

IP INTERMEDIATION (UK) LTD

**DIRECTORS' REPORT AND
ACCOUNTS**

FOR THE YEAR ENDED 31ST DECEMBER 2001



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Company No. 889123

IP INTERMEDIATION (UK) LTD

COMPANY INFORMATION

Directors	Mr Julien JOSEPH Mr Edouard de FIERLANT DORMER (Appointed 05/03/02) Mr Olivier KETTLER (Appointed 05/03/02)
Secretary	Hackwood Secretaries Limited
Company number	889123
Registered office	Aldwych House, 81 Aldwych London WC2B 4HN
Auditors	Constantin Aldwych House 81 Aldwych London WC2B 4HN
Bankers	Crédit Lyonnais PO Box 81 Broadwalk House 5 Appold Street London EC2A 2JP

IP INTERMEDIATION (UK) LTD

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IP INTERMEDIATION (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2001

The directors present their report and the audited accounts for the company for the year ended 31st December 2001.

Principal activities and review of business

The company's principal activity continued to be that of investment in media related companies.

On 2 July 2001 Bertelsmann AG acquired the 29.9% stake held by GBL/Electrafina in RTL Group, the company's previous ultimate parent undertaking. The acquisition gave Bertelsmann a 67% controlling interest in RTL Group.

On 31 January 2002 Bertelsmann AG acquired the 22% stake in the RTL Group held by Pearson plc. This acquisition gives Bertelsmann an 89% controlling interest in RTL group. Bertelsmann has subsequently increased its shareholding to 90.2% The remaining 9.8% of shares in RTL group are held by minority shareholders.

Subsequent to the year-end, and following European judicial ruling in respect of ACT group litigation (known as the "Hoechst claim") the Inland Revenue's Solicitors Office issued a proposal for settlement of "Class 1" claims. The company, falling within the aforementioned class, has proceeded with acceptance of the Inland Revenue proposal and the directors are confident of imminent settlement. In light of this fact, the ACT recoverable of £1,137,633 has been accrued in addition to £311,276 of interest in respect of this.

Results and dividends

The results for the year are set out in the profit and loss account on page 4.

The directors consider the state of the company's affairs to be satisfactory.

The directors do not recommend a dividend.

Directors and their interests

The directors who held office during the year and their beneficial interests in the company's issued share capital are given below:

Name of director		At 31st December 2001	At 1st January 2001
Mr Julien JOSEPH		-	-
Mr Patrick LABRANCHE	(Resigned 28/02/02)	-	-
Mr Pierre - Henri LAUREYSSSENS	(Resigned 12/03/02)	-	-

IP INTERMEDIATION (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2001


Statement of directors' responsibilities

Company law requires the directors to prepare accounts 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 for that year. 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;
- Prepare the accounts 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 enable them to ensure that the accounts 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


Director JULIAN JOSEPH

Date: 2 October 2003


DIRECTOR : GRAHAM de FIERANT
DATE : 2 October 2003

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IP INTERMEDIATION (UK) LTD

We have audited the accounts of IP Intermediation (UK) Ltd for the year ended 31st December 2001 which comprise the Profit and Loss Account, the Balance Sheet, and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Director's Responsibilities the company's directors are responsible for the preparation of the accounts, in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 director's remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Constantin
Registered Auditors

Date: 8 October 2003.

IP INTERMEDIATION (UK) LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2001

	Notes	2001 £	2000 £
Administrative expenses		(20,798)	(20,931)
Operating Loss			
Provision against cost of investment	2	(20,798)	(20,931)
Closure costs	6	-	(1,000,000)
	6 & 7	(80,000)	(500,000)
Interest receivable		(100,798)	(1,520,931)
	4	322,452	40,135
Profit/(Loss) on Ordinary Activities before Taxation		221,654	(1,480,796)
Tax on profit/(loss) on ordinary activities	5	1,137,633	-
Profit/(Loss) for the financial year	12	1,359,287	(1,480,796)
Retained profit brought forward		135,230	1,616,026
Retained profit carried forward		1,494,517	135,230

All amounts relate to continuing activities.

There were no recognised gains or losses for 2001 or 2000 other than those included in the profit and loss account.

The notes on pages 6 to 11 form part of these accounts.

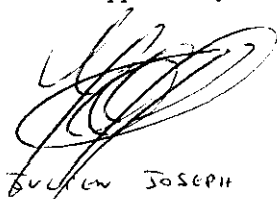
IP INTERMEDIATION (UK) LTD

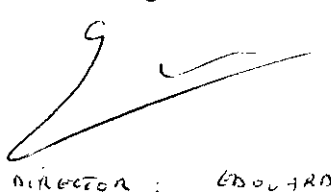
BALANCE SHEET

AS AT 31ST DECEMBER 2001

	Notes	£	2001 £	£	2000 £
Fixed assets					
Investments	6		1		1
Current assets					
Debtors	8	1,571,087		613,171	
Cash at bank and in hand		16,070		109,950	
		<u>1,587,157</u>		<u>723,121</u>	
Creditors: amounts falling due within one year	9	<u>(92,640)</u>		<u>(87,891)</u>	
Net current assets			<u>1,494,517</u>		<u>635,230</u>
Total assets less current liabilities			<u>1,494,518</u>		<u>635,231</u>
Provisions for liabilities and charges					
Other provisions	7		-		(500,000)
			<u>1,494,518</u>		<u>135,231</u>
Capital and reserves					
Share capital	11		1		1
Profit and loss account	12		<u>1,494,517</u>		<u>135,230</u>
Shareholders' funds	13		<u>1,494,518</u>		<u>135,231</u>

These accounts were approved by the board on 2 October 2003 and signed on its behalf by:

Director  JOSEPH

 DIRECTOR: EDOUARD de FIERANT

IP INTERMEDIATION (UK) LTD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2001

1 Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

In accordance with Financial Reporting Standard 1, the company has taken advantage of the exemption from the requirement to produce a cash flow statement on the grounds that it is a small company.

Consolidation

The accounts contain information about IP Intermediation (UK) Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a small group.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Deferred taxation

Deferred taxation is provided, using the liability method, at the expected applicable rates, on all timing differences between accounting and taxation treatments, which are expected to reverse in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

2 Operating loss

The operating loss is stated after charging or crediting:

	2001	2000
	£	£
Auditors' remuneration - non audit work	500	9,756
Auditors' remuneration	7,073	(2,261)
Exchange differences	(1,575)	(1,075)

IP INTERMEDIATION (UK) LTD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2001

3 Directors and employees

Staff costs, including directors' remuneration, were as follows:

	2001	2000
	£	£
Wages and salaries	-	471
Social security costs	-	7,018
	<u>-</u>	<u>7,489</u>

None of the directors received any remuneration during the year (2000 : nil).

4 Interest receivable

	2001	2000
	£	£
Bank interest receivable	2,169	5,491
Other interest receivable	311,276	-
Interest from group companies	9,007	34,644
	<u>322,452</u>	<u>40,135</u>

The other interest receivable is in respect of amounts due as a result of the Inland Revenue's proposed settlement of ACT group litigation claims.

5 Taxation

	2001	2000
	£	£
Prior periods		
UK corporation tax	(1,137,633)	-
	<u>(1,137,633)</u>	<u>-</u>

IP INTERMEDIATION (UK) LTD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2001

6 Fixed asset investments

	£	Total £
Cost		
At 1st January 2001	<u>1,000,001</u>	<u>1,000,001</u>
At 31st December 2001	<u>1,000,001</u>	<u>1,000,001</u>
Provisions		
At 1st January and 31st December 2001.	<u>1,000,000</u>	<u>1,000,000</u>
Net book value		
At 31st December 2001	<u>1</u>	<u>1</u>
<i>At 31st December 2000</i>	<u><i>1</i></u>	<u><i>1</i></u>

IP INTERMEDIATION (UK) LTD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2001

7 Shares in group undertakings

Name of company and registered office	Incorporated in	Details of investments	Proportion held by company	Proportion held by subsidiary	Nature of business
Dominfast Investments Limited	England	1 ordinary share	100%		Media
Paradigm (Worldwide) Limited	England	100 ordinary shares	50%	50%	Media

The capital and reserves and profit or loss for the subsidiary as at its financial year end were as follows :

	Profit/(loss) for the year	Capital and reserves
	£	£
Dominfast Investments Limited (31/12/2001)	763,432	1,557,453

The investment in Paradigm (Worldwide) Limited was written down in 2000 on the basis of that company's being in the process of liquidation. A further £580,000 has been provided, being the directors' best estimate of the cost of closing the business.

8 Debtors

	2001	2000
	£	£
Amounts owed by related undertakings	114,867	605,860
Other debtors	1,456,220	7,311
	<u>1,571,087</u>	<u>613,171</u>

Included in other debtors is ACT recoverable of £1,137,633 and interest of £311,276 resulting from the Inland Revenue's proposed settlement of ACT group litigation claims.

9 Creditors: amounts falling due within one year

	2001	2000
	£	£
Provision for closure costs	30,000	-
Amounts owed to associated undertakings	59,498	70,603
Other taxes and social security	(2,358)	593
Accruals and deferred income	5,500	16,695
	<u>92,640</u>	<u>87,891</u>

IP INTERMEDIATION (UK) LTD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2001

10 Provisions for liabilities and charges

No provisions for potential deferred tax assets have been made. The full potential deferred tax asset is disclosed at the effective rate of corporation tax of 30% (2000: 30%)

	Full potential asset /(liability)	
	2001	2000
	£	£
Deferred taxation comprises:		
Excess management expenses	500,250	590,800
Capital losses	36,028	36,028
Surplus ACT	-	1,137,633
Excess management expenses from prior years have been offset against current year taxable profits.		

11 Share capital

	2001	2000
	£	£
Authorised		
Equity shares		
3,090,001 Ordinary shares of £1.00 each	3,090,001	3,090,001
Allotted		
Equity shares		
1 Allotted, called up and fully paid ordinary share of £1.00	1	1

12 Reserves

	Profit and loss account £
At 1st January 2001	135,230
Profit for the year	1,359,287
At 31st December 2001	1,494,517

13 Reconciliation of movement in shareholders' funds

	2001	2000
	£	£
Profit/(Loss) for the financial year	1,359,287	(1,480,796)
Increase in the shareholders' funds	1,359,287	(1,480,796)
Opening shareholders' funds	135,231	1,616,027
Closing shareholders' funds	1,494,518	135,231

IP INTERMEDIATION (UK) LTD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2001

14 Immediate parent undertaking and ultimate controlling party

The immediate parent undertaking is Suprafin S.A., a company registered in Belgium.

The smallest group to consolidate these accounts is Suprafin S.A. Copies of the Suprafin S.A. Group accounts can be obtained from 24 Avenue Marnix, B-1000 Brussels, Belgium.

The ultimate parent undertaking and controlling party is Bertelsmann AG, a company registered in Germany, which is the largest group to consolidate these financial statements.

In accordance with Financial Reporting Standard 8, the company has taken advantage of the exemption for subsidiary undertakings whose 90% or more of voting rights are controlled within the group from the requirement to disclose related party transactions within the group on the grounds that the consolidated financial statements in which the subsidiary is included are publicly available.

15 Post balance sheet events

On 31 January 2002 Bertelsmann AG acquired the 22% stake in RTL Group held by Pearson plc, and has since increased its shareholding to 90.2%. The remaining 9.8% of shares in RTL Group are held by minority shareholders.

Subsequent to the year-end, and following European judicial ruling in respect of ACT group litigation (known as the "Hoechst claim") the Inland Revenue's Solicitors Office issued a proposal for settlement of "Class 1" claims. The company, falling within the aforementioned class, has proceeded with acceptance of the Inland Revenue proposal and the directors are confident of imminent settlement.