Company Registration no.

715143

# GWR group plc

## report and accounts 1997

Over the past three years, the number of

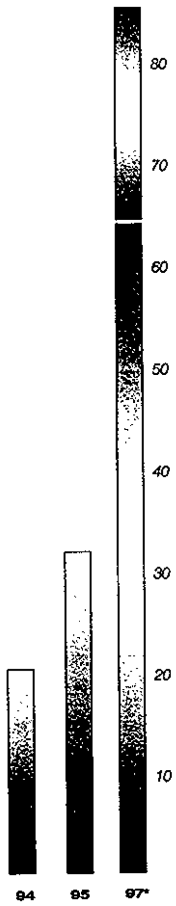
weekly listeners to GWR's radio stations

# HAS GROWN BY OVER

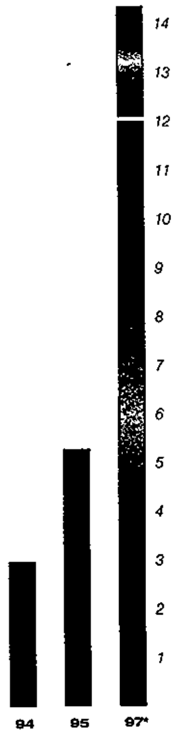
# 700%

Contents

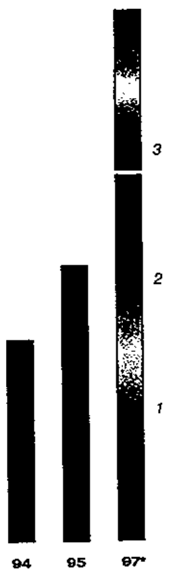
# FINANCIAL HIGHLIGHTS



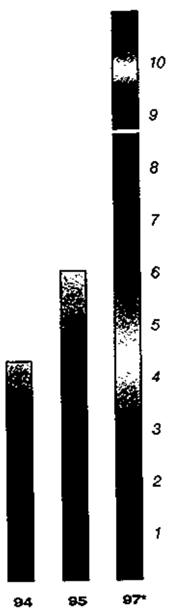

TURNOVER(£M)




PROFIT BEFORE TAX (£M)




DIVIDENDS PER SHARE(P)




EARNINGS PER SHARE (P)

**The 1997 bar shows the result for the twelve months ended 30 September 1996 and for the 18 months ended 31 March 1997*

# CHAIRMAN'S STATEMENT

### Introduction

The past 18 months has seen unprecedented expansion and change for the Group. The period is notable for a number of firsts; entering the national broadcasting market in the UK with Classic *f*M; entering the London market with news and speech stations LBC and News Direct; the acquisition of significant overseas operations. In addition there have been a number of other acquisitions and disposals and regulatory changes in the United Kingdom introduced in the 1996 Broadcasting Act.

The results for the period – extended to 18 months following the decision to change the year end to March – show a profit before tax of £14.3 million.

Over the last 12 months to March 1997, the pro forma profits before tax have increased to £12 million, (1996: £5.5 million), after including profits on disposals of £4.5 million and after deducting abortive acquisition costs of £342,000. The pro forma earnings per share for the period were 8.9 pence (1996: 6.3 pence). The directors have proposed a final dividend of 1.25 pence per share, to be paid on August 4th.

### UK Highlights

As leading members – with ITN, Daily Mail and General Trust ("DMGT"), and Reuters – of the consortium which acquired London News Radio in April 1996, we successfully relaunched the LBC 1152 AM service in June whilst our colleagues from ITN have relaunched the FM service as News Direct 97.3. There have been some impressive audience results and the trend in trading performance is very encouraging.

In April last year East Anglian Radio was acquired which completed the eastward expansion which had started with the Mid Anglia and Chiltern acquisitions. GWR now covers almost all of the Anglia TV region. In addition the Group took a 20% equity interest in The Local Radio Company, which specialises in owning smaller radio stations.

In August the Group agreed terms on its largest transaction to date, the £83 million acquisition of Classic FM plc with 4.6m listeners. GWR's detailed knowledge of the company – we wrote the winning licence application and managed the station up to its launch in 1992 – enabled us to move quickly to improve its revenues and reorganise the company. Under Ralph Bernard's leadership, the GWR Executive team turned Classic *f*M around and made a profit in its first month in the Group. Its results continue to be most encouraging. Overseas a merger in Holland has stemmed its substantial losses. In Sweden losses will be eliminated by the sale of the company. Classic *f*M remains the largest commercial station in the UK and has a highly influential audience which is attractive to advertisers.

In September, we announced our intention to acquire Radio Wyvern, which operates in the County of Hereford and Worcester. Wyvern is an excellent fit with our adjoining stations in Gloucestershire and Shropshire. The purchase was completed in March.

Today we announced the sale of our St. Albans station to Essex Radio. This is the third disposal of small loss making stations in the period, continuing our policy of strengthening our portfolio.

In May 1997 Capital Radio announced that it had decided to withdraw from operating its national sales subsidiary Media Sales and Marketing (MSM) following its proposed acquisition of Virgin Radio. MSM is the

## A NUMBER OF FIRSTS FOR GWR; NATIONAL BROADCASTING WITH CLASSIC FM... THE LONDON MARKET WITH SPEECH... AND SIGNIFICANT OVERSEAS ACQUISITIONS

largest sales agency for local radio stations in the UK and is contracted by GWR to represent all of our stations with the exception of Classic *f*M and East Anglian Radio.

National sales represent 24% of our local radio businesses and have been under review for some time as we watched the growing success of the Classic *f*M national sales operation which has always been in-house. We have now taken the decision to launch our own in-house sales company which will represent all GWR stations. We have long wanted full control of all our revenue streams and this seems the right time to take such a move.

The sales company will have two different sales teams to ensure that Classic *f*M retains its own, unique, sales brand.

### Regulation

A new Broadcasting Bill was enacted in 1996. The most important clauses restrict an owner's potential audience coverage under a 'points' system to 15% of the commercial radio audience. It also allows national licences to be extended by a further eight years if their operators adopt Digital Audio Broadcasting (DAB) technology. In addition it permits the ownership of more than one licence on each frequency in one area and local newspaper owners are permitted to own radio licences in the same area (and vice versa) subject to a 'public interest' test. Broadly the 1996 legislation is more favourable than the previous Act but the public interest test has introduced a lack of clarity in the ownership rules. Following the purchase of Classic *f*M the Group exceeded its points and an agreed disposal of Leicester Sound to DMGT was deemed to be against the public interest. Consequently, after considerable efforts under very tight time constraints we disposed of one FM and three AM stations.

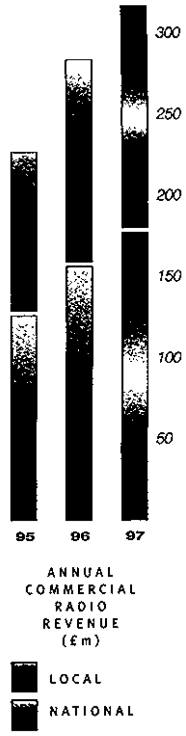
### Overseas

Against the background of limits to ownership in the UK, we continue to expand our interests abroad. FM Plus in Bulgaria continues to operate successfully, and has recently extended its coverage outside Sofia. In June we acquired a 60% shareholding in Radio Edelweiss, which broadcasts to the prosperous tourist areas of the Austrian and Italian Tyrol. In June we, together with the BBC World Service and a group of Polish media investors, were awarded a licence for a network of news and talk stations broadcasting to a population of eight million in Poland. We plan to launch the station this year.

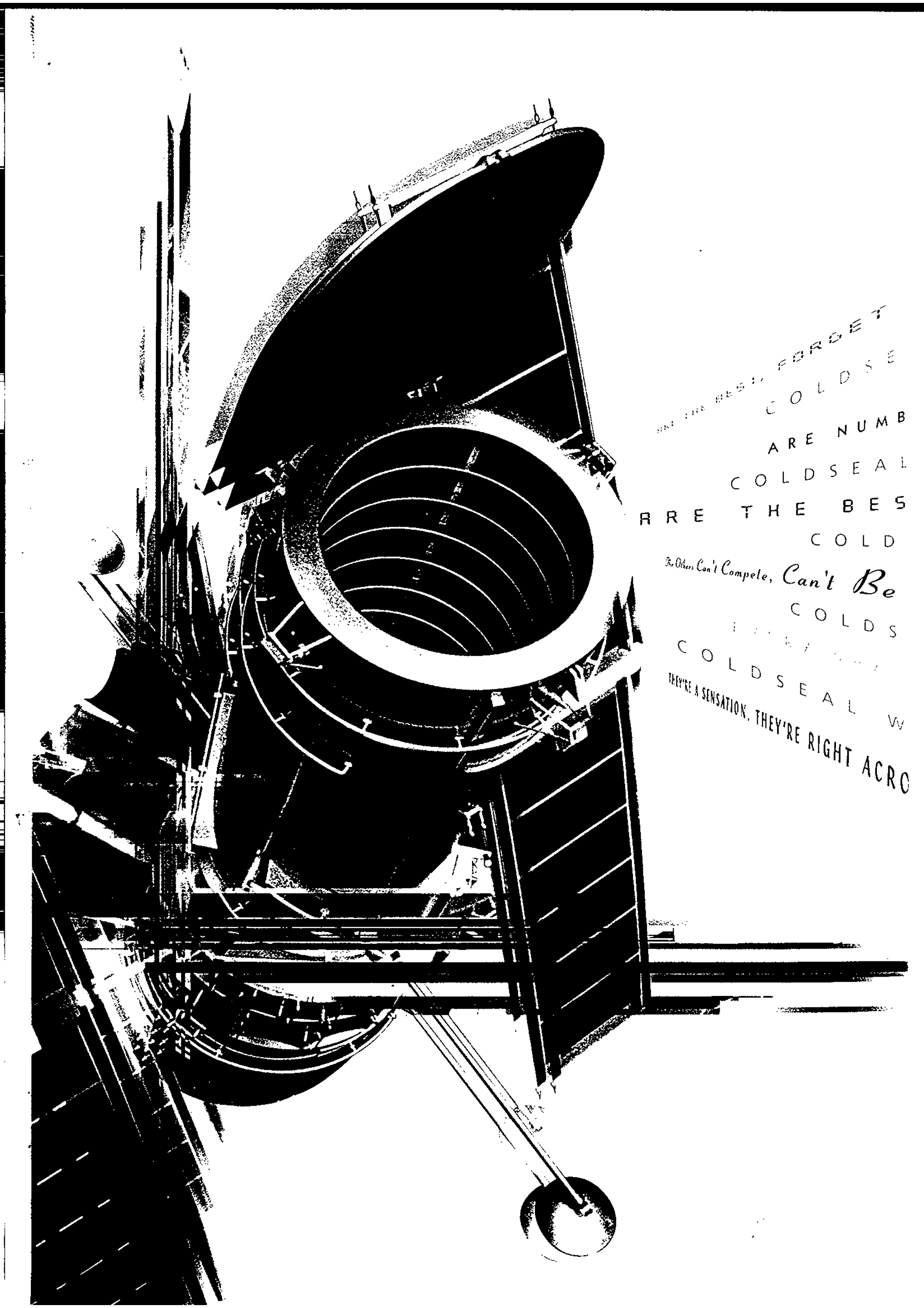
We heard in April 1996 that our bid for Radio New Zealand (RNZ) had not been successful: another bidder had offered a higher price than we thought prudent. However, our intended strategy of combining the Prospect Group (which we acquired in March) with RNZ proved attractive to the new owners of RNZ who purchased Prospect from us in November realising a profit of £3.5 million on the sale.

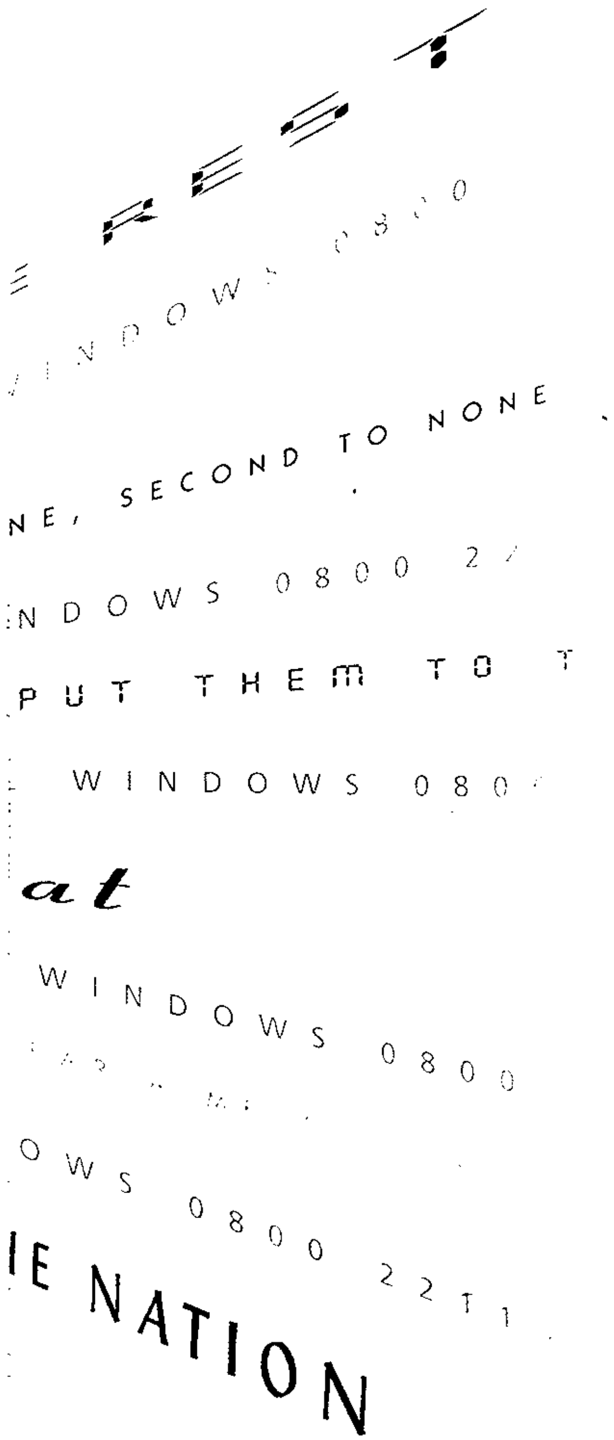
### The Board

I am very pleased to welcome a number of new directors to the Board. In September Patrick Taylor joined us from Capital Radio as Deputy Chief Executive and Finance Director, after nearly three years as a non-executive director of GWR. His place as Capital Radio's representative was taken by its new Finance Director,




ANNUAL COMMERCIAL RADIO REVENUE (£m)


FORGET
COLDSE
ARE NUMB
COLDSEAL
ARE THE BES
COLD
Others Can't Compete, Can't Be
COLDS
COLDSEAL
THEY'RE A SENSATION, THEY'RE RIGHT ACRO




SATELLITE TECHNOLOGY IS USED FOR SIMULTANEOUS DISTRIBUTION OF LIVE PROGRAMMING AND ADVERTISEMENTS TO GWR'S LOCAL STATION NETWORK.

Peter Harris. Following the Classic *f*M merger and the resulting shareholding structure Simon Duffy, Finance Director of EMI and Sir Peter Michael, Chairman of Classic *f*M, joined the Board. In addition we were very pleased to invite Steve Orchard, Director of Programming, and Simon Ward, Sales and Marketing Director, to join the Board after many years in charge of these activities. During the period Stella Pirie and Eddie Blackwell retired from their executive roles. I am delighted that they will continue as non-executive members of the Board. I thank them for their major contribution to the Group.

### Staff and Management

It is a tribute to the skills of GWR's people that the new stations have been integrated so smoothly into the Group. The merger with Classic *f*M saw a number of staff taking on substantially increased responsibilities which they have managed with great efficiency. It is also pleasing to note that people at stations joining the Group quickly appreciate the advantages in terms of training and benefits. We welcome all of them to the Group, which is now approaching 1000 in total. I thank everyone for their energy and commitment to our progress.

### Trading Prospects

The GWR Group has substantially achieved its objective of building a radio company covering important markets in southern and middle England. In addition we now control the only national FM commercial radio licence in the UK.

Trading conditions in the new financial year slowed in the run up to the General Election. However, I am pleased to say that the rate of growth in revenue has now improved, particularly in relation to national sales. Having been in control of Classic *f*M for nearly six months, we are increasingly confident of the prospects for improving the profitability of that company. Elsewhere within the Group, there is a great deal of work being undertaken to improve the efficiency of our operations which we believe will yield significant improvement in profits.

The radio advertising industry remains one of the fastest areas of growth within the media sector. We believe the company is well placed to grow its profits assisted by this trend.

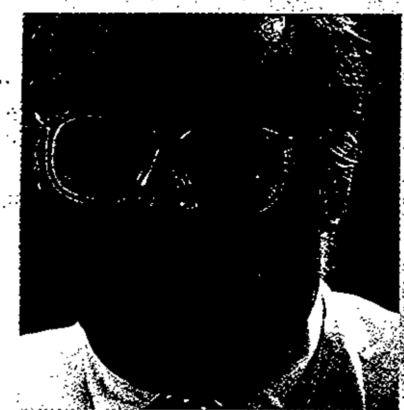
Henry Meakin, Chairman,
11 June 1997

# DIRECTORS

**Henry Meakin** •
Non-executive Chairman
Age 53, Henry was a founding director of Wiltshire Radio plc in 1981, a director of GWR Group plc in 1987 and Chairman in 1988. He was the original Chairman of Classic FM plc from 1991 to 1993. In 1969 he was a founder director of Aspen Communications Plc and Chairman from 1979 to 1997.

**Ralph Bernard**
Chief Executive
Age 44, Ralph launched Wiltshire Radio in 1982 and has been Chief Executive of GWR Group plc since it was formed in 1987.
He is one of commercial radio's original employees having joined the industry as a journalist in 1975.
He is also Chairman of London News Radio.

**Patrick Taylor FCA**
Deputy Chief Executive and Finance Director
Age 49, Patrick joined the board in 1994 as a non-executive director, when he was Finance Director of Capital Radio plc. In September 1996 Patrick became the Group's Deputy Chief Executive and Finance Director.
Patrick was a partner at Coopers & Lybrand before joining Capital Radio plc.



**Nicholas Tresilian**
Development Director
Age 58, Nicholas was a founder director of Wiltshire Radio plc in 1981 and co-Chairman of the GWR Partnership in 1985. He joined the board of GWR Group on its formation in 1987.

**Eddie Blackwell**
Non-executive director
Age 69, Eddie joined the board in 1990. He was the Group's Operations Director until he became a non-executive director in September 1996. His early career included experience of magazine and newspaper sales management. He was formerly Chief Executive of Essex Radio.

**Sir Peter Michael CBE**
Non-executive director
Age 58, Sir Peter joined the board in February 1997. He has been Chairman of Classic FM plc since 1993.

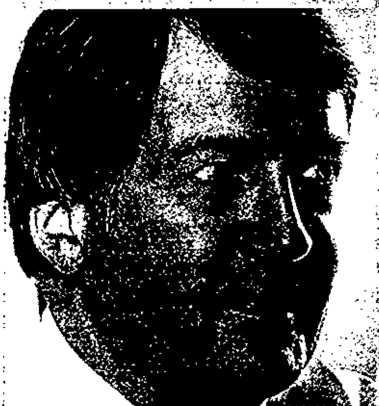
• **Stella Pirie FCA**
Non-executive director
Age 46, Stella joined the Radio West board in 1983. Radio West then became GWR Group in 1987. Chairman of GWR (West) Limited, she was Group Financial Director from 1993 to 1996. She is also Chairman of a Bristol-based engineering company and Chairman of Westec - the Western Training and Enterprise Council.

**Roger Gilbert FCA** •
Non-executive Deputy Chairman
Age 52, Roger joined the board in 1988. He is the Managing Director of Harmsworth Media Ltd, a subsidiary of Daily Mail and General Trust plc.
Other directorships include a wide range of media related companies.

**Richard Palmer** •
Non-executive Vice Chairman
Age 70, Richard joined the board in 1989 and became Vice Chairman in 1994. He has been a director of Thames Valley Broadcasting plc since 1982 and Chairman of that company since 1985. He has been a Magistrate since 1960 and is a Deputy Lieutenant of the Royal County of Berkshire.

**Steve Orchard**
Group Programme Director
Age 39, Steve joined Wiltshire Radio plc in 1983 as Sports Reporter and worked his way through the ranks as Presenter and Programme Controller. He became Group Programme Director in 1993 and joined the board in November 1996.

**Simon Ward**
Group Sales & Marketing Director
Age 43, Simon joined Wiltshire Radio the original GWR company in 1982. He has been the Group's Sales and Marketing Director since 1991 and joined the board in November 1996.



**Simon Duffy**
Non-executive director
Age 47, Simon joined the board in February 1997. He has been Finance Director at EMI Group plc since 1992 and is a non-executive director of Imperial Tobacco Group plc, Berisford plc and the Intellectual Property Institute.

**Peter Harris ACA**
Non-executive director
Age 35, Peter joined the board in June 1996. He joined Capital Radio plc in 1994 and was appointed Group Financial Director in 1996. He qualified as a Chartered Accountant with Price Waterhouse in 1987.

**Jonathan Trafford**
Non-executive director
Age 63, Jonathan joined the board in 1987. He was a founder director of Plymouth Sound Ltd and senior partner of Bond Pearce solicitors from 1988 to 1996. A Deputy Lieutenant for the County of Devon, he holds a number of other directorships of commercial and charitable companies in the South West.

**Barrie Giffard-Taylor**
Age 53, Barrie was a founding member of Wiltshire Radio plc in 1981. He was a founding partner of an accountancy practice in 1986 having been a partner with Deloitte Haskins & Sells for ten years. He has been the Company Secretary of GWR since 1987.

Member of the Audit Committee
• Member of the Remuneration Committee

# CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

At the beginning of the 1990's, during the worst recession in the advertising industry that anyone could remember, GWR set out in its mission statement to become the premier radio group in the United Kingdom. At that time the company was a small player on the ever expanding commercial radio stage.

The period covered by this report has seen the establishment of GWR as one of the top three companies in commercial radio and the largest pure radio group in the UK.

It was fitting that GWR which had created the concept leading to one of the most significant developments in broadcasting, the launch of Classic *fM*, the first national commercial radio station, should have been able to complete the acquisition of that company during the period. Classic *fM* was and remains the commercial radio industry's flagship station, the only national station on FM and the only one devoted to popular classical music. The addition of Classic *fM* to the Group completes the remarkable phase of development for GWR during what has been a dramatic rate of growth for the whole independent radio industry.

During the past three years commercial radio has been the fastest growing advertising medium with an annual share of total advertising revenue standing at around 5% – more than double the share at the start of the decade.

During the same period of three years GWR set out to gain market share of population coverage by acquiring licences which could be integrated into regional structures and be able to take full advantage of economies of scale.

In addition the company has learned through careful application of programming and sales skills how to gain substantial growth from underperforming stations.

ACQUISITIONS AND GROUP STRUCTURE

With Radio Wyvern and Classic *fM* this first phase of building GWR into a significant radio group is now complete.

The radio industry has consolidated very considerably over the past three years and we have been at the forefront of the activity. We recognise that the process of consolidation for GWR has been rapid and has brought together no fewer than 29 radio licences with many differing systems of management, accounting, IT and programming. The immediate task is now to organise our group of radio stations, international, national and local, into a thoroughly efficient operating group using common practices and having common objectives. Our objectives during this busy period have been to grow profits but also to lay the necessary foundations to create substantial opportunity for growth in the future. A priority therefore has been to strengthen our executive team to ensure our management structure is sufficiently robust to deal with the immediate challenges of integration yet flexible enough to plan and execute strategy in an ever-changing media environment. To assist this I was delighted to welcome as colleagues on the board our Group Sales and Marketing Director, Simon Ward and Group Programme Director, Steve Orchard. In September Patrick Taylor joined the company as Deputy Chief Executive and Finance Director, from Capital Radio, where he was Finance

EACH LOCAL STATION HAS ITS OWN LOCALLY PRODUCED FM PROGRAMMING WHICH REFLECTS THE DISTINCTIVE CHARACTERISTICS OF THE AREA SERVED

Director for eight years. His specific brief is to manage the integration of our local stations.

These three executive directors, together with myself, form the Group Executive Committee (GEC) of the company.

### Management

It is appropriate at this stage to pay a special tribute to Eddie Blackwell who joined the company as Operations Director ten years ago. Eddie's skill in managing an eager young company with largely inexperienced executives has been one of the cornerstones of our Group's success. His avuncular but firm style has been a great benefit to us all, particularly myself. It was therefore with sadness that we learned of Eddie's decision to retire from an executive role in the Group this year. However I am delighted that he will continue to give his support to the Group in his role as a non-executive director with availability for occasional executive meetings.

In addition we were very sorry to see Stella Pirie leave the executive of the Group after three years as Finance Director. Stella has provided excellent support during her time with the Company. She was at the very heart of the intense activity which was a testing time for us all. I look forward to her continued non-executive role.

The GEC's first role was to examine Patrick Taylor's review of our management structure which had not changed for many years. It was anticipated that some revision would be necessary as the practice of centralised control which had served us well during our early development was no longer appropriate with the larger number of stations which had joined the Group. The GEC concluded that radio station managing directors should be given more autonomy in order to maximise revenue and audiences for their stations enabling them to react more swiftly to changes in local market conditions.

### The Enlarged Group including Classic fM

East Anglian Radio which was acquired in April continued to perform well and above expectations. The geographical fit with the rest of the stations could hardly have been better and with the acquisition of Radio Wyvern our coverage of England from east to west is complete.

GWR's biggest acquisition has been that of Classic fM which completed on 30 December 1996. This purchase, which was the biggest ever of any independent radio station, has provided the Group executive with its most challenging turn-around to date. Classic fM has been a huge success in audience terms since its launch which was engineered by GWR in 1992. Nonetheless it had failed to make a profit in any of its four years on air.

The size of the investment in Classic fM required our Group executive to devote its energies almost full-time to management at the station once control had been established at the beginning of January. I have therefore become the Chief Executive, Steve Orchard and Simon Ward have taken control of programming and sales respectively.

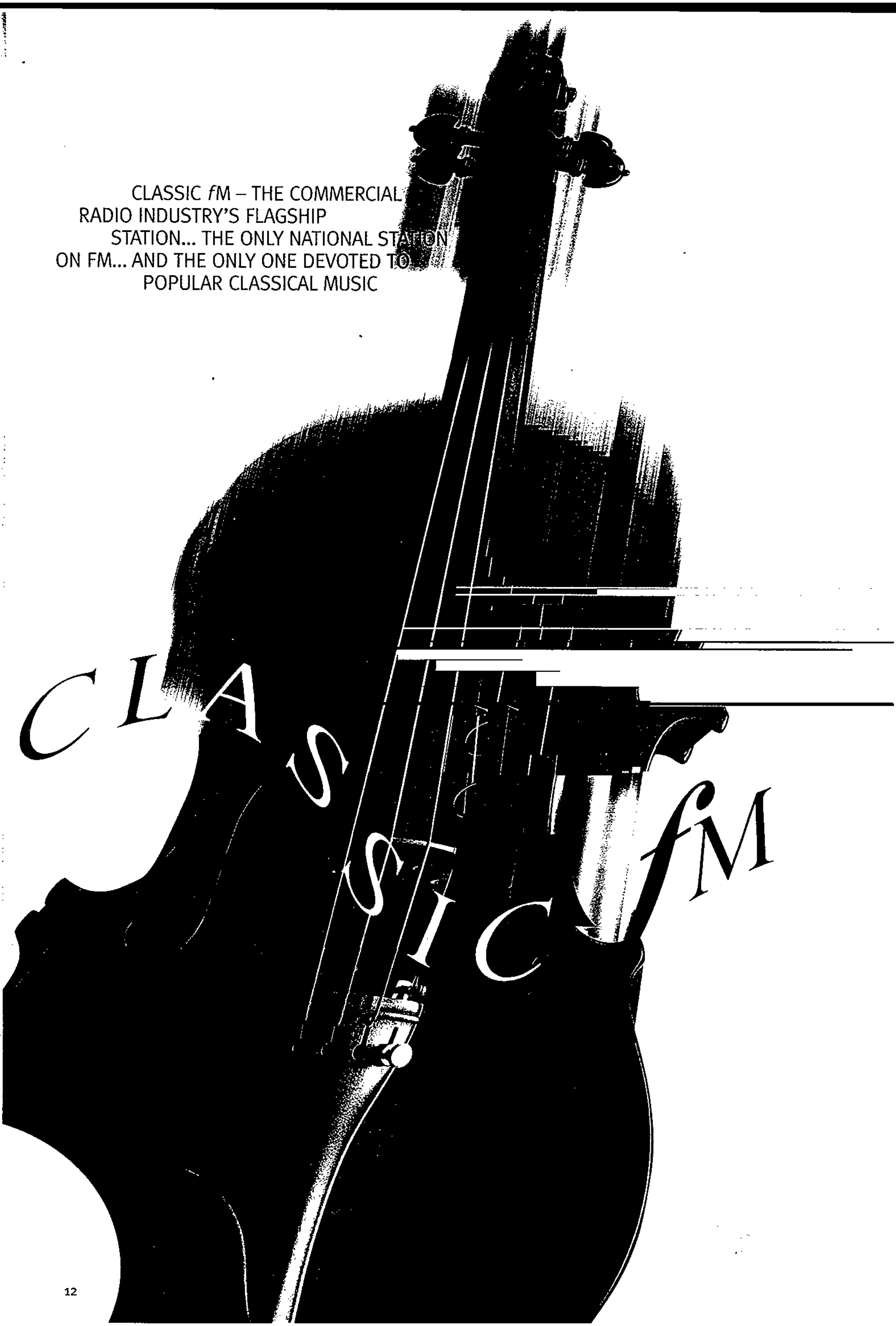
We had the benefit of detailed knowledge of Classic fM and an opportunity to lay plans ahead of the completion of the acquisition. This helped considerably in the subsequent restructuring in all areas. It was pleasing that the company moved into profit in its first month, ahead of plans, and has been profitable in every month since.

At this stage of our ownership Classic fM looks to be an even more exciting company than we had expected with profits this year now forecast to be some way higher than anticipated.

Five months into GWR ownership the station is now managed on a day to day level by its new Managing

GWR'S EXPANDING MARKETING
DEPARTMENT UNDERPINS THE GROUP'S
SUCCESS ATTRACTING RAPIDLY
GROWING CLIENTS SUCH AS
EASY JET AND LUTON AIRPORT.

CLASSIC *f*M – THE COMMERCIAL RADIO INDUSTRY'S FLAGSHIP STATION... THE ONLY NATIONAL STATION ON FM... AND THE ONLY ONE DEVOTED TO POPULAR CLASSICAL MUSIC



Director, Murray Dudgeon, who joined the Group after 18 years working for the advertising agency McCann-Erikson. I retain a close involvement with Classic *f*M and will continue to do so.

### Programming

As competition for listeners increases, the output of our stations must be continuously honed to match more closely the tastes of the audiences we serve. The in-house audience research system which informs so much of our programme strategy has expanded in line with the Group, and is used by Classic *f*M. The weekly figures give excellent feedback on the performance of our stations and of their competitors – for example we knew the effect of Chris Evans as soon as he arrived at BBC Radio 1, and indeed have noted the effect of his departure.

Classic *f*M has carved for itself a special place in listeners' hearts. By bringing classical music to the airwaves in an appealing manner, thousands of new listeners have been converted to the delights of the great composers. It is our intention to grow the audience beyond the current level of 4.6 million listeners, through a more concentrated approach to music presentation and by marketing the attractions of the station to specific target groups.

Each local station has its own locally produced FM programming which reflects the distinctive characteristics of the area served. Coverage of the issues which matter locally is individually tailored to match listeners' tastes and interests.

Many Group stations also have AM services, targeted at an older age range than the FM output. For the majority of our stations, the AM service is branded as Classic Gold, which combines the benefits of specific local information at breakfast time with the attraction of high-profile presenters later in the day. In the past year, we have welcomed Johnnie Walker and Paul Burnett to the service, joining Dave Lee Travis on a presentation team which has unrivalled knowledge of the 1960's and 1970's music they play. Stations outside the Group have recognised the quality of the output and Classic Gold is already carried, on a paid for basis, by eight stations across the country. We will continue to develop Classic Gold as a service to be offered to other stations.

### National Sales

The recent news that Capital Radio is to relinquish its ownership of Media Sales and Marketing has presented the Group with a real opportunity to take full control of every aspect of its revenue. MSM represents all the Group stations in the national advertising market place with the exception of Classic *f*M and the East Anglian stations.

In view of the substantial amount of revenue from national sources GWR has chosen, after careful research, to set up its own in-house sales operation to be based in London. Although some capital expenditure is anticipated we believe the effect of the move will be profits neutral in year one and enhancing in year two.

Above from top: Murray Dudgeon, Managing Director Classic *f*M; Russell Stuart, Regional Managing Director East; Chris Scott, Regional Managing Director South; Ian Rufus, Regional Managing Director Midlands


GWR'S CLASSIC GOLD NETWORK TEAM INCLUDES FAMILIAR NAMES, FROM LEFT TO RIGHT JOHNNIE WALKER, PAUL CARRINGTON, PAUL BURNETT, MANAGER JANA RANGOONI, DAVE LEE TRAVIS AND TONY GILLHAM.

THE GROUP'S STATIONS ARE ASSOCIATED WITH THE SPONSORSHIP OF HIGH PROFILE EVENTS SUCH AS THE LAUNCH OF THE MATTHEW, AT BRISTOL.

### Technical Developments

For a number of years, most of the technical developments in our industry have been at the production end of the business – digital editing systems, programme automation and the use of digital playout systems for advertisements. GWR Group has always been at the forefront of such innovation – we were one of the first commercial companies to use digital editing, and an increasing number of our stations now originate all their programmes from hard disk systems. Now our attention is turning to the distribution and transmission of programmes with the arrival later this year of the first commercially available Digital Audio Broadcasting (DAB) receivers.

DAB has the potential to revolutionise the way people use radio. With the capacity to transmit at least six (and possibly up to 15) programme streams on one channel, with additional data capacity also available, DAB will offer greater choice to listeners and advertisers, and a richer "listening" experience – DAB radios will have display screens which can show pictures, text or other graphical output. In the 1996 Broadcasting Act the government linked DAB transmission to licence renewal; Classic *f*M and our local stations will achieve automatic licence renewal by broadcasting on DAB. GWR Group is the leading commercial developer of DAB, and since summer 1996 we have been running test DAB broadcasts to prove the technology. However, as with the changeover from 405 line to 625 line television, there will be a considerable period when both the existing analogue transmission system and the new DAB network will have to be operated in parallel. Taking account of this cost allied to the investment required to set up the DAB transmitters, we will be exploring with Government a reduction in the Classic *f*M licence fee in order to finance the development of the DAB technology.

### Overseas

The regulatory environment in the UK, which despite recent changes in legislation, remains in our view unnecessarily restrictive, has prompted the decision to look overseas for opportunities to develop our business in radio.

During the period we took the opportunity to bid for Radio New Zealand after acquiring Prospect, a group of stations in Auckland and Hamilton. The eventual successful bid for Radio New Zealand was higher than we believed prudent and subsequently the new owners made an approach to buy our stations in New Zealand, following a strategy which we had planned ourselves had we been successful in our bid. We decided to accept an offer for Prospect some £4m higher than we had ourselves paid earlier in the year.

We remain interested in the overseas market but will only move into countries where we believe we can achieve a significantly higher return on investment than in the UK.

We have recently appointed an overseas operations director whose responsibility is to manage our overseas interests at the operational level. I am pleased to say that he is already making good progress in bringing our interests towards profitability. We are confident that our overseas strategy will bear fruit as start-up ventures become established and GWR practices, already helping FM Plus in Bulgaria operate profitably, are introduced.

Ralph Bernard

Ralph Bernard, Chief Executive,
17 June 1997

# 18 MONTHS OF GROWTH

## October'95

Galaxy Radio was sold for £4.1 million in cash. The company, which operates the regional FM radio licence for the Severn Estuary area, was acquired as part of the £20.6 million acquisition of Chiltern Radio plc in July 1995. Its subsequent sale was a requirement under the Broadcasting regulations.

## FEBRUARY'96

GWR moved into speech radio by taking a 31% stake in London News Radio, which operates two radio services in London. The other shareholders were Reuters and a subsidiary of Daily Mail and General Trust with 20% each and Independent Television News with 29%.

## march'96

The New Zealand Government had earlier invited tenders for Radio New Zealand ("RNZ") which was the dominant commercial radio company in New Zealand in terms of audience, number of stations, advertising share and geographic coverage. GWR decided to research the opportunity in line with its strategy to seek overseas investments where its operational experience could be successfully applied.

GWR took a step into New Zealand with the acquisition of the Prospect radio group for £11.4 million in cash. Prospect was the second largest radio group in New Zealand and operated 12 radio stations in Auckland and Hamilton.

The Group announced its recommended £24.3 million offer for East Anglian Radio PLC, the proposed acquisition of RNZ and a rights issue to raise up to £36 million.

East Anglian Radio extended the Group's geographical coverage across middle England and it enabled it to offer the Anglian region as a whole to advertisers and sponsors. The management team was strengthened by the addition of senior management from East Anglian Radio PLC.

GWR's offer to the New Zealand Government for RNZ valued that company at £37.9 million excluding debt. In the event its bid was exceeded by a significant margin.

The rights issue raised £11.5 million in its first tranche which was used to repay the loans taken out on the acquisition of Prospect. The second tranche, which was intended for GWR's tender bid for RNZ was therefore not called.

GWR moved to the Official List from the Unlisted Securities Market.

## MAY'96

Isle of Wight Radio was disposed of for £860,000 to The Local Radio Company, in which GWR has a 20% stake. The profit on the sale was £243,000.

## June'96

GWR entered into an agreement to acquire 60% of Radio T1, a radio network based in Innsbruck, Austria, broadcasting on 15 frequencies to a potential audience of one million listeners in the German speaking Austrian and Italian Tyrol. The maximum cost of this acquisition is £2.1 million over a period of three years. Radio in Austria is in the process of deregulation.

## JULY'96

A further step in building the Group's presence in Europe was taken when a news and talk radio licence for Poland was awarded to an international consortium including GWR and the BBC World Service. The licence for "Inforadio" runs for seven years and the station will broadcast to a potential audience of eight million in major Polish cities including Warsaw. GWR has a 33% stake and is providing the commercial radio expertise to this station including management, financial and operational training.

GWR relaunched LBC 1152 after which the station was deluged with calls and letters from listeners welcoming back "LBC for London".

A major advertising contract was signed up with a large telecoms client for £500,000 to be broadcast across all GWR stations.

## August'96

The Group's Classic Gold service welcomed two further star names, Paul Burnett and Johnnie Walker, who joined Dave Lee Travis on the station team.

## November'96

GWR announced the sale of Prospect for £17.1 million to The Radio Network of New Zealand ("RNNZ"). RNNZ had been successful in the bid for RNZ earlier in the year. A profit of £3.5 million was made on this disposal.

In the same month the Group re-defined its group management structure splitting its operations into three divisions; UK National Radio, UK Local Radio and Overseas. This new structure gives local management greater autonomy and group management the opportunity to focus on growing the overall business.

## December'96

Classic *f*M was acquired, a station which had its origins in GWR in the early 1990's. Classic *f*M is the largest commercial radio station in the UK with 4.6 million listeners per week. It is a successful and well-recognised consumer brand in the UK with stations in Holland, Sweden and Finland. The total cost to GWR of this purchase was £76.8 million plus expenses.

GWR announced its £3.9 million offer for Radio Wyvern, which had one AM and one FM licence, broadcasting to a potential audience of 440,000 in the County of Hereford and Worcester. It is a strong geographic fit with GWR's adjoining stations at Beacon in the north and Severn Sound in the south.

## FEBRUARY'97

Nottingham based double glazing firm Coldseal are now the fourth largest radio advertiser in the UK after forging a local partnership with GWR.

## march'97

Following the acquisition of Classic *f*M, GWR was required to make disposals to bring the Group within the ownership limits of the broadcasting legislation. As a part of this programme the Group sold its station in Kings Lynn for £1.075 million and four AM licences, including the Radio Wyvern AM licence, making an overall profit of £965,000.

A consortium, in which Classic *f*M owns 20%, was awarded one of three FM licences in Johannesburg, South Africa. The station will broadcast to a potential audience of five million. Classic *f*M is supplying training, programming and marketing support and advice to the station, which will broadcast as Classic *f*M.

Classic *f*M achieved its highest ever listener hours in the first quarter of 1997.

GWR has developed into a major force in local and national radio. Over the last 18 months GWR's weekly listening has grown by over 200% and its share of the UK commercial radio market has risen from 7.8% to 17.8%.

Since the period end Classic *f*M has for the second time won the highly prestigious "National Radio Station of the Year" award at the Sony Awards ceremony in London.

# FINANCIAL REVIEW

## Overview of business

During the period of this review – the 18 months ended 31 March 1997 – the Group has continued to grow rapidly, largely through acquisition. It is now the largest radio group in the UK when judged by the number of radio stations. The Group now owns a UK national radio station, Classic *f*M, as well as 28 local radio licences in the South, Midlands and East of England. In addition, GWR has minority stakes in other radio companies including London News Radio, Minster Sound Radio and Plymouth Sound, as well as investments overseas in Austria, Poland and Bulgaria.

## Change in accounting reference date

During 1996, the Company changed its accounting reference date from 30 September to 31 March. This change was made to improve the Company's annual budgeting and business planning process.

In order to assist in the interpretation of the Company's financial performance, a pro forma profit and loss account and balance sheet are shown on pages 26 and 27. These statements show a comparison of the 12 months ended 31 March 1997 and the 12 months ended 31 March 1996. Although they are unaudited accounts, the auditors have reviewed the basis on which the information has been compiled. Their report is on page 28.

## Activity and financing

This 18 month period has been a very active one for the Group, with the completion of 7 acquisitions, including Classic *f*M and East Anglian Radio, and 9 disposals. The overall cost of acquisitions to the Group for the period was £120.9 million. Details of the major acquisitions and disposals are given in Note 23 to these accounts.

## Review of the Group cash flow statement

The Group generated £11.0 million of cash from operating activities for the 18 month period ended 31 March 1997, and raised £34.8 million by the issue of shares and other sources of finance and £22.0 million by the disposal of subsidiaries.

The Group utilised its cash resources by investing £53.6 million in acquisitions, £4.9 million in capital expenditure and £2.5 million in associated companies.

The Group paid tax of £3.0 million and dividends to its shareholders of £3.1 million.

## Review of the Group profit and loss account

### Turnover

Turnover represents income from sales of advertising airtime, promotions, sponsorship and commercial production.

Total Group turnover for the 18 month period ended 31 March 1997 has increased by £53.1 million, representing an increase of 166% compared to the 12 months ended 30 September 1995.

Over the 12 months ended 31 March 1997, turnover has increased by £24.7 million, of which £11.7 million related to companies acquired in the period, £6.2 million related to Prospect which was acquired in February 1996 and a further £4.2 million related to Chiltern Radio which was acquired in July 1995, thus only contributing for 8 months of the previous 12 month period. The businesses that were owned by the Company for the whole of both years generated £36.4 million in the 12 months ended 31 March 1997, an increase of 8% over the previous 12 month period.

### Operating expenses

Operating expenses for the 18 month period have increased by 174%, reflecting the longer accounting period and the acquisitions made during the period.

During this period, the accounting policy relating to the costs of re-launching stations after they are acquired has been changed. Previously, these expenses were capitalised and written off over the remaining period of the licence. Now, these costs are being expensed as they are incurred. The opening balances have been adjusted in the financial statements to reflect this change which over the 18 month period has the effect of increasing costs by £181,000.

Reviewed over the 12 months ended 31 March 1997, operating expenses have increased by 62% of which 27% is attributable to newly acquired businesses and 18% relates to Prospect. Operating expenses incurred by the businesses that were owned by the Company for the whole of the 24 months ended 31 March 1997, excluding abortive acquisition costs, are up 14% year on year.

OPERATING PROFIT

The operating profit of £9.4 million for the year ended 31 March 1997 represents an increase of 71% over the previous year. The operating profit margin has improved slightly from 14% to 15%.

The operating profit margin of continuing operations for the 18 month period, excluding abortive acquisition costs, has remained stable at 16%.

COSTS OF FUNDAMENTAL REORGANISATION

The Company is working to eliminate the losses being made by certain of its overseas operations. Provisions of £863,000 have been made in the accounts to recognise the costs that may be incurred upon the closure or disposal of these businesses.

INCOME FROM ASSOCIATES

During the period GWR acquired a founding 31% stake in London News Radio, previously known as LBC. This company has since been re-launched incurring significant expenses in the process which have resulted in a large attributable loss being reported in these accounts.

INTEREST PAYABLE

Interest payable has increased substantially during the period reflecting the additional bank borrowings taken on in order to assist in the financing of the purchase of Classic *f*M.

TAXATION

The effective rate of taxation is 37.8% in the 18 months ended 31 March 1997 (1995: 33.2%). The rate is unusually high this period, caused principally by the losses made by our overseas operations which are not available for set-off against profits made in the UK.

DIVIDENDS

The total dividend payable for the 18 month period is 3.85p, a rise of 77% on the total of 2.17p for the 12 months ended 30 September 1995. The dividend payable for the 12 months ended 31 March 1997 was 2.78p, a rise of 19% on the total payable of 2.34p for the 12 months ended 31 March 1996. The final dividend for this period will be paid on 4 August to all shareholders on the register on 27 June. The ex dividend date is 23 June.

EARNINGS PER SHARE

The earnings per share for the year ended 31 March 1997 of 8.6p per share represents an increase of 62% over the previous year.

The audited accounts disclose for the first time the Headline earnings per share which for the 18 month period ended 31 March 1997 is 7.7p, a rise of 33% from the figure for the 12 months ended 30 September 1995 of 5.8p.

REVIEW OF THE GROUP BALANCE SHEET

The Group's net assets have reduced by £27.2 million over the 18 month period, resulting in net liabilities of £16.7 million as at 31 March 1997. The reduction is largely a result of the creation of a goodwill reserve of £33.5 million, representing part of the goodwill written off by the Company on acquisitions made during the period. The remaining goodwill write offs have been to the merger reserve and the special reserve, created by the cancellation of the Company's share premium account.

The Group now has net current liabilities of £26.1 million created principally by short term bank borrowings of £20.0 million to finance part of the Classic *f*M acquisition.

Long term creditors have increased due to the finance lease creditors of £5.0 million which were acquired with Classic *f*M and the draw down of a £4.5 million medium term loan for the acquisition of Classic *f*M.

Interest cover for the 18 month period is 28, compared to 29 for the 12 months ended 30 September 1995.

Patrick Taylor

PATRICK TAYLOR, DEPUTY CHIEF EXECUTIVE
AND FINANCE DIRECTOR,
17 JUNE 1997

# CORPORATE GOVERNANCE

**Code of Best Practice**

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.

**Internal financial control**

The directors are responsible for the Group's system of internal financial control. This system can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the control environment which have been established are as follows:

At the Group board level there is a team of 5 executive and 9 non-executive directors, including a non-executive Chairman. The board meets a minimum of eleven times each year and has formally adopted a schedule of matters which are required to be brought to it or its duly authorised committees for decision. The schedule is compiled so as to ensure that the board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues. The Group organisational structure has formally defined lines of responsibility and delegation of authority.

The principal board committees are the Audit and Remuneration Committees, which consist entirely of non-executive directors. The members of these committees are shown on pages 6 and 7.

A Group Executive Committee is responsible to the main Group board for strategic development and operations.

The Group's operations are in three divisions: UK National Radio (Classic FM), UK Local Radio and Overseas activities.

The Group's UK Local Radio division is divided into three regions, each headed by a Regional Managing Director. Within each region there are a number of stations, at each station there is a Managing Director responsible for the station's programming output and advertising sales. Station Managing Directors are responsible for the profitability of their businesses and report to the Regional Managing Directors.

Risk Assessment undertaken by the Board:

The Audit Committee has reviewed the effectiveness of the system of internal financial control, which includes the following:

- Comprehensive budgeting systems with an annual budget approved by the main Group board
- Regular consideration by the main Group board, Executive Committee, UK Local Radio board and Classic FM board of actual results compared with budgets and forecasts
- Regular reporting of developments to the main Group board by senior regional and departmental management
- A formal process of self-certification performed by business unit managers which evaluates the potential financial impact of risks identified by the board, reviews the effectiveness of the existing internal control system and identifies, where necessary, an action plan to reduce exposure to risk. During the period ended 31 March 1997 no self-certification exercise was undertaken by Classic FM management. Classic FM, which was acquired on 30 December 1996, will be included within the ongoing process.

The Audit Committee has reviewed the results of the self-certification process for the financial period ended 31 March 1997 and no shortcomings material to the Group were identified.

**Going Concern**

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.

# REVIEW REPORT BY KPMG TO GWR GROUP PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the directors' statements on page 20 on the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the Listing Rules and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with the disclosure requirements of the Listing Rules 12.43(j) and 12.43(v).

**Basis of opinion**

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or the Company's corporate governance procedures, or on the ability of the Group to continue in operational existence.

**Opinion**

With respect to the directors' statements on internal financial control and going concern on page 20, in our opinion the directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 20 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by the Listing Rules.

**KPMG**
**Chartered Accountants**
17 June 1997

# REPORT OF THE REMUNERATION COMMITTEE TO THE MEMBERS OF GWR GROUP PLC

The members of the Remuneration Committee are given on pages 6 and 7.

**Compliance**

The Company welcomes the Code of Best Practice ("the Code") which has been issued by the Study Group on Directors' Remuneration, more commonly known as the Greenbury Committee. The committee has complied throughout this accounting period with the best practice provisions regarding Remuneration Committees contained in section A of the Annex to the Stock Exchange Listing Rules. The committee has given full consideration to section B of the best practice provisions annexed to the Listing Rules concerning remuneration policy, service contracts and compensation. The auditors' report on page 30 confirms that those elements of this report that the Stock Exchange require to be audited have been included within the scope of the Group's audit.

**Directors' remuneration**

The policies of the Remuneration Committee are aimed at attracting, retaining and motivating the right quality senior management for the Group. These policies are reviewed annually. Executive directors receive a basic salary, a bonus, benefits and share options as determined by the Remuneration Committee.

Basic salary is dependent on the performance of individuals and their contribution to the Group. Salaries are annually assessed and compared to data from independent sources.

The terms of the bonus are linked into the Group's performance objectives either through earnings per share or operating profit. Full details of the earnings per share bonus for RM Bernard and JPE Taylor are given in the paragraph on Service Contracts below. NS Tresilian, SC Ward and S Orchard are entitled to a profit related bonus, subject to a maximum of 5% of annual salary payable when the Group achieves its budgeted profit before tax. They also receive discretionary bonuses.

As a long-term incentive executive directors may receive share options under one of the Company's schemes, which are also linked to the performance of the Group (see below for details).

Emoluments detailed below are for the 18 month period to 31 March 1997, or from the date of appointment as a director, where applicable :

| Director | Basic salary £'000 | Fees £'000 | Bonus £'000 | Benefits in kind £'000 | Total 18 months ended 31 March 1997 £'000 | Total 12 months ended 30 September 1995 £'000 | Pensions 18 months ended 31 March 1997 £'000 | Pensions 12 months ended 30 September 1995 £'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | |
| RM Bernard | 300 | - | 100 | 19 | 419 | 198 | 45 | 19 |
| JPE Taylor FCA | 87 | 3 | 40 | 9 | 139 | 3 | 13 | - |
| S Orchard | 45 | - | - | 4 | 49 | - | 6 | - |
| NS Tresilian | 60 | - | 1 | 10 | 71 | 45 | 3 | 2 |
| SC Ward | 46 | - | - | - | 46 | - | 6 | - |
| **Non-executive** | | | | | | | | |
| HPJ Meakin | - | 110 | - | - | 110 | 65 | - | - |
| RN Gilbert FCA | - | 26 | - | - | 26 | 17 | - | - |
| RJ Palmer | - | 30 | - | - | 30 | 20 | - | - |
| CE Blackwell | 49 | 25 | 4 | 11 | 89 | 59 | - | - |
| S Duffy MBA | - | 1 | - | - | 1 | - | - | - |
| PJ Harris | - | 4 | - | - | 4 | - | - | - |
| Sir Peter Michael CBE | - | 1 | - | - | 1 | - | - | - |
| SJ Pirie FCA | 81 | 9 | 37 | - | 127 | 81 | - | - |
| JH Trafford | - | 4 | - | - | 4 | 3 | - | - |
| **Total** | 668 | 213 | 182 | 53 | 1,116 | 491 | 73 | 21 |

Benefits mainly comprise the provision of company cars, fuel and medical health cover. No benefits are pensionable.

# REPORT OF THE REMUNERATION COMMITTEE TO THE MEMBERS OF GWR GROUP PLC

The following directors were appointed during the period:

| | |
|---|---|
| S Orchard | 21 November 1996 |
| SC Ward | 21 November 1996 |
| S Duffy | 4 February 1997 |
| PJ Harris | 28 June 1996 |
| Sir Peter Michael | 4 February 1997 |

JPE Taylor was a non-executive director until 11 September 1996, when he was appointed Deputy Chief Executive and Finance Director. CE Blackwell changed his role on 1 October 1996 from Operations director to a non-executive director. SJ Pirie changed her role on 1 October 1996 from Finance director to a non-executive director.

Fees payable to non-executive directors are determined by the Group board, following proposals from the Remuneration Committee. The non-executive directors have no formal service contracts. The following non-executive directors had some or all of their fees during the period paid directly to companies of which they were also a director:

| Director | Company |
|---|---|
| HPJ Meakin | Aspen Communications plc |
| RN Gilbert | Harmsworth Media Limited |
| S Duffy | EMI Group plc |
| PJ Harris | Capital Radio plc |
| SJ Pirie | Endeavour International Limited (until 30 September 1996) |
| JH Trafford | Bond Pearce (until 31 December 1996) |

Further information on directors' emoluments is given in note 7 to these accounts.

**External appointments**

All appointments of executive directors to external company boards have to be approved by the Remuneration Committee. The above salary figures for executive directors are deemed to include any fees receivable by the executive as a director of any company outside the Group, in which he holds office as nominee or representative of GWR Group plc. In other situations the directors are entitled to retain their fees.

**Directors' pension entitlements**

Executive directors may enter the GWR Group Pension Scheme which, following two years service with the Group, is open to all full-time GWR Group employees over the age of 25. The Scheme is contracted-out of the State Earnings Related Pension Scheme with a normal retirement age of 60 and benefits based on the contributions paid in for each individual member. None of the directors are currently members of this scheme, they have instead opted to have an annual amount ranging from 5% to 15% of their annual salary (excluding bonus) paid into their individual pension schemes.

The pension values in the table above represent contributions payable for the period.

**Share options**

The directors strongly believe in encouraging employees to participate in share schemes, thereby aligning their interests with those of the shareholders. Executive directors are included in the Company share option schemes and are eligible to join the Employees' Save as You Earn (SAYE) Share Option Scheme.

The Company's policy on the granting of share options is to grant such incentives to those executives who can make the most significant contribution to the profit performance of the Company. Options issued under the executive share option schemes that are open, may be exercised only if certain performance criteria are satisfied.

**a) 1985 Executive Share Option Scheme**

The GWR Group plc 1985 Executive Share Option Scheme ended in 1995. At 31 March 1997, 1,074,996 options were held to subscribe for shares at prices ranging between 15.4p and 120p per share exercisable by 2005.

**b) 1995 Executive Share Option Scheme**

The new GWR Group plc 1995 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 value and the market value of a share. The Remuneration Committee is responsible for setting performance targets and share capital limits in line with the guidelines of institutional investors. Options are exercisable between three and ten years from the date of grant, if 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 the Retail Prices Index plus 6%. At 31 March 1997 122,019 options had been granted under this scheme at prices ranging between 184p and 210p per share exercisable by 2006.

# REPORT OF THE REMUNERATION COMMITTEE TO THE MEMBERS OF GWR GROUP PLC

**c) 1995 Savings-Related Share Option Scheme**

The new GWR Group plc 1995 Savings-Related Share Option Scheme is available to employees working a minimum number of hours per week and who have been in continuous service for a minimum of two years. Options are priced at not less than the greater of the nominal value and 80 per cent. of the market value of a share. At 31 March 1997 623,660 options had been granted under this scheme at prices ranging between 134.87p and 173p per share exercisable by 2000.

**d) 1996 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 value and the 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 the Retail Prices Index plus 6%. In addition the options granted to RM Bernard and JPE Taylor under this Scheme are subject to a further condition that only 25% of the option shares will vest if the Group's earnings per share grows by 5% compound growth per annum above the Retail Prices Index during the option period, 50% will vest if growth exceeds the Index by 7.5%, 75% will vest if growth exceeds the Index by 12.5% and all the option shares will vest if growth exceeds the Index by 17.5%.

At 31 March 1997, 1,617,981 options had been granted under this scheme at prices ranging between 184.2p and 220.5p per share exercisable by 2003.

Details of individual options held by directors, including those under the SAYE Scheme, are set out below:

| Directors | Number of options | | | Exercise Price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|
| | At 30.9.95 or date of appointment | Granted/ (exercised) during the period | At 31.3.97 | | | |
| RM 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 |
| JPE 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 |
| NS 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 |
| SC Ward | 203,154 | - | **203,154** | 120.11p | 29.7.98 | 28.7.05 |
| | 12,789 | - | **12,789** | 173p | 22.7.99 | 22.1.00 |
| SJ Pirie | 48,757 | (48,757) | - | 46.76p | 2.2.96 | 1.2.03 |

The above exercise prices and options numbers at 30 September 1995 have been adjusted for the rights issue in April 1996. SJ Pirie exercised all her share options on 28 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. She became a non-executive director on 1 October 1996. All the other directors detailed above are executive. No options lapsed during the period.

The market price of the shares at 31 March 1997 was 232p. The range during the 18 month period to 31 March 1997 was from 136p on 2 October 1995 to 259p on 8 March 1996.

# REPORT OF THE REMUNERATION COMMITTEE TO THE MEMBERS OF GWR GROUP PLC

**Service contracts**

RM Bernard has a rolling contract with two years notice. His contract provides for an annual bonus of 2% of salary for every 1% growth in the Group's earnings per share over the prior year's earnings per share increased by 10%. Notwithstanding this, the minimum bonus payable for the year ended 30 September 1996 is £100,000, and the minimum bonus payable for the year ended 30 September 1997 is £25,000. No annual bonus is payable unless the growth in earnings per share is 10% or more, the annual bonus is limited to a maximum of 60% of basic salary.

JPE Taylor has a rolling contract with two years notice. The contract commenced on 11 September 1996, with an annual salary of £160,000 and an annual bonus related to earnings per share. This annual bonus is 2% of salary for every 1% growth in the Group's earnings per share over the prior year's earnings per share. No annual bonus is payable unless the growth in earnings per share is 10% or more, the annual bonus is limited to a maximum of 60% of basic salary. A special bonus of £40,000 was paid for the period to 31 December 1996, as an incentive for joining the Group, in addition to the bonus entitlements for the financial period to 30 September 1997.

All earnings per share calculations are based on the headline earnings per share as defined by the Institute of Investment Management and Research in their Statement of Investment practice No.1.

NS Tresilian, S Orchard and SC Ward have rolling contracts which provide for a one year period of notice.

On behalf of the Remuneration Committee

**HPJ Meakin**
Chairman, Remuneration Committee
17 June 1997

**GWR** group plc

## PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

| | Notes | Unaudited Year ended 31 March 1997 £'000 | Unaudited Year ended 31 March 1996 £'000 |
|---|---|---|---|
| **Turnover** | | | |
| Continuing operations | | 45,039 | 38,161 |
| Acquisitions | | 11,678 | - |
| | | 56,717 | 38,161 |
| Discontinued operations | | 7,102 | 925 |
| | | 63,819 | 39,086 |
| **Operating expenses** | | | |
| Continuing operations | | 38,369 | 32,004 |
| Acquisitions | | 8,936 | - |
| Abortive acquisition costs | | 342 | 690 |
| | | 47,647 | 32,694 |
| Discontinued operations | | 6,782 | 896 |
| | | 54,429 | 33,590 |
| **Operating profit** | | | |
| Continuing operations | | 6,670 | 6,157 |
| Acquisitions | | 2,742 | - |
| Abortive acquisition costs | | (342) | (690) |
| | | 9,070 | 5,467 |
| Discontinued operations | | 320 | 29 |
| | | 9,390 | 5,496 |
| Profit on disposal of continuing operations | | 965 | - |
| Profit on disposal of discontinued operations | | 3,510 | - |
| Costs of fundamental reorganisation | | (863) | - |
| Income from interests in associated undertakings | | (631) | 180 |
| Investment income | | 243 | 80 |
| Interest payable and similar charges | | (634) | (238) |
| **Profit on ordinary activities before taxation** | | 11,980 | 5,518 |
| Taxation | 3 | 4,470 | 2,091 |
| **Profit on ordinary activities after taxation** | | 7,510 | 3,427 |
| Minority interest | | 265 | - |
| **Pro forma profit for the financial year** | | 7,775 | 3,427 |
| Dividends | 4 | 2,674 | 1,831 |
| **Pro forma retained profit for the year** | | 5,101 | 1,596 |
| Pro forma earnings per share before abortive acquisition costs | 5 | **8.9p** | 6.3p |
| Pro forma earnings per share | 5 | **8.6p** | 5.3p |

The Group has no recognised gains and losses other than those included in the profits stated above, except those relating to the prior year adjustment, see note 2, and therefore, no separate statement of total recognised gains and losses has been presented.

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.

# PRO FORMA CONSOLIDATED BALANCE SHEET

at 31 March 1997

| | Audited 31 March 1997 £'000 | Unaudited 31 March 1996 Restated £'000 |
|---|---|---|
| **Fixed assets** | | |
| Intangible assets | 727 | 3,824 |
| Tangible assets | 16,981 | 12,532 |
| Investments | 2,121 | 2,391 |
| | 19,829 | 18,747 |
| **Current assets** | | |
| Stocks | 76 | 37 |
| Debtors | 19,490 | 15,070 |
| Cash at bank and in hand | 361 | 421 |
| | 19,927 | 15,528 |
| **Creditors:** amounts falling due within one year | (45,997) | (28,007) |
| **Net current liabilities** | (26,070) | (12,479) |
| **Total assets less current liabilities** | (6,241) | 6,268 |
| **Creditors:** amounts falling due after more than one year | (9,796) | (697) |
| **Provisions for liabilities and charges** | (636) | (115) |
| **Net (liabilities)/assets** | (16,673) | 5,456 |
| **Capital and reserves** | | |
| Called up share capital | 5,403 | 3,481 |
| Share premium account | 1 | 1,176 |
| Shares to be issued | 42 | - |
| Special capital reserve | 369 | 369 |
| Revaluation reserve | 1,113 | 1,113 |
| Goodwill reserve | (33,479) | (5,725) |
| Profit and loss account | 10,143 | 5,042 |
| **Equity shareholders' funds** | (16,408) | 5,456 |
| **Minority interests - equity** | (265) | - |
| | (16,673) | 5,456 |

**GWR** group plc

# NOTES TO THE PRO FORMA FINANCIAL INFORMATION

## 1 PRO FORMA FINANCIAL INFORMATION

During this financial period GWR Group changed its accounting reference date to 31 March from 30 September. The Directors' report and the statutory accounts showing the results for the eighteen months ended 31 March 1997 and the year ended 30 September 1995 are set out on pages 31 to 57. Pages 26 and 27 show the results based on a twelve month accounting period to 31 March for 1997 and 1996, so that more meaningful comparisons can be made. The information, which is unaudited, has been derived from previously published interim results.

## 2 CHANGE IN INTANGIBLE FIXED ASSETS ACCOUNTING POLICY

The prior year balance sheet has been restated to take account of the effect of a change in accounting policy for intangible fixed assets. For details on this change see page 37. The effect of this change in accounting policy is to increase operating expenses in the year ended 31 March 1997 by £87,000 (1996: £164,000).

## 3 TAXATION

United Kingdom corporation tax has been provided at the same rate as the effective tax rate for the eighteen month period ended 31 March 1997.

## 4 DIVIDENDS

| | **Year ended 31 March 1997 £'000** | Year ended 31 March 1996 £'000 |
|---|---|---|
| Second interim for the 18 month period ended 31 March 1997 of 1.53p per share | **1,313** | - |
| Final for the 18 month period ended 31 March 1997 of 1.25p per share | **1,361** | - |
| Final for the year ended 30 September 1995 of 1.27p per share | - | 911 |
| Interim for the 18 month period ended 31 March 1997 of 1.07p per share | - | 920 |
| | **2,674** | 1,831 |

## 5 PRO FORMA EARNINGS PER SHARE

The calculation of the pro forma earnings per share is based on the weighted average number of shares in issue for the year of 90,770,770 (1996: 62,512,442) and the profit for the financial year of £7,775,000 (1996: £3,427,000). The earnings per share in both years take account of the effects of the rights issue.

The earnings per share before abortive acquisition costs was based on the same weighted average number of shares but the profit after taxation was adjusted to exclude the post-tax effect of the abortive acquisition costs of £342,000 (1996: £690,000).

## REVIEW REPORT BY KPMG TO GWR GROUP PLC

We have reviewed the pro forma financial information for the twelve months ended 31 March 1997 and the twelve months ended 31 March 1996 set out on pages 26 to 28, which is the responsibility of, and has been approved by, the directors. The pro forma financial information has been provided to illustrate the Group's performance on an annualised basis and the state of affairs of the Group at the end of the year.

In our opinion this pro forma information has, so far as the calculations are concerned, been properly compiled on the basis set out in note 1 above.

**KPMG**
**Chartered Accountants**
17 June 1997

# DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# REPORT OF THE AUDITORS TO THE MEMBERS OF GWR GROUP PLC

We have audited the financial statements on pages 34 to 57. We have also examined the amounts disclosed relating to emoluments and share options of the directors which form part of the Remuneration Committee report on pages 22 to 25.

**Respective responsibilities of directors and auditors**

As described on page 29 the Company'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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 1997 and of the profit of the Group for the eighteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

**KPMG**
**Chartered Accountants**
**Registered Auditors**
Swindon
17 June 1997

# DIRECTORS' REPORT

The directors present their report and the audited accounts for the Group for the 18 month period ended 31 March 1997.

**Principal activities**
The Group's principal activity is the operation of independent radio licences in the United Kingdom.

A review of activities during the period and future prospects is included within the Chairman's Statement, Chief Executive's Review and Financial Review on pages 2 to 19.

**Dividends**
The profit for the financial period, after taxation and minority interests, is £9,164,000. An interim dividend of 1.07p per share (1995: 0.90p) was paid on 30 September 1996. A second interim dividend of 1.53p per share (1995 Final: 1.27p) was paid on 12 December 1996. The directors recommend the payment of a final dividend of 1.25p per share on 4 August 1997 to shareholders on the register of members at the close of business on 27 June 1997, making a total net dividend per share for the eighteen month period to 31 March 1997 of 3.85p per share (1995: 2.17p).

**Change in year end**
On 25 October 1996, the directors announced their decision to change the accounting reference date of the Company from 30 September to 31 March. Pro forma accounts for the twelve month accounting periods to 31 March for 1997 and 1996 are shown on pages 26 to 28.

**Acquisitions and disposal**
On 1 March 1996, GWR acquired Prospect for NZ$29.8 million (£13.1 million). Prospect is a New Zealand radio group which operates 12 radio stations in Auckland and Hamilton. On 15 November 1996 the Company announced the disposal of its investment in Prospect in New Zealand for NZ$40 million (£17.1 million) in cash to the Radio Network of New Zealand. This represented a profit on disposal of £3.5 million, after expenses.

On 22 March 1996 the Company announced a recommended offer for East Anglian Radio PLC, which valued that group at £24.3 million. East Anglian Radio PLC owns 5 local radio licences in Norfolk, Suffolk and East Essex. The offer was declared unconditional on 12 April 1996 and the consideration was satisfied by a combination of cash and the issue of GWR shares.

On 1 April 1996 the Company completed its acquisition of a 31% stake in London News Radio Limited, which operates two radio services in London. The Company has committed a total expenditure of £2.2 million for this acquisition, for a combination of shares and loan notes in London News Radio Limited.

On 23 August 1996 GWR announced its proposed merger with Classic FM plc. The merger was completed on 30 December 1996, valuing the 83 per cent. of Classic FM plc that GWR did not already own at £71.5 million. The consideration was satisfied by a combination of cash and the issue of GWR shares.

On 21 March 1997 the Company's offer for Radio Wyvern plc was declared unconditional. Radio Wyvern plc owns and operates two radio licences in the County of Hereford and Worcester. The offer, which valued the Company at £3.9 million, has been satisfied by a combination of cash and the issue of GWR shares.

Further details of all these acquisitions and the disposal are set out in note 23.

**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 22 May 1997 are as follows:

| | Number of shares | % of issued share capital |
|---|---|---|
| Daily Mail and General Trust plc | 20,743,174 | 19.2 |
| Capital Radio plc | 14,211,508 | 13.2 |
| EMI Group plc | 10,805,455 | 10.0 |
| Sir Peter Michael CBE | 7,857,369 | 7.3 |
| Henderson Administration Limited | 6,172,410 | 5.7 |
| Prudential Client Nominees Limited | 3,635,930 | 3.3 |
| | 63,425,846 | 58.7 |

The Daily Mail and General Trust investment is held in the name of Derry Street Investments Limited. Sir Peter Michael's interest is registered in the name of Stockford Limited. The Henderson Administration Limited holding is registered principally in the name of Chase Nominees Limited.

**GWR** group plc

# DIRECTORS' REPORT for the 18 months ended 31 March 1997

**Directors**

A list of the directors of the Company as at 31 March 1997 is on pages 6 and 7. The appointments to the board during the period are detailed on page 23 in the Remuneration Committee report.

In accordance with the articles of association, RM Bernard, JH Trafford and NS Tresilian retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. NS Tresilian has a contract which provides for a period of notice of one year, details of the service contract held by RM Bernard are given on page 25. JH Trafford has no service contract.

PJ Harris, S Orchard, SC Ward, Sir Peter Michael and S Duffy, who were appointed during the financial period, offer themselves for election at the forthcoming Annual General Meeting. S Orchard and SC Ward have contracts which provide for a period of notice of one year, the other directors being proposed for election have no service contract.

Information on directors' emoluments is given on page 22 and in note 7 to the accounts on page 40.

**Directors' interests**

The interests of the directors in the shares of the Company at 31 March 1997, together with their interests at 30 September 1995, are as follows:

| | Number of shares | |
|---|---|---|
| | **31 March 1997** | 30 September 1995 or date of appointment |
| HPJ Meakin | **10,925** | 10,000 |
| RN Gilbert FCA | **9,972** | 9,128 |
| RJ Palmer | **70,825** | 90,104 |
| RM Bernard | **255,567** | 250,480 |
| JPE Taylor FCA | **135,000** | - |
| S Orchard | - | - |
| NS Tresilian | **27,597** | 27,048 |
| SC Ward | **149,375** | 149,375 |
| CE Blackwell | **78,584** | 80,744 |
| S Duffy MBA | - | - |
| PJ Harris | - | - |
| Sir Peter Michael CBE | **7,857,369** | 7,857,369 |
| SJ Pirie FCA | **28,882** | 14,040 |
| JH Trafford | **11,414** | 10,448 |

All interests shown above are beneficial with the exception of 26,328 shares held by RM Bernard. 135,000 shares are held by a nominee company for JPE Taylor, 70,825 shares are held by a nominee company for RJ Palmer and 7,857,369 shares are held in the name of Stockford Limited for Sir Peter Michael.

During the period directors made the following share transactions:

SJ Pirie exercised 48,757 share options and sold 34,020 shares at an average price of 225p; RM Bernard bought 3,217 shares at 210p; NS Tresilian bought 347 shares at 210p; CE Blackwell sold 6,000 shares at 219p; JPE Tayor bought 135,000 shares at 185p; RJ Palmer sold 20,000 shares at 185p.

Apart from the above, the remaining movements in directors' share interests relate to adjustments as a result of the rights issue in April 1996.

Details of options held by directors are set out on page 24.

RN Gilbert is a director of Harmsworth Media Limited, which held 20,743,174 shares in GWR Group plc at 31 March 1997. Harmsworth Media Limited is a subsidiary of Daily Mail and General Trust PLC. PJ Harris is a director of Capital Radio plc, which held 14,211,508 shares in GWR Group plc at 31 March 1997. S Duffy is a director of EMI Group plc which held 10,805,455 shares in GWR Group plc at 31 March 1997.

There has been no change in the interests set out above between 31 March 1997 and 22 May 1997. None of the directors had any interests in the shares of any subsidiary company.

There were no contracts of significance subsisting during or at the end of the financial period in which a director of the Company was materially interested and which require disclosure.

# DIRECTORS' REPORT for the 18 months ended 31 March 1997

**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.

The Group operates an appraisal system which reviews, with every member of staff, past performance and future objectives. The appraisals, which take place every six months, play an important part in individual career planning, defining training needs and matching human resources to the Group's development strategy.

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.

**Policies for the payment of suppliers**
The policy for the payment of suppliers for the Company and the Group is to pay invoices when they become due for payment. The number of days purchases outstanding at 31 March 1997 for the Company was 27 and for the Group as a whole was 43.

**Valuation of land and buildings**
In the opinion of the directors there was no significant difference between the market and book value of land and buildings owned by the Group at 31 March 1997.

**Charitable and political contributions**
During the year the Group made charitable donations of £3,700 (1995: £281) and made no political donations (1995: Nil).

**By order of the board**

**B Giffard-Taylor FCA**
**Company secretary**
17 June 1997

GWR group plc

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the 18 months ended 31 March 1997

| | Notes | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 Restated £'000 |
|---|---|---|---|
| **Turnover** | | | |
| Continuing operations | 2 | 65,374 | 31,993 |
| Acquisitions | 2 | 11,678 | - |
| | | 77,052 | 31,993 |
| Discontinued operations | 2 | 8,027 | - |
| | | 85,079 | 31,993 |
| **Operating expenses** | | | |
| Continuing operations | 3 | 55,800 | 26,821 |
| Acquisitions | 3 | 8,936 | - |
| Abortive acquisition costs | 3 | 1,032 | - |
| | | 65,768 | 26,821 |
| Discontinued operations | 3 | 7,678 | - |
| | | 73,446 | 26,821 |
| **Operating profit** | | | |
| Continuing operations | | 9,574 | 5,172 |
| Acquisitions | | 2,742 | - |
| Abortive acquisition costs | 4 | (1,032) | - |
| | | 11,284 | 5,172 |
| Discontinued operations | | 349 | - |
| | | 11,633 | 5,172 |
| Profit on disposal of continuing operations | 5 | 965 | - |
| Profit on disposal of discontinued operations | 5 | 3,510 | - |
| Costs of fundamental reorganisation | 5 | (863) | - |
| Income from interests in associated undertakings | | (519) | 131 |
| Investment income | 8 | 271 | 80 |
| Interest payable and similar charges | 9 | (687) | (221) |
| **Profit on ordinary activities before taxation** | 2, 10 | 14,310 | 5,162 |
| Taxation | 11 | 5,411 | 1,716 |
| **Profit on ordinary activities after taxation** | | 8,899 | 3,446 |
| Minority interest | | 265 | - |
| **Profit for the financial period** | | 9,164 | 3,446 |
| Dividends | 12 | 3,594 | 1,410 |
| **Retained profit for the period** | 24, 26 | 5,570 | 2,036 |
| Earnings per share before abortive acquisition costs | 13 | 12.0p | 6.0p |
| Earnings per share | 13 | 10.8p | 6.0p |
| Headline earnings per share | 13 | 7.7p | 5.8p |

The Group has no recognised gains and losses other than those included in the profits stated above, except for those relating to the prior year adjustment, see note 1, and therefore, no separate statement of total recognised gains and losses has been presented.

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.

# BALANCE SHEETS at 31 March 1997

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31 March 1997 | 30 September 1995 Restated | 31 March 1997 | 30 September 1995 |
| | Notes | £'000 | £'000 | £'000 | £'000 |
| **Fixed assets** | | | | | |
| Intangible assets | 14 | 727 | 116 | - | - |
| Tangible assets | 15 | 16,981 | 9,589 | 1,485 | 665 |
| Investments | 16 | 2,121 | 2,315 | 68,731 | 26,675 |
| | | 19,829 | 12,020 | 70,216 | 27,340 |
| **Current assets** | | | | | |
| Stocks | | 76 | - | - | - |
| Debtors | 17 | 19,490 | 14,365 | 25,774 | 8,780 |
| Cash at bank and in hand | | 361 | 170 | - | 170 |
| | | 19,927 | 14,535 | 25,774 | 8,950 |
| **Creditors:** amounts falling due within one year | 18 | (45,997) | (14,160) | (52,396) | (10,175) |
| **Net current (liabilities)/assets** | | (26,070) | 375 | (26,622) | (1,225) |
| **Total assets less current liabilities** | | (6,241) | 12,395 | 43,594 | 26,115 |
| **Creditors:** amounts falling due after more than one year | 19 | (9,796) | (1,757) | (4,542) | (1,084) |
| **Provisions for liabilities and charges** | 20 | (636) | (92) | (12) | (12) |
| **Net (liabilities)/assets** | | (16,673) | 10,546 | 39,040 | 25,019 |
| **Capital and reserves** | | | | | |
| Called up share capital | 22 | 5,403 | 3,365 | 5,403 | 3,365 |
| Share premium account | 24 | 1 | 1,138 | 1 | 1,138 |
| Shares to be issued | 24 | 42 | 111 | 42 | 111 |
| Special capital reserve | 24 | 369 | 369 | 369 | 369 |
| Special reserve | 24 | - | - | 31,713 | 17,781 |
| Revaluation reserve | 24 | 1,113 | 1,113 | - | - |
| Goodwill reserve | 24 | (33,479) | - | - | - |
| Profit and loss account | 24 | 10,143 | 4,450 | 1,512 | 2,255 |
| **Equity shareholders' funds** | 26 | (16,408) | 10,546 | 39,040 | 25,019 |
| **Minority interests - equity** | | (265) | - | - | - |
| | | (16,673) | 10,546 | 39,040 | 25,019 |

The financial statements on pages 34 to 57 were approved by the board of directors on 17 June 1997 and were signed on its behalf by:

**Henry Meakin** **Ralph Bernard**

**GWR** group plc

# CONSOLIDATED CASH FLOW STATEMENT for the 18 months ended 31 March 1997

| | Notes | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 Restated £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Net cash inflow from operating activities | 27 | 10,983 | 5,101 |
| **Returns on investments and servicing of finance** | | | |
| Investment income received | | 271 | 80 |
| Interest paid | | (532) | (128) |
| Interest paid on finance leases | | (155) | (81) |
| Dividend received from associated undertaking | | - | 16 |
| Net cash outflow from returns on investments and servicing of finance | | (416) | (113) |
| **Taxation** | | | |
| UK Corporation tax paid | | (2,955) | (854) |
| **Capital expenditure and financial investment** | | | |
| Sale of intangible fixed assets | | 146 | 25 |
| Sale of tangible fixed assets | | 391 | 60 |
| Sale of investments | | - | 163 |
| Purchase of tangible fixed assets | | (5,187) | (1,932) |
| Purchase of intangible fixed assets | | (248) | - |
| Purchase of fixed asset investments | | - | (28) |
| Net cash outflow from capital expenditure and financial investment | | (4,898) | (1,712) |
| **Acquisitions and disposals** | | | |
| Purchase of subsidiaries | | (52,055) | (1,389) |
| Cash acquired with subsidiaries | | 4,323 | - |
| Overdraft acquired with subsidiaries | | (5,884) | (823) |
| Disposal of subsidiaries | | 22,019 | - |
| Cash disposed of with subsidiaries | | (73) | - |
| Purchase of investments in associates | | (2,533) | (279) |
| Net cash outflow from acquisitions and disposals | | (34,203) | (2,491) |
| **Equity dividends paid** | | (3,144) | (997) |
| **Net cash outflow before use of liquid resources and financing** | | (34,633) | (1,066) |
| **Financing** | | | |
| Issue of shares | | 13,244 | 38 |
| Increase in short term borrowings | | 29,224 | - |
| Repayment of short term borrowings | | (10,503) | - |
| Increase in medium term borrowings | | 4,237 | - |
| Repayment of loans | | (551) | (121) |
| Expenses of share issue | | (121) | (249) |
| Repayment of principal under finance leases | | (760) | (365) |
| Net cash inflow/(outflow) from financing | | 34,770 | (697) |
| **Increase/(decrease) in cash for the period** | 28 | 137 | (1,763) |

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 1 PRINCIPAL ACCOUNTING POLICIES

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

**Basis of consolidation and treatment of goodwill**

The consolidated accounts 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.

An associated undertaking is one in which the Group holds for the long term a participating interest and exerts significant influence over the operating and financial policies of the Company. 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 arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

In the Company's accounts investments in subsidiary and associated undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

As permitted by section 230 of the Companies Act 1985, the parent Company's profit and loss account has not been included in these accounts.

**Intangible fixed assets**

In previous years expenditure incurred on the relaunch of newly acquired stations has been deferred, capitalised as an intangible fixed asset and amortised on a straight line basis over the remaining period of the licences. In order to bring our accounting policy into line with the majority of groups within the radio industry, this type of expenditure is now written off to the profit and loss account as it is incurred. Prior year figures in these accounts have been restated accordingly (see note 14). The effect of this change in accounting policy is to increase operating expenses in the period ended 31 March 1997 by £181,000 (1995: £149,000).

Expenditure incurred on successful reapplications 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. The basis of valuation of those properties is explained in note 15.

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% | Fixtures and technical equipment | 10%-20% |
| Transmitters | 5% | 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 period, excluding value added tax and net of advertising agency commission. The Group has only one material class of business.

**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'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 Group employees 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 relevant 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.

**Financial Reporting Standard**

The Group have adopted the requirements of Financial Reporting Standard No.1 (revised 1996) "cash flow statements" in these accounts.

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 2 SEGMENTAL INFORMATION

| | Turnover | | Profit before tax | |
|---|---|---|---|---|
| | 18 months ended 31 March 1997 | 12 months ended 30 September 1995 | 18 months ended 31 March 1997 | 12 months ended 30 September 1995 Restated |
| | £'000 | £'000 | £'000 | £'000 |
| **Continuing operations** | | | | |
| Existing operations | 53,287 | 30,806 | 8,057 | 5,260 |
| Chiltern Radio - July 1995 | 12,087 | 1,187 | 1,547 | (98) |
| Profit on disposal of operations | - | - | 965 | - |
| Abortive acquisition costs | - | - | (1,032) | - |
| | 65,374 | 31,993 | 9,537 | 5,162 |
| **Acquisitions** | | | | |
| East Anglian Radio - April 1996 | 6,254 | - | 2,451 | - |
| Classic FM - December 1996 | 5,096 | - | 911 | - |
| Costs of fundamental reorganisation | - | - | (863) | - |
| Radio T1 - June 1996 | 328 | - | (662) | - |
| London News Radio - April 1996 | - | - | (923) | - |
| | 11,678 | - | 914 | - |
| **Total continuing operations** | 77,052 | 31,993 | 10,451 | 5,162 |
| **Discontinued operations** | | | | |
| Prospect - November 1996 | 8,027 | - | 349 | - |
| Profit on disposal of Prospect | - | - | 3,510 | - |
| **Total discontinued operations** | 8,027 | - | 3,859 | - |
| **Total operations** | 85,079 | 31,993 | 14,310 | 5,162 |

The Group has only one material class of business.

## 3 OPERATING EXPENSES

| | 18 months ended 31 March 1997 | | | 12 months ended 30 September 1995 | | |
|---|---|---|---|---|---|---|
| | Selling and administration expenses | Other operating expenses | Total | Selling and administration expenses Restated | Other operating expenses Restated | Total Restated |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Continuing | 33,786 | 22,014 | 55,800 | 19,912 | 6,909 | 26,821 |
| Acquisitions | 7,113 | 1,823 | 8,936 | - | - | - |
| Abortive acquisition costs | - | 1,032 | 1,032 | - | - | - |
| Total continuing | 40,899 | 24,869 | 65,768 | 19,912 | 6,909 | 26,821 |
| Discontinued | 3,400 | 4,278 | 7,678 | - | - | - |
| | 44,299 | 29,147 | 73,446 | 19,912 | 6,909 | 26,821 |

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 4 ABORTIVE ACQUISITION COSTS

Abortive acquisition costs consist of expenses relating to unsuccessful offers made by the Group to acquire the following companies:

| | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 £'000 |
|---|---|---|
| Radio New Zealand | 690 | - |
| Antenne Sachsen | 342 | - |
| | 1,032 | - |

## 5 EXCEPTIONAL ITEMS

| | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 £'000 |
|---|---|---|
| Profit on disposal of: | | |
| Continuing operations | 965 | - |
| Discontinued operations - Prospect | 3,510 | - |
| Costs of fundamental reorganisation: | | |
| Closure/sale of Classic FM overseas subsidiaries | (863) | - |
| | 3,612 | - |

## 6 EMPLOYEE INFORMATION

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

| | Monthly average | | At the end of the period | |
|---|---|---|---|---|
| | 18 months ended 31 March 1997 Number | 12 months ended 30 September 1995 Number | 31 March 1997 Number | 30 September 1995 Number |
| Programming | 147 | 102 | 187 | 121 |
| Sales | 369 | 219 | 404 | 227 |
| Technical | 48 | 34 | 54 | 28 |
| Management and administration | 170 | 134 | 182 | 200 |
| | 734 | 489 | 827 | 576 |

| | 1997 £'000 | 1995 £'000 |
|---|---|---|
| **Staff costs (for the above persons) :** | | |
| Wages and salaries | 19,976 | 8,159 |
| Social security costs | 1,814 | 792 |
| Pension costs | 487 | 238 |
| Other | 479 | - |
| | 22,756 | 9,189 |

The above analysis includes the costs relating to directors but excludes persons engaged under short-term and part-time contracts which include certain presenters. The total cost of these persons amounts to £5,851,000 (1995: £1,847,000).

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 7 DIRECTORS' EMOLUMENTS

| | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 £'000 |
|---|---|---|
| Fees | 213 | 112 |
| Salary payments (including benefits in kind) | 903 | 379 |
| | 1,116 | 491 |
| Pension contributions | 73 | 21 |
| | 1,189 | 512 |

**The above total includes:**

| | 1997 £'000 | 1995 £'000 |
|---|---|---|
| Performance related emoluments: | | |
| Based on earnings per share | 100 | 62 |
| Based on profit before taxation | 42 | 19 |
| | 142 | 81 |

Fees and salary payments include amounts paid to third parties for the services of directors of £272,000 (1995: £176,000).

## 8 INVESTMENT INCOME

| | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 £'000 |
|---|---|---|
| Interest receivable | 166 | 36 |
| Dividends receivable from other investments | 77 | 27 |
| Rents receivable | 28 | 17 |
| | 271 | 80 |

## 9 INTEREST PAYABLE AND SIMILAR CHARGES

| | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 £'000 |
|---|---|---|
| Bank loans and overdrafts | 532 | 140 |
| Finance leases | 155 | 81 |
| | 687 | 221 |

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 10 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 £'000 |
|---|---|---|
| Profit on ordinary activities before taxation is stated after crediting: | | |
| (Loss)/profit on disposal of tangible fixed assets | (349) | 14 |
| Profit on disposal of intangible fixed assets | 50 | - |
| Profit on disposal of investments | 4,718 | 143 |
| And after charging: | | |
| Depreciation charge for the year: | | |
| Tangible owned fixed assets | 2,611 | 848 |
| Tangible fixed assets held under finance leases | 462 | 287 |
| Intangible fixed assets | 265 | 46 |
| Auditors' remuneration: | | |
| Audit - KPMG (Company 1997: £4,000 (1995: £3,300)) | 93 | 48 |
| Audit - Moore Stephens, New Zealand | 20 | - |
| Other services to the Company - KPMG | 243 | 20 |
| Other services to the Company - Coopers & Lybrand | - | 59 |
| Hire of plant and machinery - operating leases | 396 | 77 |
| Hire of other assets - operating leases | 948 | 691 |

The Company incurred £486,000 (1995: £54,000) of auditors' fees from KPMG for other services in addition to that above, which have been capitalised as part of the costs of the acquisitions made during the period.

## 11 TAXATION

| | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 £'000 |
|---|---|---|
| United Kingdom corporation tax at 33% (1995 : 33%) | | |
| Current | 5,538 | 1,701 |
| Deferred | (45) | (11) |
| Overseas tax | 16 | - |
| Under provision in respect of prior years: | | |
| Deferred | 98 | - |
| | 5,607 | 1,690 |
| Associated undertakings | (196) | 26 |
| | 5,411 | 1,716 |

## 12 DIVIDENDS

| | 18 months ended 31 March 1997 £'000 | 12 months ended 30 September 1995 £'000 |
|---|---|---|
| Interim of 1.07p per share (1995: 0.90p), paid on 30 September 1996 | 920 | 499 |
| Second interim of 1.53p per share (1995 Final: 1.27p), paid on 12 December 1996 | 1,313 | 911 |
| Final of 1.25p per share to be paid on 4 August 1997 | 1,361 | - |
| | 3,594 | 1,410 |

The dividends per share stated above have been amended to take account of the effects of the April 1996 rights issue.

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 13 EARNINGS PER SHARE

The calculation of the adjusted earnings per share is based on the weighted average number of shares in issue for the period of 84,620,491 (1995: 55,445,262) and the profit for the financial year of £9,164,000 (1995: £3,446,000). The earnings per share in both periods has been amended for the effects of the rights issue.

The earnings per share before abortive acquisition costs was based on the same weighted average number of shares but the profit after taxation was adjusted to exclude the post-tax effect of the abortive acquisition costs of £1,032,000 (1995: £nil).

The calculation of the Headline earnings per share figures is based on the definition by the Institute of Investment Management and Research in their Statement of Investment Practice No.1.

## 14 INTANGIBLE FIXED ASSETS

**Group**

| | £'000 |
|---|---|
| **Cost** | |
| At 1 October 1995 as previously stated | 1,937 |
| Prior year adjustment for change in accounting policy | (1,366) |
| At 1 October 1995 as restated | 571 |
| On acquisition of subsidiaries | 5,548 |
| On disposal of subsidiaries | (4,507) |
| Disposals | (331) |
| Additions | 248 |
| **At 31 March 1997** | **1,529** |
| **Depreciation** | |
| At 1 October 1995 as previously stated | 1,107 |
| Prior year adjustment for change in accounting policy | (652) |
| At 1 October 1995 as restated | 455 |
| On acquisition of subsidiaries | 1,334 |
| On disposal of subsidiaries | (1,017) |
| Disposals | (235) |
| Charge for period | 265 |
| **At 31 March 1997** | **802** |
| **Net book value** | |
| **At 31 March 1997** | **727** |
| Net book value | |
| At 30 September 1995 | 116 |

For details of the change in accounting policy see page 37.

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 15 TANGIBLE FIXED ASSETS

| Group | Land and buildings | Fixtures and technical equipment | Motor vehicles | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Cost or valuation** | | | | |
| At 1 October 1995 | 6,316 | 11,232 | 1,051 | 18,599 |
| On acquisition of subsidiaries | 2,147 | 14,047 | 667 | 16,861 |
| On disposal of subsidiaries | (338) | (5,374) | (161) | (5,873) |
| Additions | 444 | 4,758 | 64 | 5,266 |
| Disposals | (251) | (1,022) | (585) | (1,858) |
| **At 31 March 1997** | **8,318** | **23,641** | **1,036** | **32,995** |
| **Depreciation** | | | | |
| At 1 October 1995 | 1,213 | 7,155 | 642 | 9,010 |
| On acquisition of subsidiaries | 862 | 6,322 | 350 | 7,534 |
| On disposal of subsidiaries | (73) | (2,310) | (102) | (2,485) |
| Charge for period | 196 | 2,576 | 301 | 3,073 |
| Disposals | (197) | (452) | (469) | (1,118) |
| **At 31 March 1997** | **2,001** | **13,291** | **722** | **16,014** |
| **Net book value** | | | | |
| **At 31 March 1997** | **6,317** | **10,350** | **314** | **16,981** |
| Net book value | | | | |
| At 30 September 1995 | 5,103 | 4,077 | 409 | 9,589 |
| **Cost or valuation at 31 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 |

The above figures include assets held under finance lease as follows:

| | Land and buildings | Fixtures and technical equipment | Motor vehicles | Total |
|---|---|---|---|---|
| **Depreciation charge for the period ended 31 March 1997** | - | **235** | **203** | **462** |
| **Net book value at 31 March 1997** | - | **2,934** | **236** | **3,333** |
| Depreciation charge for the year ended 30 September 1995 | - | 127 | 160 | 287 |
| Net book value at 30 September 1995 | - | 318 | 503 | 821 |

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 15 TANGIBLE FIXED ASSETS continued

The freehold land and buildings that have been revalued 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 revalued freehold land and buildings as stated in the accounts to their historical cost equivalent:

| | Historical cost | As stated in the accounts |
|---|---|---|
| | £'000 | £'000 |
| Cost | 7,205 | 8,318 |
| Depreciation | 1,968 | 2,001 |
| Net book value | 5,237 | 6,317 |

**Land and buildings at net book value comprise:**

| | **1997** | 1995 |
|---|---|---|
| | **£'000** | £'000 |
| Freeholds | **5,132** | 4,317 |
| Long leaseholds | - | 71 |
| Short leaseholds | **1,185** | 715 |
| | **6,317** | 5,103 |

**Company**

| | Fixtures and technical equipment | Motor vehicles | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost** | | | |
| At 1 October 1995 | 940 | 51 | 991 |
| Additions | 1,172 | 26 | 1,198 |
| Disposals | - | (26) | (26) |
| Transfer from group companies | 2 | - | 2 |
| **At 31 March 1997** | **2,114** | **51** | **2,165** |
| **Depreciation** | | | |
| At 1 October 1995 | 287 | 39 | 326 |
| Charge for period | 367 | 8 | 375 |
| Disposals | - | (21) | (21) |
| **At 31 March 1997** | **654** | **26** | **680** |
| **Net book value** | | | |
| **At 31 March 1997** | **1,460** | **25** | **1,485** |
| Net book value | | | |
| At 30 September 1995 | 653 | 12 | 665 |

The above figures include assets held under finance lease as follows:

| | | | |
|---|---|---|---|
| **Depreciation charge for the period ended 31 March 1997** | 123 | - | 123 |
| **Net book value at 31 March 1997** | 81 | - | 81 |
| Depreciation charge for the year ended 30 September 1995 | 96 | - | 96 |
| Net book value at 30 September 1995 | 208 | - | 208 |

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 16 INVESTMENTS

| Group | Associated undertakings £'000 | Other investments £'000 | Total £'000 |
|---|---|---|---|
| At 1 October 1995 | 580 | 1,735 | 2,315 |
| In respect of new subsidiaries | - | 12 | 12 |
| Transferred to subsidiary investment | - | (1,611) | (1,611) |
| Additions | 3,033 | - | 3,033 |
| Disposals | (129) | - | (129) |
| Share of results for year | (323) | - | (323) |
| Goodwill written off | (1,176) | - | (1,176) |
| **At 31 March 1997** | **1,985** | **136** | **2,121** |

**Associated undertakings**
The principal associated undertakings are as follows:

| **Name** | **Country of incorporation/ place of registration** | **Class of capital held** | **Proportion of nominal value of issued shares held by: Group** | **Company** |
|---|---|---|---|---|
| London News Radio Limited | England and Wales | Ordinary £1 shares | 20% | 20% |
| Plymouth Sound Limited | England and Wales | Ordinary £1 shares | 49% | 49% |
| Minster Sound Radio plc | England and Wales | Ordinary £1 shares | 27.8% | 27.8% |
| The Local Radio Company Limited | England and Wales | 'A' Ordinary £1 shares | 20% | 20% |
| Radio FM PLUS | Bulgaria | Ordinary 100 leva shares | 48% | - |

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

| **Company** | Interests in Group undertakings £'000 | Associated undertakings £'000 | Other investments £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 October 1995 | 24,270 | 700 | 1,705 | 26,675 |
| Additions | 39,571 | 2,804 | - | 42,375 |
| Disposal | (259) | (60) | - | (319) |
| Transfer | 1,611 | - | (1,611) | - |
| **At 31 March 1997** | **65,193** | **3,444** | **94** | **68,731** |

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 16 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 | Proportion of nominal value of issued shares held by: Group % | Company % |
|---|---|---|
| Classic FM plc | 100 | 100 |
| East Anglian Radio PLC | 100 | 100 |
| Wiltshire Radio plc | 100 | 100 |
| GWR (West) Limited | 100 | 100 |
| Thames Valley Broadcasting plc | 100 | - |
| Two Counties Radio Limited | 100 | - |
| Chiltern Radio PLC | 100 | 100 |
| Radio Trent Limited | 100 | 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 registered and operated in England and Wales. A full list of the companies in the Group will be included in the Company's annual return.

### Associated undertakings

All of the associated undertakings are stated in the Company at the cost of investment.

### Other investments

The Company holds 29.9% of the issued Ordinary 50p shares of Stray FM plc. The Group has no influence over Stray FM plc, with no involvement in their financial and operating policy decisions. The investment in that Company is therefore not treated as an associated undertaking, but is accounted for at cost. Stray FM plc is registered in England and Wales.

## 17 DEBTORS

| | Group | | Company | |
|---|---|---|---|---|
| | 1997 £'000 | 1995 £'000 | 1997 £'000 | 1995 £'000 |
| **Amounts falling due after more than one year** | | | | |
| Other debtors | 1,109 | - | - | - |
| **Amounts falling due within one year** | | | | |
| Trade debtors | 14,791 | 8,182 | 252 | 63 |
| Amounts owed by subsidiary undertakings | - | - | 24,505 | 7,947 |
| Amounts owed by associated undertakings | 258 | 157 | 82 | 139 |
| Assets held for resale | - | 3,721 | - | - |
| Other debtors | 599 | 499 | 213 | 274 |
| Prepayments and accrued income | 2,733 | 1,762 | 351 | 320 |
| Corporation tax | - | 31 | 31 | 31 |
| Advance corporation tax | - | 13 | 340 | 6 |
| | 18,381 | 14,365 | 25,774 | 8,780 |
| Total debtors | 19,490 | 14,365 | 25,774 | 8,780 |

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **1997** | 1995 | **1997** | 1995 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Bank loans and overdrafts | **20,760** | 2,366 | **23,478** | 4,228 |
| Obligations under finance leases | **753** | 323 | **54** | 127 |
| Trade creditors | **5,207** | 2,455 | **1,028** | 189 |
| Amounts owed to subsidiary undertakings | **-** | - | **23,789** | 2,369 |
| Amounts owed to associated undertakings | **835** | 64 | **9** | - |
| Corporation tax | **5,120** | 1,691 | **-** | - |
| Advance corporation tax | **340** | 349 | **340** | 349 |
| Other taxation and social security | **1,598** | 1,326 | **208** | 1 |
| Other creditors | **1,197** | 350 | **501** | 411 |
| Accruals | **8,826** | 4,325 | **1,628** | 1,590 |
| Dividends payable | **1,361** | 911 | **1,361** | 911 |
| | **45,997** | 14,160 | **52,396** | 10,175 |

## 19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **1997** | 1995 | **1997** | 1995 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Bank loans and overdrafts | **4,500** | 263 | **4,500** | 219 |
| Obligations under finance leases | **4,249** | 383 | **20** | 123 |
| Other creditors | **1,047** | 1,111 | **22** | 742 |
| | **9,796** | 1,757 | **4,542** | 1,084 |

### Bank loans and overdrafts

| | Group | | Company | |
|---|---|---|---|---|
| | **1997** | 1995 | **1997** | 1995 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Repayable as follows: | | | | |
| In one year or less, or on demand | **20,760** | 2,366 | **23,478** | 4,228 |
| Between one and two years | **4,500** | 120 | **4,500** | 118 |
| Between two and five years | **-** | 107 | **-** | 101 |
| In five years or more | **-** | 36 | **-** | - |
| | **25,260** | 2,629 | **27,978** | 4,447 |

The bank loan is repayable over 5 years with payments of £500,000 every six months. Interest is charged on the loan at 0.85% above LIBOR.

### Finance leases

The net finance lease obligations to which the Group and Company are committed are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **1997** | 1995 | **1997** | 1995 |
| | **£'000** | £'000 | **£'000** | £'000 |
| In one year or less | **753** | 323 | **54** | 127 |
| Between one and two years | **639** | 313 | **16** | 76 |
| Between two and five years | **3,486** | 70 | **4** | 47 |
| Over five years | **124** | - | **-** | - |
| | **5,002** | 706 | **74** | 250 |

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 20 PROVISIONS FOR LIABILITIES AND CHARGES

| | Group | | Company | |
|---|---|---|---|---|
| | **1997** | 1995 | **1997** | 1995 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Deferred taxation | **636** | 49 | **12** | 12 |
| Relocation provision | **-** | 43 | **-** | - |
| | **636** | 92 | **12** | 12 |

**Deferred taxation**

| | Group | Company |
|---|---|---|
| | **£'000** | **£'000** |
| At 1 October 1995 | 355 | 12 |
| Prior year adjustment | (78) | - |
| | 277 | 12 |
| Profit and loss account | 53 | - |
| In respect of acquisitions and disposals | 23 | - |
| Advance corporation tax | (340) | - |
| Deferred tax on capital gain | 623 | - |
| **At 31 March 1997** | **636** | **12** |

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

**Group**

| | **1997** | 1995 |
|---|---|---|
| | **£'000** | £'000 |
| Accelerated capital allowances | **284** | 135 |
| Other timing differences | **692** | 142 |
| | **976** | 277 |
| Less: advance corporation tax | **(340)** | (228) |
| | **636** | 49 |

The potential capital gains tax that might arise if the Group's freehold property was realised at the net amount included in the accounts is estimated at £59,000 (1995: £81,000).

**Company**

| | **1997** | 1995 |
|---|---|---|
| | **£'000** | £'000 |
| Accelerated capital allowances | **12** | 12 |

## 21 PENSION OBLIGATIONS

a) Some of the subsidiaries of GWR Group plc participate in defined contribution pension schemes available to their permanent employees. The schemes are funded by the payment of contributions to separately administered funds, which are independent of the Group's finances.

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 1 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 results of the actuarial valuation as at 1 October 1996 are not yet available.

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 to pensions in payment in accordance with Scheme rules. The total pension cost to the Group for the year was £487,000 (1995: £238,000).

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 22 CALLED UP SHARE CAPITAL

| | Notes | Authorised | | Allotted, called-up and fully paid | |
|---|---|---|---|---|---|
| | | Number | £'000 | Number | £'000 |
| **Ordinary shares of 5p each** | | | | | |
| At 1 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 9 April 1996 | 2 | 16,700,000 | 835 | - | - |
| Rights issue 16 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 16 October 1996 | 4 | 40,000,000 | 2,000 | - | - |
| **At 31 March 1997** | | **150,000,000** | **7,500** | **108,056,969** | **5,403** |

1 These shares were issued under the provisions 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 30 September 1995.

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

3 On 22 March 1996 GWR Group 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 3 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 16 April 1996.

4 On 16 October 1996 at an extraordinary general meeting of the shareholders of GWR Group 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.

At 31 March 1997, the Company had 3,438,656 options outstanding granted under its Share Option Schemes in respect of 5p Ordinary shares. Further details are given on pages 23 and 24.

## 23 ACQUISITIONS AND DISPOSAL

### a) Acquisition and restructuring of investment in London News Radio

On 1 April 1996 GWR Group plc 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 26 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%. At 31 March 1997 GWR Group plc held £1,373,166 of LNR unsecured loan notes, £133,434 of convertible loan notes in LNR and £167,400 in LNR shares.

### b) Acquisition and disposal of Prospect

On 1 March 1996 GWR Group plc 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 1 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.

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 23 ACQUISITIONS AND DISPOSAL continued

The fair value of the consideration including associated costs was £13.1 million. The assets and liabilities acquired are 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** | | | |
| Debtors | 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 Group plc.

On 15 November 1996 GWR Group plc 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 £361,000 of expenses, of NZ$9.7 million (£3.5 million).

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

| | £'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.

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 23 ACQUISITIONS AND DISPOSAL continued

### c) Acquisition of East Anglian Radio PLC

The GWR Group plc offer for the entire issued share capital of East Anglian Radio PLC became unconditional on 12 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 Group plc have 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 Group shares for each East Anglian Radio 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 Group 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 (see note 24).

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 1 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 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.

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 23 ACQUISITIONS AND DISPOSAL continued

### d) Acquisition of Classic FM plc

On 23 August 1996 GWR Group plc 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. 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 (see note 24).

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 1 December 1995 to the date of acquisition and a loss of £2.52 million for the financial year ended 30 November 1995.

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

| | Book value and 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) |
| Finance lease creditors | (4,960) |
| Trade and other creditors | (6,094) |
| **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 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

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 23 ACQUISITIONS AND DISPOSAL continued

### e) Acquisition of Radio Wyvern Plc

On 24 September 1996 GWR Group plc 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 at approximately £3.9 million. After 12 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 21 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 FM 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 Shares, representing approximately 96.2 per cent. of the issued ordinary share capital of Radio Wyvern.

GWR have applied the provisions of sections 428 to 430F of the Companies Act 1985 to compulsorily acquire any outstanding Radio Wyvern 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 1 October 1996 to the date of acquisition and of £44,910 for the financial year ended 30 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 less expenses which was announced on 21 March 1997. Radio Wyvern AM was acquired as part of the Radio Wyvern Plc acquisition. During the period Radio Wyvern Plc did not contribute to the Group's cash flows.

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 23 ACQUISITIONS AND DISPOSAL continued

### f) Acquisition of Radio T1 (formerly known as Radio Edelweiss)

On 21 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 31 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) |

| | £'000 |
|---|---|
| **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 Group plc.

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

## 24 RESERVES

| Group | Share premium account £'000 | Shares to be issued £'000 | Special capital reserve £'000 | Special reserve £'000 |
|---|---|---|---|---|
| At 1 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) |
| **At 31 March 1997** | 1 | 42 | 369 | - |

The cancellation of share premium account was approved at an extraordinary general meeting of the Company on 14 August 1996 and later

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 24 RESERVES continued

confirmed by the Court. An amount of £13,932,000 was credited to a special reserve from the share premium account, against which goodwill arising on acquisitions has been written off.

| Group | Revaluation reserve | Merger reserve | Goodwill reserve | Profit & Loss account |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 October 1995 as previously stated | 1,113 | - | - | 5,086 |
| Prior year adjustment for change in accounting policy | - | - | - | (636) |
| At 1 October 1995 as restated | 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 |
| **At 31 March 1997** | 1,113 | - | (33,479) | 10,143 |

For details of the prior year adjustment see page 37.

**Group's share of post acquisition profit and loss account of associated undertakings**

| | £'000 |
|---|---|
| At 1 October 1995 | 205 |
| Loss for the period | (323) |
| **At 31 March 1997** | (118) |

| Company | Special reserve | Profit & Loss account |
|---|---|---|
| | £'000 | £'000 |
| At 1 October 1995 | 17,781 | 2,255 |
| Cancellation of share premium account | 13,932 | - |
| Loss for the period | - | (743) |
| **At 31 March 1997** | 31,713 | 1,512 |

The movements on the Company's share premium account, shares to be issued reserve and special capital reserve are the same as in the Group reserve analysis shown above.

## 25 GOODWILL

The cumulative amount of goodwill resulting from the acquisition of subsidiary undertakings which has been written off to reserves is £156,227,000 (1995: £38,475,000).

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 26 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| Group | 1997 £'000 | 1995 £'000 Restated |
|---|---|---|
| Profit for the financial year as previously stated | 9,164 | 3,595 |
| Prior year adjustment | - | (149) |
| Dividends | (3,594) | (1,410) |
| | 5,570 | 2,036 |
| New share capital issued | 2,038 | 740 |
| Shares to be issued | (69) | 111 |
| Expenses of share issue | (121) | (249) |
| Premium on shares issued | 83,116 | 17,331 |
| Premium on shares to be issued | 1,900 | 2,925 |
| Goodwill written off | (126,097) | (20,933) |
| Goodwill written back | 6,709 | - |
| Net reduction to shareholders' funds | (26,954) | 1,961 |
| Opening shareholders' funds (after deducting prior year adjustment of £636,000 (1995: £487,000)) | 10,546 | 8,585 |
| **Closing shareholders' funds** | (16,408) | 10,546 |

| Company | 1997 £'000 | 1995 £'000 |
|---|---|---|
| Profit for the financial year | 2,851 | 2,042 |
| Dividends | (3,594) | (1,410) |
| | (743) | 632 |
| New share capital issued | 2,038 | 740 |
| Shares to be issued | (69) | 111 |
| Premium on shares issued | 12,916 | - |
| Expenses of share issue | (121) | (249) |
| Net addition to shareholders' funds | 14,021 | 1,234 |
| Opening shareholders' funds | 25,019 | 23,785 |
| **Closing shareholders' funds** | 39,040 | 25,019 |

## 27 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 1997 £'000 | 1995 £'000 |
|---|---|---|
| Operating profit | 11,633 | 5,172 |
| Depreciation of tangible fixed assets | 3,073 | 1,135 |
| Amortisation of intangible fixed assets | 265 | 46 |
| Loss/(profit) on disposal of tangible fixed assets | 349 | (14) |
| Profit on disposal of intangible fixed assets | (50) | - |
| Profit on disposal of investments | (211) | (143) |
| Decrease in stocks | 60 | 75 |
| Increase in debtors | (1,352) | (1,099) |
| Decrease in creditors | (2,784) | (71) |
| | 10,983 | 5,101 |

# NOTES TO THE ACCOUNTS for the 18 months ended 31 March 1997

## 28 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

| | 1997 £'000 | 1995 £'000 |
|---|---|---|
| **Increase/(decrease) in cash in the period** | 137 | (1,763) |
| Cash outflow from decrease in debt and lease financing | (21,817) | 486 |
| Change in net debt from cash flows | (21,680) | (1,277) |
| Loans and finance leases acquired with subsidiaries | (4,977) | (341) |
| New finance leases | (79) | (36) |
| Movements in net debt in period | (26,736) | (1,654) |
| Net debt at 1 October 1995 | (3,165) | (1,511) |
| **Net debt at 31 March 1997** | (29,901) | (3,165) |

## 29 ANALYSIS OF NET DEBT

| | 1 October 1995 £'000 | Cash flow £'000 | Acquisitions (excl. cash & overdrafts) £'000 | Other non-cash £'000 | 31 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) |

## 30 CONTINGENT LIABILITIES

Contingent liabilities are as follows:

a) Various inter-group cross guarantees are held by National Westminster Bank and Barclays Bank.

b) The Company is a member of a group for VAT purposes, resulting in a joint and several liability for amounts owing by other Group companies for unpaid VAT.

## 31 FINANCIAL COMMITMENTS

At 31 March 1997 the Group had annual commitments under non-cancellable operating leases as follows:

| | 1997 | | 1995 | |
|---|---|---|---|---|
| | Land & Buildings £'000 | Other £'000 | Land & Buildings £'000 | Other £'000 |
| Expiring within one year | - | 368 | 13 | 169 |
| Expiring between two and five years inclusive | 12 | 776 | 7 | 221 |
| Expiring in over five years | 210 | 2,019 | 249 | - |
| | 222 | 3,163 | 269 | 390 |

The Company has no annual commitments under non-cancellable operating leases.

## FINANCIAL RECORD

| | 18 months ended 31 March 1997 | 12 months ended 30 September 1995 Restated | 12 months ended 30 September 1994 Restated | 12 months ended 30 September 1993 Restated | 12 months ended 30 September 1992 Restated |
|---|---|---|---|---|---|
| | **£'000** | £'000 | £'000 | £'000 | £'000 |
| **Profit and loss account** | | | | | |
| Turnover | | | | | |
| Continuing operations | **77,052** | 31,993 | 20,330 | 9,215 | 8,117 |
| Discontinued operations | **8,027** | - | - | - | - |
| | **85,079** | 31,993 | 20,330 | 9,215 | 8,117 |
| Operating profit | | | | | |
| Continuing operations | **11,284** | 5,172 | 2,731 | 1,075 | 994 |
| Discontinued operations | **349** | - | - | - | - |
| | **11,633** | 5,172 | 2,731 | 1,075 | 994 |
| Profit before taxation | **14,310** | 5,162 | 2,969 | 970 | 778 |
| Taxation | **(5,411)** | (1,716) | (1,008) | (341) | (238) |
| Profit for the financial period | **9,164** | 3,446 | 1,961 | 629 | 540 |
| Dividends | **3,594** | 1,410 | 863 | 280 | 217 |
| Retained profit for the period | **5,570** | 2,036 | 1,098 | 349 | 323 |
| **Balance sheet** | | | | | |
| Fixed assets | **19,829** | 12,020 | 10,932 | 5,050 | 4,327 |
| Current assets | **19,927** | 14,535 | 8,446 | 4,236 | 2,808 |
| **Total assets** | **39,756** | 26,555 | 19,378 | 9,286 | 7,135 |
| Creditors due within one year | **(45,997)** | (14,160) | (8,412) | (3,857) | (2,253) |
| **Total assets less current liabilities** | **(6,241)** | 12,395 | 10,966 | 5,429 | 4,882 |
| Creditors due after more than one year | **(9,796)** | (1,757) | (2,228) | (896) | (646) |
| Provisions for liabilities and charges | **(636)** | (92) | (153) | (242) | (323) |
| **Net (liabilities)/assets** | **(16,673)** | 10,546 | 8,585 | 4,291 | 3,913 |
| **Cash flow** | | | | | |
| Net cash inflow from operating activities | **10,983** | 5,101 | 4,587 | 630 | 813 |
| Increase/(decrease) in cash for the period | **137** | (1,763) | 1,088 | (473) | (488) |
| **Ratios** | | | | | |
| Operating margin (continuing operations) | **14.6%** | 16.2% | 13.4% | 11.7% | 12.2% |
| Earnings per share | **10.8p** | 6.0p | 4.3p | 2.4p | 2.1p |
| Headline earnings per share | **7.7p** | 5.8p | 4.3p | 2.4p | 2.1p |
| Dividend per share | **3.85p** | 2.17p | 1.56p | 1.08p | 0.84p |
| Dividend cover | **2.0** | 2.8 | 2.8 | 2.0 | 2.5 |

The above earnings per share and dividend per share reflects the share sub-division and capitalisation issue that occurred during 1995 and the rights issue that occurred in 1996.

The financial information set out above has been prepared in accordance with the accounting polices set out on page 37, prior year periods have been restated following the change in accounting policy (see page 37).

# COMPANY SECRETARY AND ADVISERS

**Company Secretary and Registered Office**
Barrie Giffard-Taylor FCA
GWR Group plc
The Watershed
Canons Road
Bristol BS99 7SN

**Solicitors**
Nicholson, Graham & Jones
110 Cannon Street
London EC4N 6AR

Osborne Clarke
50 Queen Charlotte Street
Bristol BS1 4HE

**Auditors**
KPMG
1 Cricklade Court
Cricklade Street
Old Town
Swindon
Wiltshire SN1 3EY

**Bankers**
Barclays Bank plc
Po Box 119
Park House
New Brick Road
Stoke Gifford
Bristol BS12 6TN

Generale Bank
The Imperium
Imperial Way
Worton Grange
Reading
Berkshire RG2 0TD

**Stockbrokers**
HSBC James Capel
HSBC Investment Bank Plc
Thames Exchange
10 Queen Street Place
London EC4R 1BL

**Registrars**
Royal Bank of Scotland
Registrar's Department
Caxton House
PO Box 82
Redcliff Way
Bristol BS99 7NH

**Merchant Bankers**
Hambros Bank Limited
41 Tower Hill
London EC3N 4HA

# FINANCIAL CALENDAR

| | |
|---|---|
| 29 July 1997 | Annual general meeting |
| 4 August 1997 | Final dividend payable for the period ended 31 March 1997 |
| November 1997 | Interim results announcement |
| January 1997 | Interim dividend payable |
| 31 March 1998 | Year end |
| June 1998 | Preliminary announcement of results for the year ended 31 March 1998 |

**GWR** group plc

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of GWR Group plc will be held at Academic House, 24-28 Oval Road, London, NW1 7DQ on 29 July 1997 at 12 noon for the transaction of the following business:

**Ordinary business**

1 To receive and consider the report of the directors and the audited accounts for the period ended 31 March 1997.

2 To authorise the payment of a final dividend for the period ended 31 March 1997 of 1.25p per share.

To re-elect the following directors retiring by rotation pursuant to the Company's Articles of Association who, being eligible, offer themselves for re-election:

3 Mr RM Bernard

4 Mr JH Trafford

5 Mr NS Tresilian

To elect the following directors who were appointed during the period:

6 Mr PJ Harris

7 Mr S Orchard

8 Mr SC Ward

9 Sir Peter Michael

10 Mr S Duffy

11 To appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, at a remuneration to be fixed by the directors.

**Special business**

To consider and, if thought fit, pass the following resolutions of which Resolution 12 will be proposed as an Ordinary Resolution and Resolution 13 will be proposed as a Special Resolution:

12 That the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £2,014,737 during the period commencing on the date this resolution is passed and ending on the conclusion of the Annual General Meeting of the Company in 1998 or, if earlier on 24 July 1998, 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.

13 That, subject to and conditional upon Resolution 12 above being passed, the directors be and are hereby authorised and empowered pursuant to Section 95 of the Act during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company in 1998 or, if earlier on 24 July 1998, to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 12 above as if Section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited:

(i) to the allotment of equity securities in connection with a rights issue in favour of holders of ordinary shares where such equity securities are offered to holders of ordinary shares in proportion (as nearly as may be) to the number of ordinary shares then held or deemed to be held by them, subject only to such exceptions, exclusions or other arrangements as the directors may, in their opinion, deem necessary or expedient to deal with fractional entitlements, legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £270,142.

14 To transact any other business of an Annual General Meeting.

**By order of the Board**
B Giffard-Taylor FCA
Company Secretary
17 June 1997

**Notes**

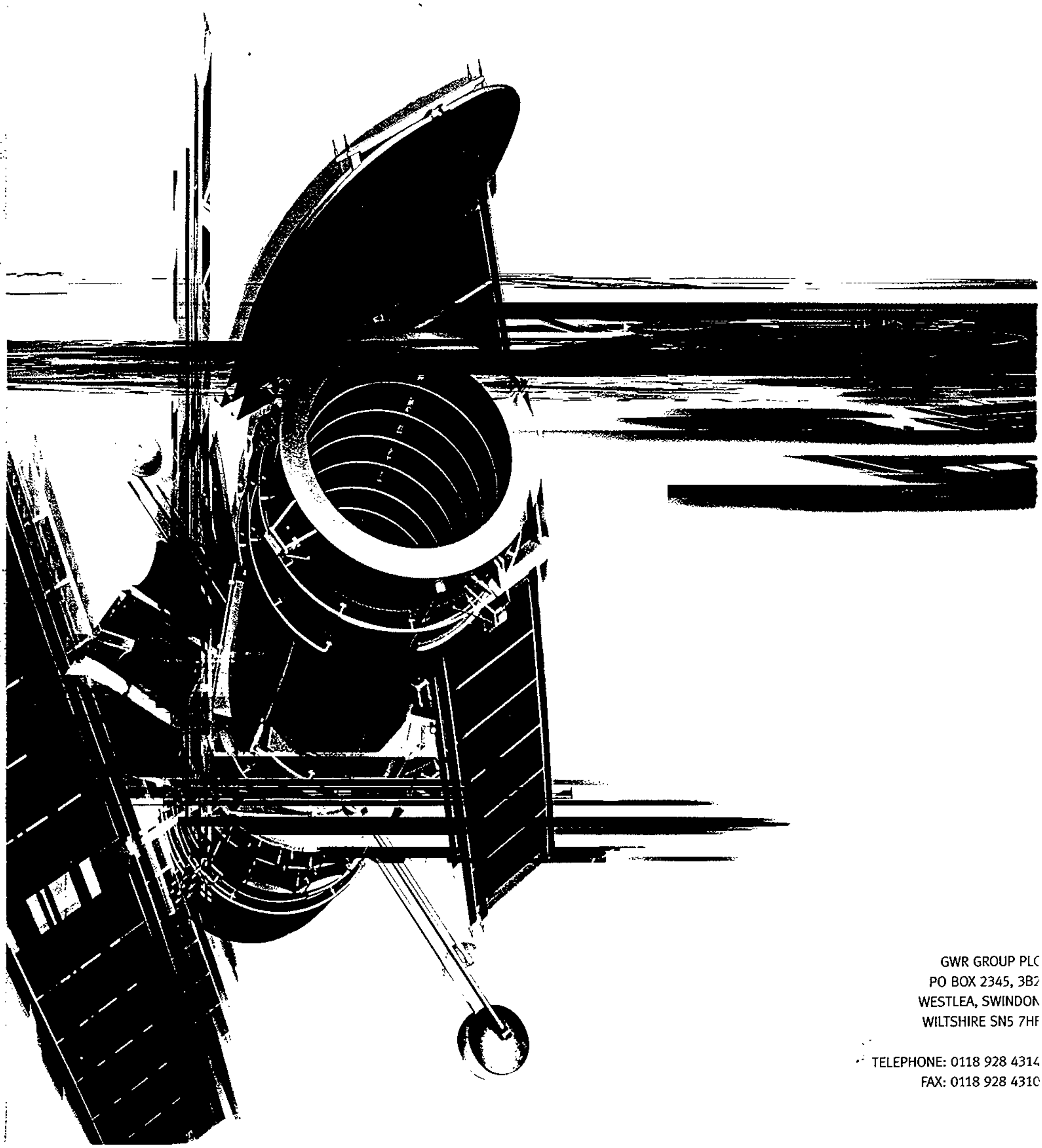
1 A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company and the appointment of a proxy will not preclude a member from attending and voting at the meeting. A form of proxy is enclosed for this purpose.

2 The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed (or a duly certified copy of such power or authority) must be lodged with the Company's Registrars not later than 48 hours before the time for holding the meeting.

3 Copies of directors' service contracts will be available for inspection at the Company's registered office during normal business hours on each business day from the date of this notice until the date of the meeting and also at the place of the meeting for at least 15 minutes prior to and during the meeting.

4 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 pm on Sunday 27 July ('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 39 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.

Designed and produced by Design Plus Management Ltd. Printed in England by Royle Print Limited



GWR GROUP PLC
PO BOX 2345, 3B2
WESTLEA, SWINDON
WILTSHIRE SN5 7HF

TELEPHONE: 0118 928 4314
FAX: 0118 928 4310

| | | |
|---|---|---|
| GWR Group plc | PO Box 2345, Swindon, Wiltshire, SN5 7HF<br>TEL: 0118 928 4313 FAX: 0118 928 4311 | Chief Executive:<br>RALPH BERNARD |
| 2CR FM<br>Classic Gold 828 | 5 Southcote Road, Bournemouth, BH1 3LR<br>TEL: 01202 294881 FAX: 01202 299314 | Managing Director:<br>JEREMY LEWIS |
| 2-TEN FM<br>Classic Gold 1431 | PO Box 210, Reading, Berks., RG31 7RZ<br>TEL: 0118 925 4400 FAX: 0118 925 5456 | Managing Director:<br>JEFF LEE |
| B97<br>Classic Gold 792 / 828 | Broadcast Centre, 55 Goldington Road,<br>Bedford, Beds., MK40 3LS<br>TEL: 01234 272400 FAX: 01234 218580 | Managing Director:<br>SHEILA MALLETT |
| Beacon Radio<br>WABC | 267 Tettenhall Road,<br>Wolverhampton WV6 0DQ<br>TEL: 01902 838383 FAX: 01902 755163 | Managing Director:<br>ROGER BROOKS |
| Broadland 102<br>Amber Radio (Norfolk) | St George's Plain, 47-49 Colegate,<br>Norwich, NR3 1DB<br>TEL: 01603 630621 FAX: 01603 666252 | Managing Director:<br>BOB NORMAN |
| 97.6 Chiltern FM<br>Classic Gold 792 / 828 | Broadcast Centre, Chiltern Road,<br>Dunstable, Beds., LU6 1HQ<br>TEL 01582 666001 FAX: 01582 661725 | Managing Director:<br>SHARON DAVIS |
| Classic FM | Academic House, 24-28 Oval Road,<br>London, NW1 7DQ<br>TEL: 0171 284 3000 FAX: 0171 713 2630 | Managing Director:<br>MURRAY DUDGEON |
| GWR FM, Bristol & Bath<br>Brunel Classic Gold | Po Box 2000, Bristol, BS99 7SN<br>TEL: 0117 987 3200 FAX: 0117 984 3202 | Managing Director:<br>JONATHAN BRADLEY |
| GWR FM, Wiltshire<br>Brunel Classic Gold | Po Box 2000, Swindon, Wiltshire, SN4 7EZ<br>TEL: 01793 440300 FAX: 01793 440302 | Managing Director:<br>NEIL COOPER |
| 102.7 Hereward FM | Po Box 225, Queensgate Centre,<br>Peterborough, PE1 2XJ<br>TEL: 01733 460460 FAX: 01733 281445 | Managing Director:<br>LYNDA COUCH-SMITH |
| FM 103 - Horizon | Broadcast Centre, Crownhill,<br>Milton Keynes, MK8 0AB<br>Tel: 01908 269111 Fax: 01908 564893 | Managing Director:<br>JOHN SANDERSON |
| Leicester Sound FM | Granville House, Granville Road,<br>Leicester, LE1 7RW<br>TEL: 0116 256 1300 FAX: 0116 256 1303 | Managing Director:<br>CARLTON DALE |
| Mercia FM<br>Classic Gold 1359 | Hertford Place, Coventry, CV1 3TT<br>TEL: 01203 868200 FAX: 01203 868202 | Managing Director:<br>IAN RUFUS |
| Northants 96 | Broadcast Centre, The Enterprise Park,<br>Boughton Green Road, Northampton, NN2 7AH<br>TEL: 01604 792411 FAX: 01604 721934 | Managing Director:<br>MARK LEE |
| Q103 FM | Enterprise House, The Vision Park,<br>Chivers Way, Histon, Cambridge, CB4 4WW<br>TEL: 01223 235255 FAX: 01223 235161 | Managing Director:<br>ALISTAIR WAYNE |
| Ram FM<br>Gem AM | The Market Place, Derby, DE1 3AA<br>TEL: 01332 292945 FAX: 01332 292229 | Managing Director:<br>PHIL DIXON |
| SGR Colchester<br>Amber Radio (Suffolk) | Abbeygate Two, 9 Whitewell Road,<br>Colchester, CO2 7DE<br>TEL: 01206 575859 FAX: 01206 561199 | Managing Director:<br>MIKE STEWART |
| SGR-FM<br>Amber Radio (Suffolk) | Radio House, Alpha Business Park,<br>White House Road, Ipswich, Suffolk, IP1 5LT<br>TEL: 01473 461000 FAX: 01473 741200 | Managing Director:<br>MIKE STEWART |
| 102.4 Severn Sound FM | Broadcast Centre, Southgate Street,<br>Gloucester, GL2 2DQ<br>TEL: 01452 423791 FAX: 01452 529446 | Managing Director:<br>PENNY HOLTON |
| 96 Trent FM<br>Gem AM | 29-31 Castle Gate, Nottingham, NG1 7AP<br>TEL: 0115 952 7000 FAX: 0115 958 864 | Managing Director:<br>CHRIS HUGHES |
| Radio Wyvern | 5 Barbourne Terrace, Worcester, WR1 3JZ<br>TEL: 01905 612212 FAX: 01905 613549 | Managing Director:<br>RHIAN GARBETT-EDWARDS |