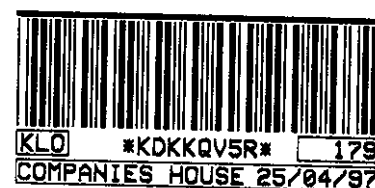


GRAVITY RECORDS LIMITED
(formerly Law 348 Limited)

DIRECTORS' REPORT AND BALANCE SHEET

30 JUNE 1996

Registered Number: 2579637



GRAVITY RECORDS LIMITED
(formerly Law 348 Limited)

DIRECTORS' REPORT

The directors present their report and the unaudited financial statements of the company for the year ended 30 June 1996.

The company changed its name from Law 348 Limited to Gravity Records Limited on 19 July 1995.

REVIEW OF THE BUSINESS

The company did not trade during the period and consequently made neither a profit nor a loss.

FUTURE PROSPECTS

The company is not expected to trade in the foreseeable future.

DIRECTORS

The directors who held office during the year were:

R Bala-Ratnam
Paul Curran
M Stanton

At the year end none of the directors held any beneficial interest in the shares or options of the company.

DIRECTORS' LIABILITY INSURANCE

During the year the company maintained liability insurance for its directors as permitted by Section 310 (3) of the Companies Act 1985.

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 and 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

GRAVITY RECORDS LIMITED
(formerly Law 348 Limited)

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES (continued)

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.

AUDITORS

Under the exemption for qualifying dormant companies in Section 250 of the Companies Act 1985, the company has not appointed auditors.

By Order of the Board



EJP Wareham
Secretary

23rd April 1997

GRAVITY RECORDS LIMITED
(formerly Law 348 Limited)

BALANCE SHEET - 30 JUNE 1996

	<u>1996</u>	<u>1995</u>
	£	£
CURRENT ASSETS		
Amounts owed by group companies	<u>2</u>	<u>2</u>
NET ASSETS	<u>2</u>	<u>2</u>
EQUITY CAPITAL AND RESERVES		
Called up share capital (Note 4)	<u>2</u>	<u>2</u>
SHAREHOLDERS' FUNDS	<u>2</u>	<u>2</u>

The company was dormant within the meaning of Section 250 of the Companies Act 1985 throughout the year to 30th June 1996

Approved by the Board on ^{23rd} April 1997

P Curran
Director



The notes on pages 4 and 5 form part of these financial statements

GRAVITY RECORDS LIMITED
(formerly Law 348 Limited)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996

1 ACCOUNTING POLICIES

(1) Accounting convention and Accounting Standards

The balance sheet has been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

2 ACTIVITY

During the year the company has not traded, has not incurred any liabilities. Consequently, it has made neither a profit nor a loss.

3 ADMINISTRATIVE COSTS

The average number of employees during the year was nil (1995: Nil).

None of the directors received any emoluments in respect of their services to the Company during the year (1995: £nil).

4 CALLED UP SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	£	£
Authorised:		
1000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

5 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

There was no movement in shareholders' funds during the year.

GRAVITY RECORDS LIMITED
(formerly Law 348 Limited)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

6 ULTIMATE HOLDING COMPANY

The ultimate holding company of Gravity Records Limited is Bertelsmann AG, a company incorporated in Germany.

7 PARENT UNDERTAKING

The largest and smallest group for which group accounts are prepared, and of which the company is a member, is as follows:

Name	Bertelsmann AG
Country of incorporation	Germany
Address from where copies of the Group accounts can be obtained	Carl Bertelsmann Strasse 270 4830 Gütersloh 1 Germany