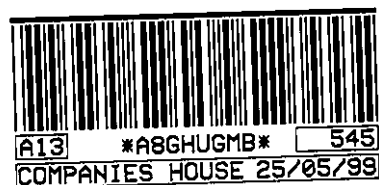


Registered Number: 3137730

LIBERTY PUBLISHING & MEDIA LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
30 WEEKS ENDED 31 AUGUST 1998**



Liberty Publishing & Media Limited

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Liberty Publishing & Media Limited

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the 30 weeks ended 31 August 1998.

Principal Activity

The Company's principal activity is to acquire and manage trading businesses in publishing and broadcasting.

Directors and their Interests

The present Directors of the Company are:

R. J. Fallowfield

N. J. Rodford

J. M. Griffiths (Appointed 6th October 1998)

The following Directors also held office during the period:

A. F. Neil (resigned 21st January 1999)

I. Bogdaneris (Appointed 6th October 1998, removed 15th April 1999)

In accordance with the Articles of Association, no Director is required to seek re-election at the forthcoming Annual General Meeting.

No Director in office at 31st August 1998 held any beneficial interest in the shares of Harrods Holdings plc, or any of its subsidiaries at 1st February 1998, or at the date of appointment, or at 31 August 1998.

No Director has had a material interest, directly or indirectly, at any time during the year in any contract significant to the business.

Liberty Publishing & Media Limited

DIRECTORS' REPORT.....contd

Results and Dividends

The loss after taxation for the 30 weeks ended 31 August 1998 amounted to £3,840,902.

The Directors do not recommend the payment of a dividend and an amount of £3,840,902 has been transferred out of reserves.

Review of Business

Throughout the trading period significant effort has been put into marketing the two main trading businesses, Punch and Liberty Radio.

Punch has concentrated on its reputation for exposing wrong-doing and Liberty Radio has developed its theme of "more tunes, more chat, more fun".

The Company continues to search for other media-industry businesses which would benefit from an injection of expertise and which would then complement the strategic aims of the company.

A comprehensive programme has been established to address all Year 2000 systems and compliance issues which face the business.

On 3 September 1998 the authorised share capital of the Company was increased by £19,999,000 shares of £1 each. On the same date, Harrods (UK) plc were allotted and issued with 19,250,000 shares at their par value. The consideration for the new shares was the simultaneous extinguishing of £19,250,000 of loans made by Harrods (UK) plc to the Company.

Subsequent to the period end the whole of the issued share capital of Liberty Publishing and Media Limited was sold by Harrods (UK) plc to Liberty Holdings Limited, a company incorporated in Jersey. This sale in no way affected the operation or future prospects of the businesses, but rather followed the Harrods policy of focusing on its core retail activities.

The Environment

The Company has continued to adopt policies and procedures which take account of the need to preserve and protect the environment. The Directors are committed to compliance with environmental best practice in all aspects of the business.

DIRECTORS' REPORT.....contd

Policy on payment of creditors

It is the Company's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full. The Company is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers.

The company takes on average 5 days to pay its creditors. (1997: 35 days)

Auditors

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned as auditors in favour of the new firm PricewaterhouseCoopers, and the directors have appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. PricewaterhouseCoopers have indicated that they will not be seeking reappointment and the Directors of the Company are therefore conducting a search for suitable replacements. If this is completed before the Annual General Meeting, a resolution proposing the appointment of new auditors will be put forward.

Liberty Publishing & Media Limited

DIRECTORS' REPORT.....contd

Statement of Directors' Responsibilities

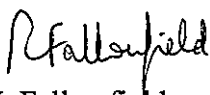
The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors have prepared the financial statements on pages 7 to 19 on a going concern basis and consider that the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By Order of the Board



R. J. Fallowfield
Secretary
22 April 1999

Registered Office
87-135 Brompton Road,
Knightsbridge,
London.
SW1X 7XL

Liberty Publishing & Media Limited

AUDITORS' REPORT TO THE MEMBERS OF LIBERTY PUBLISHING & MEDIA LIMITED

We have audited the financial statements on pages 7 to 19 which have been prepared under the historical cost convention and the accounting policies set out on page 9 and 10.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report and, as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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 company 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 regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

Liberty Publishing & Media Limited

**AUDITORS' REPORT TO THE MEMBERS OF LIBERTY PUBLISHING &
MEDIA LIMITED...Contd**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 August 1998 and of the loss for the 30 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
22 April 1999

Southwark Towers
32 London Bridge Street
London
SE1 9SY

Liberty Publishing & Media Limited

PROFIT AND LOSS ACCOUNT 30 WEEKS ENDED 31 AUGUST 1998

Note		30 Weeks to 31/8/98 £'000	£'000	52 Weeks to 31/1/98 £'000	£'000
	TURNOVER		-		-
	Cost of Sales		-		-
	GROSS PROFIT		-		-
	Administrative expenses				
3	- Provision for intercompany loans	(3,781)		(14,910)	
	- Other	(203)		(462)	
			(3,984)		(15,732)
	Other operating income		252		605
2	OPERATING LOSS		(3,732)		(14,767)
5	Net interest payable		(121)		(142)
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,853)		(14,909)
6	Tax on loss on ordinary activities		12		46
	LOSS FOR THE FINANCIAL PERIOD		(3,841)		(14,863)

All profits and losses derive from continuing operations.

There were no recognised gains or losses other than those shown above. The movements on reserves are shown in Note 15.

Liberty Publishing & Media Limited

BALANCE SHEET AT 31 AUGUST 1998

Note		At 31/8/98 £'000	At 31/1/98 £'000
	FIXED ASSETS		
7	Intangible assets	500	500
8	Tangible assets	53	74
9	Investments	948	948
		<u>1,501</u>	<u>1,522</u>
	CURRENT ASSETS		
10	Debtors (Amounts falling due within one year)	139	162
11	Debtors (Amounts falling due after more than one year)	289	2,989
	Cash at bank and in hand	489	54
		<u>917</u>	<u>3,205</u>
12	CREDITORS (Amounts falling due within one year)	(699)	(181)
		<u> </u>	<u> </u>
	NET CURRENT ASSETS	218	3,024
	TOTAL ASSETS LESS CURRENT LIABILITIES	1,719	4,546
13	CREDITORS (Amounts falling due after more than one year)	(20,559)	(19,545)
		<u>(18,840)</u>	<u>(14,999)</u>
	CAPITAL AND RESERVES		
14	Called up share capital	-	-
15	Profit and loss account	(18,840)	(14,999)
16	SHAREHOLDERS' FUNDS	<u>(18,840)</u>	<u>(14,999)</u>

Approved by the Board on 22 April 1999.

N. J. Rodford
Director



The notes on pages 9 to 19 form an integral part of these accounts.

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS 30 WEEKS TO 31 AUGUST 1998

1. ACCOUNTING POLICIES

Basis of Accounts

The financial statements have been prepared under the historical cost convention and comply with the disclosure requirements of the Companies Act 1985 and applicable accounting standards.

Liberty Publishing & Media Limited was a wholly owned subsidiary of Harrods Holdings plc throughout the period, and its results are included within the consolidated financial statements of Harrods Holdings plc for the 52 weeks ended 30 January 1999, which will be filed with the Registrar of Companies in due course. Consequently the Company has taken advantage of the exemption from preparing group accounts. The Company is also exempt from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

The Company has a deficit of shareholders' funds at 31 August 1998, and since that date the Company has continued to make losses. The accounts have been prepared on a going concern basis as the Company's new parent (as described in note 20), Liberty Holdings Limited, has funded the Company's losses since the balance sheet date and has indicated its intention to finance the Company for at least the next 12 months so as to enable it both to meet its liabilities as they fall due and to carry on its business operations. As explained in note 14, the issued share capital of the Company was increased by £19,250,000 on 3 September 1998.

Depreciation

Depreciation is provided by the Company in order to write down to estimated residual value, if any, the cost or valuation of tangible fixed assets over their estimated useful lives by equal annual instalments, on the following basis:

Short leasehold improvements	10%
Machinery, fixtures and equipment	20% and 33%

Deferred Taxation

Deferred taxation is provided in respect of differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Provision has been made where a tax liability is expected to crystallise.

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS.....contd.

1. ACCOUNTING POLICIES (CONTINUED)

Leasing

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

Retirement benefits are funded by contributions from the company and employees. Payment is made to a pension trust, which is financially separate from the Company, in accordance with calculations made periodically by consulting actuaries. Contributions are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the average remaining service lives of employees in the scheme.

2. OPERATING LOSS	30 Weeks to 31/8/98 £'000	52 Weeks to 31/1/98 £'000
Operating Loss is stated after charging:		
Staff Costs	85	191
Depreciation of tangible fixed assets		
owned assets	16	28
Auditors' remuneration		
audit services	7	2
Operating lease rentals		
plant and machinery	1	5
Other	12	3
Provision for permanent diminution in the trade investment – Passion	-	25

3. EXCEPTIONAL ITEM

Provision has been made for the permanent diminution in value of assets in the form of loans to its subsidiary companies.

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS.....contd.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Staff costs comprise:	30 weeks to 31/8/98 £'000	52 Weeks to 31/1/98 £'000
Wages and salaries	59	163
Social security costs	6	25
Other pension costs	20	3
	<u>85</u>	<u>191</u>

The average weekly number of employees during the period under review was as follows:

	30 weeks to 31/8/98	52 Weeks to 31/1/98
Management and administration	4	7
	<u>30 Weeks to 31/8/98 £'000</u>	<u>52 Weeks to 31/1/98 £'000</u>
Directors' emoluments:		
Emoluments	<u>16</u>	<u>45</u>
	<u>16</u>	<u>45</u>

Other directors apart from the above received no emoluments directly from the Company during the period, but were remunerated by other companies in the Harrods Holdings Group. These Directors' emoluments are disclosed in the financial statements of those companies.

During the year, the Company participated in the Harrods Group Pension Plan, which operated as a defined benefit group pension scheme in the United Kingdom.

NOTES TO THE ACCOUNTS....contd.

4. **INFORMATION REGARDING
DIRECTORS AND EMPLOYEES
(CONTINUED)**

The Group pays such contributions to the Plan as required in order to fund benefits for the members and pensioners. The assets of the Plan are held in trust separately from the Group.

The regular pension cost charged to the profit and loss account is based on figures calculated for the Group as a whole which are such as to spread the expected pension costs over the average remaining working lives of employees who are members of the Plan. The regular cost is expressed as a level percentage of current and expected future earnings using the projected unit method of calculation, having adopted the following actuarial assumptions:

Investment return	9.0 per cent per annum compound
General increase in pensionable earnings	6.5 per cent per annum compound
Dividend growth for asset valuation purposes	4.5 per cent per annum compound

The total surplus for the Group Pension Plan as at 5 April 1996 has been determined by qualified independent actuaries who are partners of Bacon and Woodrow, Consulting Actuaries. This total surplus has been allocated to the companies within the Group by the Directors of Harrods Holdings plc on a basis that is consistent with that adopted in prior years.

Surpluses or deficiencies and associated interest are spread over the same average period as an adjustment to regular cost.

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS....contd.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

The Company's pension charge for the 30 weeks to 31 August is based on the total surplus as follows:

	30 Weeks to 31/8/98 £'000	52 Weeks to 31/1/98 £'000
Regular cost	2	4
Variation	18	(1)
Net pension charge	<u>20</u>	<u>3</u>
	30 Weeks to 31/8/98 £'000	52 Weeks to 31/1/98 £'000
The pension prepayment is as follows:		
Opening Balance	18	17
Contributions paid	2	4
Charge to profit and loss account	(20)	(3)
Closing balance	<u>-</u>	<u>18</u>

The market value of assets held within the Pension Plan, as at 5 April 1996, was £126.9 million. At this date, the actuarial value was sufficient to cover 119.0% of the benefits that had accrued to members, after allowing for the expected future increases in earnings.

With effect from 1 September 1998, the Company ceased to have a long-term interest in the Harrods Pension Plan and in consequence, at 31 August 1998, the actual surplus of £17,909 was written off to profit and loss account as irrecoverable.

5. NET INTEREST PAYABLE

	30 Weeks to 31/8/98 £'000	52 Weeks to 31/1/98 £'000
Payable to group undertakings:		
Loans wholly or partly repayable after 5 years	(1,032)	(1,244)
Receivable:		
Bank interest	-	4
Interest from group undertakings	911	1,098
	<u>(121)</u>	<u>(142)</u>

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS....contd.

6. TAXATION

The taxation credit of £12,000 results from the operation of group relief provisions. A UK Corporation Tax rate of 31% has been applied.

7. INTANGIBLE ASSETS

£'000

Cost:

At 31 January 1998

500

At 31 August 1998

500

Net book amount:

At 31 August 1998

500

At 31 January 1998

500

Punch publishing rights and archives are recorded at acquisition cost and not amortised. Based on annual reviews, any permanent impairment in value of these assets is written off against earnings.

8. TANGIBLE ASSETS

Short
leasehold
improvements
£'000

Machinery,
fixtures and
equipment
£'000

Total
£'000

Cost:

At 31 January 1998

22

108

130

Additions

-

-

-

Disposals

(5)

(4)

(9)

At 31 August 1998

17

104

121

Depreciation:

At 31 January 1998

4

52

56

Provision for period

1

15

16

Disposals

(1)

(3)

(4)

At 31 August 1998

4

64

68

Net book amount

At 31 August 1998

13

40

53

At 31 January 1998

18

56

74

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS....contd

9. INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost:	
At 31 January 1998	948
At 31 August 1998	948
Net book amount:	
At 31 August 1998	948
At 31 January 1998	948

The Company's subsidiary undertakings, which are 100% owned, are as follows:

	Activity
Liberty Radio Limited (formerly 963 Liberty Radio Limited)	Broadcasting
Punch Limited	Publishing
Brompton Press Limited	Publishing
The Liberty Broadcasting Company Limited	Broadcasting
LBC Group Limited	Not trading
LBC News Limited	Not trading
LBC Newstalk Limited	Not trading
LBC Radio Limited	Not trading
Liberty Entertainments Limited (formerly London Broadcasting Corporation Limited)	Not trading

On 26 March 1998 the 100% ownership of the following companies has been transferred to the Company from Harrods (UK) plc.

Liberty Films Limited	Not trading
Liberty Sounds Limited	Not trading
Liberty Videos Limited	Not trading

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS....contd.

10. DEBTORS (Amounts falling due within one year)

	31/8/98	31/1/98
	£'000	£'000
Trade debtors	-	3
Other debtors	136	149
Prepayments and accrued income	3	10
	<u>139</u>	<u>162</u>

11. DEBTORS (Amounts falling due after more than one year)

	31/8/98	31/1/98
	£'000	£'000
Amounts owed by group undertakings	289	2,971
Pension Prepayment	-	18
	<u>289</u>	<u>2,989</u>

12. CREDITORS (Amounts falling due within one year)

	31/8/98	31/1/98
	£'000	£'000
Trade creditors	2	5
Amounts owed to parent undertaking	527	-
Amounts owed to group undertakings	-	12
Other creditors	50	50
Accruals and deferred income	120	114
	<u>699</u>	<u>181</u>

13. CREDITORS (Amounts falling due after more than one year)

	31/8/98	31/1/98
	£'000	£'000
Amounts owed to parent undertaking	<u>20,559</u>	<u>19,545</u>

As described in the Directors' Report, on 3 September 1998, £19,250,000 of the amount owed to the parent company was extinguished simultaneous to issuing new shares.

On 5 October 1998, the balance of the amount owed £1,309,000 was wholly repaid in cash partially using new funds provided by the parent company, Liberty Holdings Limited and partially from cash received from another fellow subsidiary for the surrender of tax-losses incurred in the period to 31 August 1998.

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS....contd.

14. SHARE CAPITAL	31/8/98 £	31/1/98 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted on incorporation and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

On 3 September 1998 the authorised share capital of the Company was increased by £19,999,000 shares of £1 each. On the same date, Harrods (UK) plc were issued with 19,250,000 shares at their par value. The consideration for the new shares was the simultaneous extinguishing of £19,250,000 of loans made by Harrods (UK) plc to the Company.

15. PROFIT AND LOSS RESERVES	31/8/98 £'000	31/1/98 £'000
At start of period	(14,999)	(136)
Transfer from profit and loss account for the period	<u>(3,841)</u>	<u>(14,863)</u>
At end of period	<u>(18,840)</u>	<u>(14,999)</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	31/8/98 £	31/1/98 £
Loss for the financial period	(3,840,902)	(14,862,828)
New share capital allotted	-	-
Net reduction in shareholders' funds	<u>(3,840,902)</u>	<u>(14,862,828)</u>
Opening shareholders' funds	(14,999,138)	(136,310)
Closing shareholders' funds	<u>(18,840,040)</u>	<u>(14,999,138)</u>

17. OPERATING LEASE COMMITMENTS

The Company had annual commitments under non cancellable operating leases as set out below:

	31/8/98 £'000	31/1/98 £'000
Operating leases which expire:		
Within 1 year	1	1
Between 2 and 5 years	<u>18</u>	<u>18</u>
	<u>19</u>	<u>19</u>

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS.....contd.

18. RELATED PARTIES

The company has recharged Fulham Football Club (1987) Limited £108,820.02 during the year for management services including salaries, rent and rates. At the year end Fulham Football Club (1987) Limited owed the company £10,933.75 for rent.

As part of their employment, Directors and senior employees of the Company can purchase goods from Harrods Store using a staff account card. The amounts of goods purchased by the Directors are not considered to be material either to the Company or the individuals. There are no other transactions between these individuals and the Company, other than as shown in Note 4 to the financial statements.

19. CONTINGENT LIABILITY

Harrods Holdings Group's working capital facility from Midland Bank plc is guaranteed by Liberty Publishing and Media Limited and other group companies which amounted to £100.3 million as at 31 August 1998.

Subsequent to the period end and as a consequence of the sale of the share capital by Harrods (UK) plc to Liberty Holdings Limited the guarantee given by Liberty Publishing and Media Limited and its subsidiary companies was released.

20. ULTIMATE PARENT UNDERTAKING

The ultimate UK parent undertaking of Liberty Publishing and Media Limited at 31 August 1998 was Harrods Holdings plc, which is the parent undertaking of the Harrods Holdings Group ("Group") and which is both the smallest and the largest Group which consolidates the results of the Company.

The accounts for the Harrods Holdings Group will be filed with the Registrar of Companies in due course. Copies of these financial statements will be available from Companies House, Crown Way, Maundy, Cardiff, CF4 3UZ on payment of the appropriate fee.

At 31 August 1998 the ultimate parent undertaking of Liberty Publishing and Media Limited was Alfayed Investment and Trust PVT LP, a partnership based in Bermuda. All interests in the Partnership continue to be under the control of the Fayed family, which was the ultimate controlling party.

Liberty Publishing & Media Limited

NOTES TO THE ACCOUNTS.....contd.

20. ULTIMATE PARENT UNDERTAKING (Contd.)

Subsequent to the period end the whole of the issued share capital of Liberty Publishing and Media Limited was sold by Harrods (UK) plc to Liberty Holdings Limited, a company incorporated in Jersey. The ultimate parent undertaking is now Liberty Holdings Limited which is owned and controlled by M. Al Fayed, the ultimate controlling party.