 1994	**5,000**	**2,701**	**218**	**7,919**
Net book value				
At 30 September 1993	2,649	1,215	71	3,935
Cost or valuation at 30 September 1994 is represented by:				
Valuation in 1988	1,750	-	-	1,750
Cost	3,841	7,534	609	11,984
	5,591	**7,534**	**609**	**13,734**

The net book value of tangible fixed assets includes an amount of £790,400 (1993: £773,000) in respect of assets held under finance leases.

The freehold land and buildings that have been revalued were the subject of a valuation in June 1988 by Conrad Ritblat and Co., a firm of independent consultant surveyors and valuers on an open market valuation for existing use basis.

13 Tangible fixed assets (continued)

If freehold land and buildings had not been revalued they would have been included in the financial statements at an original cost of £3,033,000 (1993: £1,132,000).

Land and buildings at net book value comprise:

	1994 £'000	1993 £'000
Freeholds	**4,146**	2,245
Long leaseholds	**74**	-
Short leaseholds	**780**	404
	5,000	2,649

Company	Fixtures and technical equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 October 1993	479	-	479
Additions	185	10	195
Inter-group transfers	-	56	56
Disposals	-	(19)	(19)
At 30 September 1994	**664**	**47**	**711**
Depreciation			
At 1 October 1993	11	-	11
Charge for year	118	12	130
Inter-group transfers	-	38	38
Disposals	-	(19)	(19)
At 30 September 1994	**129**	**31**	**160**
Net book value			
At 30 September 1994	**535**	**16**	**551**
Net book value			
At 30 September 1993	468	-	468

The net book value of tangible fixed assets includes an amount of £304,000 (1993: £453,000) in respect of assets held under finance leases.

For the year ended 30 September 1994

14 Fixed asset investments

Group	Associated undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 October 1993	222	940	1,162
Additions	141	1,391	1,532
Share of results for year	142	-	142
At 30 September 1994	**505**	**2,331**	**2,836**

	Associated undertakings		Other investments	
	1994 £'000	1993 £'000	**1994 £'000**	1993 £'000
Investments included above listed on a recognised investment exchange	-	-	**441**	
Stock exchange value of listed investments	-	-	**340**	-

The associated undertakings are as follows:

Name	Country of incorporation /registration	Class of capital held	Proportion of nominal value of issued shares held by group and company %
West Country Broadcasting Limited	England and Wales	Ordinary £1 shares	50
Spire FM Limited	England and Wales	Ordinary £1 shares	40
Radio FM Plus	Bulgaria	Ordinary 100 Leva shares	48
InfoRadio SP ZO O	Poland	Ordinary 10,000 Zloty shares	33

All of the above companies operated in their country of incorporation or registration, and all of them are local radio contractors. They are stated in the company balance sheet at the cost of investment.

The investment in InfoRadio SP ZO O in Poland was acquired during the year.

Company	Interests in group undertakings £'000	GWR Partnership £'000	Associated undertakings £'000	Other investments £'000	Total £'000
Cost					
At 1 October 1993	1,097	1,874	258	915	4,144
Additions	19,672	-	-	1,366	21,038
Dissolution of partnership	-	(1,874)	-	-	(1,874)
At 30 September 1994	**20,769**	-	**258**	**2,281**	**23,308**

For the year ended 30 September 1994

14 Fixed asset investments (continued)

Interests in group undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the group:

Name of undertaking	Principal activity	Proportion of nominal value of issued shares held by:	
		Group%	Company %
Wiltshire Radio plc	Independent local radio contractor	100	100
GWR (West) Limited	Independent local radio contractor	100	100
Thames Valley Broadcasting plc	Independent local radio contractor	100	-
Two Counties Radio Limited	Independent local radio contractor	100	-
Radio Trent Limited	Independent local radio contractor	100	100
Mid Anglia Radio plc	Independent local radio contractor	99.97	99.97

All of the above companies have only one class of share capital, ordinary shares, except for Wiltshire Radio plc which also has non-voting ordinary shares. All of the above companies are registered and operated in England and Wales.

On 14 January 1994, the company acquired the whole of the issued share capital of Radio Trent Limited, Mercia Sound Limited, Leicester Sound Limited and Beacon Broadcasting Limited (see note 21).

On 3 June 1994, the company's offer for the issued share capital of Mid Anglia Radio plc was declared unconditional. At 30 September 1994, the company had acquired 99.97% of the issued share capital of Mid Anglia Radio plc (see note 21).

GWR Partnership

The GWR Partnership, in which the company had a 50% share, was dissolved on 1 October 1994. The assets were distributed, at net book values, to the company and the other partner, Wiltshire Radio plc, in accordance with the Partnership Agreement.

Other investments

Significant interests included within other investments are as follows:

	Class of capital held	Group interest %	
		1994	1993
Unquoted:			
Classic FM plc	Ordinary 1p shares	**17.2**	17.2
Minster Sound Radio plc	Ordinary £1 shares	**15.8**	17.0
Stray FM Limited	Ordinary 50p shares	**22.4**	-

The group has no influence over Stray FM Limited, with no involvement in their financial and operating policy decisions. The investment in that company is therefore not treated as an associate holding, but is accounted for at cost.

All the above companies are registered in England and Wales.

For the year ended 30 September 1994

15 Debtors

	Group		Company	
	1994	1993	**1994**	1993
	£'000	£'000	**£'000**	£'000
Amounts falling due after more than one year				
Amounts owed by associated undertakings	**-**	218	**-**	218
Other debtors	**71**	50	**50**	50
	71	268	**50**	268
Amounts falling due within one year				
Trade debtors	**5,672**	2,716	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**4,976**	1,973
Amounts owed by associated undertakings	**283**	308	**253**	86
Other debtors	**931**	181	**420**	87
Prepayments and accrued income	**866**	742	**370**	528
	7,752	3,947	**6,019**	2,674
	7,823	4,215	**6,069**	2,942

16 Creditors: amounts falling due within one year

	Group		Company	
	1994	1993	**1994**	1993
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**983**	1,405	**2,177**	90
Obligations under finance leases	**346**	186	**150**	108
Trade creditors	**1,108**	741	**138**	-
Amounts owed to subsidiary undertakings	**-**	-	**11**	4,267
Amounts owed to associated undertakings	**41**	48	**-**	5
Corporation tax	**948**	327	**215**	5
Other taxation and social security	**821**	315	**35**	-
Other creditors	**1,001**	172	**605**	187
Accruals	**2,666**	507	**669**	94
Dividends payable	**498**	156	**498**	156
	8,412	3,857	**4,498**	4,912

For the year ended 30 September 1994

17 Creditors: amounts falling due after more than one year

	Group		Company	
	1994	1993	**1994**	1993
	£'000	£'000	**£'000**	£'000
Bank loans	**383**	508	**336**	481
Obligations under finance leases	**347**	387	**245**	280
Other creditors	**1,498**	-	**1,233**	-
	2,228	895	**1,814**	761

Bank loans and overdrafts

	Group		Company	
	1994	1993	**1994**	1993
	£'000	£'000	**£'000**	£'000
Repayable as follows:				
In one year or less	**983**	1,405	**2,177**	90
Between one and two years	**120**	97	**118**	90
Between two and five years	**225**	290	**218**	270
In five years or more	**38**	121	**-**	121
	1,366	1,913	**2,513**	571

Repayable by instalments wholly or partly in more than five years:

Bank loan repayable in monthly instalments of £184. Interest is charged on the loan at Barclays Bank Base Rate plus 2.5%, subject to a lower limit of 7.5%. The loan is secured by a legal charge over freehold property which is stated at a net book value of £106,000 in these financial statements.	**49**	-	**-**	-
Bank loan repayable in monthly instalments of £9,800. Interest is charged on the loan at National Westminster Bank Base Rate plus 2% per annum, subject to a lower limit of 6% per annum.	**-**	571	**-**	571
	49	571	**-**	571

Finance leases

The net finance lease obligations to which the group and company are committed are as follows:

	Group		Company	
	1994	1993	**1994**	1993
	£'000	£'000	**£'000**	£'000
In one year or less	**346**	186	**150**	108
Between one and two years	**183**	156	**130**	150
Between two and five years	**144**	231	**115**	130
Over five years	**20**	-	**-**	-
	693	573	**395**	388

For the year ended 30 September 1994

18 Provisions for liabilities and charges

Deferred taxation

	Group £'000	Company £'000
At 1 October 1993	242	77
Profit & loss account	45	(77)
On acquisition	79	-
Advance corporation tax	(125)	-
At 30 September 1994	**241**	-

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

Group	**Amount provided**		**Amount unprovided**	
	1994 £'000	1993 £'000	**1994 £'000**	1993 £'000
Accelerated capital allowances	**136**	71	-	133
Other timing differences	**230**	171	-	-
	366	242	-	133
Less: advance corporation tax	**(125)**	-	-	-
	241	242	-	133

The potential capital gains tax that might arise if the group's freehold property was realised at the net amount included in the financial statements is estimated at £107,000 (1993: £122,000).

Company	**Amount provided**		**Amount unprovided**	
	1994 £'000	1993 £'000	**1994 £'000**	1993 £'000
Accelerated capital allowances	-	-	-	54
Other timing differences	-	77	-	-
	-	77	-	54

For the year ended 30 September 1994

19 Pension obligations

(a) Some of the subsidiaries in the GWR South area participate in defined contribution pension schemes available to their permanent employees.

The schemes' funds are administered by trustees and are independent of the group's finances. The schemes are fully funded and contributions are paid to the schemes in accordance with the recommendations of independent actuaries.

(b) Eligible employees at Radio Trent Limited, Leicester Sound Limited and Mercia Sound Limited are members of the Midlands Radio Group Pension Scheme. 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 trusts with the assets held separately from those of the group.

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 the group. The pension cost charged to the profit and loss account is calculated by a qualified actuary and is determined as a substantially level percentage of the current and expected future pensionable payroll.

The last actuarial valuation was carried out as at 1st October 1993. At that date the market value of the scheme's assets was £2,334,356. The actuarial value of the scheme's assets represented 93.3% of the benefits that had accrued to members after allowing for the expected future increases in earnings.

The assumptions having the greatest effect on the pension cost are those relating to the rate of return on scheme investments and the rate of increase in pensionable earnings. In calculating the pension cost it was assumed that over the long-term the yield earned on investments would exceed the effective rate of increase in pensionable earnings by 2.25% per annum. Allowance was made for increases in pension payments in accordance with scheme rules.

The total pension cost to the group for the year was £160,000 (1993: £35,000).

20 Called up share capital

	Authorised		Allotted, called-up and fully paid	
	Number	**£'000**	**Number**	**£'000**
Ordinary shares of 20p each:				
At 1 October 1993	3,500,000	700	3,110,037	622
Share options exercised	-	-	268,055	54
Increase on 14 January 1994	4,950,000	990	-	-
Issued on acquisition:				
Radio Trent, Mercia Sound,				
Leicester Sound & Beacon Broadcasting	-	-	2,956,197	591
Mid Anglia Radio plc	-	-	305,865	61
	8,450,000	**1,690**	**6,640,154**	**1,328**

The authorised share capital was increased on 14 January 1994 in order to allow for the increase in issued share capital required for the funding of the cost of acquisitions (see note 21), together with working capital requirements.

At 30 September 1994, the company had granted options under the Executive Share Option Scheme in respect of 20p Ordinary shares which were outstanding as follows:

Date granted	**Number of shares**	**Option price £**
31 October 1987	3,000	1.25
5 March 1988	550	1.25
16 November 1988	40	2.41
1 February 1991	14,500	1.98
12 February 1992	5,000	2.59
3 March 1992	8,000	2.58
1 February 1993	66,000	3.80
	97,090	

All options are exercisable between three and ten years from the date granted.

For the year ended 30 September 1994

21 Acquisitions

(a) On 14 January 1994, the company acquired the whole of the issued share capital of Radio Trent Limited, Mercia Sound Limited, Leicester Sound Limited and Beacon Broadcasting Limited. The group has used acquisition accounting to account for these purchases.

The consolidated net assets acquired were as follows:

	Book value £'000	Adjustments £'000	Fair value to the group £'000
Fixed assets			
Intangible	82	-	82
Tangible	2,866	274	3,140
Investments	20	-	20
	2,968	274	3,242
Current assets			
Stock	61	-	61
Debtors	1,900	-	1,900
Cash at bank and in hand	179	-	179
	2,140	-	2,140
Total assets	5,108	274	5,382
Liabilities			
Creditors	2,111	820	2,931
Bank overdraft	1,137	-	1,137
Deferred tax	79	-	79
	3,327	820	4,147
Net assets	**1,781**	**(546)**	**1,235**

Consideration	
1,014,882 Ordinary shares at £6.90 each	7,003
Cash	8,670
Total consideration paid	15,673
Fair value of net assets acquired	1,235
Goodwill	14,438

£800,000 of the total consideration above is deferred and contingent on future results.

For the year ended 30 September 1994

21 Acquisitions (continued)

The adjustments to book value relate to the alignment of the companies' depreciation policies on freehold property with that of GWR Group plc and reorganisation provisions, none of which were utilised at 30 September 1994.

The subsidiaries made a profit/(loss) on ordinary activities before taxation before the acquisition date as follows:

	1 October 1993 to acquisition date £'000	Year ended 30 September 1993 £'000
Radio Trent Limited	249	707
Mercia Sound Limited	11	16
Leicester Sound Limited	(3)	55
Beacon Broadcasting Limited	117	(19)
	374	759

The above companies contributed £2,712,000 to the group's net operating cash flows, paid £6,000 in respect of net returns on investments and servicing of finance, paid £203,000 in respect of taxation and utilised £476,000 for investing activities.

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of Radio Trent Limited, Mercia Sound Limited, Leicester Sound Limited and Beacon Broadcasting Limited.

	£'000
Cash consideration	8,670
Cash at bank and in hand	(179)
Bank overdrafts acquired	1,137
Net outflow of cash and cash equivalents	9,628

(b) On 3 June 1994, the company's offer for the issued share capital of Mid Anglia Radio plc was declared unconditional. At 30 September 1994 GWR Group plc had acquired 99.97% of Mid Anglia Radio plc. The group has used acquisition accounting to account for the purchase.

The subsidiary made a loss on ordinary activities before taxation of £85,000 from 1 October 1993, the beginning of the subsidiary's financial year, to the date of acquisition and made a loss of £100,000 for the previous financial year.

Mid Anglia Radio plc contributed an outflow of £184,000 to the group's net operating cash flows, paid £2,000 in respect of net returns on investments and servicing of finance and utilised £80,000 for investing activities.

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of Mid Anglia Radio plc

	£'000
Cash consideration	3,202
Bank overdrafts acquired	99
Net outflow of cash and cash equivalents	3,301

For the year ended 30 September 1994

21 Acquisitions (continued)

The assets and liabilities acquired are set out below:

	Book value £'000	Adjustments £'000	Fair value to the group £'000
Fixed assets			
Intangible	72	-	72
Tangible	778	2	780
	850	2	852
Current assets			
Stock	25	-	25
Debtors	676	-	676
	701	-	701
Total assets	1,551	2	1,553
Liabilities			
Creditors	556	257	813
Bank overdraft	99	-	99
	655	257	912
Net assets	**896**	**(255)**	**641**
Consideration			
81,239 Ordinary shares			782
Cash			3,202
Total consideration paid			3,984
Fair value of net assets acquired			641
Goodwill			3,343

The adjustments to book value relate to the alignment of the company's depreciation policy on freehold property with that of GWR Group plc and reorganisation provisions, none of which were utilised at 30 September 1994.

(c) Goodwill

The cumulative amount of goodwill resulting from acquisitions which has been written off to reserves is set out below:

	£'000
At 1 October 1993	123
Written off to special reserve (see note 22)	17,781
Written off to profit and loss account (see note 22)	91
At 30 September 1994	**17,995**

For the year ended 30 September 1994

22 Reserves

Group	Share premium account £'000	Special reserve £'000	Profit & loss account £'000
At 1 October 1993	212	-	1,937
Goodwill on consolidation of subsidiary, previously not consolidated	-	-	(91)
Issue of shares (see note 20)	20,264	-	-
Expenses of share issue	(405)	-	-
Creation of special reserve	(17,781)	17,781	-
Share options exercised	394	-	-
Goodwill written off (see note 21)	-	(17,781)	-
Retained profit for the year	-	-	1,241
At 30 September 1994	**2,684**	**-**	**3,087**

Group	Revaluation reserve £'000	Special capital reserve £'000	Merger reserve £'000
At 1 October 1993 and 30 September 1994	1,113	369	491

Group's share of post acquisition reserves of associated undertakings	Profit & loss account £'000
At 1 October 1993	(23)
Retained profit for the year	142
At 30 September 1994	**119**

During the year, the company received approval from the High Court of Justice for permission to credit the amount of £17,781,000 to a special reserve from the share premium account. Pursuant to this transfer the group has written off the goodwill arising on consolidation in the group accounts relating to the acquisition of Radio Trent Limited, Mercia Sound Limited, Leicester Sound Limited, Beacon Broadcasting Limited and Mid Anglia Radio plc during the year.

Company	Share premium account £'000	Special capital reserve £'000	Special reserve £'000	Profit & loss account £'000
At 1 October 1993	212	369	-	601
Issue of shares (see note 20)	20,264	-	-	-
Expenses of share issue	(405)	-	-	-
Creation of special reserve	(17,781)	-	17,781	-
Share options exercised	394	-	-	-
Retained profit for the year	-	-	-	1,022
At 30 September 1994	**2,684**	**369**	**17,781**	**1,623**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1994

23 Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Profit for the financial year	2,104	572
Dividends	(863)	(280)
	1,241	292
New share capital issued	21,364	28
Expenses of share issue	(405)	-
Goodwill written off	(17,872)	-
Net addition to shareholders' funds	4,328	320
Opening shareholders' funds	4,744	4,424
Closing shareholders' funds	9,072	4,744

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

Group

	1994 £'000	1993 £'000
Operating profit	2,874	1,018
Depreciation of tangible fixed assets	743	287
Amortisation of intangible fixed assets	132	70
Profit on disposal of tangible fixed assets	(28)	(4)
Decrease/(increase) in stocks	31	(6)
Increase in debtors	(1,026)	(1,355)
Increase in creditors	1,861	620
	4,587	630

25 Cash and cash equivalents

	1994 £'000
Changes during the year	
At 1 October 1993	(1,403)
Net cash inflow	1,088
At 30 September 1994	(315)

	1994 £'000	1994 Change in year £'000	1993 £'000	1993 Change in year £'000	1992 £'000
Analysis of balances					
Cash at bank and in hand	548	548	-	-	-
Bank overdrafts	(863)	540	(1,403)	(473)	(930)
At 30 September 1994	(315)	1,088	(1,403)	(473)	(930)

For the year ended 30 September 1994

26 Analysis of changes in financing during the year

	1994	
	Share capital (including premium) £'000	**Loans and finance lease obligations £'000**
At 1 October 1993	834	1,196
Net cash flows from financing	13,174	(370)
Inception of finance lease contracts	-	245
Shares issued for non-cash consideration	7,785	-
Creation of special reserve	(17,781)	-
On acquisition	-	125
At 30 September 1994	**4,012**	**1,196**

27 Contingent liabilities

Various inter-group cross guarantees are held by National Westminster Bank and Barclays Bank. National Westminster Bank holds a charge over £169,000 of credit balances. Barclays Bank holds a charge over freehold property which is stated at £106,000 in these financial statements.

28 Financial commitments

At 30 September 1994 the group had annual commitments under non-cancellable operating leases as follows:

	1994		1993	
	Land & Buildings £'000	**Other £'000**	Land & Buildings £'000	Other £'000
Expiring within one year	**-**	**201**	-	32
Expiring between two and five years inclusive	**-**	**468**	-	112
Expiring in over five years	**105**	**10**	25	90
	105	**679**	25	234

Coopers
&Lybrand

Report of the auditors to the members of GWR Group plc

We have audited the financial statements on pages 18 to 38.

Respective responsibilities of directors and auditors
As described on page 17 the group's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 1994 and of the profit, total recognised gains and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Bristol
28 February 1995

FIVE YEAR SUMMARY

	1994 £'000	1993 £'000	1992 £'000	1991 £'000	1990 £'000
Turnover	21,737	9,803	8,635	7,498	8,869
Operating expenses	(18,863)	(8,785)	(7,698)	(7,082)	(8,525)
Operating profit	2,874	1,018	937	416	344
Income/(loss) from interest in associates	241	91	(88)	(14)	-
Net interest payable/investment income	(3)	(196)	(128)	(63)	29
Profit before taxation	3,112	913	721	339	373
Taxation	(1,008)	(341)	(238)	(98)	(180)
Profit for the financial year	2,104	572	483	241	193
Dividends	863	280	217	120	180
Fixed assets	11,507	5,503	4,837	3,932	4,173
Net current assets	34	378	556	512	274
Non-current liabilities	(2,469)	(1,137)	(969)	(369)	(444)
Shareholders' funds	9,072	4,744	4,424	4,075	4,003
Earnings per share	38.4p	18.4p	15.9p	8.0p	6.4p

The financial information set out above has been prepared in accordance with the accounting policies set out on pages 21 and 22.

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AREAS OF THE UK COVERED BY GWR GROUP PLC RADIO SERVICES