

Company Registration No. 918616

Chrysalis Holdings Limited

Report and Financial Statements

Period from 1 October 2010 to 31 December 2011

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Chrysalis Holdings Limited

Report and financial statements 2011

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Chrysalis Holdings Limited

Report and financial statements 2011

Officers and professional advisers

Directors

Mark Ranyard
Hartwig Masuch
Maximilian Dressendoerfer
John Dobinson
Alexi Cory-Smith

Secretary

Simon Harvey

Registered Office

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Bankers

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
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Solicitors

Russell's Solicitors
1-4 Warwick Street
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London
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Auditor

Deloitte LLP
Chartered Accountants and statutory auditor
London, United Kingdom

Chrysalis Holdings Limited

Directors' report

The directors present their Directors' report and financial statements for the period ended 31 December 2011 for Chrysalis Holdings Limited (the "Company")

Principal activities

The principal activity of the Company during the period ended 31 December 2011 was an investment holding company

The Directors do not anticipate any significant changes in the activities of the Company

Business Performance

Following the acquisition of the Chrysalis Group by BMG Rights Management GmbH, the accounting reference date was changed from 30 September to 31 December. These financial statements therefore related to the period from 1 October 2010 to 31 December 2011.

As shown in the Company's Statement of Comprehensive Income on page 7, the Company reported a profit before taxation of £3,420k, primarily related to profit on the disposal of investments and dividend income.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements.

Directors

The directors who held office during the period were as follows:

Andy Mollett	(resigned 31 March 2011)
Jeremy Lascelles	(resigned 31 March 2011)
Mark Ranyard	(appointed 4 February 2011)
Hartwig Masuch	(appointed 4 February 2011)
Maximilian Dressendoerfer	(appointed 4 February 2011)
John Dobinson	(appointed 4 February 2011)
Alexi Cory-Smith	(appointed 31 March 2011)

Dividends

The directors do not recommend a dividend (2010: nil).

Directors and officers insurance

The Company maintains liability insurance for directors and officers of the Company.

Employees

The Company has no employees.

Political and charitable contributions

The Company made no political or charitable contributions or incurred any political expenditure during the current period.

Chrysalis Holdings Limited

Directors' report

Auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed on behalf of the Board



M Ranyard

Director

02 March 2012

Chrysalis Holdings Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditor's report to the members of Chrysalis Holdings Limited

We have audited the financial statements of Chrysalis Holdings Limited for the period ended 31 December 2011 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Shareholder's Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Chrysalis Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



James Bates (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

Date 05 March 2012

Chrysalis Holdings Limited

Statement of comprehensive income Period ended 31 December 2011

		Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
	Notes		
Administrative (expenses)/income		(2,132)	1,107
Profit on disposal of investments	6	20,909	-
Loss on liquidation of subsidiary companies	6	(22,775)	-
Impairment of investments	6	(250)	-
Profit from operations	2	4,248	1,107
Investment revenue	4	245	-
Finance costs	4	(989)	-
Dividend income		8,412	-
Profit before taxation		3,420	1,107
Taxation	5	-	-
Profit for the period/year attributable to equity shareholder		3,420	1,107

The accompanying notes are an integral part of this statement of comprehensive income for the period ended 31 December 2011 and the Company did not have any items of other comprehensive income. All results relate to continuing operations.

Chrysalis Holdings Limited

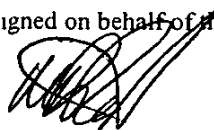
Statement of financial position Period ended 31 December 2011

	Notes	31 December 2011 £'000	30 September 2010 £'000
Non-current assets			
Investments	6	735	29,660
Long term loans	9	245	-
Total non-current assets		<u>980</u>	<u>29,660</u>
Current assets			
Cash	7	-	4
Total assets		<u>980</u>	<u>29,664</u>
Equity			
Share capital	8	500	500
Other Reserves		1,026	1,026
Retained earnings		(12,326)	(15,746)
Total shareholder's equity		<u>(10,800)</u>	<u>(14,221)</u>
Non-current liabilities			
Long term loans	9	11,780	43,885
Total equity and liabilities		<u>980</u>	<u>29,664</u>

The accompanying notes are an integral part of this statement of financial position

The financial statements of Chrysalis Holdings Limited registered number 918616 were approved by the Board of Directors on 02 March 2012

Signed on behalf of the Board of Directors



M Ranyard
Director

Chrysalis Holdings Limited

Statement of changes in shareholder's equity Period ended 31 December 2011

	Share capital £'000	Other Reserves £'000	Retained earnings £'000	Total £'000
Opening shareholder's funds at 1 October 2010	500	1,026	(15,746)	(14,220)
Profit for the period	-	-	3,420	3,420
Shares issued	-	-	-	-
Closing shareholder's funds at 31 December 2011	<u>500</u>	<u>1,026</u>	<u>(12,326)</u>	<u>(10,800)</u>

The accompanying notes are an integral part of this statement of changes in shareholder's equity

Chrysalis Holdings Limited

Statement of cash flows

Period ended 31 December 2011

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
Profit before taxation	3,420	1,107
Adjustments for		
Profit on disposal of investments	(20,909)	-
Loss on liquidation of subsidiary companies	22,775	-
Impairment of investments	250	-
Investment revenue	(245)	-
Finance costs	989	-
Dividend income	(8,412)	-
Non-cash administration expenses	2,132	-
Decrease in long term loans	(32,350)	(1,107)
Decrease in investments	28,925	-
Net decrease in cash and cash equivalents	(4)	-
Cash and cash equivalents at the beginning of the period	4	4
Cash and cash equivalents at 31 December / 30 September	-	4

The accompanying notes are an integral part of this statement of cash flows

Chrysalis Holdings Limited

Notes to the financial statements Period ended 31 December 2011

1. Accounting policies

Chrysalis Holdings Limited (the "Company") is a company incorporated in the UK

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union ("EU")

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

Basis of preparation

The financial statements are presented in pounds sterling. They are prepared on the historical cost basis

Non current assets are stated at the lower of carrying amount and fair value less costs to sell

These financial statements represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the European Union ("EU"). The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was 1 October 2010.

Line-by-line reconciliations to show the effect of the transition from UK GAAP to IFRS are not presented as there was no impact on equity, earnings and comprehensive income and the statement of financial position as at 30 September 2010, 30 September 2009 and 1 October 2008 and the income statement and statement of comprehensive income for the year ended 30 September 2010. The company has not complied with the requirement to disclose the opening financial position of the first period of adoption of IFRS as there has been no impact on the financial position as a result of this adoption.

The preparation of financial statements in conformity with IFRS which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Measurement convention

The financial statements are prepared on the historical cost basis except financial instruments classified as fair value through the profit or loss. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 5. After making enquiries, the directors have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The ultimate parent company has confirmed its continued support of the Company.

Chrysalis Holdings Limited

Notes to the financial statements **Period ended 31 December 2011**

1. Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Company's receivables earned at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss in respect of receivable earned at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Chrysalis Holdings Limited

Notes to the financial statements **Period ended 31 December 2011**

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Net financing costs

Net financing costs comprise interest payable, interest receivable on funds invested, dividend income and foreign exchange gains and losses that are recognised in the statement of comprehensive income. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

The Company uses estimates to calculate the writer royalties due for the second half of the period for all the royalty receipts and company used industry standard rates estimate the royalties' accruals.

Writer advances provisions were made during the period based on calculation used across the Chrysalis group.

Chrysalis Holdings Limited

Notes to the financial statements Period ended 31 December 2011

1. Accounting policies (continued)

Adopted IFRS not yet applied

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective

Amendments to IFRS 7	<i>Disclosures – Transfers of Financial Assets¹</i>
IFRS 9	<i>Financial Instruments²</i>
IFRS 10	<i>Consolidated Financial Statements²</i>
IFRS 11	<i>Joint Arrangements²</i>
IFRS 12	<i>Disclosure of Interests in Other Entities²</i>
IFRS 13	<i>Fair Value Measurement²</i>
Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income³</i>
Amendments to IAS 12	<i>Deferred Tax – Recovery of Underlying Assets⁴</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits²</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements²</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures²</i>

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2012

The directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods

2 Profit from operations

Profit from operations has been arrived at after charging/(crediting)

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Auditor's remuneration	5	22

The audit fee of £5k was borne by the intermediate parent company, BMG Rights Management (UK) Limited

3 Employee costs and directors' remuneration

The directors received no remuneration from the Company for services during the period (2010 £nil)

The Company did not have any other employees and as a result incurred no staff costs (2010 £nil)

Chrysalis Holdings Limited

Notes to the financial statements Period ended 31 December 2011

4. Investment revenue/Finance costs

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Investment revenue	(245)	(661)
Finance costs	989	427
	<u>744</u>	<u>(234)</u>

Interest charges and income represent interest charged and received from the parent company and other related parties in respect of cash pooling and loan facilities provided

5. Taxation

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Current taxation UK corporation tax	-	-
Deferred taxation Current period	-	-
Total tax expense	<u>-</u>	<u>-</u>

The charge for the period can be reconciled to the profit per the statement of comprehensive Income as follows

Chrysalis Holdings Limited

Notes to the financial statements Period ended 31 December 2011

5. Taxation (continued)

Tax reconciliation

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Profit before taxation	3,420	1,107
Tax using the UK corporation tax rate of 26.5% (2010: 28%)	(906)	(310)
Effects of		
Non-deductible expenses	6,653	-
Non-taxable income	(7,770)	-
Tax losses claimed for no consideration	1,117	310
	-	-

The standard rate of Corporation Tax in the United Kingdom changed from 28% to 26% with effect from 1 April 2011. Accordingly the Company's profits are taxed at an effective rate of 26.5%.

During the period there was a change in the UK main corporation tax rate to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured.

Further reductions to the UK corporation tax rates by 1% per annum to 23% by 1 April 2014 have been announced and are expected to be enacted separately each year. The changes have not been recognised in these financial statements as they had not been substantively enacted at the balance sheet date.

A deferred tax asset of £1.2m (2010: £1.3m) in respect of tax losses arises in the UK which has not been recognised in the accounts as these assets can only be deducted against future suitable tax profits. There is currently insufficient evidence that suitable tax profits will be generated to offset the future reversal of these timing differences and therefore no asset has been recognised.

Chrysalis Holdings Limited

Notes to the financial statements Period ended 31 December 2011

6. Investment in subsidiaries

The movement in the period was as follows

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
Cost		
At beginning of period	46,704	46,704
Disposals	(3,818)	-
Liquidations	(30,926)	-
Written off	(2,082)	-
	<u>9,878</u>	<u>46,704</u>
Amounts provided		
Beginning of the period	(17,044)	(17,044)
Charge in period	(250)	-
Disposals	8,151	-
	<u>(9,143)</u>	<u>(17,044)</u>
Net book value at end of period/year	<u>735</u>	<u>29,660</u>
Net book value at beginning of period/year	<u>29,660</u>	<u>29,660</u>

Investments in subsidiaries shown above represent the cost of the shares of the subsidiary undertakings, less provisions made for any impairment in value

On 22 August 2011, the Company's 100% investment in Chrysalis Music France was sold for £3,337,000 to BMG Rights Management (France) sarl. The profit on disposal was £3,312,000

On 31 August 2011, the Company's 100% investment in Chrysalis Music Holdings, Inc. was sold for £21,390,000 to BMG Rights Management (UK) Limited. The profit on disposal was £17,597,000

These disposals were undertaken as part of a wider BMG Group reorganisation. All disposals were completed at fair value

Chrysalis Holdings Limited

Notes to the financial statements Period ended 31 December 2011

6. Investments in subsidiaries (continued)

Details of the principal investments of the Company are/were as follows:

Subsidiary undertakings	Country of incorporation/ operation	Principal activity	Description and proportion of ordinary shares held %
Air Management Services Limited	Great Britain	Music production	100%
Air Records Limited	Great Britain	Music publishing	100%
Chrysalis Music France SAS*	France	Music publishing	100%
Chrysalis Music Holdings, Inc*	Great Britain	Holding company and music publishing	100%
Chrysalis Music International BV	Netherlands	Music publishing	100%
Chrysalis Music Limited	Great Britain	Music publishing	100%
Oxford Street Studios Limited	Great Britain	Music publishing	100%
Redpoint Music Limited	Great Britain	Music publishing	50%
The Echo Label Limited	Great Britain	Music production	100%
Tuch Wood Records Limited	Great Britain	Music production	50%

* sold during the period

The following entities were liquidated during the period and make up the net loss on liquidation disclosed above

Subsidiary undertakings	Country of incorporation/ operation	Principal activity	Description and proportion of ordinary shares held %
Down Boy Music Limited	Great Britain	Music publishing	100%
Jerv Songs Limited	Great Britain	Music publishing	50 1%
Oystergreen Limited	Great Britain	Music publishing	100%
AIR – Overworld Limited	Great Britain	Music publishing	100%
Armourvale Limited	Great Britain	Music publishing	100%
Chrysalis Film Productions Limited	Great Britain	Film production	100%
Chrysalis Multimedia Limited	Great Britain	Film production	100%
Chrysalis Picture Library Limited	Great Britain	Film production	100%
Chrysalis Productions Limited	Great Britain	Film production	100%
Chrysalis Properties Limited	Great Britain	Property management	100%
Chrysalis Retail Entertainment Limited	Great Britain	Film production	100%
Chrysalis Television Mobiles Limited	Great Britain	Film production	100%
Loxfast Associates Limited	Great Britain	Film production	100%
Loxhart Associates Limited	Great Britain	Film production	100%
P R P Music Limited	Great Britain	Music publishing	100%
Puremix Limited	Great Britain	Music publishing	100%
Rojo Leisure Limited	Great Britain	Music publishing	100%
Speaking Books Limited	Great Britain	Book distribution	100%
Stand & Deliver Productions Limited	Great Britain	Film production	100%

An historical balance with Chrysalis Music Holdings GmbH was written off during the year, as shown above

Chrysalis Holdings Limited

Notes to the financial statements Period ended 31 December 2011

7. Cash and cash equivalents

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
Cash and cash equivalents	-	4

8. Share capital

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
Issued and fully paid:		
250,000 ordinary shares of £1 each	250	250
250,000 A 'non-voting' shares of £1 each	250	250

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

9. Long term loans

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
Loans to group companies	245	-
Loans from group companies	(11,780)	(43,885)
	(11,535)	(43,885)

Intercompany loans are interest-bearing and have no fixed repayment date

10. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business

(a) Fair values of financial instruments

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the statement of financial position date.

Chrysalis Holdings Limited

Notes to the financial statements Period ended 31 December 2011

10. Financial Instruments (continued)

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the statement of financial position are as follows

	2011		2010	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans to group companies	245	245	-	-
Loans from group companies	(11,780)	(11,780)	(43,885)	(43,885)
	<u>(11,535)</u>	<u>(11,535)</u>	<u>(43,885)</u>	<u>(43,885)</u>
Unrecognised gains/losses				<u>-</u>

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. This risk is mitigated as balances are spread across multiple parties.

The Company's principal financial assets are bank balances and receivables which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company bears the bad debt risk on all debtors. The Company's management make assessments on new customers before work is earned out, based on their knowledge of the industry and the customer's acceptance of imposed credit terms.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables after taking into consideration the amount of balances covered by the Company's credit insurance policy. These have been estimated by the Company's management based on prior experience and their assessment of the current economic environment.

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Liquidity is managed by group via the cash pooling facility.

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

Market risk - Foreign currency risk

The Company was not exposed to any foreign currency risk.

Market risk - interest rate risk

The Company's exposure to interest rate risk arises from the fluctuations in the rate of interest charged on cash and cash equivalent balances payable as impacted on by the changes in the Bank of England base rate. The Company utilises a group cash pooling facility, on which interest is charged at variable rates based on the 3 month LIBOR market rate.

Chrysalis Holdings Limited

Notes to the financial statements

Period ended 31 December 2011

10. Financial Instruments (continued)

Sensitivity analysis – interest rate risk

A change of one percent in interest rates at the statement of financial position date would have increased the loss by the amounts shown below. This calculation assumes that the change occurred at the statement of financial position date and had been applied to risk exposures existing at that date

This analysis assumes that all other variables, in particular foreign currency rates, remains constant and considers the effect of financial instruments with variable interest rates

At the period end it is estimated that an increase of one percentage rise in the 3 month LIBOR market rate would decrease the Company's profit before taxation by approximately £115k (2010 £439k)

11. Related parties

Identity of related parties

The Company's parent company and group is a joint venture between the international media company Bertelsmann AG and the global private equity firm Kohlberg Kravis Roberts & Co (KKR) The Company had a related party relationship in the period with subsidiaries of the Bertelsmann AG group, and with its directors and executive officers

Related party transactions

During the period the Company entered into the following transactions with related parties The transactions were priced on an arm's length basis

	Loan Balances receivable/ (payable) £'000
Chrysalis Group Limited	(11,779)
The Hit Label Limited	(1)
Total	(11,780)

12. Ultimate parent company and controlling party

On 4 February 2011, the Chrysalis Group was acquired by BMG Rights Management GmbH

The immediate parent company is Chrysalis Investments Limited, a company incorporated in the United Kingdom, which is in turn part of a holding group structure of which the parent is BMG RM Investments Luxembourg Sarl, a company incorporated in Luxembourg

BMG RM Investments Luxembourg Sarl is a joint venture between the international media company Bertelsmann AG and the global private equity firm Kohlberg Kravis Roberts & Co

The results of the Company are included in the consolidated financial statements of BMG RM Investments Luxembourg Sarl which is registered at 63, Rue Rollingergrund, L-2440 Luxembourg These consolidated accounts are publicly available

No other group financial statements include the results of the Company