

**Company Registration No. 00946978**

**Chrysalis Group Limited**

**Reports and Financial Statements**

**31 December 2016**

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COMPANIES HOUSE

# **Chrysalis Group Limited**

## **Reports and financial statements 2016**

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# **Chrysalis Group Limited**

## **Reports and financial statements 2016**

### **Officers and professional advisers**

#### **Directors**

Paul Wilson  
Hartwig Masuch  
Maximilian Dressendörfer  
Alexi Cory-Smith

#### **Company Secretary**

Erika Brennan

#### **Registered Office**

5 Merchant Square  
Paddington  
London  
W2 1AS

#### **Bankers**

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

#### **Solicitors**

Simons, Muirhead and Burton  
8-9 Frith Street  
London  
W1D 3JB

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

# Chrysalis Group Limited

## Strategic report

The directors present their Strategic report for the year ended 31 December 2016 for Chrysalis Group Limited (the "Company").

### Strategy

Chrysalis Group Limited is a United Kingdom subsidiary of BMG Rights Management (UK) Limited ("BMG UK").

During 2015, the Company provided management and administration services to some group companies and acted as an investment holding company. In December 2015, the Company disposed of its investments to BMG UK. The directors made the company dormant during 2016.

### Business performance 2016

As shown in the Company's Statement of comprehensive income on page 8, the operating loss for the year was £92,000 (2015: profit of £70,000). In December 2015, the Company disposed of its investments to BMG UK as part of a wider group restructure, and the directors made the Company dormant in 2016.

During the year the Company paid dividends of £76,648,000 to its immediate parent company BMG UK.

The net assets as at 31 December 2016 were £nil (2015: £75,549,000).

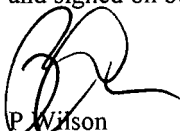
### Principal risks

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the BMG UK group and are not managed separately. Accordingly, the principal risks and uncertainties of BMG Rights Management (UK) Ltd, which include those of the company, are discussed on page 2 of the those financial statements which does not form part of this report. BMG Rights Management (UK) Limited's financial statements are publically available and can be accessed at Companies House.

### Key performance indicators

Due to the nature of the Company, the directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for understanding the performance or position of the business of the Company.

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



P. Wilson  
Director

6 March 2017

# **Chrysalis Group Limited**

## **Directors' report**

The directors present their Directors report and audited revised financial statements for the year ended 31 December 2016 for Chrysalis Group Limited (the "Company").

### **Principal Activities**

The principal activities of the Company during 2015 were the provision of management and administration services to members of the Chrysalis Group of companies and acting as an investment holding company. During 2016 the directors made the Company dormant.

### **Outlook**

The Company became inactive during 2016 following the disposal of its investments in December 2015 to BMG UK.

### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Paul Wilson  
Hartwig Masuch  
Maximilian Dressendörfer  
Alexi Cory-Smith

### **Dividends**

Dividends in specie were paid during the year totalling £76,648,000 (2015: £27,886,000).

### **Going concern**

The directors have considered the financial resources available along with the future plans for the Company when considering the going concern of the Company.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in 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.

# **Chrysalis Group Limited**

## **Directors' report (continued)**

### **Statement of disclosure of information to auditors**

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 auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

### **Independent auditors**

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors 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



P. Wilson  
Director

6 March 2017

# **Chrysalis Group Limited**

## **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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.

# **Chrysalis Group Limited**

## **Independent auditors' report to the members of Chrysalis Group Limited (continued)**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Chrysalis Group Limited's Financial Statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Reports and Financial Statements (the "Annual report"), comprise:

- the Statement of financial position as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

# **Chrysalis Group Limited**

## **Independent auditors' report to the members of Chrysalis Group Limited (continued)**

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

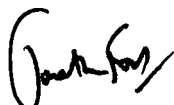
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jonathan Ford (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

6 March 2017

# Chrysalis Group Limited

## Statement of comprehensive income Year ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Administrative (expense)/income		(62)	70
<b>(Loss)/profit from operations</b>	2	(62)	70
Finance income	3	1,162	423
Finance costs	4	(1)	(261)
Proceeds from sale of investments	5	-	75,384
<b>Profit before taxation</b>		1,099	75,616
Taxation	6	-	113
<b>Profit for the year attributable to equity shareholders and total comprehensive income</b>		1,099	75,729

The accompanying notes are an integral part of this Statement of comprehensive income for the year ended 31 December 2016 and the Company did not have any items of other comprehensive income.

# Chrysalis Group Limited

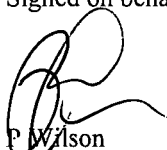
## Statement of financial position As at 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>Non-current assets</b>			
Investments	7	-	-
Long term loans receivable	8	-	75,490
<b>Total non-current assets</b>		-	75,490
<b>Current assets</b>			
Trade and other receivables	9	-	113
<b>Total current assets</b>		-	113
<b>Total assets</b>		-	75,603
<b>Non-current liabilities</b>			
Long term loans	8	-	47
Provisions	11	-	-
<b>Total non-current liabilities</b>		-	47
<b>Current liabilities</b>			
Trade and other payables	10	-	7
<b>Total current liabilities</b>		-	7
<b>Total liabilities</b>		-	54
<b>Net Assets</b>		-	75,549
<b>Equity</b>			
Share capital	12	-	-
Retained earnings		-	75,549
<b>Total equity</b>		-	75,549

The accompanying notes are an integral part of this Statement of financial position.

The financial statements of Chrysalis Group Limited, registered number 00946978, were approved by the Board of Directors on 6 March 2017.

Signed on behalf of the Board of Directors

  
P Wilson  
Director

## Chrysalis Group Limited

### Statement of changes in equity Year ended 31 December 2016

	Note	Share capital £'000	Share premium £'000	Revaluation reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2015		-	6,510	3,900	253	7,245	17,908
Ordinary share issue	12	-	9,798		-	-	9,798
Bonus share issue	12	4,153	-	(3,900)	(253)	-	-
Capital reduction	12	(4,153)	(16,308)	-	-	20,461	-
Profit for the year		-	-	-	-	75,729	75,729
Dividend		-	-	-	-	(27,886)	(27,886)
At 31 December 2015		-	-	-	-	75,549	75,549
Profit for the year		-	-	-	-	1,099	1,099
Dividend		-	-	-	-	(76,648)	(76,648)
At 31 December 2016		-	-	-	-	-	-

The accompanying notes are an integral part of this Statement of changes in equity.

The Company completed a capital reduction at the end of the prior year. More details can be found in note 12. This was part of an ongoing group wide company rationalisation.

# Chrysalis Group Limited

## Statement of cash flows Year ended 31 December 2016

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
<b>Net cash from operating activities</b>		
Profit for the year before tax	1,099	75,616
Adjustment for:		
Depreciation	-	15
Finance income	(1,162)	(423)
Finance costs	1	261
Profit on sale of investments	-	(75,384)
Expenses from forgiveness of liabilities	-	23
	<hr/>	<hr/>
Operating (loss)/profit before movements in working capital and provisions	(62)	108
Decrease in trade and other receivables	113	356
Decrease in trade and other payables	(7)	(464)
	<hr/>	<hr/>
Cash generated from operations	106	(108)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	44	-
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Gain on sale of investments	-	75,384
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	-	75,384
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Movement in intercompany loans	76,604	(47,498)
Dividend paid	(76,648)	(27,886)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	(44)	(75,384)
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents at the beginning of the year	-	-
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	-	-
	<hr/>	<hr/>

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 2016

### 1. Accounting policies

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

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

The Company has taken exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006, because it is a wholly owned subsidiary of Bertelsmann SE & Co KGaA which prepares consolidated financial statements which are publicly available (refer to note 14).

#### **Basis of preparation**

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

These financial statements have been prepared in accordance with the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards ("IFRS") as issued by the European Union ("EU").

The preparation of financial statements in conformity with IFRS 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 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 Strategic report and the Directors' report on pages 2 to 4. The directors have considered the financial resources available along with the future plans for the Company when considering the going concern of the Company.

#### **Investments in subsidiaries**

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's Statement of financial position. On disposal of investments in subsidiaries the difference between disposal proceeds and the carrying amounts of the investments is recognised in the Statement of comprehensive income.

#### **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.

# Chrysalis Group Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 1. Accounting policies (continued)

#### 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 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 Statement of cash flows.

#### 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 a margin above the 3 month LIBOR market rate. Trade and other payables are stated at amortised cost which approximates to cost.

#### 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 (continued) Year ended 31 December 2016

### 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.

#### New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2016 have had a material impact on the group or parent company.

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

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

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Net foreign exchange (gain)/loss	(4)	4
Depreciation	-	15
Rental income	-	(66)
Operating lease rentals		
- land and buildings	-	38

The audit fee of £5,000 (2015: £5,000) was borne by BMG Rights Management (UK) Limited.

# Chrysalis Group Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 3. Finance income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest receivable on intercompany balances	<u>1,162</u>	<u>423</u>

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

### 4. Finance costs

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest payable on intercompany balances	<u>1</u>	<u>261</u>

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

### 5. Proceeds from sale of investments

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Proceeds from sale of investments	<u>-</u>	<u>75,384</u>

# Chrysalis Group Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 6. Taxation

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
<b>Current taxation</b>		
UK corporation tax credit	-	(113)
<b>Total tax credit</b>	-	(113)

The current tax credit represents amounts receivable from fellow UK subsidiaries of Bertelsmann SE & Co KGaA in respect of current year tax profits surrendered in the United Kingdom.

The credit for the year can be reconciled to the loss per the Statement of comprehensive income as follows:

#### Tax reconciliation

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Profit before taxation	1,099	75,616
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	220	15,312
Effects of:		
Utilisation of unprovided losses	(203)	-
Non-taxable intercompany transfer of investments	-	(15,265)
Non-deductible expenses	(17)	3
Capital allowances in the year	-	(163)
<b>Total tax charge</b>	-	(113)

The standard rate of corporation tax in the United Kingdom is 20%. Accordingly the Company's profits are taxed at an effective rate of 20.00% (2015: 20.25%).

During 2016 changes to the UK corporation tax rate were enacted. The tax rate has fallen to 19% with effect from 1 April 2017 and to 17% from 1 April 2020.

A deferred tax asset of £7,872,000 (2015: £8,648,000) arises in the UK which has not been recognised in the financial statements 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.

# Chrysalis Group Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 7. Investments

The movement in the year was as follows:

	2016 £'000	2015 £'000
<b>Cost</b>		
Opening balance	-	24,203
Disposal	-	(24,203)
Closing balance	-	-
<b>Provisions</b>		
Opening balance	-	(14,008)
Disposal	-	14,008
Closing balance	-	-
<b>Net book amount at beginning of year</b>	-	10,195
<b>Net book amount at end of year</b>	-	-

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

On 18 December 2015, investments in affiliated undertakings held by Chrysalis Group Limited were sold to BMG Rights Management (UK) Limited for the consideration of £85,579,000, £10,195,000 by way of a dividend in specie and the remaining £75,384,000 held as a loan to group companies on the balance sheet as at 31 December 2015.

### 8. Long term loans

	2016 £'000	2015 £'000
Loans to group companies	-	75,490
Loans from group companies	-	(47)
	-	75,443

Following the sale of investments to BMG Rights Management (UK) Limited a dividend was declared in 2016 for £76,648,000.

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

# Chrysalis Group Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 9. Trade and other receivables

	2016 £'000	2015 £'000
Trade and other receivables from group companies	-	113

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

### 10. Trade and other payables

	2016 £'000	2015 £'000
<b>Due within one year</b>		
Trade and other payables to group companies	-	7

### 11. Provisions

	2016 £'000	2015 £'000
<b>Vacant property provision</b>		
At beginning of year	-	155
Utilised	-	(155)
At end of year	-	-

The provision represented the Company's liabilities in respect of operating leases over sublet properties. The operating leases ended during 2016 with no further costs expected, negating the requirement for the provision at the year end.

# Chrysalis Group Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 12. Share capital

	2016 £'000	2015 £'000
<b>Authorised:</b>		
200,000 (2015: 200,000) ordinary shares of £0.02 each	<u>4</u>	<u>4</u>
<b>Issued and fully paid:</b>		
1 (2015: 1) ordinary share of £1	<u>-</u>	<u>-</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.

On 22 December 2015, one ordinary share was issued by Chrysalis Group Limited. BMG Rights Management (UK) Limited subscribed to the share for consideration of £9,798,000.

This was subsequently followed by the issue of £4,153,000 of bonus shares of £1 from the Company's revaluation reserve and other reserve.

The Company completed a capital reduction by the cancellation of 4,152,900 ordinary shares of £1,100 ordinary shares of £0.02 and the entire share premium of £16,308,000 leaving one ordinary share held by BMG Rights Management (UK) Limited.

This is part of an ongoing group wide company rationalisation.

# Chrysalis Group Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 13. Financial instruments

Exposure to credit, liquidity, 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.

##### *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:

	2016		2015	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables from group companies	-	-	113	113
Loans to group companies	-	-	75,490	75,490
Loans from group companies	-	-	(47)	(47)
Trade and other payables to group companies	-	-	(7)	(7)
	<u>-</u>	<u>-</u>	<u>75,549</u>	<u>75,549</u>
Unrecognised gains/losses				<u>-</u>

# Chrysalis Group Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 13. Financial instruments (continued)

#### (a) 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 £Nil, being the total of the carrying amount of trade and other receivables, shown in the table above.

#### (b) 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.

#### (c) Market risk

##### *Financial risk management*

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

##### *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 remain 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 £Nil (2015: £754,000).

# Chrysalis Group Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 14. Ultimate parent company and controlling party

The immediate parent company is BMG Rights Management (UK) Limited, a company incorporated in the United Kingdom, which is in turn part of a holding group structure of which the parent is Bertelsmann SE & Co. KGaA. The results of the Company are included in the consolidated financial statements of Bertelsmann SE & Co. KGaA which is registered at Carl – Bertelsmann – Strasse 270, 33311, Gutersloh, Germany. These consolidated financial statements are publicly available.

No other group financial statements include the results of the Company.

### 15. Related parties

#### Identity of related parties

The Company's ultimate parent company and group is the international media company Bertelsmann SE & Co. KGaA.

The Company had a related party relationship in the year with subsidiaries of Bertelsmann SE & Co. KGaA, and with its directors and executive officers.

#### 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.

	(Purchases)/sales		Trade and other balances (payable)/receivable		Loan balances receivable/(payable)	
	2016	2015	2016	2015	2016	2015
		£'000		£'000		£'000
Air Management Services Limited	-	(23)	-	-	-	-
BMG Rights Management (UK) Limited	1,098	425	-	106	-	75,490
BMG Rights Management GmbH	-	50	-	-	-	-
Chrysalis Music Limited	-	(57)	-	-	-	(14)
Chrysalis Songs Limited	-	2	-	-	-	-
The Echo Label Limited	-	(129)	-	-	-	(33)
<b>Total</b>	<b>-</b>	<b>268</b>	<b>-</b>	<b>106</b>	<b>-</b>	<b>75,443</b>

### 16. Dividends distributed

The dividends paid in 2016 and 2015 were £76,648,000 (£76,648,000 per share) and £27,886,000 (£27,886,000 per share) respectively.