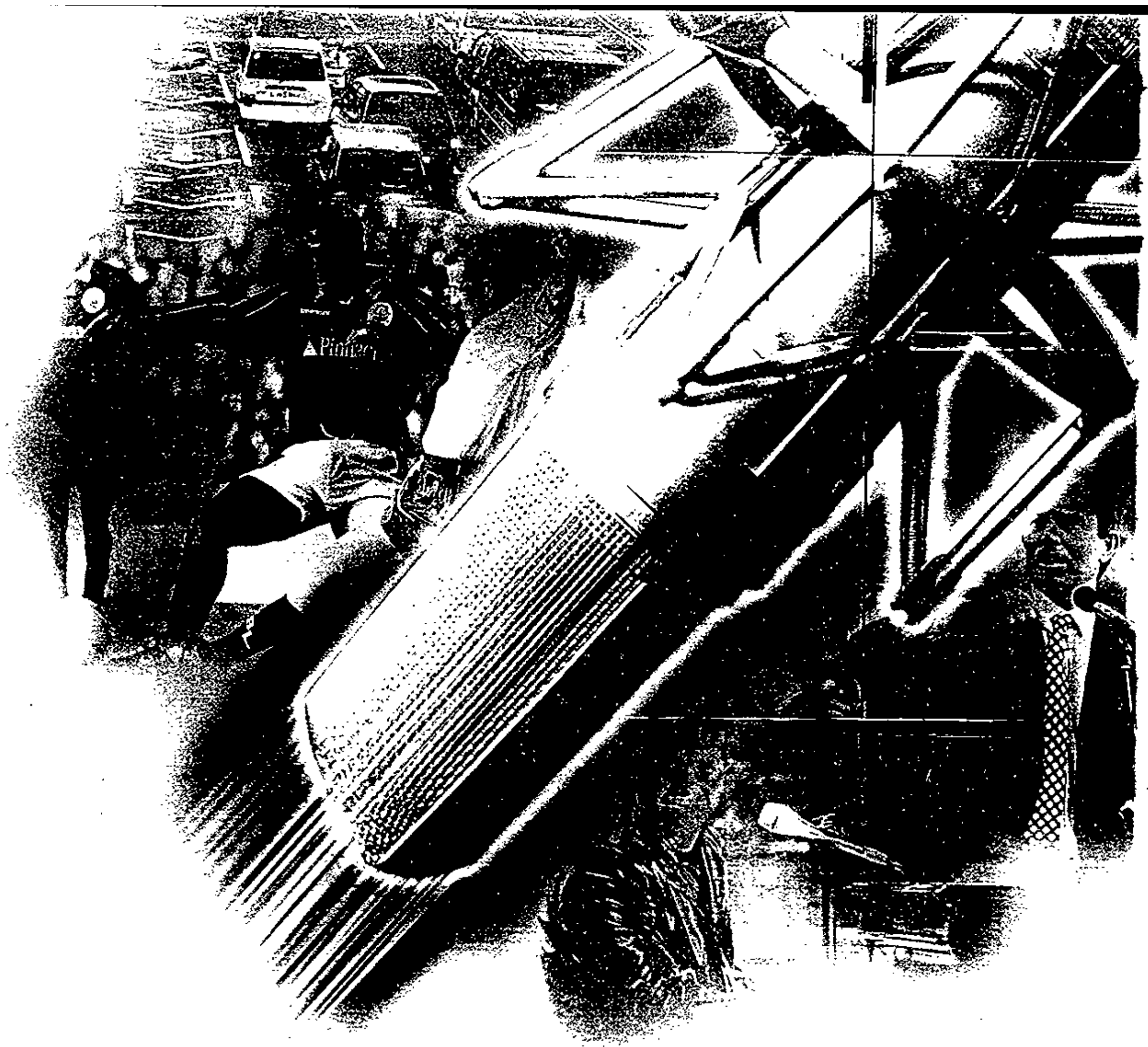
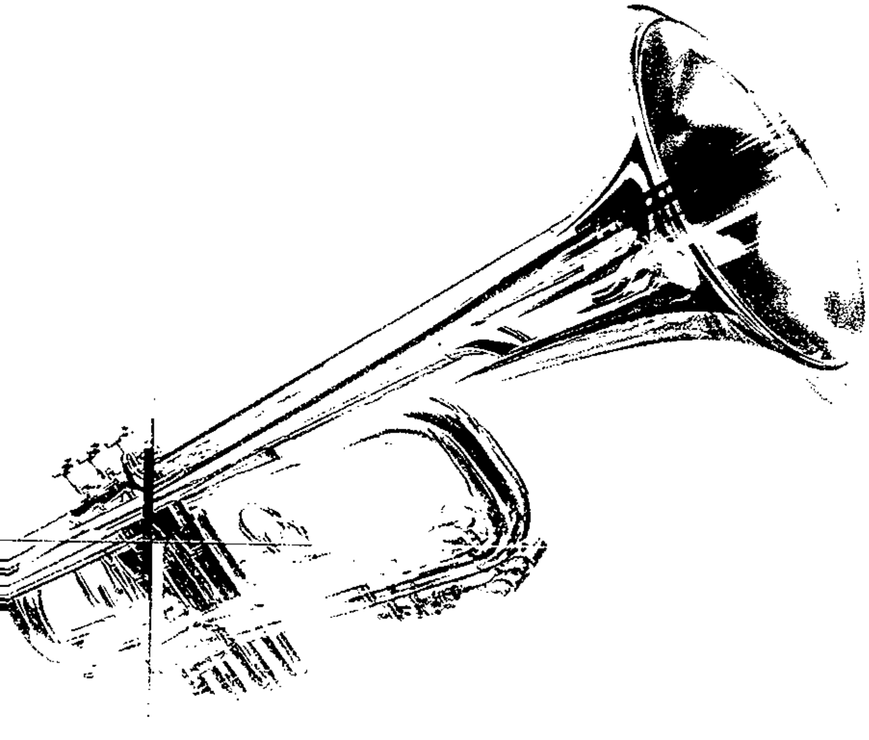
COMPANY No: 715143



GWR group plc

report and accounts 1998



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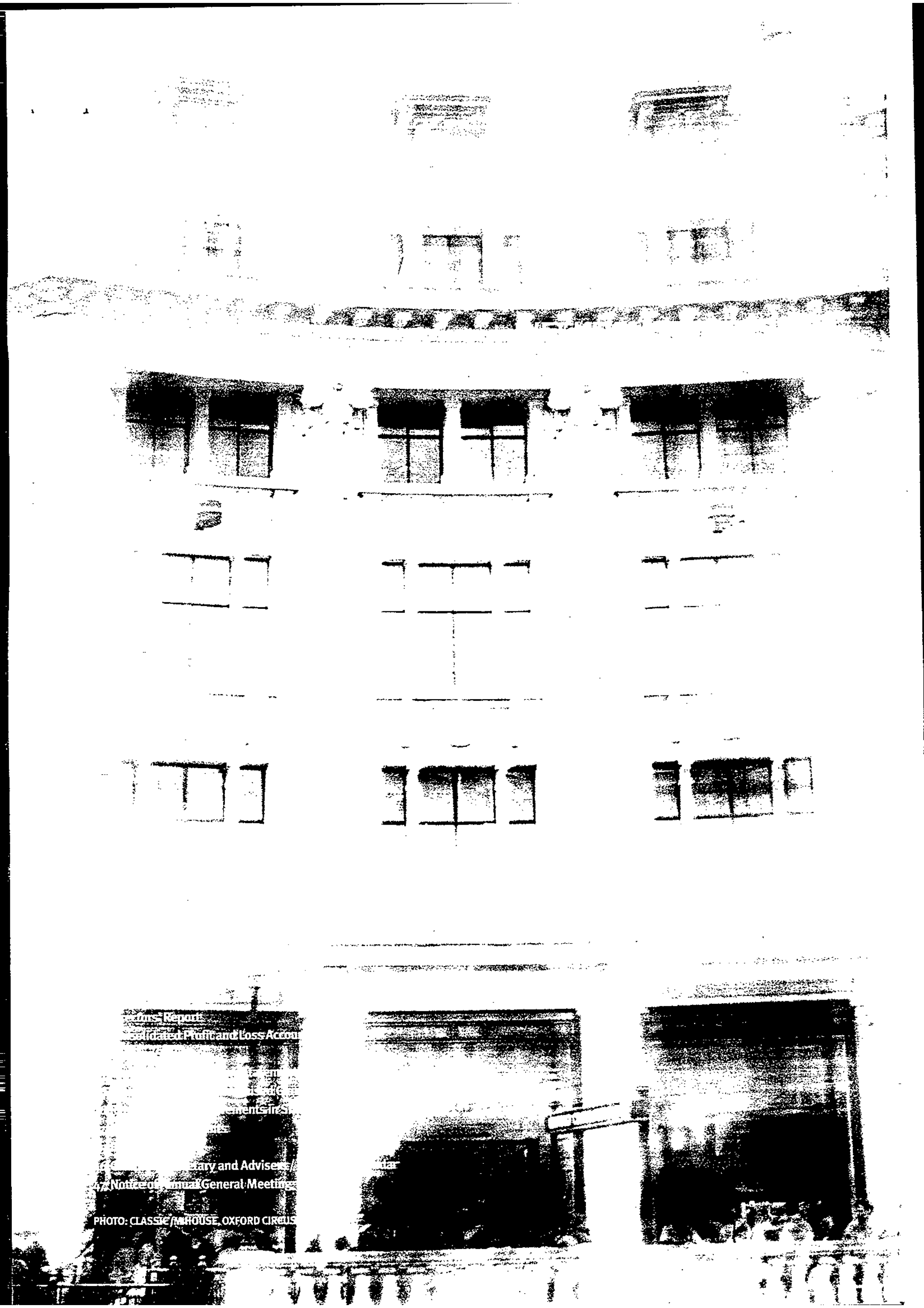
Report
Profit and Loss Accou
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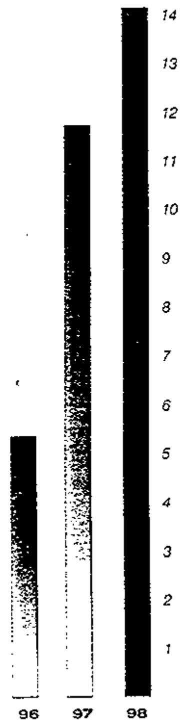
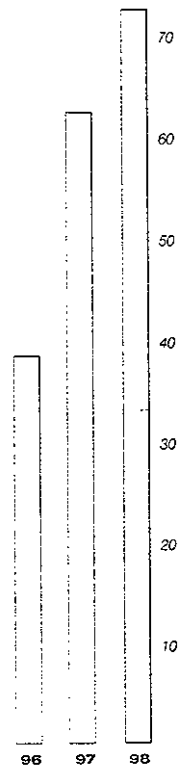
47 Notice of Annual General Meeting
PHOTO: CLASSIC HOUSE, OXFORD CIRCUS

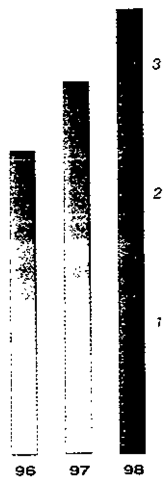
FINANCIAL HIGHLIGHTS



PROFIT BEFORE TAX (£M)



TURNOVER (£M)



DIVIDEND PER SHARE (P)

EARNINGS PER SHARE (P)

All results are for the years ended 31 March. The bars for 1996 and 1997 represent pro forma unaudited figures.

CHAIRMAN'S STATEMENT

In contrast to the previous three years of intense acquisition activity, the main feature of this year has been to concentrate on developing the performance of the assets that we own. This effort is being rewarded with a firm trend of improving operating profit margins.

The results include the first full year of Classic *f*M within the Group. Turnover of continuing operations grew by 30% to £73.7m. Profit before tax increased 18% to £14.1m against £12m in the previous year which included disposal profits of £4.5m and abortive acquisition costs of £342,000. Earnings per share were 8.8p compared with 8.6p. Headline profit before tax grew by 56% from £8.3m to £13.2m. Headline earnings per share increased by 44% to 8.2p. The Board is recommending a final dividend of 2.1p per share resulting in a 22% increase for the year.

These results demonstrate good progress. Despite weakness in some local markets in the first half, followed by a shortfall in expectation at Classic *f*M around the turn of the year, the overall performance in the second half shows considerable promise; headline earnings per share are up 41% on the first half and by 111% against the 6 months to March 1997.

Following the key decision last year to take control of all of our national sales, the new operation, Opus, was successfully launched in January in new premises in Oxford Circus, London. Classic *f*M's sales team has now moved in alongside Opus to complete the Group's national sales market focus. Both sales teams are now performing very strongly; together they contribute more than half the Group's income, a proportion which is expected to rise in the future.

At the core of success in radio is the total number of listening hours that are delivered to advertisers and by this measure GWR is now the largest radio group in the United Kingdom. It is also by this measure that the skill of the Group's programme division is demonstrated and this year, against a background of increasing competition, its achievements have been impressive.

Classic *f*M has again broadened its appeal, notably to younger listeners, increasing its annual listening hours by 13%, and for the first time passed the milestone of 5 million listeners. We were also delighted that Classic *f*M won, for the second time, the prestigious Sony Radio Awards Station of the Year and in Marketing Week's 20th birthday honours was recognised for its outstanding success in promoting the radio industry.

The Group's 30 local stations which broadcast to most of the population of middle and eastern England also grew their share of listening. Total hours increased by 12% with the best results being in the East region following the purchase of East Anglian Radio last year. The performance of our most recent acquisition, Radio Wyvern, is much improved following its relaunch.

The major task of integrating all the Group's systems and operational processes was initiated which, when completed, will deliver substantial value. During the year considerable progress was achieved and integration of the Group's finance and accounting functions are now nearly complete. Significant benefits are already being seen and we plan to integrate all the remaining Group operating systems this year.

UK Investments

The minority investments which the Group has made in previous years in other radio companies have now all become profitable. London News Radio's stations News Direct and LBC are growing their revenues strongly. The Local Radio Company which acquired our 50% holding in Plymouth Sound last year is increasing its profits. In Yorkshire new management at Minster Sound is improving all its operations and delivering strong growth, whilst Stray FM in Harrogate is an increasing contributor to the Group's profits. Minority investments are taken in radio companies where we believe long term value can be created.

Overseas

During the year we have appointed a new management team to operate our overseas investments. In Austria we have invested in Radio Melody, an established music station in Salzburg, and have also won a small new licence. In Poland, Inforadio was launched in April, broadcasting news and information to 8 million adults; the first listener research figures are due soon.

Classic *f*M's overseas stations continue to develop. New management in Finland has delivered good audience increases whilst Holland is close to becoming profitable. Our most recent interest, Classic *f*M South Africa, was launched and has attracted an excellent audience of the highest quality.

Regulation

We continue to believe that in a fast developing media environment some of the UK commercial radio industry regulations are due to be changed. We work constantly within our industry to present the case for reduced regulation. In particular, ownership rules restrict a company's share of population coverage to some 7½% of adults in the United Kingdom; the regulation of programme content is unduly restrictive compared to the BBC; our local stations are not yet to be given a guaranteed place in the digital future on a digital multiplex in line with every other class of broadcaster. The government is currently reviewing some of these issues and if reforms are not passed this year we hope, at the latest, they will be contained in a Broadcasting and Communications Bill expected in 2000.

Digital Radio

This month applications are due to be submitted to the Radio Authority for 12 year transmission rights to operate national digital commercial radio channels – the national multiplex. Digital radio combines CD quality sound with pictures, text and internet style pages portrayed on a screen on the radio providing a unique new service for listeners and advertisers in the use of radio. We believe that, in time, digital radio will become the normal method for the public to receive radio broadcasts, and that the current analogue frequencies used will be returned to the government. We also believe that digital radio offers an opportunity for the commercial radio industry to increase yet further its proportion of total listening. As a result of this vision, we have been at the helm of putting together a consortium to bid for this national multiplex licence.

While we are cautious as to the timing of a take up of digital radio, and we are determined that any investment is not disproportionate to the medium term benefits, we are attracted by the opportunity it offers. However, we shall continue to lobby the government and other relevant bodies with the aim of ensuring that comparable assistance is given to radio as is proposed to be given to other media industries that are making a switch to digital technology.

The Board

During the year Capital Radio disposed of its 12.9% shareholding and Peter Harris, Capital's representative on our board, therefore resigned. We thank both Peter and the Capital board for their support. Barrie Giffard-Taylor resigned as Company Secretary due to other commitments and we thank him for his considerable support since the Company was formed. We welcome Wendy Pallot to the role.

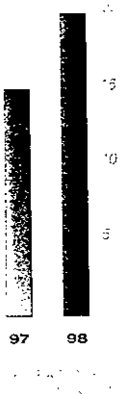
Staff and Management

The success of Opus is an example of the results the Group achieves through selecting and developing the best available talent. The commercial radio industry is growing rapidly, and GWR is at the forefront of developing the professionals the industry will need in future. The efforts of our people are central to the success of the Group. I am grateful to all of them for their contribution.

Outlook

The period since March has started very strongly. Both the local and national sales teams are performing well ahead of our expectations resulting in profits growth running ahead of our targets. Radio advertising is forecast to grow by 13% in 1998, and our current trading performance is indicating a trend of increasing margins.

In the longer term, we look forward to a less restrictive regulatory environment and to the opportunities that the digital era has to offer to the radio industry.



Henry Meakin

Henry Meakin, Chairman
16 June 1998

DIRECTORS

• Non-executive director
• Member of the Audit Committee
• Member of the Remuneration Committee

• Henry Meakin
Chairman
Age 54. 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.

Ralph Bernard
Chief Executive
Age 45. Ralph joined the radio industry as a journalist in 1975 and launched Wiltshire Radio in 1982. He has been Chief Executive of GWR Group plc since it was formed in 1987.

Roger Gilbert FCA •••
Deputy Chairman
Age 53. Roger joined the board in 1988. He is the Managing Director of Harmsworth Media Ltd, a subsidiary of Daily Mail and General Trust PLC. He is also director of a wide range of media related companies.

••• Richard Palmer
Vice Chairman
Age 71. Richard joined the board in 1989 and became Vice Chairman in 1994. He has been a Magistrate since 1960 and is a Deputy Lieutenant of the Royal County of Berkshire.

Patrick Taylor FCA
Deputy Chief Executive and Finance Director
Age 50. Patrick joined the board in 1994 as a non-executive director from Capital Radio plc. He became the Group's Deputy Chief Executive and Finance Director in September 1996.

Steve Orchard
Group Programme Director
Age 40. Steve joined Wiltshire Radio plc in 1983 as a reporter and later Programme Controller, becoming Group Programme Director in 1993. He joined the board in November 1996.

Simon Ward
Group Sales & Marketing Director
Age 44. Simon joined Wiltshire Radio in 1982. He has been the Group's Sales and Marketing Director since 1991 and joined the board in 1996.

• Eddie Blackwell
Age 70. 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 magazine and newspaper sales management.

• Simon Duffy
Age 48. 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.

Sir Peter Michael CBE •
Age 59. Sir Peter joined the board in February 1997. He has been Chairman of Classic FM plc since 1993.

Stella Pirie FCA •••
Age 47. Stella joined Radio West in 1983. She was Group Finance Director from 1993 to 1996. She is also Chairman of Westec – the Western Training and Enterprise Council.

•• Jonathan Trafford
Age 64. 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. He is also a Deputy Lieutenant for Devon.

• Nicholas Tresilian
Age 59. Nicholas was the founding Chairman of Wiltshire Radio plc in 1981. He joined the board of GWR Group plc on its formation in 1987.

CHIEF EXECUTIVE'S REVIEW

This has been a challenging year of achievements during which the Group has consolidated its position as the UK's leading pure radio group. In the first half, after four years of frenetic acquisition activity, we began a significant re-engineering of the operations of our Group, which will lay the foundation stones for our future. In particular,

- We launched Opus, our own national sales operation;
- We have made good progress in [illegible] our audiences, particularly that of Classic FM;
- We have made great strides in unifying our financial and reporting systems;
- We have re-organised the management of our overseas operations; and
- We have positioned ourselves as the leaders in the field of digital radio.

In the second half of the year, we have seen some of the benefits of those actions beginning to bear fruit.

Sales

During the course of the year, we were informed by Capital Radio that they had decided to close their national sales house, Media Sales & Marketing, before the end of 1997. MS & M had represented the majority of our local radio stations in the London market since 1994. Following some extensive research, we concluded that we would be better placed having our own dedicated sales team responsible for selling the airtime of both Classic *f*M and our local brands to the national advertising agency market.

In establishing Opus, the name we have given to this operation, we have been delighted with the calibre of the people who have joined the team. Duncan George, the Managing Director of Opus, who was previously the Sales Director at Capital Radio, has recruited a sales team second to none in the radio market.

The importance to the Group of our national sales operation cannot be over-stated. The revenue generated from this one source now represents just over 50% of our total revenue. Furthermore, it is this stream of revenue which is expected to grow faster than other forms of income in the next few years. It is, therefore, particularly pleasing that the performance of Opus since its launch on 2 January has exceeded all our expectations.

We have acquired an ideal location for Opus in the heart of London at Oxford Circus. With Opus and Classic *f*M sales based on the same floor, exchange of ideas and contacts between the teams is assured, whilst the distinctiveness of the brands is maintained. The business development and marketing operations are co-located with the sales teams, creating a fully integrated revenue gathering operation within easy reach of all of the large advertising agencies we do business with. Before the end of 1998, we plan to move the rest of the

SOME OF THE BEST ADVERTISING SALES PROFESSIONALS IN LONDON HAVE JOINED THE OPUS TEAM IN OXFORD CIRCUS

Classic *f*M operation into this building, thus making an exciting broadcasting environment for our sales teams to work within, and for our customers to visit.

Programmes

The programming highlight of the year was the confirmation from the audience research organisation, RAJAR, that during the first quarter of 1998 Classic *f*M had broken through the 5 million audience barrier: 5.034 million people listen every week, rising to 8.2 million over a month. This is a great achievement for our programming team at Classic *f*M, which has been led on a day to day basis by Steve Orchard, our Group Programme Director.

Much of the audience increase can be attributed to a new schedule, which offers many more points of access for new listeners. Often the new programmes are also revenue opportunities. For example, David Mellor's "Across the Threshold" has attracted sponsorship from Barclays Savings.

Despite the launch of a number of competing regional and local stations, audiences listening to our family of FM local radio stations have remained buoyant. As the range of radio stations proliferates, it is increasingly important to differentiate our output from that of our competitors, and we concentrate on the proven success factors of well-researched music, relevant local news output, intelligent presentation and an in-depth understanding of the community's needs and concerns. Examples which demonstrate the effectiveness of this approach are too numerous to cover here, but perhaps the most striking case was this spring's devastating floods in the Midlands, which were comprehensively covered by both of our Warwickshire stations, Mercia FM and Classic Gold 1359. Staff worked long hours supporting emergency programming which kept listeners fully informed of the situation. With power supplies knocked out by the rising water, for many people a battery powered radio was their only contact with the outside world.

We have continued to improve our Classic Gold stations, which broadcast the best music of the 60s, 70s and early 80s on the AM band. Research has shown that presenters from those decades are just as important as the music in creating a satisfying programme for listeners. Mike Read and Simon Bates have recently joined Dave Lee Travis and Paul Burnett on Classic Gold to make up a star studded presentation team.

Structure and Systems

In my last review, I focused on the need to integrate our disparate local radio stations into one cohesive business. I am pleased to report good progress in this respect.

We have now established an organisational structure which comprises four divisions: the local radio stations, national radio, i.e. Classic ƒM, our overseas operations and, finally, Group Services. Our local radio division is divided into three regions: South, Midlands and East, while the Group Services division is divided into the three main functions of a radio business: programming, sales and finance / general management.

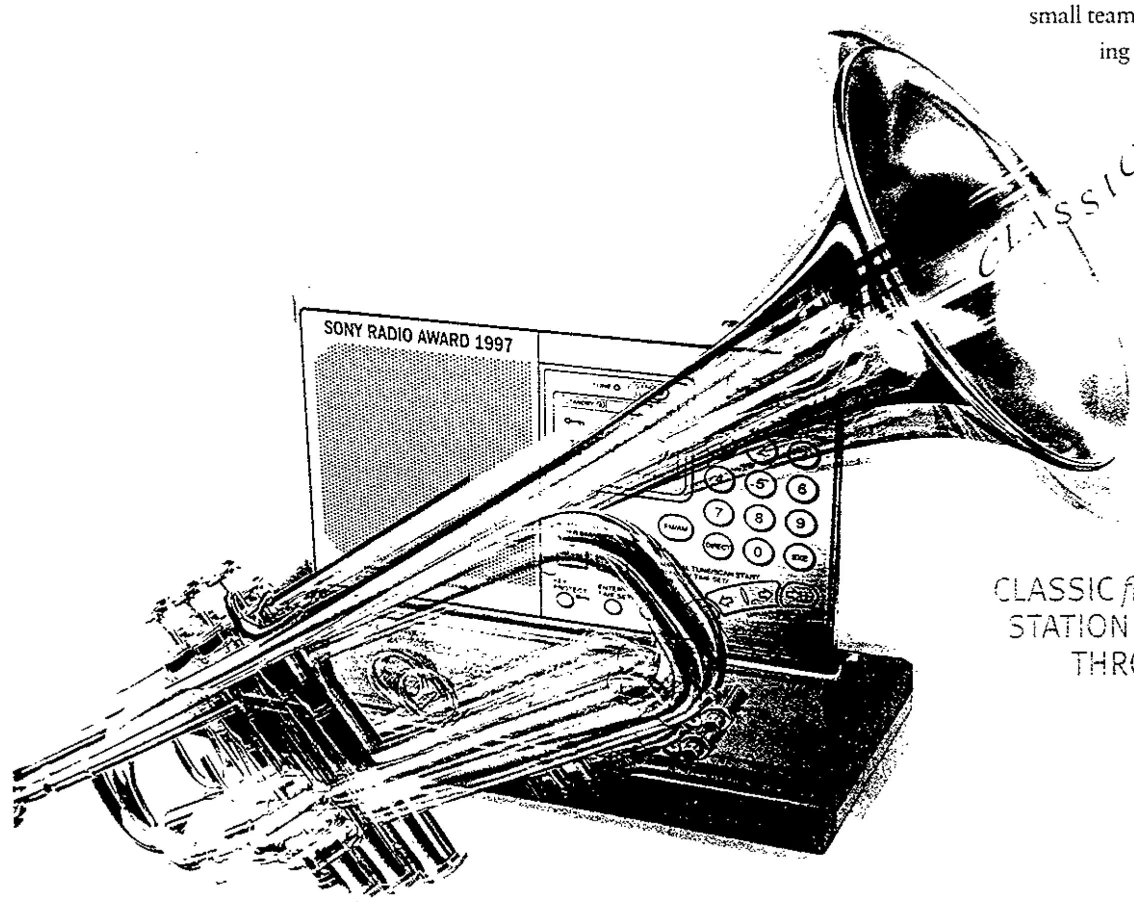
During the year, we have made good progress in standardising our accounting systems throughout the Group. We have established a central accounts department in Nottingham through which all the transactions of the Local Radio and Group Services divisions are processed. We have based our Group Finance department in Reading. We will shortly be transferring the transaction processing for Classic ƒM to this central accounts department, after which the whole of the Group's UK business will be handled through one system. This will enable significantly improved financial reporting, planning and cost control facilities.

We are also underway with a major project to introduce uniform sales systems throughout the Group. This project is due to be completed within this financial year, and should provide our sales colleagues with significantly better tools with which to service our clients, and with which to manage our advertising airtime inventory.

During the past year, we have introduced new HR and payroll systems. All these systems developments are designed to knit together, thus providing better and more reliable information to our management teams, enabling us to manage our business more effectively for all concerned: customers, staff and shareholders.

Overseas

Given the continuing restrictions on our ability to grow within the UK, we remain committed to developing our businesses overseas. However, our first objective is to bring those interests that we do own into profit. To this end, during the year, we have appointed a dedicated team to manage our overseas investments. Peter Don, our Overseas Operations Director, is a person from a programming background with extensive experience in radio around the world, and with whom we have worked for a number of years. He heads up a small team comprising sales and marketing and financial expertise.



CLASSIC ƒM, 1997 SONY RADIO STATION OF THE YEAR, BROKE THROUGH THE 5 MILLION AUDIENCE BARRIER

Our principal overseas investments are now focused in Finland, Austria and Poland.

In Finland we have a wholly owned subsidiary broadcasting a Classic *f*M styled output. To date, this station has not been profitable, but we have undertaken a detailed appraisal of the opportunities and have concluded that this business should be capable of making an attractive return. The work that we have undertaken during the year has led to growing audiences, and now with the appointment of a new managing director from a sales background, we are hopeful of growing the station's revenues.

In Austria, and in neighbouring Italy, we now have a gathering portfolio of interests. Austria is one of the last media markets in Europe to be opened up to commercial advertising, and we believe it will offer worthwhile investment returns in due course. During the year, our associate, GWR Medien, purchased the regional station, Radio Melody, based in Salzburg. Additionally, during the year, we have been successful in winning a licence in the Unterland. This station will share the branding of our other operations in the region.

Our Polish joint venture, Inforadio, has recently gone on air and we await the results of the first audience research.

Digital Radio

Our application for a twelve year licence to own the transmission rights to operate the national digital commercial radio channels – the national multiplex – will be submitted to the Radio Authority on Tuesday 23 June. Quentin Howard, the Managing Director of our Digital Radio division, is the country's leading expert on digital radio, and has led our efforts in this important development. Through his work, Quentin has placed GWR at the helm of a consortium of investors, Digital One, to bid for the mulitplex. We have taken a 57% shareholding in the consortium company.

Digital Radio is a new and exciting development for the commercial radio industry. Its implications for our Group are summarised in the page that immediately follows this review.

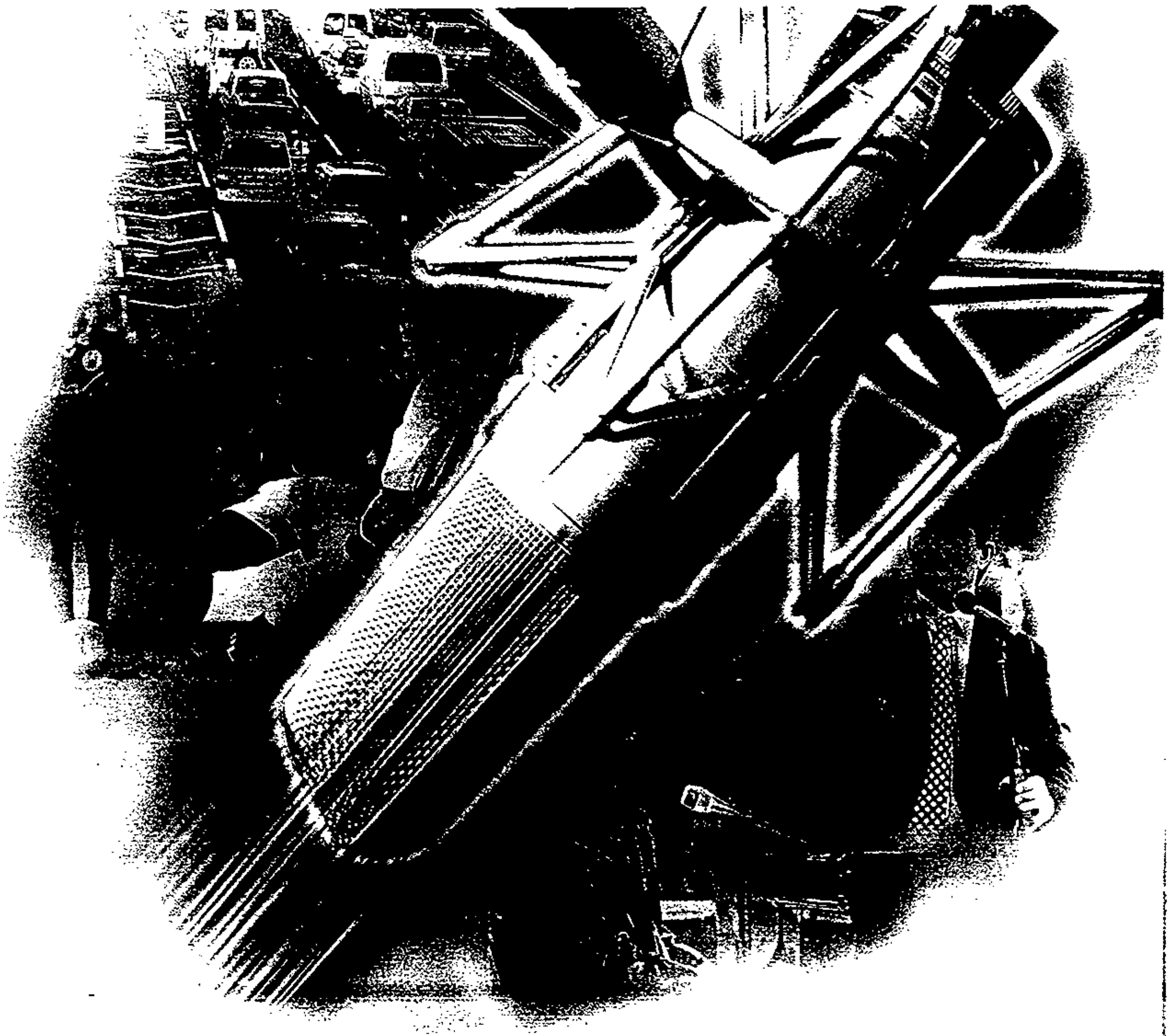
Legislation

The regulations which constrict our industry are the subject of constant lobbying. A new Broadcasting or Communications Bill is expected to become law by the end of 2000, guided by the recent conclusions of the Select Committee on Culture, Media and Sport. Their report proposed a move away from negative regulation and noted that dominant market positions can be beneficial: the aim of regulation should be to reduce the possibilities for abuse of a dominant position, not to reduce dominance per se. We will be applying pressure with the aim that radio's legislative structure becomes more forward looking and less restrictive to the growth of groups such as GWR.

We participated fully in the Radio Authority's consultation on the process of digital licensing, and with our trade association CRCA lobbied the government for an increased allocation of multiplex capacity for data transmission. Our objective was achieved when the government announced that the limit would be raised from 10% to 20% of the multiplex: an important amendment, particularly in the early years of Digital Radio when data transmission will be an important source of revenue.

GWR's People

Any radio business is dependent upon the enthusiasm of its people. In the past year, our staff have suffered many of the pains that are brought about by change. We have attempted to concentrate on ensuring our reward systems pay people fully for their efforts, and make them fully motivated to the common cause. In the next year, we hope to complete the major re-organisation of our systems. These will provide our colleagues with state of the art tools with which to service their customers with great professionalism. Lastly, GWR has always been dedicated to training its people. We continue to do this. With these initiatives, we believe we can maintain our position as the leading radio group in the UK.



The Future

Commercial radio is about to undergo a revolution, as Digital Radio defines the development route for its future. For existing stations wishing to improve the service they offer, or for new programme formats looking for a route out to an audience, Digital Radio offers opportunities and challenges which must be grasped and brought to their maximum potential. With Classic fM guaranteed a place on the digital multiplex, and an outstanding application from our Digital One consortium, the Group is well positioned for the future.

In the more immediate term, the changes brought about in our systems and structures, allied to the ability to exercise control over our national advertising sales through Opus, will lead to increased profit potential. In the past two years GWR Group has moved from a federation of local radio stations to a cohesive single business encompassing commercial radio nationally, locally and overseas. Linking the vertical integration represented by Opus to the horizontal opportunities available in the UK and abroad, we will continue to grow the Group both organically and by acquisition.

Ralph Bernard

Ralph Bernard, Chief Executive,
19 June 1998

WE HAVE MOVED TO A COHESIVE SINGLE BUSINESS ENCOMPASSING COMMERCIAL RADIO NATIONALLY, LOCALLY AND OVERSEAS

DIGITAL RADIO

The move to digital radio is the most significant change which commercial radio has faced in its twenty-five year history. Along with other forms of media, digital technology is now available and ready to be adopted by the UK radio industry.

The Group has embraced the opportunity which digital radio provides with considerable enthusiasm. We have taken a leading role in bringing together a consortium, Digital One, to apply for a licence to operate up to ten national radio channels - the national multiplex.

The Digital One partners – GWR, Talk Radio and transmission company, NTL – form a consortium which includes two of the three national commercial stations and the leading commercial radio transmission provider, who also brings skills in telecommunications, digital cable and digital television. The consortium is the only applicant for the national digital multiplex licence, which the Radio Authority will award in the autumn. Broadcasting legislation allows for the automatic renewal of the twelve year licence for a further twelve years, effectively making it a 24 year licence. The total investment in the company will be around £9 million, with GWR's share of that investment being approximately £5 million in aggregate over the next seven years.

If successful Digital One's services will officially launch in October 1999. It will provide up to ten digital radio channels nationwide, creating real diversity and choice through carefully targeted programme streams. The channels operated by the consortium will include high quality digital radio transmissions from all three commercial national stations – Classic ƒM, Talk Radio and Virgin – plus seven new channels, produced just for digital transmission. As well as Classic ƒM, GWR will operate one of these additional new national channels. All of these channels will provide not only sound output, but text and pictures, displayed on a screen on the radio or via a PC equipped with a receiver card.

As part of GWR's ongoing digital radio trials a number of data services have already been tested including real time stock market information which tracks share trading and currency price movements, internet pages and global positioning systems – all these can be instantly available to a user. In addition to the obvious advantage of screens that are much larger, the data capacity is 20 times higher on digital radio than can be achieved on a GSM mobile phone or pager.

It is envisaged that 69 per cent of the UK population will be able to receive national digital radio at the launch date, rolling out to 85 per cent by 2002.

The benefits of digital radio are substantial:

IMPROVED RECEPTION QUALITY WITH NO FADING OR MULTIPATH DISTORTION AS EXPERIENCED ON FM

EASIER TUNING WITH STATION NAMES AND DETAILS PRESENTED ON A SCREEN ON THE RADIO

NEAR CD QUALITY SOUND

INCREASED NUMBER OF NATIONAL PROGRAMME SERVICES EXCEEDING THE BBC RADIO NETWORK

PROGRAMME AND ADVERTISER RELATED INFORMATION PRESENTED ON A SCREEN ON THE RADIO

ADDITIONAL DATA SERVICES [illegible] RELATED AND UNRELATED TO THE AUDIO PROGRAMME SERVICES

DEVELOPMENT OF NEW REVENUE STREAMS – ADVERTISING AND SPONSORSHIP REVENUE, REVENUES ASSOCIATED WITH ANCILLARY PROGRAMME SERVICES AND ADDITIONAL DATA SERVICES

With 57% of Digital One GWR has positioned itself very well to take maximum advantage of the benefits of digital radio – there has never been a single opportunity on this scale before in the history of the radio industry.

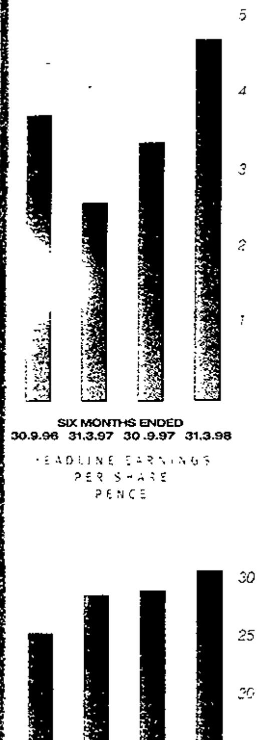
FINANCIAL REVIEW

Overview of Business

In the past few years, the GWR Group has been created through the acquisition of a number of companies, all of which had their own disparate systems and cultures. The last twelve months has been a period of intense activity in bringing the accounting systems of the Group onto one common platform. This has greatly simplified the process of accounting, provided the basis for improved efficiency in purchasing, tighter financial controls and enabled enhanced planning and the benchmarking of our radio stations.

Review of the Group profit and loss account

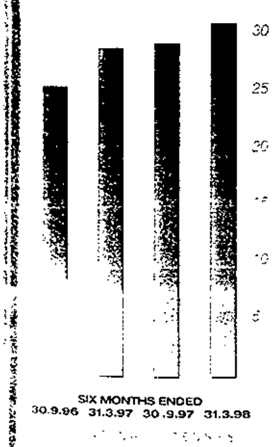
Earnings Per Share

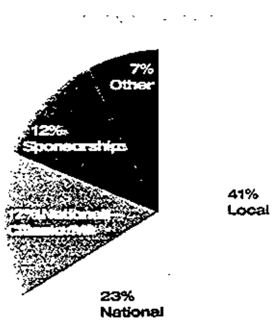


HEADLINE EARNINGS PER SHARE PENCE

The earnings per share for the year ended 31 March 1998 of 8.8p per share represents an increase of 3% over the previous year. However, the earnings per share for the year ended 31 March 1997 were substantially increased as a result of the profit made on the disposal of businesses during that period. The underlying or headline earnings per share for that period was 5.7p. This compares to 8.2p for the year ended 31 March 1998, an increase of 44%.

The year was also one in which the fortunes of the Group varied from the first half when many changes were being effected within the Group to the second half when some of the benefits of this change process began to show through. Indeed, the headline EPS in the first half showed a fall of 10% while in the second half we delivered an increase of 111%.





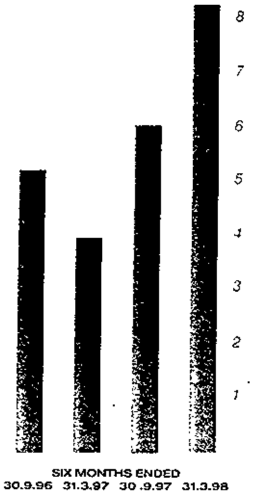
Turnover

Total Group turnover for the year ended 31 March 1998 was £73.7 million, an increase of 15% over the same period last year. However, this result includes 12 months of Classic fM which in the previous period was a part of the Group for only 3 months. Conversely, the previous period included our period of ownership of Prospect in New Zealand, which was sold in November 1996 and therefore did not form part of the Group for any of the year under review.

Approximately 80% of our UK revenue is sourced from the sale of advertising airtime. Of this, approximately 50% is earned from the national advertising market-place with the other 50% coming from local advertisers. Sponsorship revenues and other trading income represent the remaining 20% of our total UK revenue.

Operating Expenses

Operating expenses at £59.2 million have grown 9% from the previous period. However, as with turnover, this was affected by the inclusion for the whole year of Classic fM. Throughout the period, costs were very tightly controlled. Indeed, the costs of the UK Group which amounted to £42.8m were only £700,000 higher than the previous year. Included in this increase were one off costs of approximately £600,000 incurred in the setting up of our new national sales business, Opus, at a time when we were also employing the services of Media Sales & Marketing.



OPERATING PROFIT (£M)

Operating profit

The operating profit of £14.5 million for the year ended 31 March 1998 is 55% up on the previous year to 31 March. Of this, our local radio businesses delivered £11.5m, an increase of 25% on the previous year. Classic fM delivered its first ever full year profit, amounting to £4.6m.

The operating profit margin has improved from 15% last year to 20% this year. In the second half of the year, this margin increased to 22%. Particularly pleasing is the progress we are making at Classic fM with the margin increasing each period.

Exceptional items

In September 1997, the Group disposed of its 50% shareholding in West Country Broadcasting to The Local Radio Company, in which it has a 20% shareholding. Also in September 1997, we sold our radio station in St Albans to Essex Radio plc. These two disposals have resulted in a profit of £552,000 being earned in the year.

Share of results of associated undertakings

Our share of the results of our associated companies produced a net profit of £156,000, an increase of £787,000 on the previous year. Much of this movement is due to an improvement in the results from London News Radio, and a profit on the sale of an investment being reported within the results of The Local Radio Company.

Investment Income

The Group's investment income amounted to £336,000 in the year ended 31 March 1998, compared to £243,000 for the previous year. This income represents, for the most part, dividend income from the Group's 9% share in Independent Radio News Limited.

Interest payable

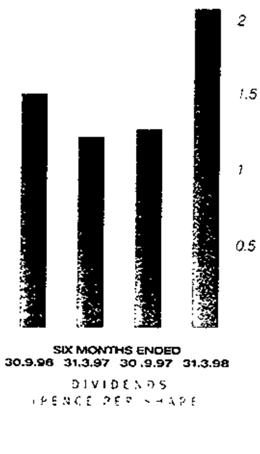
Interest of £2,269,000 was paid by the Group on its borrowings during the year. This cost is covered 7.2 times by the Group's profit before interest and tax.

Taxation

The effective rate of taxation is 34.0% for the year to 31 March 1998 (year ended 31 March 1997: 37.3%). The rate is augmented this year principally due to 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 year is 3.4p, a rise of 22% on the total of 2.78p paid for the year ended 31 March 1997. The final dividend for this period will be paid on 7 August to all shareholders on the register on 3 July 1998. The ex dividend date is 29 June 1998. Dividend cover for the year is 2.4 (year ended 31 March 1997: 2.1).



DIVIDENDS (PENCE PER SHARE)

Review of the Group balance sheet

Long term creditors have increased and short term creditors decreased principally due to the reorganisation of the majority of our bank borrowings during the year from short to medium term. Bank borrowings total £32.4 million at 31 March 1998 (1997: £25.3 million). At the year end 71% of these borrowings were committed loan facilities compared to 22% at 31 March 1997. All bank borrowings are at variable LIBOR related interest rates.

Review of the Group cash flow statement

The Group generated £12.1 million of cash from operating activities during the year. Cash resources were utilised primarily by investing £2.6 million in capital expenditure (18 months to 31 March 1997: £5.2 million), £4.2 million in associates, including £2.6 million of funding for the acquisition of Radio Melody and the repayment of £4.7 million of finance lease principal. The Group paid tax of £3.9 million and dividends to its shareholders of £2.8 million..

Year 2000 issue

The year 2000 issue is a serious challenge currently facing every company. The Group is in the process of preparing a detailed site by site impact assessment report. This project includes an assessment of our relationship with customers as well as suppliers. It covers all our internal systems, including our sales, broadcast and financial systems, and it looks into our telephone, security and access systems. As this project progresses, an action plan is being developed in order to ensure that our systems are appropriately amended before the "millennium bug" takes effect.

The Euro

We continue to monitor the effect of the introduction of the Euro. Our conclusion currently is that it will not significantly affect the UK Group in the short term. Our subsidiaries in Finland and Austria are in the process of preparing for the introduction of the Euro next year.

Patrick Taylor

Patrick Taylor, Deputy Chief Executive and Finance Director,
19 June 1998

CORPORATE GOVERNANCE

Code of Best Practice

The board supports best practice in corporate governance and confirms that the Company has complied throughout the year 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 4 executive and 9 non-executive directors, including a non-executive Chairman. The board meets a minimum of ten 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 page 4.

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

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

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 and UK Local Radio 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.

The Audit Committee have reviewed the results of the self-certification process for the financial year ended 31 March 1998 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.

GWR group plc

REVIEW REPORT BY KPMG AUDIT PLC 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 13 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 Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. This guidance does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or 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 13, 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 13 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by the Listing Rules.

KPMG Audit Plc
Chartered Accountants
19 June 1998

KPMG Audit Plc

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

The members of the Remuneration Committee are given on page 4.

Compliance

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 20 confirms that those elements of this report that the Stock Exchange require to be examined have been included within the scope of their report.

Directors' remuneration

The Remuneration Committee determines the Group's policy on the remuneration of executive directors and other senior executives. The policies of the 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 majority of executive directors' bonuses are linked into the Group's performance objectives through earnings per share achievement. Other bonuses are linked to the performance of the individual director through the achievement of specified tasks.

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 year to 31 March 1998:

Director	Basic salary	Fees	Bonus	Benefits in kind	Total year ended 31 March 1998	Total 18 mths ended 31 March 1997	Pensions year ended 31 March 1998	Pensions 18 mths ended 31 March 1997
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive								
RM Bernard	250	-	100	15	365	419	37	45
JPE Taylor FCA	160	-	48	7	215	139	24	13
S Orchard	125	-	20	10	155	49	18	6
SC Ward	125	-	28	10	163	46	16	5
Non-executive								
HPJ Meakin	-	70	-	-	70	110	-	-
RN Gilbert FCA	-	17	-	-	17	26	-	-
RJ Palmer	-	22	-	-	22	30	-	-
CE Blackwell	-	20	-	8	28	39	-	-
S Duffy MBA	-	7	-	-	7	1	-	-
PJ Harris	-	3	-	-	3	4	-	-
Sir Peter Michael	-	7	-	-	7	1	-	-
SJ Pirie FCA	-	17	-	-	17	127	-	-
JH Trafford	-	8	-	-	8	4	-	-
NS Tresilian	31	5	-	7	43	71	12	3
Total	691	176	196	57	1,120	1,116	107	73

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

NS Tresilian became a non-executive director on 1 January 1998. PJ Harris resigned from the board on 19 November 1997.

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

Fees payable to non-executive directors are determined by the Group board, following proposals from the Remuneration Committee. All non-executive directors are in the process of signing formal contracts for a fixed term of one year, renewable at the invitation of the Board. 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
RN Gilbert	Harmsworth Media Ltd
S Duffy	EMI Group plc
Sir Peter Michael	Stockford Ltd
PJ Harris (resigned 19.11.97)	Capital Radio plc

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 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 12.5% to 17.5% of their annual basic salary paid into their individual pension schemes.

The pension values in the table above represent the higher of contributions paid and those payable by the Company for the year.

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 Savings-Related 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 1998, 930,342 options were held to subscribe for shares at prices ranging between 24.4p and 120p per share exercisable by 2005.

(b) 1995 Executive Share Option Scheme

The 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 1998 139,360 options had been granted under this scheme at prices ranging between 173p and 210p per share exercisable by 2007.

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 three months. 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 1998 803,247 options had been granted under this scheme at prices ranging between 135p and 173p per share exercisable by 2001.

(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 1998 1,745,148 options had been granted under this scheme at prices ranging between 173p and 220.5p per share exercisable by 2004.

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

Directors	Number of options			Exercise Price	Date from which exercisable	Expiry date
	At 31.3.97	Granted/ (exercised) during the year	At 31.3.98			
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	135p	4.1.01	4.7.01
JPE Taylor	400,000	-	400,000	220.5p	27.9.99	26.9.03
	-	7,065	7,065	138p	18.7.00	18.1.01
S Orchard	81,261	(81,261)	-	46.76p	2.2.96	1.2.03
	203,154	-	203,154	120.11p	29.7.98	28.7.05
	12,789	-	12,789	135p	4.1.01	4.7.01
SC Ward	203,154	-	203,154	120.11p	29.7.98	28.7.05
	12,789	-	12,789	135p	4.1.01	4.7.01
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	135p	4.1.01	4.7.01

S Orchard exercised 81,261 of his share options on 30 September 1997, when the market price of the Company's shares was 189p. The total gain on the sale of these shares at that date would have been £115,600.

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

NS Tresilian exercised the remaining 32,504 of his executive share options on 16 March 1998, when the market price of the Company's shares was 186.5p. The total gain on the sale of these shares at that date would have been £50,300. His remaining options are held under the Savings-Related Share Option Scheme.

Except for NS Tresilian, who is now a non-executive director, all the directors detailed above are executive. No options lapsed during the period.

After the end of the financial year share options were issued to executive directors as follows:

Directors	Options granted
RM Bernard	150,000
JPE Taylor	100,000
S Orchard	100,000
SC Ward	100,000

All the above options are exercisable at a price of 179.5 pence after 16 April 2001.

The market price of the shares at 31 March 1998 was 178.5p. The range during the 12 month period to 31 March 1998 was from 156.5p on 7 January 1998 to 232p on 1 April 1997.

Service contracts

RM Bernard and JPE Taylor both have rolling contracts with two years' notice. Their contracts provide 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%. 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. Notwithstanding this, RM Bernard was entitled to a minimum annual bonus for the period to 30 September 1997 of £25,000.

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.

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

19 June 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

GWR group plc

REPORT OF THE AUDITORS TO THE MEMBERS OF GWR GROUP PLC

We have audited the financial statements on pages 23 to 44 with the exception of the pro forma information on page 23. 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 15 to 18.

Respective responsibilities of directors and auditors

As described on page 19 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 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Swindon
19 June 1998

DIRECTORS' REPORT

The directors present their report and the audited accounts for the Group for the year ended 31 March 1998.

Principal activities

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

A review of activities during the year and future prospects is included within the Chairman's Statement, Chief Executive's Review and Financial Review on pages 2 to 12.

Dividends

The profit for the financial period, after taxation and minority interests, is £9,611,000. An interim dividend of 1.3p per share (1997: two interim payments of 1.07p and 1.53p) was paid on 12 January 1998. The directors recommend the payment of a final dividend of 2.1p per share (1997: 1.25p) on 7 August 1998 to shareholders on the register of members at the close of business on 3 July 1998, making a total net dividend per share for the year to 31 March 1998 of 3.4p per share (eighteen months ended 31 March 1997: 3.85p).

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 2 June 1998 are as follows:

	Number of shares	% of issued share capital
Daily Mail and General Trust PLC	20,743,174	19.0
EMI Group plc	14,805,455	13.6
Henderson Investors plc	12,742,627	11.7
Sir Peter Michael	8,257,369	7.6
Prudential Corporation group of companies	5,154,993	4.7
	61,703,618	56.6

The Daily Mail and General Trust investment is held in the name of DMG Radio Investments Limited. The majority of Sir Peter Michael's interest is registered in the name of Stockford Limited.

Directors

The names of the directors of the Company as at 31 March 1998 are on page 4. Following the disposal by Capital Radio plc in September 1997 of its investment in GWR Group plc, PJ Harris resigned from the board of directors on 19 November 1997.

In accordance with the articles of association, HPJ Meakin, JPE Taylor, CE Blackwell and SJ Pirie retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. HPJ Meakin currently has no service contract; JPE Taylor has a rolling contract with two years' notice; CE Blackwell and SJ Pirie have one year contracts signed on 26 February 1998, renewable at the invitation of the Board.

Information on directors' emoluments is given on page 15 and in note 7 to the accounts on page 31.

Directors' interests

The interests of the directors in the shares of the Company at 31 March 1998, together with their interests at 31 March 1997, are as follows:

	31 March 1998	31 March 1997
HPJ Meakin	15,925	10,925
RN Gilbert FCA	9,972	9,972
RJ Palmer	70,825	70,825
RM Bernard	255,567	255,567
JPE Taylor FCA	135,000	135,000
S Orchard	53,966	-
SC Ward	149,375	149,375
CE Blackwell	89,000	78,584
S Duffy MBA	-	-
Sir Peter Michael	8,257,369	7,857,369
SJ Pirie FCA	28,882	28,882
JH Trafford	11,414	11,414
NS Tresilian	50,101	27,597

DIRECTORS' REPORT

All interests shown above are beneficial with the exception of 26,328 shares held by RM Bernard and 26,500 held by S Orchard. 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 Ltd for Sir Peter Michael.

During the period directors made the following share transactions:

HPJ Meakin bought 5,000 shares at 170p; S Orchard exercised 81,261 share options at 46.76p and sold 27,295 shares at 188p; CE Blackwell bought 10,416 shares at 188p; Sir Peter Michael bought 400,000 shares at 170p; NS Tresilian exercised 32,504 options at 31.75p and sold 10,000 shares at 186p.

Details of options held by directors are set out on pages 17 and 18.

RN Gilbert is a director of DMG Radio Investments Limited, a subsidiary of Daily Mail and General Trust PLC, which held 20,743,174 shares in GWR Group plc at 31 March 1998. S Duffy is a director of EMI Group plc which held 14,805,455 shares in GWR Group plc at 31 March 1998.

There has been no change in the interests set out above between 31 March 1998 and 2 June 1998 other than the share options granted as set out on page 18. None of the directors had any interest in the shares of any subsidiary company.

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

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 past performance and future objectives. The appraisals 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.

Policy 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 1998 for the Company was nil and for the Group as a whole was 17.

Charitable and political contributions

During the year the Group made charitable donations of £3,950 (1997: £3,700), £3,750 of which was to the Wiltshire Community Foundation. No political donations were made (1997: Nil).

By order of the board
Ms W Pallot ACA
Company Secretary

19 June 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 March 1998

	Notes	Audited Year ended 31 March 1998 £'000	Pro forma unaudited Year ended 31 March 1997 £'000	Audited 18 mths ended 31 March 1997 £'000
Turnover				
Continuing operations	2	73,709	56,717	77,052
Discontinued operations	2	-	7,102	8,027
		73,709	63,819	85,079
Operating expenses				
Continuing operations	3	59,023	47,305	64,736
Abortive acquisition costs	3	163	342	1,032
		59,186	47,647	65,768
Discontinued operations	3	-	6,782	7,678
		59,186	54,429	73,446
Operating profit				
Continuing operations		14,686	9,412	12,316
Abortive acquisition costs	4	(163)	(342)	(1,032)
		14,523	9,070	11,284
Discontinued operations		-	320	349
		14,523	9,390	11,633
Profit on disposal of continuing operations	5	552	965	965
Profit on disposal of discontinued operations	5	-	3,510	3,510
Provision for closure of overseas subsidiaries	5	802	(863)	(863)
Income/(deficit) from interests in associated undertakings		156	(631)	(519)
Investment income	8	336	243	271
Interest payable	9	(2,269)	(634)	(687)
Profit on ordinary activities before taxation	2,10	14,100	11,980	14,310
Taxation	11	(4,794)	(4,470)	(5,411)
Profit on ordinary activities after taxation		9,306	7,510	8,899
Minority interests		305	265	265
Profit for the financial period		9,611	7,775	9,164
Dividends	12	(3,707)	(2,674)	(3,594)
Retained profit for the period	23	5,904	5,101	5,570
Earnings per share	13	8.8p	8.6p	10.8p
Headline earnings per share	13	8.2p	5.7p	7.7p

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.

GWR group plc

BALANCE SHEETS at 31 March 1998

	Notes	Group 31 March 1998 £'000	Group 31 March 1997 £'000	Company 31 March 1998 £'000	Company 31 March 1997 £'000
Fixed assets					
Intangible assets	14	704	727	-	-
Tangible assets	15	16,587	16,981	1,926	1,485
Investments	16	5,691	2,121	71,315	68,731
		22,982	19,829	73,241	70,216
Current assets					
Stocks		65	76	-	-
Debtors	17	19,302	19,490	3,326	25,774
Cash at bank and in hand		-	361	-	-
		19,367	19,927	3,326	25,774
Creditors: amounts falling due within one year	18	(28,657)	(45,997)	(12,873)	(52,396)
Net current liabilities		(9,290)	(26,070)	(9,547)	(26,622)
Total assets less current liabilities		13,692	(6,241)	63,694	43,594
Creditors: amounts falling due after more than one year	19	(22,996)	(9,796)	(22,893)	(4,542)
Provisions for liabilities and charges	20	(1,022)	(636)	(12)	(12)
Net (liabilities)/assets		(10,326)	(16,673)	40,789	39,040
Capital and reserves					
Called up share capital	22	5,452	5,403	5,452	5,403
Share premium account	23	56	1	56	1
Other reserves	23	1,482	1,524	32,082	32,124
Profit and loss account	23	(16,747)	(23,336)	3,199	1,512
Equity shareholders' funds		(9,757)	(16,408)	40,789	39,040
Minority interests - equity		(569)	(265)	-	-
		(10,326)	(16,673)	40,789	39,040

The financial statements on pages 23 to 44 were approved by the board of directors on 19 June 1998 and were signed on its behalf by:

Henry Meakin   Ralph Bernard

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 1998

	Notes	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Operating activities			
Net cash inflow from operating activities	26	12,153	10,983
Returns on investments and servicing of finance			
Investment income received		9	271
Interest paid		(2,114)	(532)
Interest paid on finance leases		(138)	(155)
Dividend received		310	-
Net cash outflow from returns on investments and servicing of finance		(1,933)	(416)
Taxation			
UK Corporation tax paid		(3,746)	(2,955)
Overseas tax paid		(241)	-
		(3,987)	(2,955)
Capital expenditure and financial investment			
Sale of intangible fixed assets		1	146
Sale of tangible fixed assets		67	391
Purchase of tangible fixed assets		(2,588)	(5,187)
Purchase of intangible fixed assets		(34)	(248)
Purchase of fixed asset investments		(394)	-
Net cash outflow from capital expenditure and financial investment		(2,948)	(4,898)
Acquisitions and disposals			
Purchase of subsidiaries		-	(52,055)
Cash acquired with subsidiaries		-	4,323
Overdraft acquired with subsidiaries		-	(5,884)
Disposal of subsidiaries		-	22,019
Cash disposed of with subsidiaries		-	(73)
Purchase of investments in associates		(4,259)	(2,533)
Disposal of investments in associates		424	-
Disposal of other investments		412	-
Net cash outflow from acquisitions and disposals		(3,423)	(34,203)
Equity dividends paid		(2,778)	(3,144)
Net cash outflow before use of liquid resources and financing		(2,916)	(34,633)
Financing			
Issue of shares		63	13,244
Increase in short term borrowings		-	29,224
Repayment of short term borrowings		(9,746)	(10,503)
Increase in medium term borrowings		18,393	4,237
Repayment of loans		-	(551)
Expenses of share issue		-	(121)
Repayment of principal under finance leases		(4,693)	(760)
Net cash inflow from financing		4,017	34,770
Increase in cash for the period	27, 28	1,101	137

GWR group plc

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 1998

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Profit for the financial period	9,611	9,164
Currency translation differences on foreign currency investments	(83)	-
Total recognised gains for the financial period	9,528	9,164

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 March 1998

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Profit for the financial period	9,611	9,164
Dividends	(3,707)	(3,594)
	5,904	5,570
Currency translation differences on foreign currency investments	(83)	-
New share capital issued	49	2,038
Shares to be issued	(42)	(69)
Expenses of share issue	-	(121)
Premium on shares issued	55	83,116
Premium on shares to be issued	-	1,900
Goodwill movements	768	(119,388)
Net increase in/(reduction to) shareholders' funds	6,651	(26,954)
Opening shareholders' funds	(16,408)	10,546
Closing shareholders' funds	(9,757)	(16,408)

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

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 Group 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.

Pro forma financial information
During the last financial period GWR Group plc changed its accounting reference date to 31 March from 30 September. The profit and loss account on page 23 includes the results based on a twelve month accounting period to 31 March 1997, so more meaningful comparisons can be made. This information, which is unaudited, has been derived from previously published interim results.

Intangible fixed assets
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%
Transmitters	5%
Fixtures and technical equipment	10%-20%
Motor vehicles	20%

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

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

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

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

1 PRINCIPAL ACCOUNTING POLICIES continued

Deferred taxation

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

Pension costs

Some of the Group'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. The funds are valued every three years by a professionally qualified independent actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the relevant company benefits from the employees' services.

2 SEGMENTAL INFORMATION

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Continuing operations		
Turnover:		
UK operations	73,049	76,560
Overseas operations	660	492
	73,709	77,052
Operating profit:		
UK operations	16,098	13,858
Overseas operations	(1,412)	(1,542)
	14,686	12,316
Abortive acquisition costs	(163)	(1,032)
	14,523	11,284
Profit on disposal of continuing operations	552	965
Provision for closure of overseas subsidiaries	802	(863)
Income/(deficit) from interests in associated undertakings	156	(519)
Investment income	336	271
Interest payable	(2,269)	(687)
Profit before taxation - continuing operations	14,100	10,451
Discontinued operations: Prospect		
Turnover	-	8,027
Operating profit	-	349
Profit on disposal of Prospect	-	3,510
Profit before taxation - discontinued operations	-	3,859
Profit before taxation - total operations	14,100	14,310

The Group has only one material class of business.

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

3 OPERATING EXPENSES

	Year ended 31 March 1998			18 months ended 31 March 1997		
	Selling and administration expenses £'000	Other operating expenses £'000	Total £'000	Selling and administration expenses £'000	Other operating expenses £'000	Total £'000
Continuing	48,197	10,826	59,023	56,314	8,422	64,736
Abortive acquisition costs	-	163	163	-	1,032	1,032
Total continuing	48,197	10,989	59,186	56,314	9,454	65,768
Discontinued	-	-	-	4,800	2,878	7,678
	48,197	10,989	59,186	61,114	12,332	73,446

4 ABORTIVE ACQUISITION COSTS

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

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Radio New Zealand	-	690
Antenne Sachsen	-	342
Radio Danubius	163	-
	163	1,032

5 NON-OPERATING EXCEPTIONAL ITEMS

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Profit on disposal of:		
Continuing operations	552	965
Discontinued operations - Prospect	-	3,510
Provision for closure of overseas subsidiaries	802	(863)
	1,354	3,612

The cost incurred on the closure or disposal of certain of Classic FM's overseas operations were significantly less than that estimated at 31 March 1997. Consequently £802,000 of the provision is no longer required and has been released in the current year.

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

6 EMPLOYEE INFORMATION

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

	Monthly average		At the end of the period	
	Year ended 31 March 1998 Number	18 mths ended 31 March 1997 Number	31 March 1998 Number	31 March 1997 Number
Programming	148	147	152	187
Sales	381	369	398	404
Technical	46	48	50	54
Management and administration	186	170	184	182
Total	761	734	784	827

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Staff costs (for the above persons):		
Wages and salaries	16,977	19,976
Social security costs	1,777	1,814
Pension costs	521	487
Other	35	479
Total	19,310	22,756

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 £4,375,169 (1997: £5,851,000).

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

7 DIRECTORS' EMOLUMENTS

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Fees	176	213
Salary payments (including benefits in kind)	944	903
	1,120	1,116
Pension contributions	107	73
	1,227	1,189

The above total includes:

Performance related emoluments:		
Based on earnings per share	123	100
Based on profit before taxation	-	42
Based on the achievement of specified tasks	73	-
	196	142

Fees and salary payments include amounts payable to third parties for the services of directors of £44,000 (1997: £272,000). Gains made by directors on the exercise of share options are disclosed in the Report of the Remuneration Committee on pages 17 and 18.

8 INVESTMENT INCOME

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Interest receivable	17	166
Dividends receivable from other investments	310	77
Rents receivable	9	28
	336	271

9 INTEREST PAYABLE

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

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

10 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit/(loss) on disposal of tangible fixed assets	50	(349)
Profit on disposal of intangible fixed assets	-	50
Profit on disposal of investments	552	4,718
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	2,587	2,611
Tangible fixed assets held under finance leases	171	462
Intangible fixed assets	56	265
Auditors' remuneration (including expenses):		
Audit - KPMG Audit Plc (Company 1998: £4,000 (1997: £4,000))	87	93
Audit - Moore Stephens, New Zealand		20
Other services - KPMG Audit Plc and its associates	132	243
Hire of plant and machinery - operating leases	160	396
Hire of other assets - operating leases	1,429	948

The Company incurred £34,000 (1997: £486,000) of fees from KPMG Audit Plc, the company's auditors, and its associates, for other services in addition to that above, which have been capitalised during the year.

11 TAXATION

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
United Kingdom corporation tax at 31% (1997 : 33%)		
Current	4,393	5,538
Deferred	156	(45)
Overseas tax	241	16
(Over)/under provision in respect of prior years:		
Deferred	(63)	98
	4,727	5,607
Associated undertakings	67	(196)
	4,794	5,411

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

12 DIVIDENDS

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Interim of 1.3p per share (1997: 1.07p), paid 12 January 1998	1,417	920
Second interim of 1.53p per share	-	1,313
Final of 2.1p per share (1997: 1.25p) to be paid on 7 August 1998	2,290	1,361
	3,707	3,594

The final dividend has an ex-dividend date of 29 June 1998 and a record date of 3 July 1998.

13 EARNINGS PER SHARE

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

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

14 INTANGIBLE FIXED ASSETS

Group	£'000
Cost	
At 1 April 1997	1,529
Additions	33
Disposals	(213)
At 31 March 1998	1,349
Depreciation	
At 1 April 1997	802
Charge for the year	55
Disposals	(212)
At 31 March 1998	645
Net book value	
At 31 March 1998	704
Net book value	
At 31 March 1997	727

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

15 TANGIBLE FIXED ASSETS

Group

	Land and buildings	Fixtures and technical equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 1997	8,318	23,641	1,036	32,995
Additions	155	2,368	65	2,588
Disposals	(209)	(2,629)	(301)	(3,139)
Exchange movements	-	(103)	-	(103)
At 31 March 1998	**8,264**	**23,277**	**800**	**32,341**
Depreciation				
At 1 April 1997	2,001	13,291	722	16,014
Charge for year	259	2,398	101	2,758
Disposals	(211)	(2,571)	(201)	(2,983)
Exchange movements	5	(40)	-	(35)
At 31 March 1998	**2,054**	**13,078**	**622**	**15,754**
Net book value				
At 31 March 1998	**6,210**	**10,199**	**178**	**16,587**
Net book value				
At 31 March 1997	6,317	10,350	314	16,981
Cost or valuation at 31 March 1998 is represented by:				
Valuation in 1988	1,750	-	-	1,750
Cost	6,514	23,277	800	30,591
	8,264	23,277	800	32,341

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 year ended 31 March 1998	-	**151**	**20**	**171**
Net book value at 31 March 1998	-	**157**	**35**	**192**
Depreciation charge for the period ended 31 March 1997	-	235	203	462
Net book value at 31 March 1997	-	2,934	236	3,333

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

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 £'000	As stated in the accounts £'000
Cost	6,521	8,264
Depreciation	1,986	2,054
Net book value	4,535	6,210

Land and buildings at net book value comprise:

	1998 £'000	1997 £'000
Freeholds	5,093	5,132
Short leaseholds	1,117	1,185
	6,210	6,317

Company

	Fixtures and technical equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 1997	2,114	51	2,165
Additions	710	-	710
Disposals	(35)	-	(35)
At 31 March 1998	2,789	51	2,840
Depreciation			
At 1 April 1997	654	26	680
Charge for year	262	7	269
Disposals	(35)	-	(35)
At 31 March 1998	881	33	914
Net book value			
At 31 March 1998	1,908	18	1,926
Net book value			
At 31 March 1997	1,460	25	1,485
The above figures include assets held under finance lease as follows:			
Depreciation charge for the year ended 31 March 1998	61	-	61
Net book value at 31 March 1998	73	-	73
Depreciation charge for the period ended 31 March 1997	123	-	123
Net book value at 31 March 1997	81	-	81

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

16 INVESTMENTS

Group

	Associated undertakings £'000	Other investments £'000	Total £'000
At 1 April 1997	1,985	136	2,121
Additions	4,681	667	5,348
Disposals	(775)	-	(775)
Transfers	95	(95)	-
Share of results for year	89	-	89
Goodwill movements	(1,092)	-	(1,092)
At 31 March 1998	**4,983**	**708**	**5,691**

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%
The Local Radio Company Limited	England and Wales	'A' Ordinary £1 shares	20%	20%
Minster Sound Radio plc	England and Wales	Ordinary £1 shares	20%	20%
GWR Medien GmbH	Austria	Ordinary shares	24%	-
Inforadio Sp z o.o.	Poland	Ordinary 15,000 zloty shares	33%	-

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 April 1997	65,193	3,444	94	68,731
Additions	-	1,144	298	1,442
Disposals	-	(461)	(91)	(552)
Transfers	1,392	-	302	1,694
At 31 March 1998	**66,585**	**4,127**	**603**	**71,315**

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

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
	%	%
GWR Radio Services Limited	100	100
Classic FM plc	100	100
Beacon Broadcasting Limited	100	-
Wiltshire Radio plc	100	-
GWR (West) Limited	100	-
Thames Valley Broadcasting plc	100	-
Two Counties Radio Limited	100	-
Chiltern Radio PLC	100	-
Radio Trent Limited	100	-
Radio Broadland Limited	100	-
SGR Limited	100	-

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

17 DEBTORS

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Amounts falling due after more than one year				
Other debtors	-	1,109	-	-
Amounts falling due within one year				
Trade debtors	14,213	14,791	-	252
Amounts owed by subsidiary undertakings	-	-	2,754	24,505
Amounts owed by associated undertakings	286	258	-	82
Other debtors	1,301	599	-	213
Prepayments and accrued income	3,502	2,733	-	351
Corporation tax	-	-	-	31
Advance corporation tax	-	-	572	340
	19,302	18,381	3,326	25,774
Total debtors	19,302	19,490	3,326	25,774

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	9,552	20,760	10,011	23,478
Obligations under finance leases	182	753	-	54
Trade creditors	2,013	5,207	-	1,028
Amounts owed to subsidiary undertakings	-	-	-	23,789
Amounts owed to associated undertakings	314	835	-	9
Corporation tax	5,334	5,120	-	-
Advance corporation tax	572	340	572	340
Other taxation and social security	1,635	1,598	-	208
Other creditors	506	1,197	-	501
Accruals	6,259	8,826	-	1,628
Dividends payable	2,290	1,361	2,290	1,361
	28,657	45,997	12,873	52,396

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	22,893	4,500	22,893	4,500
Obligations under finance leases	89	4,249	-	20
Other creditors	14	1,047	-	22
	22,996	9,796	22,893	4,542

Bank loans and overdrafts

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Repayable as follows:				
In one year or less, or on demand	9,552	20,760	10,011	23,478
Between one and two years	3,175	4,500	3,175	4,500
Between two and five years	19,718	-	19,718	-
	32,445	25,260	32,904	27,978

The loans are denominated in the following currencies:				
Sterling	29,677	25,260	30,136	27,978
Austrian Schillings	2,768	-	2,768	-
	32,445	25,260	32,904	27,978

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

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

The Group has one three year and two five year committed loan facilities. All of these facilities are unsecured. The five year term loans total £13.3 million and are repayable in equal semi-annual instalments of £1.6 million. The three year loan of £12.8 million is repayable in full on 29 September 2000. The debt incurs interest at variable LIBOR related rates which fluctuate in line with market conditions.

Finance leases

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

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
In one year or less	182	753	-	54
Between one and two years	66	639	-	16
Between two and five years	23	3,486	-	4
Over five years	-	124	-	-
	271	5,002	-	74

20 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Deferred taxation	1,022	636	12	12

Deferred taxation:

	Group	Company
	£'000	£'000
At 1 April 1997	636	12
Transfer from corporation tax creditor	525	-
Profit and loss account	93	-
Advance corporation tax	(232)	-
At 31 March 1998	1,022	12

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

20 PROVISIONS FOR LIABILITIES AND CHARGES continued

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

Group

	1998 £'000	1997 £'000
Accelerated capital allowances	478	284
Other timing differences	1,116	692
	1,594	976
Less: advance corporation tax	(572)	(340)
	1,022	636

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 £84,400 (1997: £91,600).

Company

	1998 £'000	1997 £'000
Accelerated capital allowances	12	12

21 PENSION OBLIGATIONS

(a) Some GWR Group plc staff participate in defined contribution pension Schemes available to permanent employees, including the GWR Group Pension Scheme and the Commercial Radio Companies Association Staff Benefits plan.

The Schemes are funded by the payment of contributions to separately administered funds, which are independent of the 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, whose joint principal employers are GWR Radio Services Ltd and Birmingham Broadcasting Ltd. Pension costs relating to this Scheme are assessed with the advice of independent qualified actuaries. The Pension Scheme is a defined benefit Scheme and is established under trust with the assets held separately from those of 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.

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

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

(c) GWR Group also contributes to personal pension Schemes for some employees.

The total pension cost to the Group for the year was £521,000 (1997: £487,000).

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

22 CALLED UP SHARE CAPITAL

	Authorised		Allotted, called-up and fully paid	
	Number	£'000	Number	£'000
Ordinary shares of 5p each				
At 1 April 1997	150,000,000	7,500	108,056,969	5,403
Issued on acquisition of Radio Wyvern PLC (See (1))	-	-	837,091	42
Share options exercised	-	-	149,820	7
At 31 March 1998	150,000,000	7,500	109,043,880	5,452

(1) These shares were issued under the provisions of section 429 of the Companies Act 1985 whereby the Company acquired 100% of the shares in Radio Wyvern PLC.

At 31 March 1998, the Company had 3,618,097 options outstanding granted under its Share Option Schemes in respect of 5p Ordinary shares. Further details are given on pages 16 and 17.

23 RESERVES

Group - Other reserves

	Shares to be issued £'000	Special capital reserve £'000	Revaluation reserve £'000	Total Other reserves £'000
At 1 April 1997	42	369	1,113	1,524
Arising on acquisition of Radio Wyvern PLC	(42)	-	-	(42)
At 31 March 1998	-	369	1,113	1,482

Group

	Share premium account £'000	Goodwill reserve £'000	Profit and loss account £'000
At 1 April 1997 as previously disclosed	1	(33,479)	10,143
Change in disclosure of goodwill written off	-	33,479	(33,479)
At 1 April 1997 under new disclosure	1	-	(23,336)
Share options exercised	55	-	-
Exchange movements	-	-	(83)
Goodwill on acquisitions	-	-	165
Goodwill on disposals	-	-	603
Retained profit for the year	-	-	5,904
At 31 March 1998	56	-	(16,747)

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

	£'000
At 1 April 1997	(118)
Profit for the year	89
At 31 March 1998	(29)

GWR group plc

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

23 RESERVES continued

Company - Other reserves

	Shares to be issued £'000	Special capital reserve £'000	Special reserve £'000	Total other reserves £'000
At 1 April 1997	42	369	31,713	32,124
Arising on acquisition of Radio Wyvern PLC	(42)	-	-	(42)
At 31 March 1998	**-**	**369**	**31,713**	**32,082**

Company

	Profit and loss account £'000
At 1 April 1997	1,512
Profit for the year	1,687
At 31 March 1998	**3,199**

24 GOODWILL

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

25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 1998

Company

	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000
Profit for the financial period	5,394	2,851
Dividends	(3,707)	(3,594)
	1,687	(743)
New share capital issued	49	2,038
Shares to be issued	(42)	(69)
Expenses of share issue	-	(121)
Premium on shares issued	55	12,916
Net increase in shareholders' funds	1,749	14,021
Opening shareholders' funds	39,040	25,019
Closing shareholders' funds	**40,789**	**39,040**

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

26 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £'000	1997 £'000
Operating profit	14,523	11,633
Depreciation of tangible fixed assets	2,758	3,073
Amortisation of intangible fixed assets	56	265
(Profit)/loss on disposal of tangible fixed assets	(50)	349
Profit on disposal of intangible fixed assets	-	(50)
Profit on disposal of investments	-	(211)
Decrease in stocks	10	60
Decrease/(increase) in debtors	823	(1,352)
Decrease in creditors	(5,967)	(2,784)
Net cash inflow from operating activities	12,153	10,983

27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	1998 £'000	1997 £'000
Increase in cash in the period	1,101	137
Cash outflow from decrease in debt and lease financing	(3,954)	(21,817)
Change in net debt from cash flows	(2,853)	(21,680)
Loans and finance leases acquired with subsidiaries	-	(4,977)
Finance leases disposed of with business sales	38	-
New finance leases	-	(79)
Movements in net debt in period	(2,815)	(26,736)
Net debt at 1 April 1997	(29,901)	(3,165)
Net debt at 31 March 1998	(32,716)	(29,901)

28 ANALYSIS OF NET DEBT

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

NOTES TO THE ACCOUNTS for the year ended 31 March 1998

29 RELATED PARTY TRANSACTIONS

Related party transactions during the year are as follows:

(a) During the year Classic FM provided £100,000 of various business services, including satellite provision, to its associate Classic FM vof in Holland. At 31 March 1998, £69,167 of that total was included within the Group's debtors.

(b) Klaus Reiter is a 40% shareholder in Newcoprivatradiosender GmbH, the Group's Austrian subsidiary. Until 30 September 1997 he was also that company's joint Managing Director. Mr Reiter owns 100% of RadioMaker GmbH, a company which provided £29,000 of engineering services to Newcoprivatradiosender GmbH during the year. At 31 March 1998 the Group owed Mr Reiter £118,000 for working capital funding provided in previous years.

(c) Central European Broadcasting Ltd, a subsidiary of GWR Group plc, provided £256,000 of equipment to Inforadio Sp z o.o., the Group's associate in Poland, as part payment for its investment in that company. In addition, during the year Central European Broadcasting Ltd provided services to the company at a cost of £66,000. This amount is included within the Inforadio debtor balance as at 31 March 1998 of £173,000.

(d) During the year the Group provided £37,000 of commercial production and other business services to Minster Sound Radio plc, a company in which GWR Group owns 20%. £71,000 was included within debtors at 31 March 1998.

(e) The Group provided £188,500 of services to The Local Radio Company during the year. The Group has a 20% investment in The Local Radio Company.

All the above transactions were carried out on an arm's length basis.

30 CONTINGENT LIABILITIES

Contingent liabilities are as follows:

(a) Various inter-Group cross guarantees are held by Barclays Bank and Generale 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.

(c) Classic FM are defendants to an action in the High Court for copyright infringement brought by Mr Robin Ray. After trial on liability the action was not upheld in respect of the UK business. Judgement was only given in favour of Mr Ray in relation to the overseas businesses of Classic FM. Classic FM is appealing this decision to the Court of Appeal. Mr Ray has yet to plead his claim for damages, and it is therefore not possible at this stage to give an estimate of damages to which he may be entitled. The Appeal is not expected to be heard before 1999.

31 FINANCIAL COMMITMENTS

At 31 March 1998 the Group had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Expiring within one year	-	-	-	368
Expiring between one and two years inclusive	12	752	-	-
Expiring between two and five years inclusive	12	1,188	12	776
Expiring in over five years	197	-	210	2,019
	221	1,940	222	3,163

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

FINANCIAL RECORD

	Year ended 31 March 1998	18 mths ended 31 March 1997	Year ended 30 September 1995	Year ended 30 September 1994	Year ended 30 September 1993
Profit and loss account					
Turnover					
Continuing operations	**73,709**	77,052	31,993	20,330	9,215
Discontinued operations	-	8,027	-	-	-
	73,709	85,079	31,993	20,330	9,215
Operating profit					
Continuing operations	**14,523**	11,284	5,172	2,731	1,075
Discontinued operations	-	349	-	-	-
	14,523	11,633	5,172	2,731	1,075
Profit before taxation	**14,100**	14,310	5,162	2,969	970
Taxation	**(4,794)**	(5,411)	(1,716)	(1,008)	(341)
Profit for the financial period	**9,611**	9,164	3,446	1,961	629
Dividends	**3,707**	3,594	1,410	863	280
Retained profit for the period	**5,904**	5,570	2,036	1,098	349
Balance sheet					
Fixed assets	**22,982**	19,829	12,020	10,932	5,050
Current assets	**19,367**	19,927	14,535	8,446	4,236
Total assets	**42,349**	39,756	26,555	19,378	9,286
Creditors due within one year	**(28,657)**	(45,997)	(14,160)	(8,412)	(3,857)
Total assets less current liabilities	**13,692**	(6,241)	12,395	10,966	5,429
Creditors due after more than one year	**(22,996)**	(9,796)	(1,757)	(2,228)	(896)
Provisions for liabilities and charges	**(1,022)**	(636)	(92)	(153)	(242)
Net (liabilities)/assets	**(10,326)**	(16,673)	10,546	8,585	4,291
Cash flow					
Net cash inflow from continuing operating activities	**12,153**	10,983	5,101	4,587	630
Increase/(decrease) in cash for the period	**1,101**	137	(1,763)	1,088	(473)
Ratios					
Operating margin (continuing operations)	**19.7%**	14.6%	16.2%	13.4%	11.7%
Earnings per share	**8.8p**	10.8p	6.0p	4.3p	2.4p
Headline earnings per share	**8.2p**	7.7p	5.8p	4.3p	2.4p
Dividend per share	**3.40p**	3.85p	2.17p	1.56p	1.08p
Dividend cover	**2.4**	2.0	2.8	2.8	2.0

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 pages 27 and 28.

GWR group plc

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FINANCIAL CALENDAR

30 July 1998	Annual General Meeting
7 August 1998	Final dividend payable for the year ended 31 March 1998
November 1998	Interim results announcement
January 1999	Interim dividend payable
31 March 1999	Year end
June 1999	Preliminary announcement of results for the year ended 31 March 1999

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 30 July 1998 at 12.30 p.m. 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 year ended 31 March 1998.

2 To authorise the payment of a final dividend for the year ended 31 March 1998 of 2.1p 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 HPJ Meakin
4 Mr JPE Taylor
5 Mr CE Blackwell
6 Mrs SJ Pirie

A brief description of these individuals is provided on page 4.

7 To re-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 8 will be proposed as an Ordinary Resolution and Resolutions 9, 10 and 11 will be proposed as Special Resolutions:

8 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 £2,024,303 during the period commencing on the date this resolution is passed and ending on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless previously renewed, varied or revoked by the Company in General Meeting, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after that date and the Company may implement the same as if the authority conferred hereby had not expired.

9 That, subject to and conditional upon Resolution 8 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 next Annual General Meeting of the Company after the passing of this resolution unless previously renewed, varied or revoked by the Company in General Meeting, to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 8 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 £272,609.

10 That the Articles of Association of the Company be and are hereby amended by the deletion of the following words at the end of Article 118.2: "but subject to a maximum of £50 million".

11 That the Articles of Association of the Company be and are hereby amended by the alteration of the second line of Article 134 which currently reads: "Articles 128 to 133" to read: "Articles 128, 129 and 131 to 133"."

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

By Order of the Board
Ms W Pallot ACA
Company Secretary

19 June 1998

GWR group plc

NOTICE OF ANNUAL GENERAL MEETING

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 In accordance with Regulation 34 of the Uncertified Securities Regulations 1995, to be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 5.00 p.m. on Tuesday 28 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 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

Appendix – More information on special business

Resolution 8: Directors' powers to allot share capital

This resolution will allow the directors to allot up to 40,486,060 shares, subject to the statutory pre-emption rights in favour of existing shareholders, before the next Annual General Meeting.

The limitation placed on the directors' authority to allot share capital under Section 80 of the Companies Act 1985 is based on one third of the issued ordinary share capital of the Company increased by share options granted but not exercised as at 2 June 1998.

Resolution 9: Restrictions on the Directors' powers to allot share capital

This resolution governs the way the shares authorised in resolution 8 above may be allotted: Directors may disregard the pre-emption rights which exist in favour of current shareholders in allotting up to 5,452,194 shares, but otherwise any allotment of shares authorised to be issued by resolution 8 must be on a pre-emptive basis.

The limitation on the disapplication of pre-emption rights is set at 5% of the issued share capital of the Company as at 31 March 1998.

Resolution 10: Amendment of the Articles

The Company's borrowing powers are set out in Article 118 of the Articles of Association. They restrict the Group's borrowings to two and a half times the Adjusted Capital and Reserves, which are £252 million at 31 March 1998, subject to a maximum of £50 million. The Board believes that in view of the increasing size of the Group it is not appropriate to have an absolute maximum limit on borrowings. Over the last two and a half years the Group's market capitalisation has grown almost threefold to over £260 million (as at 8 June 1998). Accordingly this special resolution proposes the removal of the £50 million limit. Borrowings will still remain restricted to two and a half times the capital and reserves of the Group as adjusted in accordance with the provisions of Article 118.3. In addition the Group's borrowings are already limited by covenants imposed by our banks. These require the Group profit before interest and taxation to cover the interest charge at least four times. The Group's interest cover for the year ended 31 March 1998 was 7.2 times profit before interest and taxation.

Resolution 11: Amendment of Articles

This technical change is a requirement of the London Stock Exchange. The effect is that the prohibition in the Company's Articles of Association on an interested director voting or being counted in the quorum in relation to any board resolution, will not be capable of waiver by ordinary resolution of the shareholders.

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2-TEN FM Classic Gold 1431/1485	PO Box 2020, Reading, Berks, RG31 7FG TEL: 0118 945 4400 FAX: 0118 928 8456	Managing Director: JEFF LEE
B97 Chiltern FM Classic Gold 792/828	Broadcast Centre, 55 Goldington Road, Bedford, MK40 3LT TEL: 01234 272400 FAX: 01234 218580	Managing Director: SHEILA MALLETT
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102.7 Hereward FM Classic Gold 1332	Po Box 225, Queensgate Centre, Peterborough, PE1 1XJ TEL: 01733 460460 FAX: 01733 281445	Managing Director: LYNDA COUCH - SMITH
FM 103 - Horizon	Broadcast Centre, Crownhill, Milton Keynes, MK8 0AB Tel: 01908 269111 Fax: 01908 564893	Managing Director: JOHN SANDERSON
105.4 FM Leicester Sound	Granville House, Granville Road, Leicester, LE1 7RW TEL: 0116 256 1300 FAX: 0116 256 1303	Managing Director: CARLTON DALE
Mercia FM Classic Gold 1359	[illegible] Coventry, CV1 3TT TEL: 01203 868200 FAX: 01203 868202	Managing Director: [illegible]
Northants 96 Classic Gold 1557	19-20 St Edmunds Road, Northampton, NN1 5DY TEL: 01604 795600 FAX: 01604 795601	Managing Director: MARK LEE
OPUS	4th Floor, 7 Swallow Place, London W1R 7AA TEL: 0171 518 2600 FAX: 0171 518 2602	Managing Director: DUNCAN GEORGE
Q103 FM	Enterprise House, The Vision Park, Chivers Way, Histon, Cambridge, CB4 4WW TEL: 01223 235255 FAX: 01223 235161	Managing Director: ALISTAIR WAYNE
RAM FM Classic Gold GEM	The Market Place, Derby, DE1 3AA TEL: 01332 292945 FAX: 01332 292229	Managing Director: PHIL DIXON
[illegible] Amber	[illegible] Road Colchester [illegible] TEL: [illegible]	[illegible]
SGR FM Classic Gold Amber	Radio House, Alpha Business Park, Whitehouse Road, Ipswich, IP1 5LT TEL: 01473 461000 FAX: 01473 741200	Managing Director: MIKE STEWART
[illegible] and FM	Old Talbot [illegible] Southgate Street Gl[illegible]	Managing Director: [illegible]
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