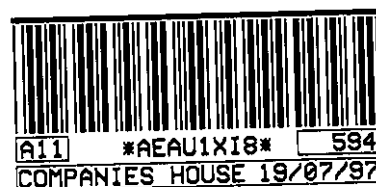


Punch Limited
(formerly Liberty Publishing Limited)

REPORT AND FINANCIAL STATEMENTS
58 WEEKS ENDED 1 FEBRUARY 1997



Registered Number: 3140878

Punch Limited
(formerly Liberty Publishing Limited)

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Punch Limited
(formerly Liberty Publishing Limited)

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the 58 weeks ended 1 February 1997.

Incorporation

The Company was incorporated on 18th December 1995.

Change of Name

On 22nd March 1996 the Company changed its name from Liberty Publishing Limited to Punch Limited.

Directors and their Interests

The present Directors of the Company are:

M. Al Fayed (appointed 11th January 1996)
C. Boseley (appointed 5th July 1996)
S. G. Steven (appointed 14th February 1996)
R. J. Fallowfield (appointed 14th February 1997)

The following Directors also held office during the period:

Hammond Suddards Directors Ltd (appointed 18th December 1995, resigned 11th January 1996)
Hammond Suddards Secretaries Ltd (appointed 18th December 1995, resigned 11th January 1996)
D. S. Crawford (appointed 11th January 1996, resigned 25th April 1996)
J. C. Bradley (appointed 11th January, 1996 resigned 6th September 1996)
J. M. Griffiths (appointed 11th January 1996, resigned 5th July 1996)
A. S. Frame (appointed 11th January 1996, resigned 25th April 1996)
J. D. Dux (appointed 14th February 1996 resigned 14th February 1997)

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

Apart from M. Al Fayed, who is beneficially interested in the shares of Harrods Holdings plc (formerly Harrods Investments plc), the ultimate UK parent company, no Director in office at 1st February 1997 held any beneficial interests in the shares of Harrods Holdings plc (formerly Harrods Investments plc) or any of its subsidiaries at date of incorporation, or at date of appointment, or at 1st February 1997.

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

Punch Limited
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DIRECTORS' REPORT.....contd.

Principal Activity

The Company is the publisher of Punch, a weekly satirical magazine.

Results and Dividends

The loss after taxation for the 58 weeks ended 1 February, 1997 amounted to £4,858,196.

The Directors do not recommend the payment of a dividend and an amount of £4,858,196 has been transferred out of reserves.

Review of Business

The archive assets and intellectual property rights to the magazine "Punch" were acquired by the Company's parent on 26th January 1996. The Company was formed to re-launch the magazine (which had ceased publication in 1992 after 151 years), and this was achieved on 4th September 1996. Initial results from distribution and advertising revenue have been encouraging, and the process of building a loyal readership continues.

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.

Auditors

Price Waterhouse have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their re-appointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

Punch Limited
(formerly Liberty Publishing Limited)

DIRECTORS' REPORT.....contd.

Statement of Directors' Responsibilities

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

The Directors have prepared the financial statements on pages 5 to 13 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



S. Verman
Secretary
8th April 1997

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

Punch Limited
(formerly Liberty Publishing Limited)

AUDITORS' REPORT TO THE MEMBERS OF PUNCH LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 3 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 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 affairs of the Company as at 1 February 1997 and of the loss for the 58 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors
8th April 1997

Southwark Towers
32 London Bridge Street
London
SE1 9SY

Punch Limited
(formerly Liberty Publishing Limited)

PROFIT AND LOSS ACCOUNT
58 WEEKS ENDED 1 FEBRUARY 1997

Note		58 Weeks to 1/2/97 £'000
2	TURNOVER	1,647
	Cost of Sales	<u>(3,953)</u>
	GROSS LOSS	(2,306)
	Administrative expenses	<u>(4,735)</u>
3	OPERATING LOSS	(7,041)
5	Interest	<u>(168)</u>
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(7,209)
6	Tax on loss on ordinary activities	2,350
	LOSS FOR THE FINANCIAL PERIOD	<u><u>(4,859)</u></u>

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 14.

Punch Limited
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BALANCE SHEET
AT 1 FEBRUARY 1997

Note	At 1/2/97 £'000
FIXED ASSETS	
7 Tangible assets	265
CURRENT ASSETS	
8 Stocks	202
9 Debtors (Amounts falling due within one year)	3,264
10 Debtors (Amounts falling due after more than one year)	15
Cash at bank and in hand	417
	<hr/> 3,898
11 CREDITORS (Amounts falling due within one year)	(1,530)
	<hr/>
NET CURRENT ASSETS	2,368
TOTAL ASSETS LESS CURRENT LIABILITIES	2,633
12 CREDITORS (Amounts falling due after more than one year)	(7,492)
	<hr/> (4,859) <hr/>
CAPITAL AND RESERVES	
13 Called up share capital	-
14 Profit and loss account	(4,859)
15 EQUITY SHAREHOLDERS' FUNDS	<hr/> (4,859) <hr/>

Approved by the Board on 8th April 1997

R. J. Fallowfield

R. J. Fallowfield
Director

Punch Limited
(formerly Liberty Publishing Limited)

NOTES TO THE ACCOUNTS
58 WEEKS TO 1 FEBRUARY 1997

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.

The ultimate holding company of Punch Limited, Harrods Holdings plc, (formerly Harrods Investments plc), produces a consolidated cash flow statement in accordance with Financial Reporting Standard 1 ("FRS1"). Consequently the Company has taken advantage of the exemption in FRS1 from producing a cash flow statement.

The Company has a deficit of shareholders' funds at 1st February 1997. In order that the financial statements be prepared on a going concern basis, the Company's immediate parent undertaking has indicated that it will not call for a repayment of amounts due to group undertakings without first ensuring the Company has adequate funds to meet its financial obligations as they fall due.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value.

Depreciation

Depreciation on tangible fixed assets is provided in equal annual instalments at the following principal rates per annum:

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 were included in the financial statements, and where a tax liability is expected to crystallise in the foreseeable future.

Pensions

Relevant employees of the Company are members of the Harrods Group Pension Plan.

Punch Limited
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NOTES TO THE ACCOUNTS.....contd.

2. TURNOVER

Turnover represents the total amount receivable for services provided and goods sold excluding VAT.

In the opinion of the Directors, all turnover derives from one class of business, and from one significant geographical area, being the UK.

3. OPERATING LOSS

58 Weeks
to 1/2/97
£'000

Operating loss is stated after charging:

Staff Costs

809

Depreciation of tangible fixed assets:

owned assets

86

Auditors' remuneration:

audit services

8

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

58 Weeks
to 1/2/97
£'000

Staff costs comprise:

Wages and salaries

738

Social security costs

70

Other pension costs

1

809

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

58 Weeks
to 1/2/97
£'000
Number

Editorial

4

Management and administration

9

13

None of the directors received any emoluments directly from the Company during the period, but were remunerated by other companies in the Harrods Holdings Group.

Punch Limited
(formerly Liberty Publishing Limited)

NOTES TO THE ACCOUNTS.....contd.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES.....contd.

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.

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.

Punch Limited
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NOTES TO THE ACCOUNTS.....contd.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES.....contd.

The Company's pension charge for the period is based on the total surplus as follows:

	58 Weeks to 1/2/97 £'000
Regular cost	16
Variation	(15)
Net pension charge	<u>1</u>
The pension prepayment is as follows:	1/2/97 £'000
Contributions paid	16
Charge to profit and loss account	(1)
Closing balance	<u>15</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. The actuarial surplus is being spread over the estimated remaining service life of current employees over 13 years on a straight line basis.

5. INTEREST

	58 Weeks to 1/2/97 £'000
Payable to group undertakings:	
Loans wholly or partly repayable after 5 years	(171)
Receivable:	
Bank interest	<u>3</u> <u>(168)</u>

Punch Limited
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NOTES TO THE ACCOUNTS.....contd.

6. TAXATION

The taxation credit of £2,350,000 results from the operation of group relief provisions.

7. TANGIBLE ASSETS	Short leasehold improvements	Machinery, fixtures and equipment	Total
	£'000	£'000	£'000
Cost:			
Additions	8	343	351
At 1 February 1997	8	343	351
Depreciation:			
Provision for period	(1)	(85)	(86)
At 1 February 1997	(1)	(85)	(86)
Net book amount			
At 1 February 1997	7	258	265
At 18th December 1995	-	-	-

8. STOCKS	1/2/97
	£'000
Paper	177
Articles and drawings	25
	<u>202</u>

9. DEBTORS (Amounts falling due within one year)	1/2/97
	£'000
Trade debtors	406
Amounts owed by group undertakings	2,350
Other debtors	508
	<u>3,264</u>

Punch Limited
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NOTES TO THE ACCOUNTS.....contd.

10.	DEBTORS (Amounts falling due after more than one year)	1/2/97 £'000
	Prepayments and accrued income	<u>15</u>
11.	CREDITORS (Amounts falling due within one year)	1/2/97 £'000
	Bank overdraft	362
	Trade creditors	381
	Other creditors	210
	Accruals and deferred income	<u>577</u>
		<u>1,530</u>
12.	CREDITORS (Amounts falling due after more than one year)	1/2/97 £'000
	Amounts owed to parent undertaking	<u>7,492</u>
13.	SHARE CAPITAL	1/2/97 £
	Authorised:	
	100 ordinary shares of £1 each	<u>100</u>
	Allotted on incorporation and fully paid:	
	2 ordinary shares of £1 each	<u>2</u>
14.	PROFIT AND LOSS RESERVES	1/2/97 £'000
	Transfer from profit and loss account for the period	(4,859)
	At end of period	<u>(4,859)</u>

Punch Limited
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NOTES TO THE ACCOUNTS.....contd.

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

1/2/97

£

Loss for the financial period	(4,858,196)
New share capital allotted	2
Net reduction in shareholders' funds	(4,858,194)
Opening shareholders' funds	-
Closing shareholders' funds	<u>(4,858,194)</u>

16. RELATED PARTIES

The Company is a wholly-owned subsidiary of Harrods Holdings plc (formerly Harrods Investments plc), and, as permitted by Financial Reporting Standard 8, "Related Party Disclosures", transactions with other entities in the Harrods Holdings Group are not disclosed.

17. CONTINGENT LIABILITY

The Harrods Holdings plc (formerly Harrods Investments plc) group's working capital facility from Midland Bank plc is guaranteed by The Liberty Broadcasting Company Limited and other group companies.

18. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is Liberty Publishing and Media Limited, a company registered in England and Wales. The ultimate UK parent undertaking of Liberty Publishing and Media Limited is Harrods Holdings plc, (formerly Harrods Investments plc), which is the parent undertaking of the Harrods Holdings 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.

The ultimate parent undertaking is Alfayed Investment and Trust PVT LP, a partnership based in Bermuda. All interests in the Partnership continue to be under the control and held for the benefit of the Fayed family.