

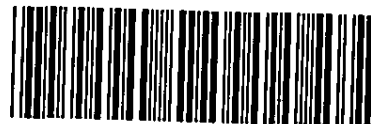
Chrysalis Holdings Limited

Directors' report and financial statements

For the year ended 30 September 2010

Registered number 918616

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2010

Principal activities

The principal activity of the company is acting as an investment holding company. The directors do not anticipate any changes in these activities over the coming year.

Business review

The Company has met the requirements in Companies Act 2006 to obtain the exemption provided from the presentation of an enhanced business review.

The profit of £1,106,803 for the year ended 30 September 2010 (2009 (£2,370,204)) are set out in the profit and loss account on page six. The directors do not recommend the payment of a dividend (2009 £nil).

Chrysalis PLC manages the Group on a divisional basis. For this reason, the Directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the company. This company is included in the corporate division of Chrysalis PLC and the performance is discussed in the Group's Annual Report which does not form part of this report.

Directors

The directors who held office during the year and to the date of this report were as follows:

CN Wright
AJ Mollett

Charitable and political donations

The Company did not make any political or charitable donations during either year.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



AJ Mollett
Secretary

The Chrysalis Building
Bramley Road
London
W10 6SP

3 February 2011

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law, the directors must approve the financial statement unless they are satisfied that they give a true and fair view of the state of the affairs of the company and of the profit or loss 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 2006. 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.

Independent auditors' report to the members of Chrysalis Holdings Limited

We have audited the financial statements of Chrysalis Holdings Limited for the year ended 30 September 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, 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 the financial statements in accordance with relevant law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 30 September 2010 and of the profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

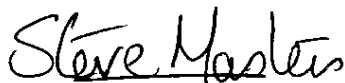
Opinion on other matter prescribed by the Companies Act 2006

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

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
- 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.



Steve Masters, Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

3 February 2011

Profit and loss account

for the year ended 30 September 2010

	Note	2010 £	2009 £
Administration expenses		(892)	(15,431)
Operating loss		(892)	(15,431)
Foreign exchange gain/(losses)		1,107,695	(2,910,257)
Interest payable and similar charges	4	-	(132,362)
Profit/(loss) on ordinary activities before taxation		1,106,803	(3,058,050)
Tax (charge)/credit on profit/(loss) on ordinary activities	5	-	687,846
Profit/(loss) for the year		1,106,803	(2,370,204)

Amounts relating to profit/(loss) on ordinary activities before taxation in the current and previous year derive from continuing activities

There were no recognised gains and losses in the year other than the loss for those years

There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis

The notes on pages 6 to 10 form part of these financial statements

Balance sheet
at 30 September 2010

	Note	30 September 2010 £	30 September 2009 £
Fixed assets			
Investments	6	29,660,213	29,660,213
Current assets			
Debtor	7	-	-
Cash		4,200	4,200
		<u>4,200</u>	<u>4,200</u>
Creditors: amounts falling due within one year	8	(43,885,004)	(44,991,807)
		<u>(43,880,804)</u>	<u>(44,987,607)</u>
Net current liabilities		(43,880,804)	(44,987,607)
		<u>(14,220,591)</u>	<u>(15,327,394)</u>
Net liabilities		(14,220,591)	(15,327,394)
		<u>(14,220,591)</u>	<u>(15,327,394)</u>
Capital and reserves			
Called up share capital	10	500,000	500,000
Other reserves	11	1,025,787	1,025,787
Profit and loss account	11	(15,746,378)	(16,853,181)
		<u>(14,220,591)</u>	<u>(15,327,394)</u>
Shareholders' deficit		(14,220,591)	(15,327,394)
		<u>(14,220,591)</u>	<u>(15,327,394)</u>

These financial statements were approved by the Board of directors on 3 February 2011 and were signed on its behalf by



AJ Mollett
Director

The notes on pages 6 to 10 form part of these financial statements

Notes to 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 preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following policies have been consistently applied

Group accounts

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts on the grounds that it is a wholly owned subsidiary of another body corporate registered in England and Wales. These financial statements present information about the company as an individual undertaking and not about its group

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised 1996) to prepare a cash flow statement on the grounds that its ultimate parent undertaking, Chrysalis PLC, includes the company in its own published consolidated financial statements

Going concern

The Company has net liabilities of £14,220,591 and net current liabilities of £43,880,804 at 30 September 2010. The accounts have been prepared on a going concern basis in view of the fact that Chrysalis PLC, the company's ultimate parent company, has formally indicated that it will provide sufficient funding to the company to enable it to meet its liabilities as they fall due, for at least twelve months from the date of this report

Dividend income

Dividend income from investments in group undertakings is included on a receivable basis

Investments

Investments in subsidiary undertakings and participating interests in joint venture companies and associates are stated at cost less provisions for any impairment

Foreign Currencies

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates at the date of the transaction (or, where applicable at the rate specified in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of the exchange prevailing at the year end (or, where applicable at the rate specified in a related forward exchange contract). Any gain or loss on the retranslation of monetary assets and liabilities to the closing rate of exchange are included in the profit and loss account

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Chrysalis PLC entities are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of the group that such losses will be purchased and paid for by the recipient company. Where there is reasonable certainty that taxable losses can be utilised the group relief receivable is included in the taxation charge or credit for the year

Notes to the financial statements

2. Profit on ordinary activities before taxation

The audit fee of £2,000 (2009 £2,900) for this company was borne by the company's ultimate parent company, Chrysalis Group PLC

3. Directors' and employees' remuneration

The directors received no remuneration from the company for services during the year (2009 £nil) The company did not have any other employees and as a result incurred no staff costs (2009 £nil) Messrs CN Wright and AJ Mollett received remuneration from Chrysalis Group PLC, the company's ultimate holding company, which is disclosed in the financial statements of that company

4. Interest payable and similar charges

	12 months ended 30 September 2010 £	13 months ended 30 September 2009 £
Other interest	-	132,362

5. Tax credit on loss on ordinary activities

Analysis of credit in the year

	12 months ended 30 September 2010 £	13 months ended 30 September 2009 £
UK corporation tax		
Current tax charge/(credit) on profit/(loss) for the year	-	(687,846)

Factors affecting the tax credit for the current year

	12 months ended 30 September 2009 £	13 months ended 30 September 2009 £
Profit/(loss) on ordinary activities before tax	1,106,803	(3,058,050)
Current tax charge/(credit) at 28% (2009 28%)	309,905	(856,254)
Effects of Unutilised tax losses carried forward	(309,905)	168,408
Current tax credit for the year	-	(687,846)

Notes to the financial statements

6. Fixed asset investments

	Shares in subsidiaries £	Shares in participating interests £	Total £
Cost			
At beginning and end of year	46,575,061	128,778	46,703,839
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning and end of year	(16,914,849)	(128,777)	(17,043,626)
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 2010	29,660,212	1	29,660,213
	<hr/>	<hr/>	<hr/>
At 30 September 2009	29,660,212	1	29,660,213
	<hr/>	<hr/>	<hr/>

All investments are unlisted. The principal companies in which the company's interest was more than 10% at 30 September 2010 were as follows:

	Principal activity	Class of share	Percentage of shares held
Subsidiary undertakings			
Armourvale Limited	Holding company	Ordinary	100%
Chrysalis Music Limited	Music publishing	Ordinary	100%
Chrysalis Music International BV (Netherlands)	Music publishing	Ordinary	100%
Chrysalis Music SAS (France)	Music publishing	Ordinary	100%
Downboy Music Limited	Music production	Ordinary	100%
The Echo Label Limited	Music production	Ordinary	96%
Jerve Songs Limited	Music production	Ordinary	100%
Chrysalis Retail Entertainment Limited	Retail broadcasting	Ordinary	100%
Lapishaven Limited	Holding company	Ordinary	100%
The Hit Label Limited	Music production	Ordinary	50%
Joint ventures			
Chrys-a-lee Music Limited	Music production	Ordinary	50%
Tuchwood Records Limited	Music production	Ordinary	50%

All interests are in companies registered in England and Wales unless otherwise stated.

In the opinion of the directors the investments in the company's subsidiaries and joint ventures are worth at least the amounts at which they are stated in the balance sheet.

Notes to the financial statements

7. Debtors

	30 September 2010 £	30 September 2009 £
Other debtors	-	-
	<u> </u>	<u> </u>

8. Creditors: amounts falling due within one year

	30 September 2010 £	30 September 2009 £
Amounts owed to group undertakings	43,885,004	44,988,907
Other creditors including taxation and social security	-	2,900
	<u> </u>	<u> </u>
	<u>43,885,004</u>	<u>44,991,807</u>

9. Deferred taxation

A deferred tax asset of £1,094,301 (2009 £1,568,814) arises on losses in the UK which is not recognised in the accounts. These assets can only be deducted against future suitable taxable profits. There is currently insufficient evidence that suitable taxable profits will be generated to offset the future reversal of these timing differences and therefore no asset has been recognised.

10. Called up share capital

	30 September 2010 £	30 September 2009 £
Authorised, allotted, called up and fully paid		
250,000 Ordinary shares of £1 each	250,000	250,000
250,000 Non-voting 'A' shares of £1 each	250,000	250,000
	<u> </u>	<u> </u>
	<u>500,000</u>	<u>500,000</u>

The authorised Share Capital of the Company is divided into 250,000 Ordinary £1 shares and 250,000 Non-Voting "A" Ordinary £1 shares. Both class of share rank pari passu for participation in the profits and assets of the Company and in all other respects save that the Non-Voting Ordinary shares shall not entitle the holders to attend or vote at any General Meeting of the Company.

Notes to the financial statements

11. Reserves

	Other reserves £	Profit and loss account £
At the beginning of the year	1,025,787	(16,853,181)
Profit for the year	-	1,106,803
	<hr/>	<hr/>
At the end of year	1,025,787	(15,746,378)
	<hr/>	<hr/>

12. Reconciliation of movements in shareholders' deficit

	12 months ended 30 September 2010 £	13 months ended 30 September 2009 £
Shareholders' deficit brought forward	(15,327,394)	(12,957,190)
Profit/(loss) for the year	1,106,803	(2,370,204)
	<hr/>	<hr/>
Shareholders' deficit carried forward	(14,220,591)	(15,327,394)
	<hr/>	<hr/>

13. Related party transactions

As the company is a wholly owned subsidiary of Chrysalis PLC, the company has taken advantage of the exemption contained in FRS8 Related Party Transactions and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated statements of Chrysalis PLC, within which the company is included, can be obtained from the address given in note 14.

14. Post balance sheet event

On 26 November 2010, the Board of Chrysalis PLC, the ultimate parent company of Puremix Limited, announced the recommended cash offer from BMG Luxco, a joint venture between Bertelsmann and Kohlberg Kravis Roberts & Co, for the entire issued and to be issued share capital of the Chrysalis PLC. The transaction is to be effected by means of a Scheme of Arrangement. Refer to the 2010 annual report of Chrysalis PLC for further detail.

15. Ultimate parent company

The immediate parent company is Chrysalis Investments Limited which is registered in England and Wales.

The ultimate parent company was Chrysalis PLC which is registered in England and Wales, for which consolidated accounts are prepared. The consolidated accounts of Chrysalis PLC may be obtained from The Secretary, Chrysalis PLC, The Chrysalis Building, Bramley Road, London W10 6SP.