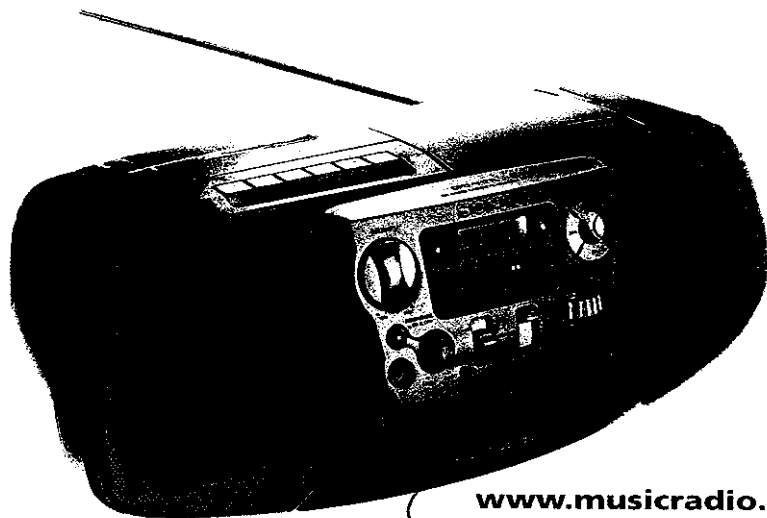


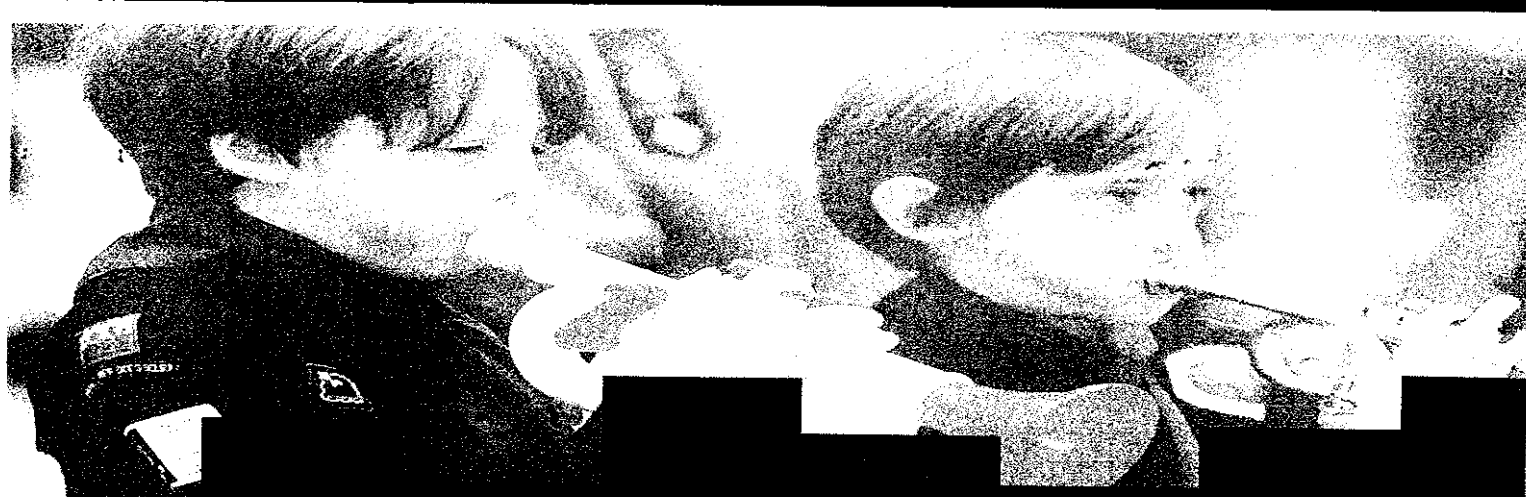
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GWR group plc
REPORT AND ACCOUNTS 2000



www.musicradio.com





GWR Group is the UK's leading commercial radio broadcasting company by listening share. It operates the national stations Classic FM, Core and Planet Rock, 38 local stations in the UK and has interests in stations in Austria, Finland, Holland, South Africa, Poland and Bulgaria.

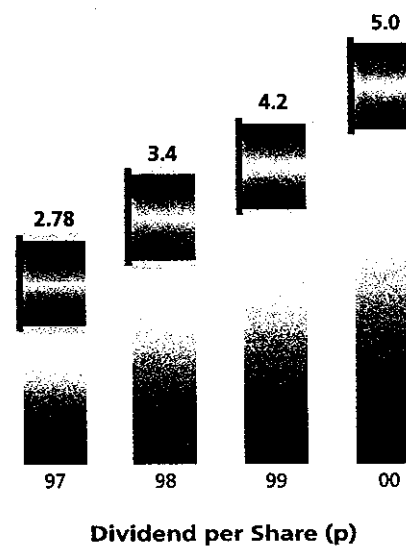
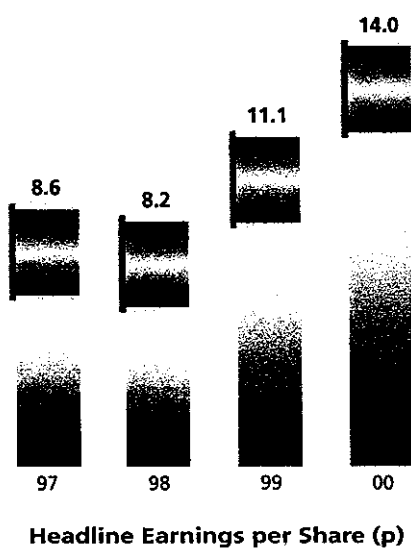
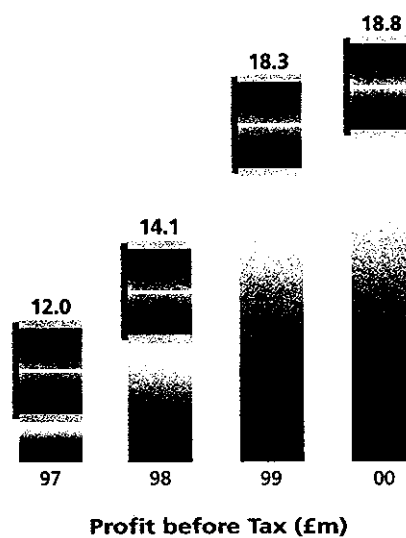
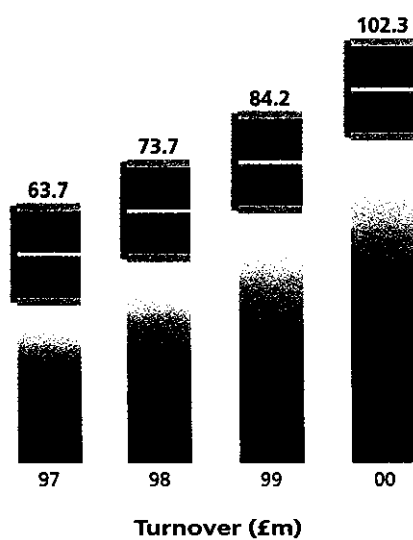
Annual sales are £102.3 million - the Group has 804 employees.

GWR has the controlling share in Digital One, the UK's only national commercial digital radio multiplex company. The Group's internet business is ecast ventures, which is developing local internet portals, specialised music sites and a streaming radio portal.

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Financial Highlights



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



"THE COMPLEMENTARY STRENGTHS BETWEEN RADIO AND THE INTERNET AND THE NEW RELATIONSHIP WITH DMGT WILL BE A DRIVER FOR FUTURE GROWTH"

JUNE

Government announces deregulatory approach in broadcasting green paper

SEPTEMBER

Classic FM 8 year analogue licence renewal granted

Chairman's Statement

For the year ended 31st March 2000

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

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

Sales are up by 22% at £102 million and profits before tax and goodwill amortisation are up 11% to £20.4 million from £18.3 million last year. Headline earnings per share increased by 26% from 11.1p to 14.0p. The board is recommending a final dividend of 3.1p per share making a total for the year of 5.0p, an increase of 19%.

In a major strategic event for the Group since the date of our preliminary announcement, we have announced the proposed acquisition of the worldwide radio interests of the Daily Mail and General Trust ("DMGT") for £146 million, which is explained below.

UK Radio

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

In June 1999 we acquired Plymouth Sound which, with Orchard Media, acquired six months earlier, represents an attractive market covering most of South West England outside Cornwall. These six stations have been integrated swiftly into the group and are now delivering rapid growth.

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

Classic FM continues to go from strength to strength, notably recording large audience increases in the under 35 age group. Latest RAJAR figures show strong growth, in listening hours, of 12% which greatly extends Classic FM's lead as the UK's largest commercial radio station. These excellent figures are being reflected in markedly higher advertising revenues. For the third time in eight years Classic FM has won the prestigious Sony Gold Award for the National Radio Station of the Year

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

Digital Radio

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

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

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

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

NOVEMBER

FEBRUARY

MARCH

MARCH

Digital One launches with GWR's stations Planet Rock and Core

RAJAR figures show Classic FM at best ever audience share of 4.9%

Launch of ecast ventures - koko.co.uk and musicradio.com

Ecast announces investments in Altodigital and Streets Online

The Internet & E-Commerce

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

Ecast ventures has a three part strategy:

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

Relationship with DMGT

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

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

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

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

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

Proposed Acquisition of DMG Radio

On June 13th 2000 we announced the proposed acquisition of DMG Radio Group from DMGT for £146 million. The proposed acquisition comprises 8 UK radio licences covering a population of 3.9 million adults, the largest national commercial radio station in Hungary, a 25% share in 58 Australian local licences covering a population of 3 million and a new Sydney licence with a potential audience of 3.75 million. We have the option to acquire the remaining 75% of DMGT's Australian radio assets for three years after completion.

The consideration will be satisfied by issuing to DMGT approximately 12.3 million new GWR shares valued at £96 million; £48.5 million in zero coupon convertible loan notes; and £1.5 million in cash. As a result, DMGT increases its shareholding in GWR to 26.9% on completion and 29.9% on a fully diluted basis.

This acquisition is a major step forward in the group's strategy in the UK and Europe, and provides us with the potential to broadcast to 36% of Australia's population.

It is also a strong vote of confidence from DMGT, our longstanding and largest shareholder. It signals the start of the important initiatives to cross promote our radio and DMGT's print media and to exploit joint internet opportunities locally, in London and nationally.

MAY

**Classic FM wins Sony
Radio Station of the
Year for third time**

MAY

**Preliminary results
announced – profits
up by 37%**

MAY

**GWR and
DMGT announced
collaborative
relationship**

JUNE

**Proposed
acquisition of DMG
Radio announced**

Overseas

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

Associates

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

Regulation

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

Board and Management

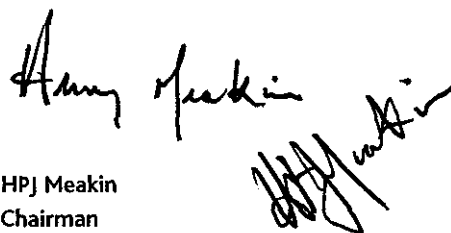
The pace of change in our industry and in the area of new media continues to accelerate. GWR continues to demonstrate

leadership in many areas of our business. On behalf of our board and shareholders, I thank Ralph Bernard, the Executive Committee and all the dedicated people within our group for another highly successful year. I send warm congratulations to Ralph Bernard who was recently honoured when presented with the Sony Radio Gold Award for his contribution to the radio industry.

On approval of the DMG Radio Group acquisition, I very much look forward to welcoming Peter Williams to the Board. Peter is Finance Director of DMGT and is closely involved with the development of their new media business.

Outlook

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



HPJ Meakin
Chairman



**"AGAIN RADIO
IS THE FASTEST
GROWING TRADITIONAL
ADVERTISING MEDIUM"**

RALPH BERNARD Chief Executive

Industry Overview

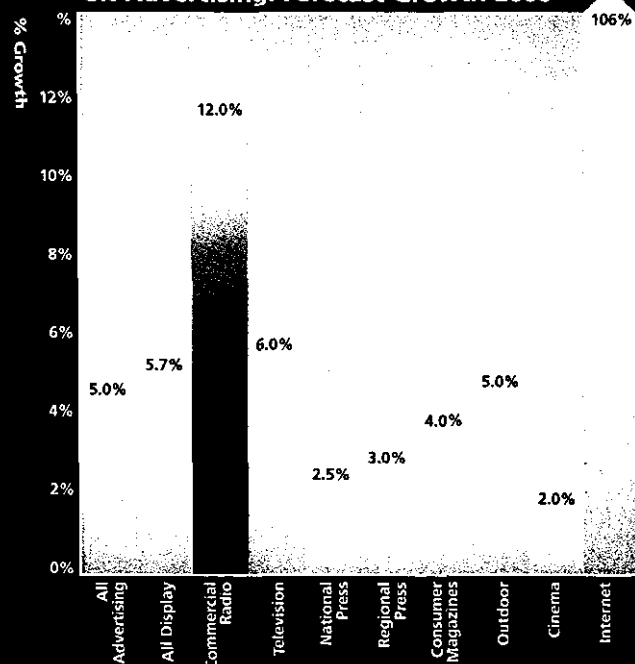
GWR Group is the largest radio company - by share of listening - in the UK, a position of obvious strength in a market that grew by 11% last year. The Advertising Association's latest forecast is for radio revenues to grow by 12.1% in 2000 and 10.9% in 2001.

Historically the majority of revenue came from clients located within a station's broadcast area. However that position is changing. Now 70% comes from national sales. In advance of this development in the market, GWR Group launched Opus, its national sales company. Opus gives the Group direct representation in the growing national sales arena - 80% of all display advertising is booked on a national basis.

The growth of the Internet has been exponential. In the United States the Internet has taken just five years to get to 50 million users. In the UK, growth is similarly fast. The core skills needed for a successful internet business - the ability to manage a community of users profitably - are those which commercial radio has been practising for 25 years.

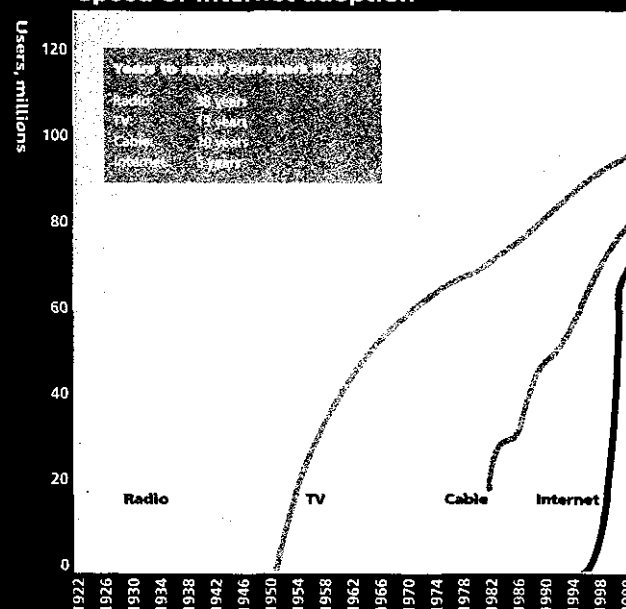
Radio companies are very well placed as internet operators, being used to refreshing their content constantly. The profile of the internet community overlaps to a large extent with the demographics of a typical commercial radio listener. This provides an excellent environment for the launch of GWR's internet operations.

UK Advertising: Forecast Growth 2000



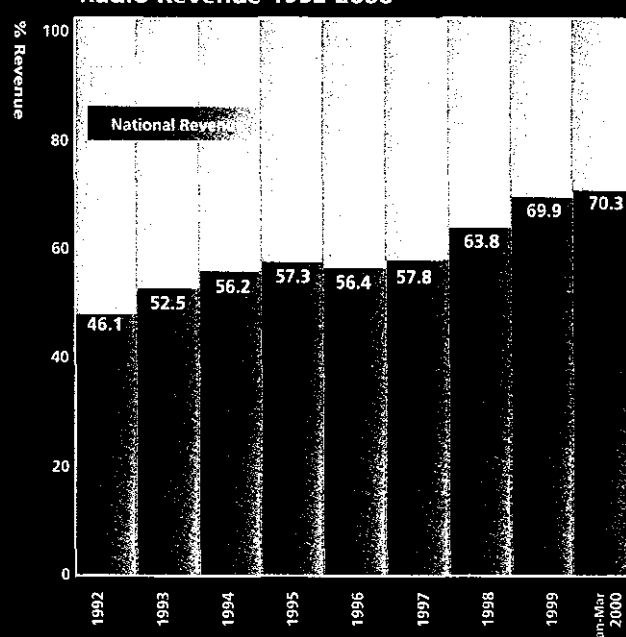
SOURCE: CIA MEDIALAB

Speed of Internet adoption



SOURCE: MORGAN STANLEY

Radio Revenue 1992-2000



SOURCE: RAB

Directors

- Member of the Audit Committee
- Member of the Remuneration Committee

▼ Roger Gilbert FCA ••

DEPUTY CHAIRMAN

Age 55, Roger joined the board in 1988. He is the Managing Director of Harmsworth Media Ltd, a subsidiary of Daily Mail and General Trust PLC (DMGT), which manages DMGT's interest in exhibitions, teletext and radio, including its stake in GWR Group plc. Roger is a chartered accountant and has been working for DMGT for 29 years.



◀ Henry Meakin •

CHAIRMAN

Age 56, Henry was a founding director of Wiltshire Radio plc in 1981, which became GWR Group plc in 1987 and has been Chairman since 1988. He was the original Chairman of Classic FM plc from 1991 to 1993. He has widespread experience in the media industry as a founder director in 1969 of the media and communications company, Aspen Communications PLC, and its Chairman from 1979 to 1997.

◀ RALPH BERNARD

CHIEF EXECUTIVE

Age 47, Ralph has 24 years' experience in the radio industry. He joined as a journalist in 1975 and launched Wiltshire Radio in 1982, becoming its Managing Director in 1983. He has been Chief Executive of GWR Group plc since it was formed in 1987. He is also Chairman of London News Radio and a non-executive director of the Commercial Radio Companies Association and Independent Radio News Limited. In December 1998 he was made a Fellow of the Radio Academy and in May 2000 received the Sony Radio Gold Award in recognition of his long and distinguished service to the radio industry.



▲ Richard Palmer ••

VICE CHAIRMAN AND SENIOR INDEPENDENT DIRECTOR

Age 73, Richard joined the board in 1989 and became Vice Chairman in 1994. He has been Chairman of Thames Valley Broadcasting plc, a subsidiary of GWR Group plc, since 1985. He has been a Magistrate since 1960 and is a Deputy Lieutenant for the Royal County of Berkshire. He has a marketing background and was Chief Executive of a large food company's international division and Chairman of the British Food Export Council. He has responsibility for liaising with the Group's local station boards.



▲ Roger Lewis

MANAGING DIRECTOR AND PROGRAMME CONTROLLER OF CLASSIC FM

Age 45, Roger joined the Board in November 1998. Immediately prior to this he spent eight years in the record industry, as Managing Director at EMI Records and President of the Decca Record Company. He began his radio career in 1981 at Radio Tees, followed by Capital Radio and the BBC where he became Head of the Radio 1 Music Department. He is non-executive director of two charitable trusts, a director of the Radio Corporation Limited and Chairman of the Music and Ballet Scheme Advisory Group for the Department of Education and Employment.



▲ Steve Orchard

OPERATIONS DIRECTOR UK LOCAL RADIO AND GROUP PROGRAMME DIRECTOR

Age 42, Steve joined Wiltshire Radio plc in 1983 as a reporter. He later became a Presenter and then Programme Controller before becoming Group Programme Director in 1993. He joined the board in November 1996. In 1998 he was promoted to Operations Director for UK Local Radio, whilst retaining the role of Group Programme Director.



▲ Patrick Taylor FCA

DEPUTY CHIEF EXECUTIVE AND FINANCE DIRECTOR

Age 52, Patrick joined the board in 1994 as a non-executive director, while he was Finance Director at Capital Radio plc. He became the Group's Deputy Chief Executive and Finance Director in September 1996. Patrick qualified as a chartered accountant with Coopers & Lybrand and was a partner there for 6 years. He is a non-executive director of Independent Radio News Limited.

▼ **Eddie Blackwell**

INDEPENDENT

NON-EXECUTIVE DIRECTOR

Age 72, Eddie joined the board in 1990. He was the Group's Operations Director from 1992 until he became a non-executive director in September 1996. Eddie has extensive knowledge of and experience in radio and other media. His early career included magazine and newspaper sales management and direction. He was the founding Chief Executive of Essex Radio. He is a non-executive director of London News Radio Limited.



◀ **Simon Ward**

GROUP COMMERCIAL DIRECTOR

Age 46, Simon joined Wiltshire Radio in 1982. He became the Group's Sales & Marketing Director in 1991 and joined the board in 1996. In 1998 he became the Group Commercial Director. Simon has 26 years of experience in UK commercial radio, initially as a presenter before moving into promotions and sponsorship and later mainstream sales and commercial management. Simon has led GWR's internet development plans throughout the past year.

▼ **Simon Duffy**

INDEPENDENT

NON-EXECUTIVE DIRECTOR

Age 50, Simon joined the Board in February 1997. Since December 1999 he has been Chief Executive Officer of World Online, a leading European internet communication company. Prior to that, he was Deputy Chairman and Group Finance Director of EMI Group plc. He is also a non-executive Chairman of Cantab Pharmaceuticals plc and a non-executive director of Imperial Tobacco Group plc.

▼ **Stella Pirie OBE FCA** ●●

INDEPENDENT

NON-EXECUTIVE DIRECTOR

Age 49, Stella joined Radio West as a non-executive director in 1983. She is a chartered accountant and was Divisional Finance Director of Rotork plc for 10 years until 1988. She was Group Finance Director of GWR Group plc from 1993 to 1996. She is Chairman of GWR (West) Limited, a subsidiary of GWR Group plc. Her other non-executive directorships include Chairman of WESTEC – the Western Training and Enterprise Council, Chairman of Bath Spa University College and director of the South West England Regional Development Agency.



▲ **Jonathan Trafford** ●

INDEPENDENT

NON-EXECUTIVE DIRECTOR

Age 66, Jonathan joined the board in 1987. GWR benefits from Jonathan's legal skills from his career with Bond Pearce solicitors, where he was senior partner from 1988 to 1996. He was a founder director of Plymouth Sound Ltd. A Deputy Lieutenant for the County of Devon, he is a director of other commercial and charitable companies in the South West.

▲ **Sir Peter Michael CBE**

NON-EXECUTIVE DIRECTOR

Age 61, Sir Peter has been on the board since 1997 and has been Chairman of Classic FM since 1993. He is Chairman of a number of leisure companies involved in wine, food, specialist hotels, and sculpture and is Chairman of Greenham Common Community Trust. He has been Chairman of a number of large IT companies including UEI plc and Cray Electronics and was a member of the National Coal Board and a number of Government bodies for the encouragement of R & D in the UK. He is Chairman of Virtual Music Stores Limited, a company bringing "personal mix CD's" through the music industry in collaboration with GWR.



▲ **Nicholas Tresilian**

NON-EXECUTIVE DIRECTOR

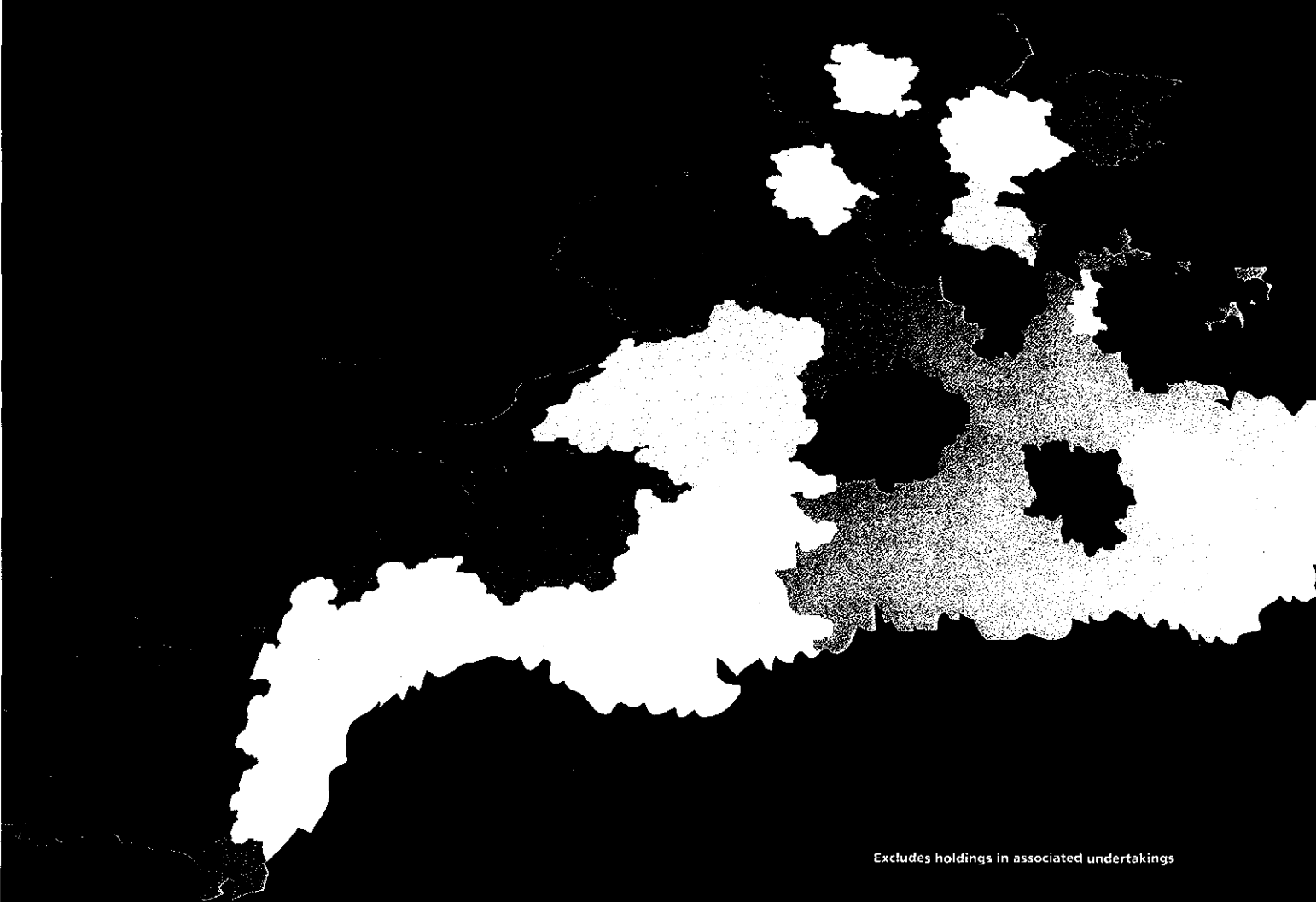
Age 61, Nicholas was a broadcaster with the BBC and ITV and a founder of the business television company, Spafax Television plc, he was the founding Chairman of Wiltshire Radio plc in 1981. He joined the board of GWR Group plc on its formation in 1987. Group development director for six years to 1997, he was part of the GWR team which created Classic FM for which he also broadcasts. He has responsibility for liaising with the Group's local station boards.

Analogue Radio

Analogue radio broadcasts cover the country, reaching 90% of the population. Classic FM is the only national commercial FM station, with 13% reach and 6.29 million listeners.

The Group's local stations cover a significant proportion of England, from Plymouth in the South West to Norwich, Colchester and Ipswich in the East. Nottingham is the most northerly station.

Following the announcement in June, the proposed acquisition of the DMG Radio stations will strengthen the Group's coverage of the prosperous commuter belt of London.



Excludes holdings in associated undertakings




Digital Radio

Digital radio is developing fast: the Digital One commercial national multiplex launched successfully in November 1999 and the first four local commercial multiplexes went on air in London, Birmingham, Manchester and Glasgow in June 2000. Radio Authority licensing plans envisage some 250 local and regional digital radio stations on air in 2002, running alongside Digital One's 10 national channels and the BBC's services, expected to number between 8 and 10 by then.

The effect on listening choice will be dramatic. In large cities there will be up to 40 digital radio stations available, twice the number currently available on analogue. Around 70% of those stations will be commercial, drawing audience away from the BBC. Sales of digital radio receivers are increasing as prices fall with increasing production: the first hi-fi tuner at under £500 is now on sale, and a £399 car radio receiver is available. By 2008, Digital One projections show 8 to 12 million UK households with digital radio: at that stage it is expected that 50% of radios sold will be digital.

The map shows the coverage area of Digital One, in which the Group has a 63% share. Digital One will reach 80% of UK population by 2002. Also shown are the areas where GWR Group owns a local multiplex, and the areas where the Group is a service provider on another company's multiplex. The strategy of developing new programme streams for digital radio enables the Group to compete in areas where there is no analogue capacity, and allows services developed for GWR-owned multiplexes to reach a wider audience.



Swindon Head of News
Susannah Jones transfers
material from an on-air
bulletin to the koko.co.uk
local web-site

Don't just
you

Chief Executive's Review

Introduction

This year has been one of transformation for GWR Group. Through our investment in the digital future, we have laid the foundations for prosperity in the new media age, whilst ensuring the continuing competitiveness of our existing services. Our unique combination of national radio channels and network of local radio stations provides us with the ideal platform from which to promote and exploit the growth of digital radio.

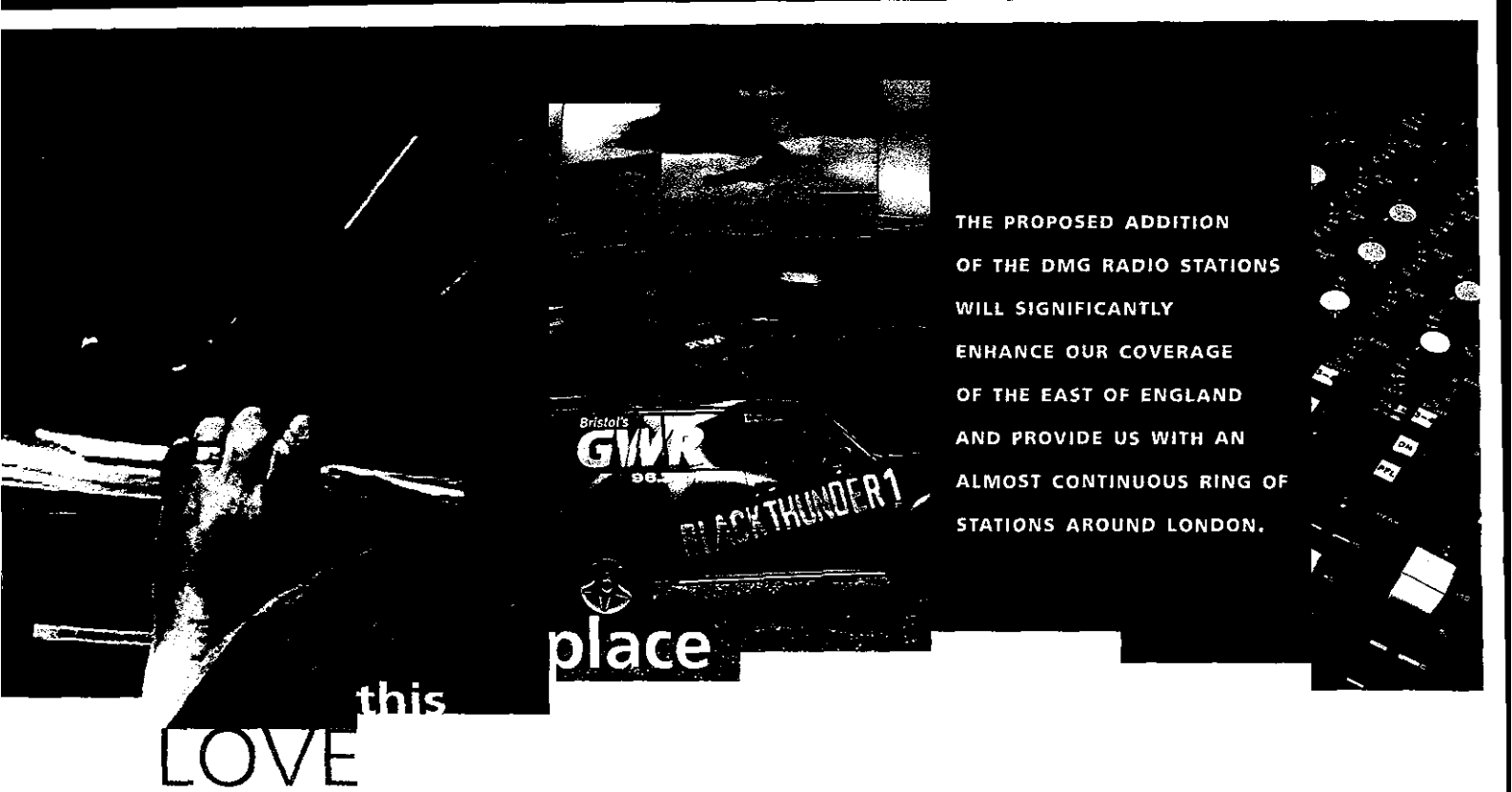
**'WE HAVE THE IDEAL PLATFORM FROM WHICH TO
PROMOTE AND EXPLOIT THE GROWTH OF DIGITAL RADIO'**

In June 2000 we announced the proposed acquisition of DMG Radio. This strengthens our coverage of the UK, and extends our operations into the developing market of Hungary and for the first time into the larger scale radio opportunities in Australia. We have also established a new working partnership with our largest shareholders Daily Mail & General Trust ("DMGT") which will enable us to capitalise on the synergies between our audiences and their readers - especially between Classic FM, the Daily Mail and the Mail on Sunday.

For an unprecedented third time in eight years, Classic FM is the Sony National Station of the Year, whilst our local radio stations continue to perform strongly. Digital One has launched successfully; and our internet strategy will leverage our existing brands - and launch new products - on the firm foundation of our on-air performance.

UK Local Radio

Our local radio licences are the prime sources of revenue for the Group. They dominate their local markets, and as "full service" stations enjoy a strategic advantage over the new, more narrowly defined stations which are being launched in a number of our areas. The most recent RAJAR audience figures (Quarter 1 2000) show a significant increase in listening hours - 55.9 million hours of listening, compared to 50 million in Quarter 2 1999.



THE PROPOSED ADDITION
OF THE DMG RADIO STATIONS
WILL SIGNIFICANTLY
ENHANCE OUR COVERAGE
OF THE EAST OF ENGLAND
AND PROVIDE US WITH AN
ALMOST CONTINUOUS RING OF
STATIONS AROUND LONDON.

The drive to increase operational efficiency in our stations has produced significant gains. Year-on-year revenue is up by 19.1% in UK Local Radio and profit is up by 24%. The recognition of the Northants 96 sales team as sales team of the year in the 1999 KPMG/CRCA Awards is a tribute to the Group's strength in local sales. Opus, our national sales operation, continues to develop new revenue streams, with the uniform branding of our FM stations as "The Mix" emphasising the cohesiveness of this audience as an advertising option. The ability of Opus to present GWR stations to the national market is increasingly important – national revenues are growing at a faster rate than local revenues.

**'THE DRIVE TO INCREASE OPERATIONAL EFFICIENCY IN
OUR STATIONS HAS PRODUCED SIGNIFICANT GAINS'**

The proposed addition of the DMG Radio stations in the UK – 8 licences covering a population of 3.9 million adults – will significantly enhance our coverage of the East of England and provide us with an almost continuous ring of stations around London. The stations offer excellent opportunities for growth. We expect to improve profits by a minimum of £2 million in the first full year of ownership. In London, we have acquired from DMGT an increased economic interest in London News Radio: we now hold 49.9%, as the News Direct and LBC stations continue to build audience and improve revenue.

Classic FM

Our continuous programme of refinements and improvements to Classic FM has borne fruit with the station achieving a record listening market share of 4.4%, with 6.259 million adult listeners each week, in RAJAR Quarter 1 2000. Classic FM's share of national commercial radio listening is 51.7 per cent, a rise of 14 per cent year on year. For an unprecedented third time, the station was awarded the Sony National Station of the Year accolade in the 2000 Sony Awards – an excellent start to the station's new 8 year analogue licence.

Classic FM aims to be the best option for people who want to find something to help improve their mood. Brand developments such as the Classic FM Magazine, the classicfm.com web-site, and the "Relax" triple CD – which sold 160,000 copies – are examples of how Classic FM can extend into other profitable areas.

Alongside its best ever audience results Classic FM has achieved its best ever revenue figures. Growth for the year was 15.7%, with 19.9% in the second half, a trend which has continued into the new year. Although the new licence carries an increased licence fee payable to the government, other costs have been well controlled and operating margins were 39%, up from 32% last year.

**'THE ASSOCIATION WITH DMGT HAS
PARTICULAR BENEFITS FOR CLASSIC FM.
NEW MEDIA OPPORTUNITIES FOR CLASSICFM.COM
AND THE DAILY MAIL ARE BEING RESEARCHED'**

The association with DMGT has particular benefits for Classic FM. There are significant areas of overlap between the station's audience and the readership of the Daily Mail and The Mail on Sunday and talks are under way aimed at relaunching DMGT's Performance Channel, a classical music TV service, as Classic FM TV. New media opportunities for classicfm.com and the Daily Mail are being researched, building on the excellent performance of the Classic FM web-site, which is currently attracting 9.5 million page impressions a month.

Digital Radio

Digital One, the national digital radio multiplex company in which the Group has a 63% share, launched successfully on November 15th. Carrying simulcasts of the three Independent National stations Classic FM, Virgin Radio and talkSPORT, the service is promoted heavily to the 10.5 million combined audience of those stations, and there has been a very positive response to the new digital-only music stations Core, Planet Rock, Life, and PrimeTime Radio.

Oneword, which launched in May, is a service of book readings, plays and comedy which, we believe, will do for speech on radio what Classic FM did to popularise classical music on radio. TalkMONEY, a business and financial news service, is the most recent channel allocation. Since the 3G Spectrum Auction, demand for the data broadcasting capacity on the multiplex has increased significantly: this income stream will grow in future.

CLASSIC *fm*

GOOD JOY
MUSIC
CLASSIC
GOOD JOY
MUSIC

Classic FM Deputy Head of Music Phillippa Abrahams selects the pieces for Smooth Classics at 7

GWR Group's digital broadcast services division, which produces Core and Planet Rock (a joint venture with NTL) has been successful in gaining local multiplex licences in areas where the Group has analogue services. In Wolverhampton and Bristol we are preparing to launch, and our application is unopposed in Coventry.

Core, Planet Rock, Classic FM, The Mix and Classic Gold are also carried on the Sky Digital platform, whose 3.4 million users represent a significant potential audience.

Internet Development

Radio is proving to be the medium with the most to gain from the rise of the internet, its quality of parallel consumption leading to an increase in radio listening in internet households. In February the Group committed £6.5 million in the next financial year to launch a new internet related business, ecast ventures, to leverage our key strengths into the internet arena.

Currently the world wide web in general serves local interests poorly, an opportunity which koko.co.uk will exploit. A local portal which will develop into a national network of locally oriented web sites, koko.co.uk aims to provide the best local news, information and entertainment on the web. The partnership with DMGT gives us the opportunity to align GWR's new media developments with areas where DMGT has newspaper interests.

'KOKO.CO.UK AIMS TO PROVIDE THE BEST LOCAL NEWS, INFORMATION AND ENTERTAINMENT ON THE WEB'

Communities of interest are not only expressed in geographical terms – there are a number of subject areas where the Group has built a leading radio brand which will transfer onto the internet. classicfm.com is the leading classical music site: sites linked to other services such as Core, Planet Rock and Classic Gold provide further opportunities.

Musicradio.com is a radio entertainment portal which provides access to radio streams including Classic FM, the Group's local stations and digital-only channels such as Core and Planet Rock.

Finally, ecast ventures will invest in early stage internet businesses and will exchange GWR airtime for an equity shareholding. Our first investment and trading partnerships are with Streets Online, the leading e-commerce retailer; and Altodigital, who will work with us to build web presence for clients.



**ALONGSIDE ITS BEST EVER
AUDIENCE RESULTS
CLASSIC FM HAS
ACHIEVED ITS BEST EVER
REVENUE FIGURES**



Opus was the first sales house to appoint a dedicated Digital Radio specialist - Steve Cray

Regulation

The government has announced that it is to publish a White Paper on Communications Reform later this year, confirming our expectation that there will be new broadcasting legislation early in the next Parliament. We expect reform of the ownership "points" system to be central to the radio section of the Bill, which will give increased headroom to the Group's strategy of growth through acquisition.

We will be asking for a new ownership regulation system, based on share of audience, rather than commercial radio population coverage, as at present. A simpler system of licence renewals, less restrictive format regulation and some degree of limitation of the BBC's freedom to duplicate existing commercial services are also in prospect.

**'THE CURRENT DEREGULATORY CLIMATE LOOKS SET TO BRING
GREATER FREEDOM TO OUR OPERATIONS AND TO
THE GROUP'S STRATEGY OF GROWTH THROUGH ACQUISITION'**

The DTI and the DCMS are combining to prepare the legislation, which will improve the consideration of the commercial as well as the cultural consequences of changes in the law. The current deregulatory climate looks set to bring greater freedom to our operations in future.

The proposed acquisition of the DMG Radio services, announced in June, would put the Group's holdings beyond the 15% "points" limit. We are keeping the Radio Authority fully informed of our intentions and are confident of being able to make appropriate adjustments to our holdings to fall within the limits currently permitted.

Overseas

In Austria our stations have merged with two stations operated by Styria Press, which brings our potential audience to 4.5 million adults. In Vienna, Antenne Wien's audience has grown and our overall business is on an improving trend. In Finland, revenues have increased by more than 45% for the second year running, and the station will be in profit this year.



digital one

DIGITAL ONE LAUNCHED
THE NATIONAL COMMERCIAL
NETWORK IN NOVEMBER AND
CONSUMER TAKE-UP
IS BUILDING AT AN
ENCOURAGING RATE.

The proposed DMG Radio acquisition announced in June will bring into the Group a 53% holding in Radio Danubius, the largest national commercial station in Hungary with a coverage of 8 million and an audience of 3.7 million. Alongside our assets in Austria, Danubius strengthens our Central European operations, in a market which has grown at an average of 35.6% per annum over the last 5 years.

In Australia, the Group will own 25% of DMG Radio's business, with an option to acquire the remaining 75%. The company is one of Australia's leading radio operators with a portfolio of 58 radio licences, including 5AA in Adelaide. In addition, on 24th May 2000, DMG Radio successfully acquired an important new commercial licence for the Sydney area, with a potential audience of 3.75 million listeners.

**'AUSTRALIA PROVIDES SUBSTANTIAL GROWTH
OPPORTUNITIES IN A LIGHTLY REGULATED MARKET'**

The acquisition will give GWR the opportunity to acquire a significant share of an important market which is culturally compatible with GWR's UK operations. The company's radio licences have a total potential audience of 6.75 million listeners - 36 per cent. of the Australian population. GWR will also have the opportunity to exploit its new media expertise as internet opportunities are presented. The Australian radio advertising market has grown by 6.2 per cent. per annum over the last five years: in 1999, radio accounted for 8.8 per cent. of the total display advertising spend in Australia. With a number of licences due to be auctioned in major metropolitan areas over the next few years, Australia provides substantial growth opportunities in a lightly regulated market.

Communities

The GWR Group is committed to the belief that securing and strengthening the links which our radio stations have with the communities they serve is an essential part of our business.

Classic FM enjoys a close relationship with the musical community and brings its activities in this area under the title "Do More With Music". The Classic FM Music Teacher of the Year competition raises awareness of the vital job that passionate and committed music teachers do in nurturing music appreciation in schools.

Classic FM Families gave 100 families across the country the chance to go to a classical music concert for the first time and National Orchestra Week, a partnership with the Association of British Orchestras, is part of a long term initiative aimed at growing the audience for classical music across the country. Our radio stations have always had an excellent reputation for inspiring listeners to raise money for worthwhile causes. Classic FM's "Mass for the Millennium" filled the Royal Albert Hall for the premier of Karl Jenkins' new composition, with ticket proceeds going to the Masterclass Charitable Trust. GWR FM in Bristol raised £67,000 in its 1999 Christmas Appeal, the main beneficiaries of which were Fairbridge, which helps socially disadvantaged young people, and the Avon Youth Association.

Nottingham's Trent FM teamed up with the Queen's Medical Centre to produce a book of recipes by celebrities including the Prince of Wales, Jane Asher, Joanna Lumley and Alan Shearer. Jo Russell and Andy Twigg, Trent's Morning Crew, sold 5000 Celebrity Cook Books during a single show, raising more than £25,000 in the process.

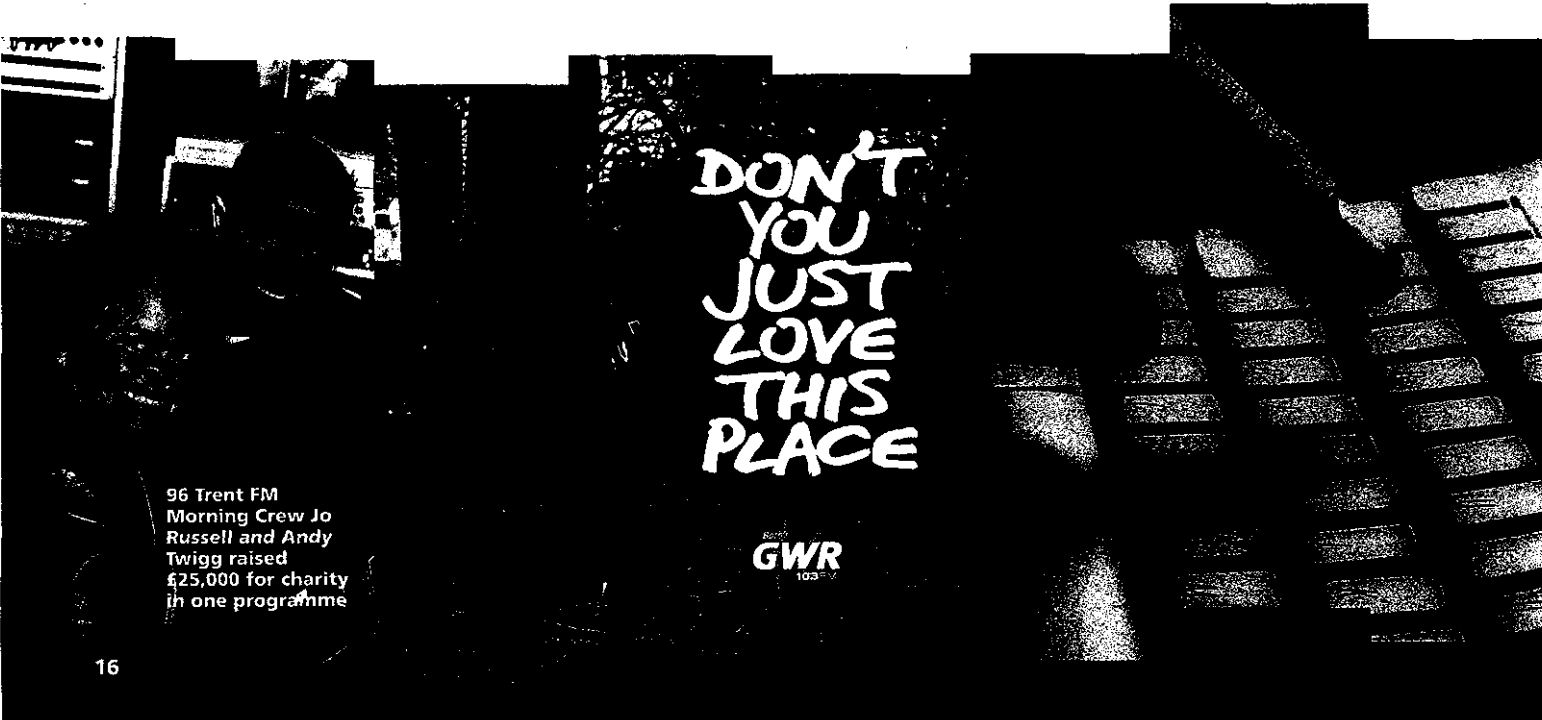
**'STRENGTHENING THE LINKS WHICH OUR RADIO STATIONS HAVE WITH THE
COMMUNITIES THEY SERVE IS AN ESSENTIAL PART OF OUR BUSINESS'**

The Classic Gold network supported the NSPCC's Full Stop Appeal, the largest charity appeal ever mounted in the UK, whose ambitious aim is to end all child abuse within a generation.

Whilst charity fund raising will continue to be an integral part of our stations' community support, we are developing other programmes which will directly utilise the skills of our staff and our relationship with our audiences to benefit society at large. Senior managers at all our radio stations are being exposed to the challenges facing inner cities through "Seeing is Believing" awareness programmes organised by Business in the Community.

In Coventry a group of Managing Directors was able to see the work of the city's Community Drugs scheme and visit an inner city secondary school. Classic FM was able to link the residents of a homeless persons refuge with the City of London Sinfonia and they are now producing a community opera together.

In Leicester, a group of Afro-Caribbean youngsters are being helped to set up their own small scale radio station by staff at 105.4 FM Leicester Sound.



96 Trent FM
Morning Crew Jo
Russell and Andy
Twigg raised
£25,000 for charity
in one programme

**DON'T
YOU
JUST
LOVE
THIS
PLACE**

GWR
103.9

In Peterborough, Hereward FM persuaded 17 local companies to send reading teams into local schools as part of a voluntary scheme to help raise literacy levels in the area. In addition, listeners donated 3,500 books for distribution to the schools.

Conclusion

The past 12 months has proved the Group's ability to respond quickly to new opportunities, both in technology and in the structure and regulation of the business. Our investment in digital radio – viewed with scepticism by some, as evidenced by the lack of any competing application for the national multiplex licence – is now seen as a significant first-mover advantage. Digital One controls 10 of the strongest programme formats in digital radio.

**'THE PAST 12 MONTHS HAS PROVED THE GROUP'S ABILITY TO
RESPOND QUICKLY TO NEW OPPORTUNITIES, BOTH IN TECHNOLOGY
AND IN THE STRUCTURE AND REGULATION OF THE BUSINESS'**


Classic FM, as we refine our understanding of the benefits the brand offers its listeners, is growing into new areas of profitability. Working with DMGT, we will take the station and its values to new audiences.

Our local stations dominate listening and advertising choices for people in their regions and will be strengthened by the proposed addition of the DMG Radio services.

From these platforms we will build our internet presence, building classicfm.com, developing the koko.co.uk brand to inform and entertain our local areas, and bringing internet and broadcast radio streams together on one site in musicradio.com.

In a period which has seen a number of "dot-com" start-ups struggle to make their mark, the Group's long-established expertise in serving, managing, and profiting from communities of listeners gives us a significant advantage - an advantage that we will exploit to the full as we develop over the next 12 months.

musicradio.com



RADIO IS PROVING TO BE
THE MEDIUM WITH THE
MOST TO GAIN FROM THE
RISE OF THE INTERNET, ITS
QUALITY OF PARALLEL
CONSUMPTION LEADING TO
AN INCREASE IN RADIO
LISTENING IN INTERNET
HOUSEHOLDS.

Bristol

Swindon

Bath

Financial Review



Patrick Taylor FCA
FINANCE DIRECTOR

Operating results

The year ended 31 March 2000 has been a period of strong organic growth for the Group with substantial investment in new operations. These include the launch of the Group's national commercial digital radio multiplex, the setting up of our new Internet division and the integration of several new local radio businesses.

The key results for the year are as follows:

- turnover has increased by 22% to £102.3 million.
- investment in new businesses expensed in the profit and loss account total £6.1 million
- profits before tax, excluding the effect of new operations, has risen 37.5% from £18.1 million to £24.9 million
- the Group operating profit margin, excluding new operations, has grown by 11% to 31%
- the headline earnings per share has risen by 26% from 11.1p to 14.0p.

A tight control has been maintained over operating costs. Personnel costs have risen by 2.2% year on year and other operating costs (excluding depreciation and revenue related costs) rose by 2.5%.

New operations

The new local radio businesses for last year were seven stations in the West of England, including Somerset's Orchard FM, Gemini FM and 97 FM Plymouth Sound. Together these stations contributed a profit of £1.8 million on a turnover of £6.6 million – a margin of 26.6%. The integration of these stations into the Group is progressing well.

Digital One's services started in November 1999. The on air national digital services now include GWR's Classic FM, Core and Planet Rock. Investment in digital radio during the year was £2.5 million, of which £1.1 million was incurred before the launch of the Digital One multiplex and £1.4 million was post-launch.

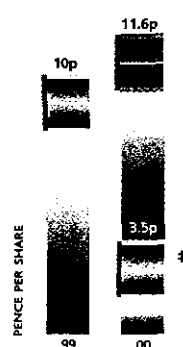
Other new operations included investment in our new Internet division of £546,000 and losses incurred at Antenne Wien, our station in Vienna, of £1.6 million. The Group has a 39% economic interest in this station, after taking account of minority interests its effect on the Group's profit for the financial year was a loss of £652,000.

Interest

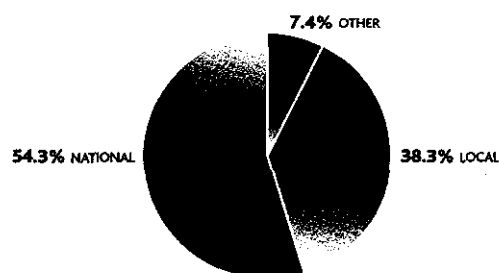
Investment in businesses that were new to the Group this year amounted to approximately £40 million, all of which was funded through additional borrowing. Interest on these new investments amounted to £2.7 million of the total interest cost £3.5 million (1999: £2.2 million). The increase in bank debt and investments are the two most significant movements on this year's balance sheet. The interest expense is covered 6.5 times by the Group's profit before interest and taxation (1999: 9.4 times). All bank borrowings are at variable LIBOR related interest rates.

Taxation

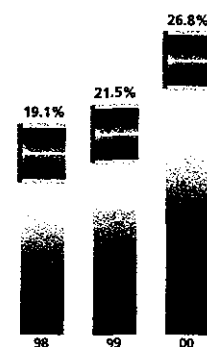
The effective rate of taxation for the Group for the year was 32% (1999: 36%). The effective rate has reduced this year due to the introduction of a Qualifying Employee Share Ownership Trust. However, losses made by our overseas operations, which are not available for set-off against profits made in the UK, have increased the effective tax rate.



Cash flow generated per share
 £ 11.6p per share for existing businesses and -8.1p per share for new operations making a total of 3.5p per share



Revenue split by source



Group profit margins
 Profit before tax excluding new operations

Dividend

The Board has proposed a final dividend of 3.1p per share (1999: 2.6p per share), giving a total dividend for the year of 5p, representing an increase of 19% over last year's dividend of 4.2p. Dividend cover is 2.8 (1999: 2.6). The final dividend will be paid on 14 August to all shareholders on the register on 7 July 2000. The ex-dividend date is 3 July 2000.

Review of the Group cash flow statement

The Group generated £25.7 million of cash (1999: £22 million) from operating activities during the year, excluding capital prepayments, and £24.3 million (1999: £14 million) from net increases in borrowings and the issue of shares. The cash resources were utilised principally by investing £7.3 million (1999: £6.5 million) in fixed assets, a net £8.5 million (1999: £17.1 million) on the acquisition of subsidiaries and associates and £8.1 million (1999: £1 million) on the purchase of fixed asset investments, principally the acquisition in March 2000 of a 5% stake in internet company Altodigital Limited for £7 million.

The Group paid tax of £8.2 million, including £2.2 million in advance in respect of the year to 31 March 2000 under the new Inland Revenue Corporation Tax Self Assessment system. The Group also paid dividends of £5 million (1999: £4 million) to its shareholders. Overall cash generation per share for existing businesses increased by 16% this year, or by 30% excluding the effect of the above accelerated tax payments.

Accounting policies

Financial Reporting Standard No. 15 Tangible Fixed Assets has been adopted and all revalued assets have been restated at their historical cost less accumulated depreciation. The effect of this adjustment has been to reduce net assets by £1.1 million.

Year 2000

Following a detailed review of the Group's computer systems for the impact of the Year 2000 date change, the Group is pleased to confirm that no problems have been encountered since the New Year.

Share price

During the year our share price rose from £3.665 at the end of last year to £9.425 on 31 March 2000, giving the Group a market capitalisation of £1.05 billion. The share price ranged from a high of £11.14 to a low of £3.375.

JPE Taylor
 Deputy Chief Executive and Finance Director

Corporate Governance

Statement of Appliance of the Principles in the Combined Code

The Combined Code, issued by the UK Listing Authority in June 1998, has been supplemented by a publication prepared by a working party of the Institute of Chartered Accountants in England and Wales entitled "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull Guidance). The guidance was published on 27 September 1999 to enable listed companies to comply with paragraph 12.43 A(a) and (b) of the Listing Rules. The UK Listing Authority has welcomed the publication and considers that compliance with all aspects of the Combined Code and, in particular, with those aspects of it relating to internal control will now be possible and will be required for accounting periods ending on or after 23 December 2000. Implementation arrangements to allow companies to take the next steps necessary to adopt the new guidance have been set out by the UK Listing Authority.

The Board of directors has followed these implementation arrangements in respect of the application of Code principle D2 of the Combined Code and has established the procedures necessary to implement the Turnbull Guidance in the financial year ended 31 March 2001. With regard to Code provision D2.1 of the Combined Code, the board has restricted its review of the effectiveness of internal control to internal financial controls pursuant to "Internal Control and Financial Reporting – Guidance for directors of listed companies registered in the UK" (the Rutterman Guidance).

The following narrative sets out how the Group has applied the Principles in Section 1 of the Combined Code (the "Code").

The Board

The Board meets regularly at least ten times a year. A formal schedule of matters specifically reserved to the Board for decision is in place and is reviewed and updated annually. 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 Board's normal business consists of reports from the Chief Executive, the Group Operations and Programme Director, the Commercial Director, the Overseas Director and the Finance Director. Directors receive Board information five days prior to the day of each Board meeting.

The directors are identified on pages 6 and 7. There are nine non-executive and five executive directors on the Board of fourteen directors. The Board believes it has a strong independent non-executive presence, with five out of the nine non-executives being independent of management and free from any business and other relationship which could materially interfere with the exercise of their independent judgement. The senior independent non-executive director is RJ Palmer, the Vice Chairman. Our non-executive directors bring a balance and diversity of skills and experience to the Board. In particular they bring extensive experience from other UK media companies.

There is a clear designation of positions and responsibilities between the role of Chairman, held by HPJ Meakin and that of Chief Executive, held by RM Bernard. The Chairman is responsible for running the Board, the development of strategy and shareholder relationships, the Chief Executive is responsible for running the business of the Group.

The Statement of Directors' Responsibilities is on page 26.

Board Committees

Each Board Committee has written terms of reference approved by the Board annually. Members of the Audit and Remuneration Committees are shown on pages 6 and 7. During the year there were three Audit Committee and five Remuneration Committee meetings.

The Remuneration Committee is chaired by the Company's Chairman, HPJ Meakin. In addition RN Gilbert sits on the Committee. In accordance with the definitions contained within the Code neither director is deemed to be independent. The Board believes that the expertise and knowledge of HPJ Meakin and RN Gilbert in this area are valuable and that their membership of that Committee is in the best interests of the Company. The summary terms of reference for the Remuneration Committee are to determine and agree with the Board the framework and broad policy for the remuneration of the Group's senior executive management and to recommend the remuneration packages for those executives.

The Audit Committee is chaired by the Company's Deputy Chairman, RN Gilbert. Three out of the four members of the Audit Committee are deemed to be independent. The summary terms of reference for the Audit Committee are to assist the Board in the discharge of its responsibilities in relation to the audit, the auditors, financial reporting, internal control procedures and going concern.

The Board is progressing the implementation of the Nomination Committee in accordance with Code provision A.5.1.

Re-election of directors

The Company's Articles require all directors to be re-elected at least every three years, in accordance with the Code. The Articles require that a new director's appointment must be ratified by the shareholders at the Annual General Meeting following appointment in accordance with the Code.

Directors' remuneration

The policy relating to and information on directors' remuneration is included within the Report of the Board on Directors' Remuneration on page 22.

Corporate Governance

Relations with shareholders

There is a regular dialogue with institutional shareholders, including meetings with the Chief Executive and the Deputy Chief Executive and Finance Director. In addition there are open presentations of the annual and interim results and other topics.

A trading statement is issued at each Annual General Meeting. All directors generally attend the Annual General Meeting. Details of the resolutions to be proposed at the Annual General Meeting are on pages 55 and 56.

Internal control

The Board acknowledges its responsibility to maintain a sound system of internal control, and review the effectiveness thereof. During the year ended 31 March 2000 the Board reviewed the financial internal controls in accordance with the Ruttman Guidance but, in line with transitional arrangements issued by the UK Listing Authority, did not review the effectiveness of internal controls related to operational and compliance controls and risk management. However, as mentioned previously the Board has established the necessary procedures to enable the Group to fully comply with code provision D2.1 of the Combined Code for the year ended 31 March 2001.

The Group has a control environment, with policies, processes and codes of conduct which are designed to identify, manage and mitigate risk over a wide range of business activities. As new procedures and working practices are adopted, risk factors are considered and internal controls embedded into the systems wherever possible.

The internal control systems are designed to meet the Group's particular needs and mitigate the risks to which it is exposed, and by their nature can only provide reasonable but not absolute assurance against misstatement or loss.

The key features of the control environment which have been established are as detailed above and relate to the constitution and role of the Board and its Committees. The principal board committees are the Audit and Remuneration Committees, which consist entirely of non-executive directors. The members of these Committees are shown on pages 6 and 7.

The Chief Executive chairs a Group Executive Committee which consists of the five executive directors. This Committee advises the Chief Executive but is not a formally delegated Board Committee. The Group's operations are in seven divisions: Local radio, Classic FM, Enterprises, Digital Radio, Internet, Overseas and Group Services. Each of our local radio stations has a Managing Director who reports to our Group Operations Director. Managing Directors are responsible for the station's profitability and programming output. In addition the Group organisational structure has formally defined lines of responsibility and delegation of authority.

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
- A comprehensive financial reporting system with actual performance compared with budgets and forecasts on a regular basis
- Regular reporting of developments to the Group board by senior management through the Group Executive Committee
- 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 has reviewed the results of the self-certification process for the financial year ended 31 March 2000 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.

Statement of Compliance

Throughout the year ended 31 March 2000 the Company has been in compliance with the Code Provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the UK Listing Authority, except for the following areas which are either detailed above or within the Board's Remuneration report on page 22:

1. A.5.1. The Board is progressing the implementation of the Nomination Committee.
2. B.1.7. The Chief Executive, RM Bernard and the Deputy Chief Executive and Finance Director, JPE Taylor both have two year contracts.
3. B.2.1. The Chairman, HPJ Meakin and the Deputy Chairman, RN Gilbert, who are not deemed to be independent directors, are members of the Remuneration Committee.

The above areas of non-compliance were for the whole of the year ended 31 March 2000.

Report of the Board on directors' remuneration to the members of GWR Group plc

Compliance

In designing schemes of performance related remuneration, the Remuneration Committee has followed the provisions in Schedule A to the Combined Code. In preparing the remuneration report, the Board has followed the provisions in Schedule B to the Combined Code.

Directors' remuneration

Membership of the Remuneration Committee is shown on pages 6 and 7 of these accounts.

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 and compared to general trends in executive pay as well as packages at other major media groups. The Committee aims to ensure that a significant proportion of total remuneration is performance related. The Remuneration Committee is made aware of pay conditions around the Group when it is considering executive salaries. Executive directors receive a basic salary, a bonus, benefits, pension contributions 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 assessed annually 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, details of which are given below.

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

Longer term incentives for executive directors are through the grant of 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 ended 31 March 2000:

Director	Basic salary	Fees	Bonus	Benefits in kind	Total year ended 31 March 2000	Total year ended 31 March 1999	Pensions Total year ended 31 March 2000	Pensions Total year ended 31 March 1999
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive								
RM Bernard	300	-	138	20	458	421	75	55
JPE Taylor FCA	247	-	97	10	354	296	-	31
R Lewis	148	-	81	12	241	104	53	9
S Orchard	175	-	81	8	264	187	26	22
SC Ward	175	-	81	8	264	183	26	22
Non-executive								
HPJ Meakin	-	70	-	-	70	70	-	-
RN Gilbert FCA	-	25	-	-	25	17	-	-
RJ Palmer	-	24	-	-	24	22	-	-
CE Blackwell	-	25	-	19	44	30	-	-
S Duffy	-	12	-	-	12	10	-	-
Sir Peter Michael CBE	-	12	-	-	12	10	-	-
SJ Pirie OBE FCA	-	18	-	-	18	17	-	-
JH Trafford	-	15	-	-	15	12	-	-
NS Tresilian	-	18	-	3	21	86	-	-
Total	1,045	219	478	80	1,822	1,465	180	139

Report of the Board on directors' remuneration to the members of GWR Group plc

Fees payable to non-executive directors are determined by the Group Board, following proposals from the Remuneration Committee. The majority of the non-executive directors have 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 year paid directly to companies of which they were also a director:

Director	Company
RN Gilbert	DMG Holdings Ltd
Sir Peter Michael	Stockford Ltd

Further information on directors' emoluments is given in note 5 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 limited situations a director may be entitled to retain his 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 is currently a member of this Scheme; they have instead opted to have an annual amount ranging from 15% to 20% of their annual basic salary paid into their individual pension schemes, except for JPE Taylor who is not in pensionable employment.

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 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. Executive share options are never offered at a discount.

(a) 1985 Executive Share Option Scheme

The GWR Group plc 1985 Executive Share Option Scheme closed in 1995. At 31 March 2000, options were held to subscribe for 65,903 shares at prices of 46.27p and 120.106p per share exercisable by 2005.

(b) 1995 Executive Share Option Scheme

The GWR Group plc 1995 Executive Share Option Scheme is available to all 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, assuming that the relevant performance criteria have been met. These provide that options will vest on a sliding scale from 50% to 100%, based on the level of compound growth per annum in the Group's earnings per share above RPI during the option period. Options granted to executive directors are subject to more challenging criteria (see below). At 31 March 2000 options were held to subscribe for 588,514 shares under this scheme at prices ranging between 179.5p and 919.5p per share exercisable by 2010.

(c) 1995 Savings-Related Share Option Scheme

The GWR Group plc 1995 Savings-Related Share Option Scheme is available to employees 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 2000 options are held to subscribe for 995,039 shares under this scheme at prices ranging between 135p and 319p per share exercisable by 2002.

Report of the Board on directors' remuneration to the members of GWR Group plc

(d) 1996 Executive Share Option Scheme

The 1996 Executive Share Option Scheme is available to all 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 options will vest on a sliding scale from 50% to 100%, based on the level of compound growth per annum in the Group's earnings per share above RPI during the option period.

At 31 March 2000 2,726,024 options had been granted under this Scheme at prices ranging between 179.5p and 688.5p per share exercisable by 2007.

Options granted to executive directors under the 1995 and 1996 Executive Share Option Schemes are subject to more challenging performance criteria. Options granted to RM Bernard and JPE Taylor under the Executive Share Option Schemes will vest on a sliding scale from 25% to 100%, based on the level of compound growth per annum in the Group's earnings per share above RPI during the option period.

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	Expiry date	Date from which exercisable
	At 31.3.99	Granted/ (exercised) during the year	At 31.3.00			
RM Bernard	1,000,000	(735,000)	265,000	212p	10.4.03	11.4.99
	12,789	-	12,789	135p	4.7.01	4.1.01
	150,000	-	150,000	179.5p	15.4.05	16.4.01
	-	150,000	150,000	409p	28.9.06	29.9.02
	1,162,789	(585,000)	577,789			
JPE Taylor FCA	400,000	-	400,000	220.5p	26.9.03	27.9.99
	7,065	-	7,065	138p	18.1.01	18.7.00
	100,000	-	100,000	179.5p	15.4.05	16.4.01
	-	100,000	100,000	409p	28.9.06	29.9.02
	507,065	100,000	607,065			
R Lewis	200,000	-	200,000	210.8p	12.11.05	13.11.01
	-	3,036	3,036	319p	1.9.03	1.9.02
	-	100,000	100,000	409p	28.9.06	29.9.02
	200,000	103,036	303,036			
S Orchard	12,789	-	12,789	135p	4.7.01	4.1.01
	100,000	-	100,000	179.5p	15.4.05	16.4.01
	-	75,000	75,000	409p	28.9.06	29.9.02
	112,789	75,000	187,789			
SC Ward	12,789	-	12,789	135p	4.7.01	4.1.01
	100,000	-	100,000	179.5p	15.4.05	16.4.01
	-	75,000	75,000	409p	28.9.06	29.9.02
	112,789	75,000	187,789			

Report of the Board on directors' remuneration to the members of GWR Group plc

RM Bernard exercised options over 650,000 and 85,000 shares on 14 July 1999 and 18 February 2000 respectively when the market prices of the Company's shares were 464p and 920p respectively. The total gains before tax and dealing expenses on the sale of these shares at those dates would have been £1,638,000 and £601,800 respectively.

All the directors detailed above are executive.

The market price of the shares at 31 March 2000 was 942.5p. The range during the 12 month period to 31 March 2000 was from 337.5p to 1114.0p.

Service contracts

Executive contracts are all for one year with the exception of RM Bernard, the Chief Executive and JPE Taylor, the Deputy Chief Executive and Finance Director, who have two year contracts. The Board considers a two year contract appropriate in these instances as both of these individuals are considered to have exceptional experience, skills and track record in the radio industry.

Executive directors' contracts all 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%. This bonus is not payable unless the growth in earnings per share is 10% or more. R Lewis has an annual bonus linked to profit achievement at Classic FM up to a maximum of 10% of salary. The limit on the executive directors' annual bonuses varies between a maximum of 50% and 60% of basic salary.

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.

On behalf of the Board

HPJ Meakin
Chairman
26 May 2000

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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.

Auditors' report to the members of GWR Group plc

We have audited the financial statements on pages 30 to 51.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 26, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 21 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

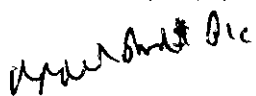
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 2000 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



100 Temple Street
Bristol
BS1 6AG

26 May 2000

Directors' report

The directors present their report and the audited accounts for the Group for the year ended 31 March 2000.

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 4 and 10 to 19.

Results and dividends

The Group profit and loss account is shown on page 30. The profit before taxation for the year is £18,750,000 (1999: £18,302,000).

An interim dividend of 1.9p per share (1999: 1.6p) was paid on 12 January 2000. The directors recommend the payment of a final dividend of 3.1p per share (1999: 2.6p) on 14 August 2000 to shareholders on the register of members at the close of business on 7 July 2000, making a total net dividend per share for the year to 31 March 2000 of 5.0p per share (1999: 4.2p).

Acquisitions

On 30 June 1999 GWR Group plc acquired Plymouth Sound Limited, a company that operates a local radio licence in Plymouth. The consideration was satisfied by a combination of cash and the redemption of Loan Notes totalling £5,280,000.

On 23 December 1999 GWR Group plc acquired a further 29% shareholding in Minster Sound Radio plc, a company that operates three local radio licences in Yorkshire. The consideration for this purchase, which brought the Group's total shareholding in the company up to 49%, was cash of £2,442,414.

On 29 March 2000 GWR Group plc acquired a 5% shareholding in Alto Group Limited, an internet company. The consideration for this purchase was cash of £7,000,000.

Further details of these acquisitions are set out in note 22 to the accounts.

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 5 June 2000 are as follows:

	Number of shares	% of issued share capital
Daily Mail and General Trust PLC	21,011,466	18.8
Deutsche Bank AG	12,081,887	10.8
Henderson Investors plc	11,729,173	10.5
Sir Peter Michael	6,757,369	6.1
Schroder Investment Management Limited	6,192,511	5.5
Morley Fund Management Limited	4,836,910	4.3
	62,609,316	56.0

The Daily Mail and General Trust investment is held in the name of two of its subsidiary companies, DMG Radio Investments Limited and Western Newspapers Limited. The majority of Sir Peter Michael's interest is registered in the name of Stockford Limited.

Directors

The directors of the Company for the year ended 31 March 2000 are on pages 6 and 7.

In accordance with the articles of association RM Bernard, S Orchard, SC Ward, NS Tresilian and JH Trafford retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. RM Bernard has a two year contract; S Orchard and SC Ward have one year service contracts; NS Tresilian and JH Trafford have one year contracts renewable at the invitation of the Board.

Information on directors' emoluments is given on page 22 and in note 5 to the accounts.

Directors' report

Directors' interests

The interests of the directors in the shares of the Company at 31 March 2000, together with their interests at 31 March 1999, are as follows:

	31 March 2000	31 March 1999
HPJ Meakin	15,925	15,925
RN Gilbert FCA	9,972	9,972
RJ Palmer	50,370	70,825
RM Bernard	400,000	400,000
JPE Taylor FCA	45,000	135,000
R Lewis	-	-
S Orchard	500	10,000
SC Ward	149,375	149,375
CE Blackwell	81,000	84,000
S Duffy MBA	-	-
Sir Peter Michael	6,757,369	8,257,369
SJ Pirie FCA	29,000	29,000
JH Trafford	11,414	11,414
NS Tresilian	40,000	50,000
Total	7,589,925	9,222,880

All interests shown above are beneficial with the exception of 26,328 shares held by RM Bernard, 2,200 shares held by SJ Pirie, 4,370 shares held by RJ Palmer, 40,500 shares held by CE Blackwell and 3,081 shares held by NS Tresilian. 45,000 shares and 46,000 shares are held by nominee companies for JPE Taylor and RJ Palmer respectively. 6,357,369 shares are held in the name of Stockford Ltd for Sir Peter Michael.

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 2000. Daily Mail and General Trust PLC also holds a further 268,292 shares in GWR Group plc via its subsidiary Western Newspapers Limited.

There has been no change in the interests set out above between 31 March 2000 and 5 June 2000. None of the directors had any interest in the shares of any subsidiary company. Details of share options held by directors are set out on page 24.

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.

To mark the Millennium the Company granted share options to the value of £2,000 to each of the Group's employees.

Policy for the payment of suppliers

The Company and Group's policy in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. The Group and Company do not follow any code or standard on payment practice but it is the policy to pay all suppliers when the invoices become due for payment. The number of days purchases outstanding at 31 March 2000 for the Company was nil and for the Group as a whole was 21.

Charitable and political contributions

The Group made charitable donations of £18,300 during the year (1999: £7,750). In addition, more than £1 million was generated for local charitable causes through fund raising events organised or supported by GWR radio stations. GWR has also been involved with the NSPCC Full Stop Appeal and the Children's Promise Appeal.

The Group made no political donations during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

By order of the board
Ms W Pallot ACA
Company Secretary
26 May 2000



Consolidated profit and loss account for the year ended 31 March 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	102,271	84,160
Operating expenses	3	(80,512)	(64,033)
Operating profit	2	21,759	20,127
Income from interests in associated undertakings		135	103
Investment income	6	317	285
Interest payable and other similar charges	7	(3,461)	(2,213)
Profit on ordinary activities before taxation	2, 8	18,750	18,302
Taxation	9	(6,019)	(6,565)
Profit on ordinary activities after taxation		12,731	11,737
Minority interests - equity		1,057	395
Profit for the financial year		13,788	12,132
Dividends	10	(5,577)	(4,611)
Retained profit for the year	23	8,211	7,521
 Earnings per share	11	 12.5p	11.1p
Diluted earnings per share	11	12.2p	11.0p
Headline earnings per share	11	14.0p	11.1p

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

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

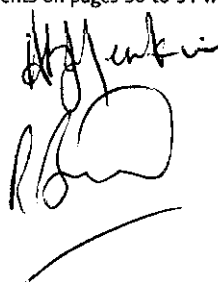
Balance sheets at 31 March 2000

	Notes	Group		Company	
		2000 £'000	1999 £'000	2000 £'000	1999 £'000
Fixed assets					
Intangible assets	12	38,349	30,545	667	703
Tangible assets	13	21,114	20,539	743	1,567
Investments	14	19,958	6,834	86,244	71,136
		79,421	57,918	87,654	73,405
Current assets					
Stocks		136	76	-	-
Debtors	15	34,288	24,928	45,206	33,714
Cash at bank and in hand		1,592	2,968	-	-
		36,016	27,972	45,206	33,714
Creditors: amounts falling due within one year	16	(73,321)	(64,614)	(44,756)	(36,076)
Net current (liabilities)/assets		(37,305)	(36,642)	450	(2,362)
Total assets less current liabilities		42,116	21,276	88,104	71,043
Creditors: amounts falling due after more than one year	17	(34,716)	(24,126)	(31,350)	(22,500)
Provisions for liabilities and charges	19	(2,129)	(1,457)	-	(163)
Net assets/(liabilities)	2	5,271	(4,307)	56,754	48,380
Capital and reserves					
Called up share capital	21	5,583	5,495	5,583	5,495
Share premium account	23	7,140	733	7,140	733
Other reserves	23	369	1,482	32,082	32,082
Profit and loss account	23	(3,775)	(8,919)	11,949	10,070
Equity shareholders' funds		9,317	(1,209)	56,754	48,380
Minority interests - equity		(4,046)	(3,098)	-	-
		5,271	(4,307)	56,754	48,380

The financial statements on pages 30 to 51 were approved by the board of directors on 26 May 2000 and are signed on its behalf by:

Henry Meakin
Chairman

Ralph Bernard
Chief Executive



Consolidated cash flow statement for the year ended 31 March 2000

	Notes	2000 £'000	1999 £'000
Operating activities			
Net cash inflow from operating activities	25	20,605	22,056
Returns on investments and servicing of finance			
Investment income received		76	54
Net interest paid		(3,307)	(2,155)
Interest paid on finance leases		(49)	(71)
Dividend received		263	234
Net cash outflow from returns on investments and servicing of finance		(3,017)	(1,938)
Taxation			
UK Corporation tax paid		(8,103)	(4,198)
Overseas tax paid		(107)	(91)
		(8,210)	(4,289)
Capital expenditure and financial investment			
Sale of tangible fixed assets		233	210
Purchase of tangible fixed assets		(5,700)	(5,149)
Purchase of intangible fixed assets		(1,592)	(1,304)
Purchase of fixed asset investments		(8,053)	(779)
Net cash outflow from capital expenditure and financial investment		(15,112)	(7,022)
Acquisitions and disposals			
Purchase of subsidiaries		(6,062)	(16,791)
Cash acquired with subsidiaries		520	262
Overdraft acquired with subsidiaries		-	(427)
Purchase of investments in associates		(5,113)	(112)
Disposal of investments in associates		2,184	-
Net cash outflow from acquisitions and disposals		(8,471)	(17,068)
Equity dividends paid		(4,971)	(4,044)
Net cash outflow before financing		(19,176)	(12,305)
Financing			
Issue of shares		2,082	720
Increase in short term borrowings		9,049	13,501
Increase in medium term borrowings		12,000	3,707
Repayment of loans		(3,150)	(4,100)
Issue of share capital by group companies		110	388
Repayment of principal under finance leases		(192)	(202)
Net cash inflow from financing		19,899	14,014
Increase in cash for the year	26, 27	723	1,709

Consolidated statement of total recognised gains and losses

for the year ended 31 March 2000

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

Reconciliations of movements in consolidated shareholders' funds

for the year ended 31 March 2000

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Profit for the financial year	13,788	12,132	11,869	11,482
Dividends	(5,577)	(4,611)	(5,577)	(4,611)
Retained profit for the financial year	8,211	7,521	6,292	6,871
Currency translation differences on foreign currency investments	73	(152)	-	-
New share capital issued	88	43	88	43
Premium on shares issued	6,407	677	6,407	677
Goodwill movements	1,273	459	-	-
Restatement of fixed assets at cost	(1,113)	-	-	-
Qualifying Employee Share Ownership Trust	(4,413)	-	(4,413)	-
Net increase in shareholders' funds	10,526	8,548	8,374	7,591
Opening shareholders' funds	(1,209)	(9,757)	48,380	40,789
Closing shareholders' funds	9,317	(1,209)	56,754	48,380

Notes to the accounts for the year ended 31 March 2000**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 except where indicated, is set out below.

Basis of accounting

The accounts are prepared in accordance with the historical cost convention and in accordance with Financial Reporting Standards 13 and 15.

Basis of consolidation

The consolidated accounts include the accounts of the Company and all its subsidiary undertakings made up to 31 March 2000. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

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

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

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

Intangible fixed assets*Treatment of goodwill*

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 April 1998 when Financial Reporting Standard 10 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs, any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, normally 20 years.

On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost (less any impairment in value).

Other

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

Tangible fixed assets

Tangible fixed assets are stated at their purchase price less accumulated depreciation. In prior years certain properties were stated at amounts based on valuations which had been carried out in 1988. Following its adoption this year of Financial Reporting Standard 15, the Company reconsidered its policy of carrying certain of the Group's tangible fixed assets at valuation. The policy has been changed such that the carrying amount of all tangible fixed assets previously stated at a valuation has been restated to historical cost less accumulated depreciation.

The effect of this has been to reduce the net book value of tangible fixed assets by £1,287,000 and to reduce the Revaluation Reserve by £1,113,000. The impact is not material to the Group accounts.

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

Freehold buildings	2%	Transmitters	5%
Fixtures and technical equipment	10%-33%	Motor vehicles	20%

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

Notes to the accounts for the year ended 31 March 2000**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.

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Such a transfer is presumed where at the inception of the lease the present value of the minimum lease payments included in any initial payment, amounts to substantially all (90% or more) of the fair value of the leased asset.

An operating lease is a lease other than a finance lease.

Stocks

Stocks are stated as the total of the lower of cost and net realisable value of the separate items of stock or of groups of similar items.

Turnover

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

Taxation

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

Foreign Currencies

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

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

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

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

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

The Group has only one material class of business.

Notes to the accounts for the year ended 31 March 2000**3 OPERATING EXPENSES**

	2000 £'000	1999 £'000
Selling and administration expenses	68,702	54,670
Other operating expenses	11,810	9,363
	80,512	64,033

4 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 year	
	2000 Number	1999 Number	2000 Number	1999 Number
Programming	146	131	139	145
Sales	437	412	439	420
Technical	53	52	59	54
Management and administration	165	152	167	168
Total	801	747	804	787

	2000 £'000	1999 £'000
Staff costs (for the above persons):		
Wages and salaries	21,452	19,101
Social security costs	2,532	1,922
Pension costs	790	493
Other	70	56
Total	24,844	21,572

The above analysis includes the costs relating to directors but excludes persons engaged under short-term and part-time contracts which include certain presenters. The total cost of these persons amounts to £5,581,877 (1999: £4,374,216).

5 DIRECTORS' EMOLUMENTS

	2000 £'000	1999 £'000
Emoluments for qualifying service	1,822	1,462
Pension contributions	180	139
	2,002	1,601

Fees and salary payments include amounts payable to third parties for the services of directors of £37,000 (1999: £37,500). Potential gains to be made by directors on the exercise of share options are disclosed in the Board's Remuneration Report on page 25.

Notes to the accounts for the year ended 31 March 2000**6 INVESTMENT INCOME**

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

7 INTEREST PAYABLE AND OTHER SIMILAR CHARGES

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

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

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

9 TAXATION

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

Notes to the accounts for the year ended 31 March 2000**10 DIVIDENDS**

		2000	1999
		£'000	£'000
Interim	1.9p per share (1999: 1.6p) paid 12 January 2000	2,116	1,754
Final proposed	3.1p per share (1999: 2.6p) to be paid on 14 August 2000	3,461	2,857
	5.0p (1999: 4.2p)	5,577	4,611

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

11 EARNINGS PER SHARE

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

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

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

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

Notes to the accounts for the year ended 31 March 2000

12 INTANGIBLE FIXED ASSETS
Group

	Goodwill £'000	Other £'000	Total £'000
Cost			
At 1 April 1999	28,863	2,443	31,306
Additions	7,989	1,581	9,570
At 31 March 2000	36,852	4,024	40,876
Amortisation			
At 1 April 1999	25	736	761
Amortisation charge for the year	1,628	138	1,766
At 31 March 2000	1,653	874	2,527
Net book value			
At 31 March 2000	35,199	3,150	38,349
Net book value			
At 31 March 1999	28,838	1,707	30,545

The directors consider that the capitalised goodwill relating to prior year acquisitions has a life of not less than 20 years. Goodwill in respect of the acquisitions of the subsidiary company Plymouth Sound Limited and other associate company investments during 2000 is amortised over 20 years.

Company

	Goodwill £'000	Other £'000	Total £'000
Cost			
At 1 April 1999 and 31 March 2000	715	15	730
Amortisation			
At 1 April 1999	25	2	27
Amortisation charge for the year	33	3	36
At 31 March 2000	58	5	63
Net book value			
At 31 March 2000	657	10	667
Net book value			
At 31 March 1999	690	13	703

Notes to the accounts for the year ended 31 March 2000**13 TANGIBLE FIXED ASSETS****Group**

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

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

Depreciation charge for the year ended 31 March 2000	-	112	42	154
Net book value at 31 March 2000	-	27	103	130
Depreciation charge for the year ended 31 March 1999	-	149	18	167
Net book value at 31 March 1999	-	174	17	191

Freehold land and buildings at our Bournemouth and Reading sites were the subject of a valuation in June 1988 by Conrad Ritblat and Company, a firm of independent consultant surveyors and valuers, on an open market valuation for existing use basis. These valuations have been removed from the accounts in the year ended 31 March 2000 and the original costs reinstated in accordance with Financial Reporting Standard 15.

The amount of freehold land not depreciated is £1.3 million.

Notes to the accounts for the year ended 31 March 2000

13 TANGIBLE FIXED ASSETS continued

Land and buildings at net book value comprise:

	2000 £'000	1999 £'000
Freehold	5,923	5,592
Short leasehold	2,196	2,704
	8,119	8,296

Company

	Fixtures and technical equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 1999	2,789	51	2,840
Disposals	-	(10)	(10)
Transfers	(303)	-	(303)
At 31 March 2000	2,486	41	2,527

Depreciation

At 1 April 1999	1,230	43	1,273
Depreciation charge for the year	311	8	319
Disposals	-	(10)	(10)
Transfers	202	-	202
At 31 March 2000	1,743	41	1,784

Net book value

At 31 March 2000	743	-	743
Net book value			
At 31 March 1999	1,559	8	1,567

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

Depreciation charge for the year ended 31 March 2000	-	-	-
Net book value at 31 March 2000	-	-	-
Depreciation charge for the year ended 31 March 1999	73	-	73
Net book value at 31 March 1999	-	-	-

Notes to the accounts for the year ended 31 March 2000

14 INVESTMENTS
Group

	Associated undertakings £'000	QUEST £'000	Other investments £'000	Total £'000
At 1 April 1999	4,403	-	2,431	6,834
Additions	5,113	-	8,041	13,154
Own shares acquired by QUEST	-	4,413	-	4,413
Disposals	(2,032)	-	-	(2,032)
Share of results for the year	(18)	-	-	(18)
Goodwill movements	(2,393)	-	-	(2,393)
At 31 March 2000	5,073	4,413	10,472	19,958

Further information regarding the QUEST is given in note 21.

Associated undertakings

The principal associated undertakings are as follows:

Name	Country of incorporation	Class of capital held	Proportion of nominal value of issued shares held by:	
			Group	Company
London News Radio Limited	Great Britain	Ordinary £1 shares	20%	20%
The Local Radio Company Limited	Great Britain	'A' Ordinary £1 shares	20%	20%
Minster Sound Radio plc	Great Britain	Ordinary £1 shares	49%	49%
Stray FM Limited	Great Britain	Ordinary £1 shares	49%	49%
GWR Medien GmbH	Austria	Ordinary shares	24%	-

Company

	Interests in Group undertakings £'000	Associated undertakings £'000	QUEST £'000	Other investments £'000	Total £'000
Cost					
At 1 April 1999	66,415	4,116	-	605	71,136
Additions	-	2,974	-	7,721	10,695
Own shares acquired by QUEST	-	-	4,413	-	4,413
At 31 March 2000	66,415	7,090	4,413	8,326	86,244

Further information regarding the QUEST is given in note 21.

Notes to the accounts for the year ended 31 March 2000**14 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	-
Leicester Sound Limited	100	-
Mercia Sound Limited	100	-
Mid Anglia Radio plc	100	-
Radio Trent Limited	100	-
Radio Broadland Limited	100	-
Suffolk Group Radio plc	100	-
Radio Wyvern plc	100	-
Orchard Media Limited	100	-
Plymouth Sound 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.

Notes to the accounts for the year ended 31 March 2000

15 DEBTORS

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	18,252	16,606	-	-
Amounts owed by subsidiary undertakings	-	-	45,206	33,714
Amounts owed by associated undertakings	844	677	-	-
Other debtors	7,127	4,521	-	-
Prepayments and accrued income	3,015	3,124	-	-
Capital prepayment	5,050	-	-	-
	34,288	24,928	45,206	33,714

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Loan notes	10,643	11,010	10,393	11,010
Bank loans and overdrafts	32,591	26,988	30,900	22,200
Obligations under finance leases	74	168	-	-
Trade creditors	4,160	1,968	-	-
Amounts owed to associated undertakings	1,484	337	-	-
Corporation tax	5,103	8,018	-	-
Other taxation and social security	1,626	1,869	-	-
Other creditors	5,121	2,139	2	9
Accruals	9,058	9,260	-	-
Dividends payable	3,461	2,857	3,461	2,857
	73,321	64,614	44,756	36,076

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

Notes to the accounts for the year ended 31 March 2000

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	32,288	23,958	31,350	22,500
Obligations under finance leases	70	168	-	-
Other creditors	2,358	-	-	-
	34,716	24,126	31,350	22,500

Bank loans and overdrafts

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Repayable as follows:				
In one year or less, or on demand	32,591	26,988	30,900	22,200
Between one and two years	2,900	4,492	2,900	4,200
Between two and five years	29,388	19,466	28,450	18,300
	64,879	50,946	62,250	44,700

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

Finance leases

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

	2000	1999
	£'000	£'000
In one year or less	74	168
Between one and two years	48	64
Between two and five years	22	104
	144	336

The Company had no net finance lease obligations at 31 March 2000 and 1999.

Notes to the accounts for the year ended 31 March 2000**18 FINANCIAL INSTRUMENTS**

The Group's financial instruments comprise borrowings, cash and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations as well as to manage working capital and liquidity. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments be undertaken. The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risk.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows at floating rates of interest. Details of the Group's borrowing are set out in note 17.

Liquidity risk

The Group's operations are cash generative. To ensure that the Group has sufficient financial resources to support the business, committed and other credit facilities are maintained with the Group's bankers. As at 31 March 2000 the Group had undrawn facilities of £7,920,000.

Foreign currency risk

Although the Group is based in the UK, it has subsidiary undertakings in Austria and Finland. As a result, the Group's sterling balance sheet may be affected by movements in the Austrian schilling and Finnish mark to sterling exchange rates.

Short term debtors and creditors

Short term debtors and creditors (other than borrowings) have been excluded from all the above disclosures, other than currency risk disclosures.

Fair value of financial assets and liabilities

There is no material difference between the book value and fair value of the Group's financial assets and liabilities.

19 PROVISIONS FOR LIABILITIES AND CHARGES**Deferred taxation**

	Group £'000	Company £'000
At 1 April 1999	1,457	163
Profit and loss account	672	(163)
At 31 March 2000	2,129	-

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

Group

	2000 £'000	1999 £'000
Accelerated capital allowances	924	585
Other timing differences	1,205	872
	2,129	1,457

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 £nil (1999: £75,700).

Company

	2000 £'000	1999 £'000
Other timing differences	-	163

Notes to the accounts for the year ended 31 March 2000**20 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 July 1998. At that date the market value of the Scheme's assets was £4,596,000 (the share of this relating to GWR Group plc was £1,333,000), which was exceeded by the value of the Scheme's liabilities by 11%.

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 £790,000 (1999: £493,000).

21 CALLED UP SHARE CAPITAL

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

On 17 December 1999, 5,000 shares were issued to Mrs Susan Ray as part of the settlement agreed in the copyright dispute between the late Robin Ray and Classic FM plc. On 17 March 2000, 5,000 shares were issued at fair value to a freelance presenter as part of the re-negotiation of his contract with the Group.

During the year the Company set up a Qualifying Employee Share Ownership Trust ("QUEST") for the benefit of its employees participating in the Savings-Related Share Option Scheme. 770,169 shares have been issued by the Company to the QUEST to enable it to satisfy the future exercise of share options currently held by employees.

At 31 March 2000, the Company had granted options over 4,375,480 Ordinary shares under its Share Option Schemes that remained unexercised. Further details are given on pages 23 and 24.

Note 28 provides an analysis of the cash and non-cash movements arising from the issue of shares during the year.

Notes to the accounts for the year ended 31 March 2000

22 ACQUISITIONS

a) Acquisition of Plymouth Sound Ltd

On 30 June 1999 GWR Group plc completed its acquisition of Plymouth Sound Ltd for £5.28 million.

The Group has used acquisition accounting to account for this purchase. Plymouth Sound Limited made a profit before taxation of £221,556 from 1 October 1998 to the date of acquisition and a profit on ordinary activities before taxation of £283,047 for the previous financial year to 30 September 1998.

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

	Book value and fair value £'000
Fixed assets	
Tangible assets (at cost)	388
Current assets	
Debtors	897
Cash	70
Total assets	1,355
Liabilities	
Creditors	(244)
Net assets	1,111
Consideration	
Cash consideration	3,560
Loan notes redeemed	1,720
Expenses	90
	5,370
Fair value of net assets acquired	(1,111)
Goodwill	4,259

b) Net cash outflow for acquisitions

	Year ended 31 March 2000 £'000	Year ended 31 March 1999 £'000
Purchase of businesses	(6,062)	(17,114)
Cash balances/(overdrafts) acquired with businesses	520	(165)
Cash inflow from prior year acquisitions	-	323
	(5,542)	(16,956)

Notes to the accounts for the year ended 31 March 2000

23 RESERVES
Group - Other reserves

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

Group

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

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

	£'000
At 1 April 1999	21
Profit for the year	18
At 31 March 2000	39

Company - Other reserves

	Special capital reserve £'000	Special reserve £'000	Total Other reserves £'000
At 1 April 1999 and 31 March 2000	369	31,713	32,082

Company

	Profit and loss account £'000
At 1 April 1999	10,070
Retained profit for the year	6,292
Qualifying Employee Share Ownership Trust	(4,413)
At 31 March 2000	11,949

Notes to the accounts for the year ended 31 March 2000

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 £154,557,000 (1999: £154,479,000).

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

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

26 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

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

27 ANALYSIS OF NET DEBT

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

Notes to the accounts for the year ended 31 March 2000**28 ANALYSIS OF CASH AND NON CASH MOVEMENTS ARISING FROM THE ISSUE OF SHARES**

At 31 March 2000 the Qualifying Employee Share Ownership Trust ("QUEST") held 761,449 shares in GWR Group plc. The accounts for the Trust are aggregated with those of the Group.

	2000 £'000	1999 £'000
Cash inflow from the issue of shares	2,000	720
Non cash movement on the issue of shares		
QUEST	4,413	-
Other	82	-
	6,495	720

For further details of shares issued during the year see Note 21.

29 RELATED PARTY TRANSACTIONS

Related party transactions during the year were as follows:

- (a) During the year Classic FM provided £36,000 of various business services, including satellite provision, to Classic FM vof in Holland. At 31 March 2000, £4,000 of that total was included within the Group's debtors.
- (b) The Group provided £15,000 of commercial production and programming services to Minster Sound Radio plc, a company in which GWR Group has an investment of 49%. These were all paid as at 31 March 2000.
- (c) The Group provided £158,000 of services to The Local Radio Company during the year, including commercial production and programming services. The Group has a 20% investment in The Local Radio Company.
- (d) During the year the Group provided £509,000 of commercial production services to London News Radio Ltd, a company in which GWR Group has an investment of 20%. £225,000 was included within debtors at 31 March 2000.

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

31 FINANCIAL COMMITMENTS

At 31 March 2000 the Group had annual commitments under non-cancellable operating leases as follows:

	2000		1999	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Expiring between one and two years inclusive	18	1,106	25	788
Expiring between two and five years inclusive	40	831	45	1,106
Expiring in over five years	700	-	151	-
	758	1,937	221	1,894

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

Financial Record

	Year ended 31 March 2000 £'000	Year ended 31 March 1999 £'000	Year ended 31 March 1998 £'000	18 mths ended 31 March 1997 £'000	Year ended 30 September 1995 £'000
Profit and loss account					
Turnover					
Continuing operations	102,271	84,160	73,709	77,052	31,993
Discontinued operations	-	-	-	8,027	-
	102,271	84,160	73,709	85,079	31,993
Operating profit					
Continuing operations	21,759	20,127	14,523	11,284	5,172
Discontinued operations	-	-	-	349	-
	21,759	20,127	14,523	11,633	5,172
Profit before taxation	18,750	18,302	14,100	14,310	5,162
Taxation	(6,019)	(6,565)	(4,794)	(5,411)	(1,716)
Minority interests - equity	1,057	395	305	265	-
Profit for the financial period	13,788	12,132	9,611	9,164	3,446
Dividends	(5,577)	(4,611)	(3,707)	(3,594)	(1,410)
Retained profit for the period	8,211	7,521	5,904	5,570	2,036
Balance sheet					
Fixed assets	79,421	57,918	22,982	19,829	12,020
Current assets	36,016	27,972	19,367	19,927	14,535
Total assets	115,437	85,890	42,349	39,756	26,555
Creditors due within one year	(73,321)	(64,614)	(28,657)	(45,997)	(14,160)
Total assets less current liabilities	42,116	21,276	13,692	(6,241)	12,395
Creditors due after more than one year	(34,716)	(24,126)	(22,996)	(9,796)	(1,757)
Provisions for liabilities and charges	(2,129)	(1,457)	(1,022)	(636)	(92)
Net assets/(liabilities)	5,271	(4,307)	(10,326)	(16,673)	10,546
Cash flow					
Net cash inflow from continuing operating activities	20,605	22,056	12,153	10,983	5,101
Increase/(decrease) in cash for the period	723	1,709	1,101	137	(1,763)
Ratios					
Operating margin (continuing operations)	21.3%	23.9%	19.7%	14.6%	16.2%
Earnings per share	12.5p	11.1p	8.8p	10.8p	6.0p
Headline earnings per share	14.0p	11.1p	8.2p	7.7p	5.8p
Dividend per share	5.0p	4.2p	3.4p	3.85p	2.17p
Dividend cover	2.5	2.6	2.4	2.0	2.8

The above earnings per share and dividend per share reflect 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 policies set out on pages 34 and 35.

Shareholder Information

Dividend payments

The proposed final dividend for the year ended 31 March 2000 will, if approved by the shareholders, be paid on 14 August 2000, to shareholders registered on 7 July 2000.

Financial Calendar

10 August 2000	Annual General Meeting
14 August 2000	Final dividend payable for the year ended 31 March 2000
November 2000	Interim results announcement
January 2001	Interim dividend payable
31 March 2001	Year end
May 2001	Preliminary announcement of results for the year ended 31 March 2001

Registrar

The Company's Registrars are Northern Registrars Ltd. Any correspondence regarding shares or Loan Notes should be sent to their address which is shown on page 54.

Analysis of shareholders at 31 March 2000

Holding range	Number of holders	% of total holders	Number of shares held	% of total share
Up to 999 shares	762	38.1	277,120	0.2
1,000 to 9,999 shares	839	41.9	2,643,916	2.4
10,000 to 99,999 shares	279	13.9	8,359,307	7.5
100,000 to 499,999 shares	85	4.3	21,301,133	19.1
Over 500,000 shares	37	1.8	79,074,783	70.8
Total	2,002	100.0	111,656,259	100.0

Information for Holders of GWR Group Variable Rate Guaranteed Unsecured Loan Notes 1999/2004

Interest is paid quarterly. All Notes not previously repaid will be repaid at par together with any net accrued interest on 31 March 2004. Noteholders may, by giving the Company not less than 30 days' prior written notice, require the Company to repay their Notes on any quarterly interest payment date.

Company Secretary and Advisers

Company Secretary and Registered Office

Ms W Pallot ACA
GWR Group plc
Terminal 4
3B2 Stonehill Green
Westlea
Swindon
Wiltshire SN5 7HF

Solicitors

Nicholson Graham & Jones
110 Cannon Street
London EC4N 6AR

Osborne Clarke OWA
50 Queen Charlotte Street
Bristol BS1 4HE

Auditors

KPMG Audit Plc
100 Temple Street
Bristol BS1 6AG

Bankers

Barclays Bank plc
28 Regent Street
Swindon
Wiltshire SN1 1JW

Fortis Bank
Aztec Centre
Aztec West
Almondsbury
Bristol BS32 4TD

Bank of Scotland
Corporate Banking
PO Box 267
38 Threadneedle Street
London EC2P 2EH

Stockbrokers

HSBC Securities
Thames Exchange
10 Queen Street Place
London EC4R 1BL

Registrars

Northern Registrars Ltd
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA
Tel: 01484 606664

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of GWR Group plc will be held at Classic FM House, 7 Swallow Place, London, W1R 7AA on 10 August 2000 at 10.30am 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 2000.
- 2 To authorise the payment of a final dividend for the year ended 31 March 2000 of 3.1p 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 RM Bernard
- 4 Mr S Orchard
- 5 Mr SC Ward
- 6 Mr NS Tresilian
- 7 Mr JH Trafford

A description of each of the above individuals is provided on pages 6 and 7.

- 8 To re-elect Mr P Williams who has been appointed by the Board.

Age 47, Peter Williams has been Group Finance Director of Daily Mail and General Trust PLC since 1991. He is closely involved in the development of DMGT's new media business.

- 9 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 determined by the directors.

Special business

To consider and, if thought fit, pass the following resolutions of which Resolution 10 will be proposed as an Ordinary Resolution and Resolution 11 will be proposed as a Special Resolution:

- 10 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 £2,321,165 during the period commencing on the date this resolution is passed and ending at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless previously renewed, varied or revoked by the Company in General Meeting, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after that date and the Company may implement the same as if the authority conferred hereby had not expired.
- 11 That, subject to and conditional upon Resolution 10 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 10 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 £309,906.
- 12 To transact any other business of an Annual General Meeting.

By Order of the Board

Ms W Pallot ACA
Company Secretary

3 July 2000

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 10.30am on Tuesday 8 August ('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

The calculations in Resolutions 10 and 11 below are based on the enlarged share capital assuming the resolutions proposed within the Notice of Extraordinary General Meeting issued on 13 June 2000 are approved by shareholders and the proposed acquisition of DMG Radio duly completes. In the event that either of these does not occur the directors will only allot share capital within restrictions based on the share capital as at 31 March 2000.

Resolution 10: Directors' powers to allot share capital

This resolution will allow the directors to allot up to 46,423,300 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 the lower of one third of the issued ordinary share capital of the Company increased by share options granted but not exercised and authorised but unissued share capital.

Resolution 11: Restrictions on the Directors' powers to allot share capital

This resolution governs the way the shares authorised in resolution 10 above may be allotted. Directors may disregard the pre-emption rights which exist in favour of current shareholders in allotting up to 5,582,820 shares, but otherwise any allotment of shares authorised to be issued by resolution 10 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.

GWR Group plc
OPUS
Digital One
ecast ventures

Swindon
London
London
London

0118 928 4300
020 7518 2600
020 7518 2676
020 7344 4877

Chief Executive: Ralph Bernard
Managing Director: Duncan George
Chief Executive: Quentin Howard
Chief Executive: Simon Ward

GWR Radio stations:

ZCR FM & Classic Gold 828
Z-TEN FM & Classic Gold 1431/1485
B97 Chiltern FM & Classic Gold 792/828
Beacon Radio & WABC Classic Gold
Broadland 102 & Classic Gold Amber
97.6 Chiltern FM & Classic Gold 792/828
Classic FM
GWR FM, Bristol & Bath & Classic Gold 1260
GWR FM, Wiltshire & Classic Gold 936/1161
Gemini FM & Classic Gold 666/954
102.7 Hereward FM & Classic Gold 1332
FM103 Horizon
Lantern FM
105.4 FM Leicester Sound
Mercia FM & Classic Gold 1359
Northants 96 & Classic Gold 1557
Orchard FM
97 FM Plymouth Sound & Classic Gold 1152
Q103 FM
RAM FM & Classic Gold GEM
102.4 Severn Sound FM & Classic Gold 774
SGR Colchester
SGR-FM & Classic Gold Amber
South Hams Radio
96 Trent FM & Classic Gold GEM
Wyvern FM
Die neue Antenne Mix 102.5
Classic FM
Melody FM

Bournemouth
Reading
Bedford
Wolverhampton
Norwich
Dunstable
London
Bristol
Swindon
Exeter
Peterborough
Milton Keynes
Bideford
Leicester
Coventry
Northampton
Taunton
Plymouth
Cambridge
Derby
Gloucester
Colchester
Ipswich
Kingsbridge
Nottingham
Worcester
Vienna, Austria
Helsinki, Finland
Bolzano, Italy

Telephone no:

01202 259259
0118 945 4400
01234 272400
01902 461300
01603 630621
01582 676200
020 7343 9000
0117 984 3200
01793 842600
01392 444444
01733 460460
01908 269111
01237 424444
0116 256 1300
024 7686 8200
01604 795600
01823 338448
01752 227272
01223 235255
01332 205599
01452 313200
01206 575859
01473 461000
01548 854599
0115 952 7000
01905 612212
00 43 1 217 000
00 358 9 4767 8780
00 39 0471 271467

Managing Director:

Jeremy Lewis
Jeff Lee
Kevin Snowdon
Roger Brooks
Bob Norman
Kevin Snowdon
Roger Lewis
Jonathan Bradley
Neil Cooper
Graham Gilbert
Lynda Couch-Smith
John Sanderson
Graham Gilbert
Phil Dixon
Carlton Dale
Mark Lee
Tanya Masterman
Graham Gilbert
Alistair Wayne
Chris Hughes
Penny Holton
Mike Stewart
Mike Stewart
Graham Gilbert
Chris Hughes
Rhian Garbett-Edwards
Johanna Papp
Henrik Resman
Marco Huter

**Stations included within the
proposed acquisition of DMG Radio:**

Essex FM 96.3/102.6 & Breeze 1359/1431
Mercury FM 102.7 & Breeze 1521
Mercury FM 101.6
Mercury FM 96.6
Medway FM
Ten 17 101.7 FM

Southend
Crawley
Tonbridge
St Albans
Rochester
Harlow

01702 333711
01293 519161
01732 369200
01727 831966
01634 841111
01279 431017

Mick Garrett
John Kershaw
Sue Clark
Denise Mickle
John Hirst
Denise Mickle

GWR group plc

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