

Company Registration No. 3729720 (England and Wales)

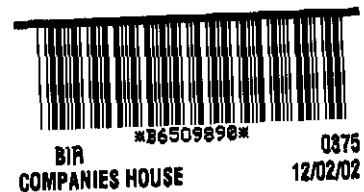
FMD LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2001

**FELTON & CO
CHARTERED ACCOUNTANTS
Birmingham**

A member firm
of the UK200 Group



FMD LIMITED

COMPANY INFORMATION

Directors

A Smith
I Callaghan
J Brown

Secretary

J Burns

Company number

3729720

Registered office

34 Ely Place
London
EC1N 6TD

Auditors

Felton & Co.
36 Great Charles Street Queensway
Birmingham
B3 3RQ

FMD LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2001

The directors present their report and financial statements for the year ended 30 April 2001.

Principal activities and review of the business

The principal activity of the company is to act as a holding company for a company engaged the distribution of magazines and periodicals.

The company's balance sheet as detailed on page 6 shows a deficiency of shareholders, funds amounting to £26,720.

Results and dividends

The results for the year are set out on page 4.

The directors do not propose payment of an ordinary dividend.

Future developments

The directors consider that the company will continue to act as a holding company for the foreseeable future.

Directors

The following directors have held office since 1 May 2000:

A Smith
I Callaghan
J Brown

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	30 April 2001	1 May 2000
A Smith	-	-
I Callaghan	-	-
J Brown	-	-

Auditors

The company has elected to dispense with the annual appointment of auditors. In the absence of a specific resolution to the contrary Felton & Co. will continue in office.

FMD LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2001

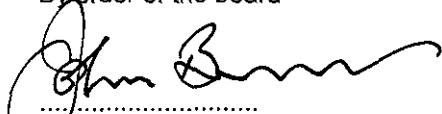
Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



J. Burns

Secretary

24 January 2002

FMD LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF FMD LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 the company's affairs as at 30 April 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Felton & Co

Felton & Co.

11 February 2002

Chartered Accountants
Registered Auditor

36 Great Charles Street Queensway
Birmingham
B3 3RQ

FMD LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 2001

	Notes	2001 £	2000 £
Administrative expenses		(2,480)	(24,340)
Loss on ordinary activities before taxation	2	(2,480)	(24,340)
Tax on loss on ordinary activities	3	-	-
Loss on ordinary activities after taxation	7	(2,480)	(24,340)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

FMD LIMITED

BALANCE SHEET AS AT 30 APRIL 2001

	Notes	2001 £	£	2000 £	£
Fixed assets					
Investments	4	2,478,168		2,469,127	
Current assets					
Creditors: amounts falling due within one year	5	<u>(2,504,888)</u>		<u>(2,493,377)</u>	
Net current liabilities			<u>(2,504,888)</u>		<u>(2,493,377)</u>
Total assets less current liabilities			<u>(26,720)</u>		<u>(24,250)</u>
Capital and reserves					
Called up share capital	6		100		90
Profit and loss account	7		<u>(26,820)</u>		<u>(24,340)</u>
Shareholders' funds - equity interests	8		<u>(26,720)</u>		<u>(24,250)</u>

The financial statements were approved by the Board on 24.1.2002



A Smith
Director

FMD LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2001

	2001 £	2000 £
Net cash (outflow)/inflow from operating activities	(480,066)	459,037
Acquisitions and disposals		
Purchase of subsidiary undertakings (net of cash acquired)	(9,041)	(2,469,127)
Net cash outflow for acquisitions and disposals	(9,041)	(2,469,127)
Net cash outflow before management of liquid resources and financing	(489,107)	(2,010,090)
Financing		
Issue of ordinary share capital	10	90
Other new short term loans	489,097	2,010,000
Net cash inflow from financing	489,107	2,010,090
Decrease in cash in the year	-	-

FMD LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2001

1	Reconciliation of operating loss to net cash (outflow)/inflow from operating activities	2001		2000	
		£		£	
	Operating loss	(2,480)		(24,340)	
	(Decrease)/Increase in creditors within one year	(477,586)		483,377	
	Net cash (outflow)/inflow from operating activities	(480,066)		459,037	
2	Analysis of net debt	1 May 2000	Cash flow	Other non-cash changes	30 April 2001
		£	£	£	£
	Net cash:				
	Debt:				
	Debts falling due within one year	(2,010,000)	(489,097)	-	(2,499,097)
	Net debt	(2,010,000)	(489,097)	-	(2,499,097)
3	Reconciliation of net cash flow to movement in net debt	2001		2000	
		£		£	
	Decrease in cash in the year	-		-	
	Cash inflow from increase in debt	(489,097)		(2,010,000)	
	Movement in net debt in the year	(489,097)		(2,010,000)	
	Opening net debt	(2,010,000)		-	
	Closing net debt	(2,499,097)		(2,010,000)	

FMD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2001

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.3 Consolidation

The company has taken advantage of the exemption granted under Section 248 of the Companies Act 1985 not to prepare group accounts as the company qualifies as a medium group.

2 Operating loss

	2001	2000
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	2,480	1,750

3 Taxation

The company has no liability for taxation.

4 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 May 2000	2,469,127
Additions	9,041
At 30 April 2001	2,478,168

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertakings				
Worldwide Magazine Distribution Limited	UK	Ordinary		100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
Worldwide Magazine Distribution Limited	699,461	158,634

FMD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2001

5	Creditors: amounts falling due within one year	2001 £	2000 £
	Amounts owed to group undertakings	3,735	54,704
	Other creditors	2,499,097	2,436,923
	Accruals and deferred income	2,056	1,750
		<u>2,504,888</u>	<u>2,493,377</u>
	Debt due in one year or less	<u>2,499,097</u>	<u>2,010,000</u>

Included in other creditors are loan notes £2,499,097 (2000 £2,010,000). These loan notes are unsecured, interest free and are repayable at the discretion of the noteholders between 1st January 2001 and 31st December 2005.

6	Share capital	2001 £	2000 £
	Authorised		
	100 Ordinary shares of £ 1 each	<u>100</u>	<u>100</u>
	Allotted, called up and fully paid		
	100 Ordinary shares of £ 1 each	<u>100</u>	<u>90</u>

During the year 10 ordinary shares of £1 each were issued at par.

The share capital consists of 30 class A shares, 30 class B shares, 30 class C shares and 10 class D shares.

7 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 May 2000	(24,340)
Retained loss for the year	<u>(2,480)</u>
Balance at 30 April 2001	<u>(26,820)</u>

FMD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2001

8	Reconciliation of movements in shareholders' funds	2001 £	2000 £
	Loss for the financial year	(2,480)	(24,340)
	Proceeds from issue of shares	10	90
	Net depletion in shareholders' funds	(2,470)	(24,250)
	Opening shareholders' funds	(24,250)	-
	Closing shareholders' funds	(26,720)	(24,250)

9 Related party transactions

The company is controlled by Surridge Dawson Limited, John Menzies Distribution Limited and W H Smith Limited.

Mr I Callaghan, a director of this company, is a director of John Menzies Distribution Limited and Mr J Brown, also a director of this company, is a director of Surridge Dawson Limited.

Messrs Callaghan and Smith, directors of this company, are directors of Worldwide Magazine Distribution Limited, the company's wholly-owned subsidiary.

Included in Creditors: amounts falling due within one year is £3,735 (2000: £54,704) due to Focus Magazine Distribution, a partnership formed by Surridge Dawson Limited, John Menzies Distribution Limited and W H Smith Limited.

Also included in Creditors: amounts due within one year is £2,499,097 (2000: £2,010,000) interest free, unsecured loan notes issued to the shareholders, INdvest Limited, Surridge Dawson Limited, John Menzies Distribution Limited and W H Smith Limited. These loan notes are repayable at the discretion of the noteholders between 1st January 2001 and 31st December 2005.