

**Company Registration No. 946978**

**Chrysalis Group Limited**

**Report and Financial Statements**

**Period from 1 October 2010 to 31 December 2011**

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**Chrysalis Group Limited**  
**Report and financial statements 2011**

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**Chrysalis Group 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**

c/o Davenport Lyons  
30 Old Burlington Street  
London  
United Kingdom  
W1S 3NL

**Bankers**

Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
EC2N 2DB

**Solicitors**

Russell's Solicitors  
1-4 Warwick Street  
Regency House  
London  
W1B 5LJ

**Auditor**

Deloitte LLP  
Chartered Accountants and statutory auditor  
London, United Kingdom

# **Chrysalis Group Limited**

## **Directors' report**

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

### **Principal activities**

The principal activities of the Company are the provision of management and administration services to members of the Chrysalis Group of companies and acting as an investment holding company

### **Outlook**

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

### **Business review**

Chrysalis Group Limited is a United Kingdom subsidiary of BMG Rights Management (UK) Ltd ("BMG UK") Chrysalis Group Limited owns and administers rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use

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 operating loss was £19.9m This is driven primarily by charges in respect of investment impairments of £7.5m, the loss on the liquidation of investments of £2.0m and other administrative expenses of £10.8m

### **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

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)
Chris Wright	(resigned 4 February 2011)
Peter Lassman	(resigned 16 March 2011)
Andy Mollett	(resigned 31 March 2011)
Jeremy Lascelles	(resigned 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

# **Chrysalis Group Limited**

## **Directors' report**

### **Employees**

We confirm that Chrysalis Group Limited complies with the Disability Discrimination Act 1995, which replaced the Disabled Persons (Employment) Act 1944

Where existing employees become disabled, it is the company's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate

### **Employment involvement**

During the period, the policy of providing employees with information about the company has continued and employees are encouraged to present their suggestions and views on the company's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas

### **Political and charitable contributions**

The company made no political or charitable contributions or incurred any political expenditure during the current year or prior period

### **Auditor**

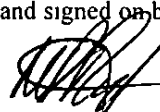
Each of the persons who is a director at the date of approval of this report confirms that

- 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

9 August 2012

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## **Chrysalis Group 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 Group Limited**

We have audited the financial statements of Chrysalis Group Limited for the period ended 31 December 2011 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 21. 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 year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Chrysalis Group 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 9 August 2012



# Chrysalis Group 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 Restated (Note 1)
	Notes		
Administrative expenses		(10,754)	(3,062)
(Loss)/profit of disposal of property, plant and equipment		(13)	91
Impairment of investments		(7,475)	-
Loss on liquidation of investments		(1,980)	-
Profit on disposal of investments		318	-
<b>Loss from operations</b>	2	<b>(19,904)</b>	<b>(2,971)</b>
Investment revenue	4	32,233	2,641
Finance costs	5	(3,188)	(6,825)
Other gains and losses	6	2,549	713
<b>Profit/(loss) before taxation</b>		<b>11,690</b>	<b>(6,442)</b>
Taxation (charge)/credit	7	(6)	619
<b>Profit/(loss) for the year attributable to equity shareholder</b>		<b>11,684</b>	<b>(5,823)</b>

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.

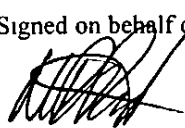
**Chrysalis Group Limited**  
**Statement of financial position**  
**As at 31 December 2011**

	Notes	31 December 2011 £'000	30 September 2010 £'000 Restated (Note 1)
<b>Non-current assets</b>			
Property, plant and equipment	8	32	98
Investments	9	3,685	14,342
Long term loans	10	146,782	150,351
<b>Total non-current assets</b>		<b>150,499</b>	<b>164,791</b>
<b>Current assets</b>			
Trade and other receivables	11	3,679	330
Cash and cash equivalents	12	8	4,878
<b>Total current assets</b>		<b>3,687</b>	<b>5,208</b>
<b>Total assets</b>		<b>154,186</b>	<b>169,999</b>
<b>Equity</b>			
Share capital	15	3,357	3,357
Share premium		62,269	62,269
Revaluation Reserve		3,900	3,900
Other Reserves		253	83
Retained earnings		63,709	52,025
<b>Total shareholder's equity</b>		<b>133,488</b>	<b>121,634</b>
<b>Non-current liabilities</b>			
Long term loans	10	11,351	41,265
Derivative financial instruments		-	5,048
<b>Total non-current liabilities</b>		<b>11,351</b>	<b>46,313</b>
<b>Current liabilities</b>			
Trade and other payables	13	8,271	1,713
Provisions	14	1,076	339
<b>Total current liabilities</b>		<b>9,347</b>	<b>2,052</b>
<b>Total equity and liabilities</b>		<b>154,186</b>	<b>169,999</b>

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

The financial statements of Chrysalis Group Limited registered number 946978 were approved by the Board of Directors on 9 August 2012

Signed on behalf of the Board of Directors



M Ranyard  
Director

## Chrysalis Group Limited

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

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 October 2009	3,357	62,269	3,900	83	63,609	133,218
Adoption of IAS 39	-	-	-	-	(5,761)	(5,761)
At 1 October 2009 – restated	3,357	62,269	3,900	83	57,848	127,457
Loss for the year	-	-	-	-	(5,823)	(5,823)
At 1 October 2010	3,357	62,269	3,900	83	52,025	121,634
Profit for the period	-	-	-	-	11,684	11,684
Other reserve movements	-	-	-	170	-	170
At 31 December 2011	3,357	62,269	3,900	253	63,709	133,488

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

# Chrysalis Group Limited

## Statement of cash flows

Period ended 31 December 2011

		Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
	Notes		
<b>Net cash from operating activities</b>	20	(6,032)	(2,647)
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property, plant and equipment		-	6,800
Acquisition of property, plant and equipment		(10)	(29)
<b>Net cash (utilised in)/from investing activities</b>		(10)	6,771
<b>Cash flows from financing activities</b>			
Increase/(decrease) in intercompany loans		1,627	(2,133)
Interest paid		(955)	(6,499)
Decrease in loan note		500	-
Payment to exit property lease		-	(527)
<b>Net cash from/(utilised in) investing activities</b>		1,172	(9,159)
<b>Net decrease in cash and cash equivalents</b>		(4,870)	(5,035)
Cash and cash equivalents at the beginning of the period/year		4,878	9,913
<b>Cash and cash equivalents at end of the period/year</b>	12	8	4,878

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

# Chrysalis Group Limited

## Notes to the financial statements

### Period ended 31 December 2011

#### 1. Accounting policies

Chrysalis Group 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, rounded to the nearest thousand. 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 2009.

Line-by-line reconciliations to show the effect of the transition from UK GAAP to IFRS are not presented. With the exception of the implementation of IAS 39 *Financial Instruments* ("IAS 39"), there was no impact on 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. IFRS 1 requires the inclusion of three statements of financial position. 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 limited impact on the financial position as a result of this adoption. The impact on equity at 1 October 2009 is set out in note 21.

The financial year ended 30 September 2010, has been restated as a result of adopting IFRS, the impact of this restatement has been explained in note 21.

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 3. Chrysalis Group Limited has net current liabilities of £5.7m at 31 December 2011. The directors have considered the financial resources available along with the future plans for the company and the support provided by the intermediate holding company BMG Rights Management (UK) Limited when considering the going concern of the company. 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.

# **Chrysalis Group 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.

#### **Fixed assets**

Fixed assets that are acquired by the company are stated at cost less accumulated depreciation.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Furniture, fixtures, plant and equipment	3 – 10 years
Motor vehicles	3 – 5 years

#### **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.

# **Chrysalis Group Limited**

## **Notes to the financial statements**

**Period ended 31 December 2011**

### **1. Accounting policies (continued)**

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

#### **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

#### **Trade and other receivables**

Trade and other receivables at the statement of financial position date are stated at amortised cost which approximates to cost less impairment losses

#### **Trade and other payables**

Trade and other payables to group companies include the group cash pooling financing facility with the parent company in Germany. The facility bears interest at 1.875% above the 3 month LIBOR market rate. Trade and other payables are stated at amortised cost which approximates to cost

#### **Employee benefits**

The company operates a non-contributory defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Obligations for contributions to the defined contributions pension plan are recognised as an expense in the statement of comprehensive income as incurred

#### **Operating lease payments**

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense

#### **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 loss for the year 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 year, 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

# Chrysalis Group Limited

## Notes to the financial statements

Period ended 31 December 2011

### 1 Accounting policies (continued)

#### Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at the fair value at the acquisition date, except that deferred tax assets or liabilities are measured in accordance with IAS 12 *Income Taxes*.

#### 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 year for all the royalty receipts and company used industry standard rates estimate the royalties' accruals.

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

#### 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 Assets</i> <sup>1</sup>
IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
IFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
IFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
IFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
IFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income</i> <sup>3</sup>
Amendments to IAS 12	<i>Deferred Tax – Recovery of Underlying Assets</i> <sup>4</sup>
IAS 19 (as revised in 2011)	<i>Employee Benefits</i> <sup>2</sup>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements</i> <sup>2</sup>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>4</sup> 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.



# Chrysalis Group Limited

## Notes to the financial statements

### Period ended 31 December 2011

#### 2. Profit/(loss) from operations

Profit/(loss) 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
Losses on liquidation of investments	1,980	-
Impairment of investment	7,475	-
Staff costs	2,391	336
Provision in respect of onerous leases	1,019	432
Net foreign exchange (gain)/loss	(720)	156
Unwind of discount on onerous lease provision	122	30
Depreciation	64	111
Rental income	(19)	(79)
Loss/(profit) on disposal of property, plant and equipment	13	(91)
Subsidiary acquisition costs	-	680
Costs relating to potential transaction	-	192
Gain on surrender of vacant properties	-	(75)
Operating lease rentals		
- land and buildings	425	130
- other	13	26
Auditor remuneration		
- audit of these financial statements	-	6

The audit fee of £12,500 was borne by the intermediate parent UK holding company, BMG Rights Management (UK) Limited

#### 3. Employee costs and directors' remuneration

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

##### Number of employees

	Period from 1 October 2010 to 31 December 2011 Number	Year ended 30 September 2010 Number
Administration	13	27

# Chrysalis Group Limited

## Notes to the financial statements

### Period ended 31 December 2011

#### 3 Employee costs and directors' remuneration (continued)

The aggregate payroll costs of these persons were as follows

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Wages and salaries	2,177	267
Social security costs	155	64
Pension costs	59	5
	<u>2,391</u>	<u>336</u>

#### Remuneration of directors

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Emoluments	-	567
	<u>-</u>	<u>567</u>

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Highest paid director	-	399
The above amounts for remuneration include the following in respect of the highest paid director	<u>-</u>	<u>399</u>

None of the current directors received any remuneration for services to the company in the period

# Chrysalis Group Limited

## Notes to the financial statements

Period ended 31 December 2011

### 4 Investment revenue

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Bank interest receivable	16	23
Interest receivable on intercompany balances	3,885	2,618
Other	334	-
	<hr/>	<hr/>
Interest income	4,235	2,641
Dividends received	27,998	-
	<hr/>	<hr/>
	32,233	2,641
	<hr/>	<hr/>

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

### 5. Finance costs

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Interest payable on intercompany balances	2,013	68
Bank loans and overdrafts	970	6,499
Effect of unwinding of discount rate on provisions	122	30
Other	83	228
	<hr/>	<hr/>
	3,188	6,825
	<hr/>	<hr/>

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

### 6. Other gains and losses

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
Change in fair value of derivative financial instruments	2,549	713
	<hr/>	<hr/>

# Chrysalis Group Limited

## Notes to the financial statements

### Period ended 31 December 2011

#### 7. Taxation

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000
<b>Current taxation</b>		
UK corporation tax		
Current period	-	(619)
Prior period	6	-
<b>Deferred taxation</b>	-	-
<b>Total tax expense</b>	<u>6</u>	<u>(619)</u>

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

#### Tax reconciliation

	Period from 1 October 2010 to 31 December 2011 £'000	Year ended 30 September 2010 £'000 Restated
Profit/(loss) before taxation	<u>11,690</u>	<u>(6,442)</u>
Tax charge/(credit) using the UK corporation tax rate of 26.5% (2010: 28%)	3,098	(1,804)
Effects of		
Adjustments in respect of prior periods	6	(14)
Expenses not deductible	1,754	(436)
Impairment of investments	1,981	-
Income not taxable	(7,504)	-
Loss on liquidation of investments	525	-
Movements in unrecognised deferred tax		
- Depreciation in excess of capital allowances	20	31
- Losses carried forward	893	1,803
- Derivative financial instruments	-	(199)
- Other timing differences	(767)	-
	<u>6</u>	<u>(619)</u>

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 year, as a result of the 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.

# Chrysalis Group Limited

## Notes to the financial statements

Period ended 31 December 2011

### 7. Taxation (continued)

A further reduction to the UK main corporation tax rate to 24% was substantively enacted on 26 March 2012. Further reductions to the UK corporation tax rates by 1% per annum to 22% 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 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 profits will be generated to offset the future reversal of these timing differences and therefore no asset has been recognised.

	1 October 2010 £'000	Movement £'000	31 December 2011 £'000
<b>Unrecognised deferred tax asset</b>			
Tax losses	3,585	3,059	6,644
Derivative financial instruments	1,363	(1,363)	-
Capital losses	7,163	(525)	6,638
Depreciation in excess of capital allowances	1,199	(70)	1,129
	<u>13,310</u>	<u>1,101</u>	<u>14,411</u>

	1 October 2009 £'000	Adoption of IAS 39 £'000	Movement £'000	30 September 2010 £'000 Restated
<b>Unrecognised deferred tax asset</b>				
Tax losses	2,307	-	1,278	3,585
Derivative financial instruments	-	1,363	-	1,363
Capital losses	5,619	-	1,544	7,163
Depreciation in excess of capital allowances	1,380	-	(181)	1,199
	<u>9,306</u>	<u>1,363</u>	<u>2,641</u>	<u>13,310</u>

# Chrysalis Group Limited

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

### 8 Property, plant and equipment

	<b>Furniture, fixtures, plant and equipment £'000</b>	<b>Motor Vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 31 December 2010	417	16	433
Additions	11	-	11
Disposals	-	(16)	(16)
Asset write off	(243)	-	(243)
At 31 December 2011	185	-	185
<b>Depreciation</b>			
At 31 December 2010	334	1	335
Charge for the year	62	2	64
Disposals	-	(3)	(3)
Asset write off	(243)	-	(243)
At 31 December 2011	153	-	153
<b>Net book value</b>			
At 31 December 2011	32	-	32
At 31 December 2010	83	15	98

The depreciation charge is recognised in the statement of comprehensive income under the line administrative expenses

# Chrysalis Group Limited

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

### 9 Investment in subsidiaries

The movement in the year was as follows

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
<b>Cost</b>		
Opening balance	16,484	16,484
Additions	11,705	-
Disposals	(14,657)	-
Liquidations	(9,650)	-
Closing balance	3,882	16,484
<b>Provisions</b>		
Opening balance	(2,142)	(2,142)
Charge in period	(17,050)	-
Disposals	9,399	-
Liquidations	9,596	-
Closing balance	(197)	(2,142)
<b>Net book value at end of period</b>	3,685	14,342
Net book value at beginning of period	14,342	14,342

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

All investments are unlisted

On 4 February 2011, the Company disposed of its 100% shareholding in Lasgo Chrysalis Limited for £1.0m, realising no profit or loss on disposal. The disposal was undertaken as it was not considered to be part of the core business of the wider BMG Group.

On 23 August 2011, the Company disposed of its 100% shareholding in Chrysalis Music Holdings GmbH to another group company for £4.6m, realising a profit on disposal of £0.3m. The disposal was undertaken as part of a wider BMG Group reorganisation.

All transactions were completed at fair value.

During the period a number of dormant and non-trading entities were recapitalised and/or liquidated. The increase in the provision in the period reflects the additional charges booked to reduce the carrying value of these investments to zero. This process was undertaken as part of a wide BMG Group reorganisation to simplify the Group structure.

# Chrysalis Group Limited

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

### 9 Investments in subsidiaries (continued)

The principal investments held at 31 December 2011 were as follows

Subsidiary undertakings	Principal activity	Class of share	Percentage of shares held
Chrysalis Copyrights	Music publishing	Ordinary	100%
Chrysalis Investments Limited	Holding company	Ordinary	100%
Chrysalis Songs Limited	Music publishing	Ordinary	100%
The Echo Label Limited	Music publishing	Ordinary	3 75%
Redemption Songs Limited	Music publishing	Ordinary	50 1%
Tom Jones (Enterprises) Limited	Recorded music	Ordinary	100%
Oxford Street Studios Limited	Music publishing	Ordinary	100%
G W Mills Limited	Music publishing	Ordinary	100%

Unless otherwise indicated, all interests are in companies registered in England and Wales

The following companies were liquidated during the period

Subsidiary undertakings	Principal activity	Class of share	Percentage of shares held
Down Boy Music Limited	Music publishing	Ordinary	100%
Fanfare Music Company Limited	Music publishing	Ordinary	100%
Global Chrysalis Music Publishing Company Limited	Music publishing	Ordinary	100%
Global Music Publishing Limited	Music publishing	Ordinary	100%
Jerv Songs Limited	Music publishing	Ordinary	50 1%
Oystergreen Limited	Music publishing	Ordinary	100%
The Ness Company Limited	Music publishing	Ordinary	75%
Tin Pan Alley Music Limited	Music publishing	Ordinary	100%
Chrysalis Film Productions Limited	Film production	Ordinary	100%
Chrysalis Films International Limited	Film production	Ordinary	100%
Chrysalis Land Limited	Property development	Ordinary	100%
Chrysalis Mobile Solutions Limited	Film production	Ordinary	100%
Chrysalis Multimedia Limited	Film production	Ordinary	100%
Chrysalis Properties Limited	Property development	Ordinary	100%
Lapishaven Limited	Film production	Ordinary	100%
Rivals Europe Limited	Film production	Ordinary	100%
Rojo Leisure Limited	Film production	Ordinary	100%
Stand & Deliver Productions Limited	Film production	Ordinary	50 1%

### 10. Long term loans

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
Loans to group companies	146,782	150,351
Loans from group companies	(11,351)	(41,265)
	<u>135,431</u>	<u>109,086</u>

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



# Chrysalis Group Limited

## Notes to the financial statements

### Period ended 31 December 2011

#### 11. Trade and other receivables

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
<b>Due within one year</b>		
Trade and other receivables	6	-
Trade and other receivables from group companies	2,839	-
Other receivables	298	330
Loan note receivable	536	-
	<u>3,679</u>	<u>330</u>

The loan note comprises a £10m interest bearing balance receivable in respect of the disposal of Lasgo Chrysalis in February 2011. £0.5m was repaid in October 2011, with the balance due for repayment by 31 December 2012.

Trade and other receivables from group companies include the group cash pooling facility balance with the parent company.

#### 12. Cash and cash equivalents

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
Cash at bank	<u>8</u>	<u>4,878</u>

#### 13. Trade and other payables

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
<b>Due within one year</b>		
Trade and other payables	6	33
Trade and other payables to group companies	7,648	-
Other payables	558	234
Social security and other taxes	59	115
Accruals and deferred income	-	1,331
	<u>8,271</u>	<u>1,713</u>

# Chrysalis Group Limited

## Notes to the financial statements

Period ended 31 December 2011

### 14 Provision for liabilities

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
<b>Vacant property provision</b>		
At beginning of period/year	432	898
Utilised	(145)	(203)
Effect of change in discount rate	122	30
Released to the profit and loss account	-	(725)
Charged to the profit and loss account	1,019	432
At end of period/year	<u>1,428</u>	<u>432</u>
 Current (included in other payables)	 352	 93
Non-current	1,076	339
At end of period/year	<u>1,428</u>	<u>432</u>

The provision represents management's best estimate of the Group's liability in respect of operating leases over vacant properties. It is expected that these costs will be incurred over the next three financial years.

### 15 Share capital

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000
<b>Authorised:</b>		
200,000,000 ordinary shares of £0.02 each	<u>4,000</u>	<u>4,000</u>
<b>Authorised, allotted, called up and fully paid:</b>		
167,844,533 ordinary shares of £0.02 each	<u>3,357</u>	<u>3,357</u>

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.

### 16 Financial instruments

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

#### *Fair values of financial instruments*

##### *Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

##### *Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

# Chrysalis Group Limited

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

### 16. Financial Instruments (continued)

#### *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.

#### *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
Trade and other receivables	6	6	-	-
Trade and other receivables from group companies	2,839	2,839	-	-
Other receivables	298	298	330	330
Loans to group companies	146,782	146,782	150,351	150,351
Loan note receivable	536	536	-	-
Cash and cash equivalents	8	8	4,878	4,878
Loans from group companies	(11,351)	(11,351)	(41,265)	(41,265)
Trade and other payables	(6)	(6)	(33)	(33)
Trade and other payables to group companies	(7,648)	(7,648)	-	-
Other payables	(558)	(558)	(234)	(234)
Social security and other taxes	(59)	(59)	(115)	(115)
Derivative financial instruments	-	-	(5,048)	(5,048)
	<u>130,847</u>	<u>130,847</u>	<u>108,864</u>	<u>108,864</u>
Unrecognised gains/losses				-

#### (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.

The company's principal financial assets are bank balances and trade 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.

# Chrysalis Group Limited

## Notes to the financial statements

Period ended 31 December 2011

### 16. Financial Instruments (continued)

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the statement of financial position date was £6,000, being the total of the carrying amount of trade and other receivables, shown in the table above.

#### *Financial assets and impairment losses*

The ageing of trade and other receivables at the statement of financial position date was

	2011			2010		
	Gross trade and other receivables £'000	Doubtful debt provision £'000	Net trade and other receivables £'000	Gross trade receivables £'000	Doubtful debt provision £'000	Net trade receivables £'000
Not past due	6	-	6	-	-	-

#### (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*

A proportion of sales and purchases are invoiced in foreign currency (Euros) and the company bears the foreign currency risk on these debtors and creditors.

##### *Sensitivity analysis — Foreign currency risk*

Company did not issue many foreign currency invoices during the period and so exposure to foreign currency risk is minimal.

The following table details the forward foreign currency contracts outstanding as at the year end.

Outstanding contracts	Average exchange rate		Foreign currency ('000)		Contract value £'000		Fair value £'000	
	2011	2010	2011	2010	2011	2010	2011	2010
Sell US dollars	-	1 5598						
Less than 6 months			-	2,150	-	1,205	-	(165)
Sell Euros	-	1 1551						
Less than 6 months			-	400	-	282	-	(64)
Sell Swedish krone	-	11 299						
Less than 6 months			-	4,300	-	323	-	(81)
								(310)

These contracts were held at fair value through profit and loss.

# Chrysalis Group Limited

## Notes to the financial statements

Period ended 31 December 2011

### 16. Financial Instruments (continued)

#### *Market risk – interest rate risk*

The company's exposure to interest rate risk arises from the fluctuations in the rate of interest charged on external borrowings as impacted by the changes in the Bank of England base rate. These borrowings were settled in February 2012. Further details are included in note 21. The company now utilises a group cash pooling facility, on which interest is charged at variable rates, based on the 3 month LIBOR market rate.

The Company previously managed a portion of its interest rate exposure on external borrowings through the use of an interest rate swap derivative.

Outstanding receive floating pay fixed contracts	Average contract interest rate		Notional principal amount		Fair value	
	2011	2010	2011	2010	2011	2010
	%	%	£'000	£'000	£'000	£'000
5+ years	-	4.12%	-	46,575	-	(4,737)

The interest rate swap settles every three months. The floating rate on the interest rate swaps is 12 month LIBOR. The Company will settle the difference between the fixed and floating interest rate on a net basis. This contract was held at fair value through profit and loss.

#### *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 increase the company's profit before taxation by approximately £1.4m (2010: £1.1m).

### 17. Financial commitments

At 31 December 2011, annual commitments under non-cancellable operating leases were as follows:

	Land and building		Other	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Within one year	344	338	-	-
Within 2 to 5 years	926	1,276	-	26
	<u>1,270</u>	<u>1,614</u>	<u>-</u>	<u>26</u>

Other amounts in the prior period relate to a lease for the hire of photocopiers throughout the Group which commenced on 30 August 2008. This lease was terminated during the period.

# Chrysalis Group Limited

## Notes to the financial statements

Period ended 31 December 2011

### 18. 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.

	Sales/ (purchases) of goods £'000	Trade Balances receivable/ (payable) £'000	Loan Balances receivable/ (payable) £'000
Air Management Services Limited	(1)	-	20
Air Records Limited	(18)	-	467
BMG Rights Management (UK) Limited	(514)	(1,329)	1,265
BMG Rights Management (Ireland) Limited	(2)	25	(19)
Chrysalis Copyrights Limited	(1)	122	(26)
Chrysalis Film Productions Limited	(43)	-	-
Chrysalis Holdings Limited	(989)	-	11,779
Chrysalis Investments Limited	(32)	1,443	821
Chrysalis Limited	(6,524)	-	11,845
Chrysalis Music France	(2)	18	2
Chrysalis Music Group Inc	(402)	-	8,656
Chrysalis Music Holdings GmbH	2	-	(47)
Chrysalis Music Limited	-	(984)	(1,098)
Chrysalis Songs Limited	(76)	2,132	76
Fanfare Music Company Limited	-	(1)	-
Forte Bidco 2 Limited	-	(2,602)	-
Lapishaven Limited	(1)	-	-
Oxford Street Studios Limited	9	-	(220)
Oystergreen Limited	(20,216)	-	-
The Echo Label Limited	-	(247)	(51)
The Ness Company Limited	(11)	-	-
Tin Pan Alley Music Limited	(35)	-	-
Tuch Wood Records Limited	(1)	-	24
<b>Total</b>	<b>(28,857)</b>	<b>(1,423)</b>	<b>33,494</b>

# Chrysalis Group Limited

## Notes to the financial statements

Period ended 31 December 2011

### 19. 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 Limited, a company incorporated in England and Wales

The intermediate parent company is BMG Rights Management GmbH, a company incorporated in Germany, 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

### 20. Notes to the cash flow statement

	Period ended 31 December 2011 £'000	Year ended 30 September 2010 £'000 Restated
Profit/(loss) for the period/year	11,684	(5,823)
Adjustment for		
Impairment of investments	7,475	-
Loss on liquidation of investments	1,980	-
Other gains and losses	(2,549)	(713)
Profit on disposal of investments	(318)	-
Loss/(profit) on the disposal of property, plant and equipment	13	(91)
Depreciation	64	111
Investment revenue	(32,233)	(2,641)
Finance costs	3,188	6,825
Tax charge/(credit)	6	(619)
Increase in provisions	881	432
Other non-cash items	180	(92)
Operating loss before movements in working capital and provisions	(9,629)	(2,611)
(Increase)/decrease trade and other receivables	(2,812)	9
Increase/(decrease) in trade and other payables	6,559	158
Increase/(decrease) in provisions	(144)	(203)
Cash generated from/(utilised by) operations	3,603	(36)
Tax paid	(6)	-
Net cash from operating activities	(6,032)	(2,647)

# **Chrysalis Group Limited**

## **Notes to the financial statements**

### **Period ended 31 December 2011**

#### **21 First time adoption of IFRSs**

Under IFRS, all derivative financial instruments are recognised as assets and liabilities in the statement of financial position at fair value. Gains and losses on remeasurement are recognised in the statement of comprehensive income unless they meet the definition of a cash flow hedge under IAS 39, in which case the elements of the gains and losses which fulfil the hedge effectiveness criteria are taken directly to equity, to be recycled when the forecast transaction takes place.

The impact on the 1 October 2009 statement of financial position was a decrease in the net assets and equity by £5.8m, representing the negative fair value of the derivative financial instruments at that date.

The impact on the financial result for the year ending 30 September 2010 was a reduction in the loss after tax of £0.7m, representing the reduction in the negative fair value of the derivative financial instruments at 30 September 2010.

Following the acquisition of the Chrysalis Group by the BMG Group in February 2011, these derivative financial instruments were settled for a cash payment of £2.5m.