

Gravity Records Limited

**Directors' report and financial
statements**

Registered number 2579637

31 December 2006



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 31 December 2006.

Business review and results

The company was inactive throughout the year under review and accordingly no profit and loss account is presented.

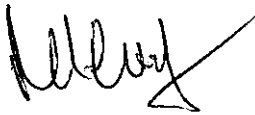
Directors and their interests

The directors who held office during the year were:

P Curran
W Downs (appointed 09 May 2006)
D Pearce (resigned 09 May 2006)

None of the directors held any beneficial interest in the shares of the company or any other group undertaking during the current or prior year.

By order of the Board



EJP Wareham
Secretary

20 Fulham Broadway
London
SW6 1AH

13th February 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

Balance sheet

at 31 December 2006

	<i>Note</i>	2006 £	2005 £
Current assets			
Debtors	3	2	2
Net current assets / net assets		2	2
Capital and reserves			
Called up share capital	4	2	2
Shareholders' funds		2	2

For the year ended 31 December 2006 the company was entitled to exemption under section 249AA(1) of the Companies Act 1985.

No members have required the company to obtain an audit of its accounts for the period in question in accordance with section 249B(2).

The directors acknowledge their responsibility for (i) ensuring the company keeps accountings records which comply with section 221; and (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial period and of its profit and loss for the financial period in accordance with section 226 and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company

These financial statements were approved by the board of directors on 13th February 2007 and were signed on its behalf by:



W. Downs
Director

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

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirements of Financial Reporting Standard 1 (Revised), Cash flow statements, being a wholly owned subsidiary of Bertelsmann AG, a company incorporated in Germany and which prepares consolidated financial statements containing a consolidated cash flow statement including the cash flows of the company.

2 Directors and employees

The only employees of the company in either year were the directors who received no emoluments in either year in respect of services to the company.

3 Debtors

	2006 £	2005 £
Amounts owed by group undertakings	2	2

4 Called up share capital

	2006 £	2005 £
<i>Authorised:</i>		
1,000 (2005: 1,000) ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid:</i>		
2 (2005: 2) ordinary shares of £1 each	2	2

Notes (continued)

5 Ultimate holding company

On 6 September 2006, Bertelsmann AG entered into a definitive agreement to sell its music publishing business to Vivendi SA. However, at the date of signature of these accounts the ultimate holding company and ultimate controlling party is still Bertelsmann AG, a company incorporated in Germany.

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

The largest and smallest group for which consolidated financial statements 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 consolidated financial statements can be obtained	Carl Bertelsmann Strasse 270 33311 Gütersloh 1 Germany

6 Related party transactions

The company is exempt from the terms of Financial Reporting Standard No. 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.