

Company Registration No. 946978

Chrysalis Group Limited

Report and Financial Statements

31 December 2012

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Chrysalis Group Limited

Report and financial statements 2012

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Chrysalis Group Limited

Report and financial statements 2012

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
London
United Kingdom

Chrysalis Group Limited

Directors' report

The directors present their Directors' report and financial statements for the year ended 31 December 2012 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")

As shown in the company's Statement of Comprehensive Income on page 7, the operating profit was £886,000 (2011 loss of £19,904,000)

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 year were as follows

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

Dividends

The directors do not recommend a dividend (2011 nil)

Directors and officers insurance

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

Chrysalis Group Limited

Directors' report (continued)

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 year, 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

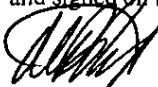
Each of the persons who is a director at the date of approval of this report confirms that

- 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

21st February 2013

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 2012 which comprise the statement of comprehensive income, statement of financial position, the statement of changes in shareholder's equity, the statement of cash flows and the related notes 1 to 22. 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 2012 and of its profit for the year 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

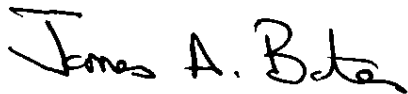
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

21st February 2013

Chrysalis Group Limited

Statement of comprehensive income Year ended 31 December 2012

		Year ended 31 December 2012 £'000	Period from 1 October 2010 to 31 December 2011 £'000
	Notes		
Administrative income/(expenses)		663	(10,754)
Profit/(loss) of disposal of property, plant and equipment		266	(13)
Impairment of investments		-	(7,475)
Loss on liquidation of investments		(43)	(1,980)
Profit on disposal of investments		-	318
Profit/(loss) from operations	2	886	(19,904)
Investment revenue	4	10,080	32,233
Finance costs	5	(766)	(3,188)
Other gains and losses	6	-	2,549
Profit before taxation		10,200	11,690
Taxation charge	7	(8)	(6)
Profit for the year attributable to equity shareholder		<u>10,192</u>	<u>11,684</u>

The accompanying notes are an integral part of this statement of comprehensive income for the year ended 31 December 2012 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 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Property, plant and equipment	9	136	32
Investments	10	3,685	3,685
Long term loans	11	27,069	146,782
Total non-current assets		30,890	150,499
Current assets			
Trade and other receivables	12	1,324	3,679
Cash and cash equivalents	13	-	8
Total current assets		1,324	3,687
Total assets		32,214	154,186
Equity			
Share capital	16	-	3,357
Share premium		-	62,269
Revaluation reserve		3,900	3,900
Other reserves		253	253
Retained earnings		19,122	63,709
Total shareholder's equity		23,275	133,488
Non-current liabilities			
Long term loans	11	2,998	11,351
Provisions	15	289	1,076
Total non-current liabilities		3,287	12,427
Current liabilities			
Trade and other payables	14	5,652	8,271
Total current liabilities		5,652	8,271
Total equity and liabilities		32,214	154,186

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 21st February 2013

Signed on behalf of the Board of Directors



M Ranyard
Director

Chrysalis Group Limited

Statement of changes in shareholder's equity Year ended 31 December 2012

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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 1 January 2012	3,357	62,269	3,900	253	63,709	133,488
Reduction of share capital	(3,357)	-	-	-	3,357	-
Reduction of share premium	-	(62,269)	-	-	62,269	-
Dividends	-	-	-	-	(120,405)	(120,405)
Profit for the year	-	-	-	-	10,192	10,192
At 31 December 2012	-	-	3,900	253	19,122	23,275

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

Chrysalis Group Limited

Statement of cash flows Year ended 31 December 2012

		Year ended 31 December 2012 £'000	Period ended 31 December 2011 £'000
	Notes		
Net cash from operating activities	22	(891)	(6,032)
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		266	-
Acquisition of property, plant and equipment		(131)	(10)
Net cash (utilised in)/from investing activities		135	(10)
Cash flows from financing activities			
Increase/(decrease) in intercompany loans		(1,060)	1,627
Interest paid		(2)	(955)
Investment income		1,290	-
Decrease in loan note		536	500
Net cash from/(utilised in) investing activities		764	1,172
Net decrease in cash and cash equivalents		8	(4,870)
Cash and cash equivalents at the beginning of the year/period		8	4,878
Cash and cash equivalents at end of the year/period	13	-	8

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

Chrysalis Group Limited

Notes to the financial statements **Year ended 31 December 2012**

1. Accounting policies

Chrysalis Group Limited (the "Company") is a company incorporated in the United Kingdom

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 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the European Union ("EU")

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 ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

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 and performance and position are set out in the Directors' Report on pages 2 to 3. Chrysalis Group Limited has net current liabilities of £4,328,000 at 31 December 2012. 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.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rates 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 rates 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.

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies (continued)

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
Leasehold improvements	6 - 7 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.

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

1 Accounting policies (continued)

Reversal of impairment

An impairment loss in respect of a 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

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 0.25% 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 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

Chrysalis Group Limited

Notes to the financial statements

Year ended 31 December 2012

1. Accounting policies (continued)

Taxation

Tax on the profit 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.

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*.

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies (continued)

Adopted IFRS not yet applied

The Company 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 Instruments¹</i>
IFRS 10	<i>Consolidated Financial Statements¹</i>
IFRS 11	<i>Joint Arrangements¹</i>
IFRS 12	<i>Disclosure of Interests in Other Entities¹</i>
IFRS 13	<i>Fair Value Measurement¹</i>
Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income²</i>
Amendments to IAS 12	<i>Deferred Tax – Recovery of Underlying Assets³</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits¹</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements¹</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures¹</i>

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

² Effective for annual periods beginning on or after 1 July 2012

³ 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 Company in future years

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

2. Profit from operations

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

	Year ended 31 December 2012 £	Period from 1 October 2010 to 31 December 2011 £
Loss on liquidation of investments	43	1,980
Impairment of investment	-	7,475
Staff costs	-	2,391
Provision in respect of onerous leases	-	1,019
Release of onerous lease provision	(646)	-
Net foreign exchange loss/(gain)	304	(720)
Unwind of discount on onerous lease provision	87	122
Depreciation	27	64
Rental income	(65)	(19)
Profit on disposal of property, plant and equipment	266	13
Operating lease rentals		
- land and buildings	89	425
- other	-	13

The audit fee of £5,000 (2011 £12,500) was borne by the intermediate parent United Kingdom holding company, BMG Rights Management (UK) Limited

Chrysalis Group Limited

Notes to the financial statements

Year ended 31 December 2012

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

	Year ended 31 December 2012 Number	Period from 1 October 2010 to 31 December 2011 Number
Administration	-	13

The aggregate payroll costs of these persons were as follows

	Year ended 31 December 2012 £'000	Period from 1 October 2010 to 31 December 2011 £'000
Wages and salaries	-	2,177
Social security costs	-	155
Pension costs	-	59
	-	2,391

Remuneration of directors

None of the current directors received any remuneration for services to the Company in the current year or prior period

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

4. Investment revenue

	Year ended 31 December 2012 £'000	Period from 1 October 2010 to 31 December 2011 £'000
Bank interest receivable	-	16
Interest receivable on intercompany balances	4,114	3,885
Other	5,713	334
	<hr/>	<hr/>
Interest income	9,827	4,235
Dividends received	253	27,998
	<hr/>	<hr/>
	10,080	32,233
	<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

	Year ended 31 December 2012 £'000	Period from 1 October 2010 to 31 December 2011 £'000
Interest payable on intercompany balances	676	2,013
Effect of unwinding of discount rate on provisions	87	122
Other	-	83
Bank loans and overdrafts	3	970
	<hr/>	<hr/>
	766	3,188
	<hr/>	<hr/>

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

6. Other gains and losses

	Year ended 31 December 2012 £'000	Period from 1 October 2010 to 31 December 2011 £'000
Change in fair value of derivative financial instruments	-	2,549
	<hr/>	<hr/>

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

7. Taxation

	Year ended 31 December 2012 £'000	Period from 1 October 2010 to 31 December 2011 £'000
Current taxation		
UK corporation tax		
Prior period	8	6
Deferred taxation	-	-
Total tax expense	8	6

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

Tax reconciliation

	Year ended 31 December 2012 £'000	Period from 1 October 2010 to 31 December 2011 £'000
Profit before taxation	10,200	11,690
Tax charge using the UK corporation tax rate of 24.5% (2011: 26.5%)	2,499	3,098
Effects of		
Adjustments in respect of prior periods	8	6
Expenses not deductible	-	1,754
Impairment of investments	-	1,981
Income not taxable	(62)	(7,504)
Loss on liquidation of investments	11	525
Movements in unrecognised deferred tax		
- Depreciation in excess of capital allowances	6	20
- Losses carried forward	(2,344)	893
- Other temporary differences	(110)	(767)
	8	6

The standard rate of Corporation Tax in the United Kingdom changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Company's losses are taxed at an effective rate of 24.5%.

During the year there was a change in the UK main corporation tax rate to 23% that was substantively enacted on 3 July 2012 and that will be effective from 1 April 2013.

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

8. Taxation (continued)

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 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.

Unrecognised deferred tax asset

	Period ended 31 December 2011 £'000	Movement £'000	Year ended 31 December 2012 £'000
Tax losses	6,644	(2,787)	3,857
Capital losses	6,638	(198)	6,440
Depreciation in excess of capital allowances	1,129	(84)	1,045
Other temporary differences	-	55	55
	<u>14,411</u>	<u>(3,014)</u>	<u>11,397</u>

9. Property, plant and equipment

	Leasehold improvements £'000	Furniture, fixtures, plant and equipment £'000	Total £'000
Cost			
At 1 January 2012	-	185	185
Additions	131	-	131
Disposals	-	(175)	(175)
At 31 December 2012	<u>131</u>	<u>10</u>	<u>141</u>
Depreciation			
At 1 January 2012	-	153	153
Charge for the year	-	27	27
Disposals	-	(175)	(175)
At 31 December 2012	<u>-</u>	<u>5</u>	<u>5</u>
Net book value			
At 31 December 2012	<u>131</u>	<u>5</u>	<u>136</u>
At 31 December 2011	<u>-</u>	<u>32</u>	<u>32</u>

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

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

10. Investment in subsidiaries

The movement in the year was as follows

	Year ended 31 December 2012 £'000	Period from 1 October 2010 to 31 December 2011 £'000
Cost		
Opening balance	3,882	16,484
Additions	513	11,705
Disposals	-	(14,657)
Liquidations	(513)	(9,650)
Closing balance	<u>3,882</u>	<u>3,882</u>
Provisions		
Opening balance	(197)	(2,142)
Additions	513	-
Charge in period	-	(17,050)
Disposals	(24)	9,399
Liquidations	(489)	9,596
Closing balance	<u>(197)</u>	<u>(197)</u>
Net book value at end of year	<u>3,685</u>	<u>3,685</u>
Net book value at beginning of year	<u>3,685</u>	<u>14,342</u>

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

As part of the on-going group company rationalisation, the company acquired shares in Tuch Wood Records Limited. On 16 October 2012 the company was liquidated resulting in a £24,072 loss on dissolution.

As part of the on-going group company rationalisation, the company acquired additional shares in Air Records Limited. This investment was subsequently impaired resulting in a loss of £489,000.

All transactions were completed at fair value.

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

10 Investments in subsidiaries (continued)

The principal investments held at 31 December 2012 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 the United Kingdom

11. Long term loans

	Year ended 31 December 2012 £'000	Period ended 31 December 2011 £'000
Loans to group companies	27,069	146,782
Loans from group companies	(2,998)	(11,351)
	<u>24,071</u>	<u>135,431</u>

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

12. Trade and other receivables

	Year ended 31 December 2012 £'000	Period ended 31 December 2011 £'000
Trade and other receivables	20	6
Trade and other receivables from group companies	687	2,839
Other receivables	617	298
Loan note receivable	-	536
	<u>1,324</u>	<u>3,679</u>

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

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

13. Cash and cash equivalents

	Year ended 31 December 2012 £'000	Period ended 31 December 2011 £'000
Cash at bank	-	8

14. Trade and other payables

	Year ended 31 December 2012 £	Period ended 31 December 2011 £
Due within one year		
Trade and other payables	31	6
Trade and other payables to group companies	5,276	7,648
Other payables	288	558
Social security and other taxes	-	59
Accruals and deferred income	57	-
	<u>5,652</u>	<u>8,271</u>

15. Provision for liabilities

	Year ended 31 December 2012 £'000	Period ended 31 December 2011 £'000
Vacant property provision		
At beginning of year/period	1,428	432
Utilised	(365)	(145)
Effect of change in discount rate	87	122
Released to the profit and loss account	(646)	-
Charged to the profit and loss account	-	1,019
At end of year/period	<u>504</u>	<u>1,428</u>
Current (included in other payables)	215	352
Non-current	289	1,076
At end of year/period	<u>504</u>	<u>1,428</u>

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

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

16 Share capital

	Year ended 31 December 2012 £	Period ended 31 December 2011 £
Authorised:		
200,000,000 ordinary shares of £0.02 each	4,000	4,000
Authorised, allotted, called up and fully paid:		
1 ordinary share of £1 (2011 167,844,533 ordinary shares of £0.02 each)	1	3,357

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

17. 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

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 Group Limited

Notes to the financial statements Year ended 31 December 2012

17. 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

	2012		2011	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	20	20	6	6
Trade and other receivables from group companies	687	687	2,839	2,839
Other receivables	617	617	298	298
Loans to group companies	27,069	27,069	146,782	146,782
Loan note receivable	-	-	536	536
Cash and cash equivalents	-	-	8	8
Loans from group companies	(2,998)	(2,998)	(11,351)	(11,351)
Trade and other payables	(31)	(31)	(6)	(6)
Trade and other payables to group companies	(5,276)	(5,276)	(7,648)	(7,648)
Other payables	(288)	(288)	(558)	(558)
Social security and other taxes	-	-	(59)	(59)
Accruals and deferred income	(57)	(57)	-	-
	<u>19,743</u>	<u>19,743</u>	<u>130,847</u>	<u>130,847</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

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

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 £20,000, being the total of the carrying amount of trade and other receivables, shown in the table above

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

17. Financial Instruments (continued)

Financial assets and impairment losses

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

	2012			2011		
	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	20	-	20	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

Market risk – interest rate risk

The Company utilises a group cash pooling facility, on which interest is charged at variable rates, based on the 3 month LIBOR market rate

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 year 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 £241,000 (2011: £1,354,000)

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

18 Financial commitments

At 31 December 2012, annual commitments under non-cancellable operating leases were as follows

	Land and building	
	2012	2011
	£'000	£'000
Within one year	345	344
Within 2 to 5 years	532	926
	<u>877</u>	<u>1,270</u>

19. 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 year with subsidiaries of the Bertelsmann AG group, and with its directors and executive officers.

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

20. Related parties (continued)

Related party transactions

During the year 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	
	2012	2011	2012	2011	2012	2011
Air Management Services Limited	1	(1)	-	-	21	20
Air Records Limited	23	(18)	-	-	-	18
BMG Rights Management (UK) Limited	841	(514)	(4,040)	(1,329)	13,487	12,647
BMG Rights Management (Ireland) Limited	(3)	(2)	25	25	(20)	(19)
BMG Rights Management (France) SARL					2	-
BMG Rights Management GmbH	404		409			-
Chrysalis Copyrights Limited	(4)	(1)	-	122	(28)	(26)
Chrysalis Film Productions Limited	-	(43)	-	-	-	-
Chrysalis Holdings Limited	782	(989)	-	-	12,561	11,779
Chrysalis Investments Limited	68	(32)	-	1,443	889	821
Chrysalis Limited	1,952	(6,524)	-	-	-	112,746
Chrysalis Music France	-	(2)	-	18	-	-
Chrysalis Music Group Inc	44	(402)	-	-	-	8,663
Chrysalis Music Holdings GmbH	(6)	2	-	-	(45)	(47)
Chrysalis Music Limited	(1,317)	-	(984)	(984)	(2,845)	(10,980)
Chrysalis Music France SAS	-	-	-	-	-	2
Chrysalis Songs Limited	5	(76)	-	2,132	81	76
Fanfare Music Company Limited	-	-	-	(1)	-	-
Forte Brdco 2 Limited	-	-	-	(2,602)	-	-
Lapishaven Limited	-	(1)	-	-	-	-
Oxford Street Studios Limited	(21)	9	-	-	-	(220)
Oystergreen Limited	-	(20,216)	-	-	-	-
The Echo Label Limited	(7)	-	-	(247)	(32)	(50)
The Ness Company Limited	-	(11)	-	-	-	-
Tin Pan Alley Music Limited	-	(35)	-	-	-	-
Tuch Wood Records Limited	-	(1)	-	-	-	1
Total	2,762	(28,857)	(4,590)	(1,423)	24,071	135,431

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2012

21. Ultimate parent company and controlling party

The immediate parent company is BMG Rights Management (UK) Limited, a company incorporated in the United Kingdom

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

22. Notes to the cash flow statement

	Year ended 31 December 2012 £	Period ended 31 December 2011 £
Profit for the year/period	10,192	11,684
Adjustment for		
Impairment of investments	-	7,475
Loss on liquidation of investments	43	1,980
Other gains and losses	-	(2,549)
Profit on disposal of investments	-	(318)
Loss/(profit) on the disposal of property, plant and equipment	(266)	13
Depreciation	27	64
Investment revenue	(9,828)	(32,233)
Finance costs	766	3,188
Tax charge/(credit)	8	6
(Decrease)/increase in provisions	(646)	881
Dividend income	(253)	-
Other non-cash items	(390)	180
Operating loss before movements in working capital and provisions	(347)	(9,629)
(Increase)/decrease trade and other receivables	2,224	(2,812)
Increase/(decrease) in trade and other payables	(1,973)	6,559
Increase/(decrease) in provisions	(787)	(144)
Cash generated from/(utilised by) operations	(883)	(6,026)
Tax paid	(8)	(6)
Net cash from operating activities	(891)	(6,032)