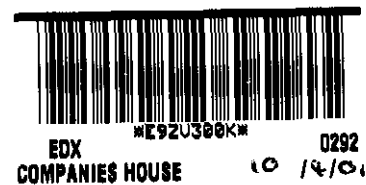


Gravity Records Limited

**Directors' report and financial
statements**

Registered number 2579637

30 June 2000



Contents

Directors' report	1
Statement of directors' responsibilities	2
Balance sheet	3
Notes	4

Directors' report

The directors present their annual report and the unaudited financial statements for the year ended 30 June 2000.

Activities

The principal activity of the company is that of music publishing.

Review of business

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

Future developments

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

Directors

The directors who held office during the year are:

P Curran
S Robinson (resigned 3 May 2000)
D Kooker (appointed 2 May 2000)
R Bala-Ratnam (resigned 5 July 1999)

None of the directors holds any shares in the company and there are no arrangements whereby any director is able to acquire shares in the company (1999: nil).

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

Bedford House
69-79 Fulham High Street
London
SW6 3JW

JK April 2001

Statement of 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;
- 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 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.

Balance sheet


at 30 June 2000

	<i>Note</i>	2000 £	1999 £
Current assets			
Amounts owed by group companies		2	2
		<hr/>	<hr/>
Net assets		2	2
		<hr/>	<hr/>
Equity capital and reserves			
Called up share capital	4	2	2
		<hr/>	<hr/>
Total equity shareholders' funds		2	2
		<hr/>	<hr/>

The company was dormant within the meaning of Section 250 of the Companies Act 1985 throughout the financial year.

These financial statements were approved by the board of directors on *20th April* 2001 and were signed on its behalf by:

P Curran
Director



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

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

2 Activity

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

3 Directors and employees

The average number of employees during the year was nil (1999: nil).

None of the directors received any emoluments in respect of their services to the company during the year (1999: £nil).

4 Called up share capital

	2000 £	1999 £
<i>Authorised:</i>		
1,000 (1999: 1,000) ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
2 (1999: 2) ordinary shares of £1 each	2	2
	<hr/>	<hr/>

Notes *(continued)*

5 Ultimate parent undertaking

The company is a wholly owned subsidiary of BMG Music Publishing Limited, a company incorporated in England.

The ultimate parent undertaking and largest group in which the results of the company are consolidated is Bertelsmann AG, a company incorporated in Germany.

Copies of the group financial statements can be obtained from:

Bertelsmann AG,
Carl Bertelsmann Strasse 270,
4830 Gütersloh 1
Germany

6 Related party transactions

The company is exempt from the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Bertelsmann AG group of companies. There are no other related party transactions.