

Company Registration No. 00946978

Chrysalis Group Limited

Reports and Financial Statements

31 December 2013

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Chrysalis Group Limited

Reports and financial statements 2013

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Chrysalis Group Limited

Reports and financial statements 2013

Officers and professional advisers

Directors

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

Secretary

Julian French

Registered Office

33 Wigmores Street
London
United Kingdom
W1U 1QX

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

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 2013 for Chrysalis Group Limited (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 6, the operating profit was £203,000 (2012 £886,000)

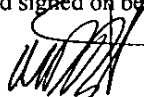
Principal risks

The Company does not face any specific risks

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 an understanding performance or position of the business of the Company

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



M Ranyard
Director

6 March 2014

Chrysalis Group Limited

Directors' report

The directors present their Directors' report and financial statements for the year ended 31 December 2013 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

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

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

Dividends

The directors do not recommend a dividend (2012 £nil)

Directors and officers insurance

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

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.

Political and charitable contributions

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

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/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 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.

Chrysalis Group Limited

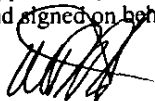
Directors' report (continued)

Auditors

Deloitte LLP resigned as auditors on 13 May 2013. PricewaterhouseCoopers LLP were subsequently appointed.

PricewaterhouseCoopers 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
6 March 2014

Chrysalis Group Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report and 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.

Independent auditors' report to the members of Chrysalis Group Limited

We have audited the financial statements of Chrysalis Group Limited for the year ended 31 December 2013 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes. 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.

Respective responsibilities of directors and auditors

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). 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.

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 Reports and financial statements 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 2013 and of its profit and cash flow 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

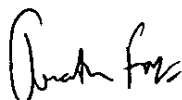
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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



Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 March 2014

Chrysalis Group Limited

Statement of comprehensive income Year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Administrative income		203	663
Profit on disposal of property, plant and equipment		-	266
Loss on liquidation of investments		-	(43)
Profit from operations	2	203	886
Investment revenue	3	986	10,080
Finance costs	4	(115)	(766)
Profit before taxation		1,074	10,200
Taxation	5	-	(8)
Profit for the year attributable to equity shareholder		1,074	10,192

The accompanying notes are an integral part of this Statement of comprehensive income for the year ended 31 December 2013 and the company did not have any items of other comprehensive income. All results relate to continuing operations.

Chrysalis Group Limited

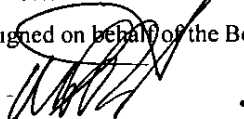
Statement of financial position As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment	6	76	136
Investments	7	10,195	3,685
Long term loans	8	34,559	27,069
Total non-current assets		44,830	30,890
Current assets			
Trade and other receivables	9	1,260	1,324
Cash and cash equivalents	10	-	-
Total current assets		1,260	1,324
Total assets		46,090	32,214
Equity			
Share capital	13	-	-
Share premium		6,510	-
Revaluation reserve		3,900	3,900
Other reserves		253	253
Retained earnings		19,966	19,122
Total shareholder's equity		30,629	23,275
Non-current liabilities			
Long term loans	8	9,847	2,998
Provisions	12	82	289
Total non-current liabilities		9,929	3,287
Current liabilities			
Trade and other payables	11	5,532	5,652
Total current liabilities		5,532	5,652
Total equity and liabilities		46,090	32,214

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 2014

Signed on behalf of the Board of Directors



M Ranyard
Director

Chrysalis Group Limited

Statement of changes in equity Year ended 31 December 2013

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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 1 January 2013	-	-	3,900	253	19,122	23,275
Addition to share premium	-	6,510	-	-	-	6,510
Dividends paid	-	-	-	-	(230)	(230)
Profit and total comprehensive income for the year	-	-	-	-	1,074	1,074
At 31 December 2013	-	6,510	3,900	253	19,966	30,629

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

Chrysalis Group Limited

Statement of cash flows Year ended 31 December 2013

		Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
	Notes		
Net cash from operating activities	18	20	(891)
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		-	266
Acquisition of property, plant and equipment		-	(131)
Net cash from investing activities		20	135
Cash flows from financing activities			
Decrease in intercompany loans		(20)	(1,060)
Interest paid		-	(2)
Investment income		-	1,290
Decrease in loan note		-	536
Net cash from investing activities		-	764
Net increase in cash and cash equivalents		-	8
Cash and cash equivalents at the beginning of the year		-	8
Cash and cash equivalents at end of the year	10	-	-

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

Chrysalis Group Limited

Notes to the financial statements Year ended 31 December 2013

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

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 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 Strategic report and the Directors' report on pages 2-4. Chrysalis Group Limited has net current liabilities of £4,272,000 at 31 December 2013. 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 Bertelsmann 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 (continued) Year ended 31 December 2013

1. Accounting policies (continued)

Investments in subsidiaries

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

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 (continued) Year ended 31 December 2013

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

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 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

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

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*.

New and amended standards adopted by the company

The following standards have been adopted by the company for the first time for the financial year beginning 1 January 2013, but do not have a material impact on the company.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially classifiable to profit or loss subsequently (reclassification adjustments).

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

2 Profit from operations

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Loss on liquidation of investments	-	43
Release of onerous lease provision	(32)	(646)
Net foreign exchange gain	(6)	304
Unwind of discount on onerous lease provision	(46)	87
Depreciation	60	27
Rental income	(225)	(65)
Profit on disposal of property, plant and equipment	-	266
Operating lease rentals		
- land and buildings	209	89

The audit fee of £5,000 (2012 £5,000) was borne by the intermediate parent United Kingdom holding company, BMG Rights Management (UK) Limited

3 Investment revenue

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest receivable on intercompany balances	986	4,114
Other	-	5,713
Interest income	986	9,827
Dividends received	-	253
	986	10,080

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

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

4 Finance costs

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest payable on intercompany balances	68	676
Effect of unwinding of discount rate on provisions	46	87
Bank loans and overdrafts	1	3
	<u>115</u>	<u>766</u>

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

5. Taxation

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current taxation		
UK corporation tax		
Prior period	-	8
Deferred taxation	-	-
Total tax expense	<u>-</u>	<u>8</u>

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

5 Taxation (continued)

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

Tax reconciliation

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit before taxation	1,074	10,200
Tax charge using the UK corporation tax rate of 23.25% (2012: 24.5%)	250	2,499
Effects of		
Adjustments in respect of prior periods	-	8
Income not taxable	-	(62)
Loss on liquidation of investments	-	11
Movements in unrecognised deferred tax		
- Depreciation in excess of capital allowances	-	6
- Capital allowances in excess of depreciation	(189)	-
- Losses carried forward	(55)	(2,344)
- Other temporary differences	(6)	(110)
	-	8

The standard rate of Corporation Tax in the United Kingdom changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits are taxed at an effective rate of 23.25%.

During the year changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015.

A deferred tax asset 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.

Unrecognised deferred tax asset

	Year ended 31 December 2012 £'000	Movement £'000	Year ended 31 December 2013 £'000
Tax losses	3,857	(551)	3,306
Capital losses	6,440	(1,183)	5,257
Depreciation in excess of capital allowances	1,045	(298)	747
Other temporary differences	55	(13)	42
	11,397	(2,045)	9,352

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

6 Property, plant and equipment

	Leasehold improvements £'000	Furniture, fixtures, plant and equipment £'000	Total £'000
Cost			
At 1 January 2013	131	10	141
At 31 December 2013	131	10	141
Depreciation			
At 1 January 2013	-	5	5
Charge for the year	58	2	60
At 31 December 2013	58	7	65
Net book value			
At 31 December 2013	73	3	76
At 31 December 2012	131	5	136

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

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

7. Investments

The movement in the year was as follows

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Cost		
Opening balance	3,882	3,882
Additions	6,510	513
Liquidations	-	(513)
Closing balance	<u>10,392</u>	<u>3,882</u>
Provisions		
Opening balance	(197)	(197)
Additions	-	513
Disposals	-	(24)
Liquidations	-	(489)
Closing balance	<u>(197)</u>	<u>(197)</u>
Net book value at end of year	<u>10,195</u>	<u>3,685</u>
Net book value at beginning of year	<u>3,685</u>	<u>3,685</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 additional shares in Chrysalis Holdings Limited

All transactions were completed at fair value

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

7. Investments (continued)

The principal investments held at 31 December 2013 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

8. Long term loans

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Loans to group companies	34,559	27,069
Loans from group companies	(9,847)	(2,998)
	<u>24,712</u>	<u>24,071</u>

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

9. Trade and other receivables

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Trade and other receivables	54	20
Trade and other receivables from group companies	900	687
Other receivables	306	617
	<u>1,260</u>	<u>1,324</u>

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

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

10 Cash and cash equivalents

Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
--	--

Cash at bank

-	-
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11. Trade and other payables

Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
--	--

Due within one year

Trade and other payables
Trade and other payables to group companies
Other payables
Accruals and deferred income

-	31
5,295	5,276
-	288
237	57
<u>5,532</u>	<u>5,652</u>

12. Provision for liabilities

Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
--	--

Vacant property provision

At beginning of year
Utilised
Effect of change in discount rate
Released to the profit and loss account

504	1,428
(204)	(365)
(46)	87
(32)	(646)

At end of year

<u>222</u>	<u>504</u>
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Current (included in other payables)
Non-current

140	215
82	289
<u>222</u>	<u>504</u>

At end of year

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 (continued) Year ended 31 December 2013

13 Share capital

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
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 (2012 1 ordinary shares of £1 each)	1	1

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

14 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

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 (continued) Year ended 31 December 2013

14. 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

	2013		2012	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	54	54	20	20
Trade and other receivables from group companies	900	900	687	687
Other receivables	306	306	617	617
Loans to group companies	34,559	34,559	27,069	27,069
Loans from group companies	(9,616)	(9,616)	(2,998)	(2,998)
Trade and other payables	-	-	(31)	(31)
Trade and other payables to group companies	(5,532)	(5,532)	(5,276)	(5,276)
Other payables	-	-	(288)	(288)
Accruals and deferred income	-	-	(57)	(57)
	<u>20,908</u>	<u>20,908</u>	<u>19,743</u>	<u>19,743</u>
Unrecognised gains/losses				<u>-</u>

(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 £54,000, 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 (continued) Year ended 31 December 2013

14. Financial Instruments (continued)

(a) Credit risk (continued)

Financial assets and impairment losses

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

	2013			2012		
	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	54	-	54	20	-	20

(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 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 £249,000 (2012 £241,000)

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

15. Financial commitments

At 31 December 2013, annual commitments under non-cancellable operating leases were as follows

	Land and building	
	2013	2012
	£'000	£'000
Within one year	350	345
Within 2 to 5 years	182	532
	<u>532</u>	<u>877</u>

16.. 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 Gütersloh, Germany. These consolidated accounts are publicly available.

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

17. 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.

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

17 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	
	2013	2012	2013	2012	2013	2012
Air Management Services Limited	-	1	-	-	22	21
Air Records Limited	-	23	-	-	-	-
BMG Rights Management (UK) Limited	-	841	(4142)	(4,040)	20,484	13,487
BMG Rights Management (Ireland) Limited	-	(3)	-	25	-	(20)
BMG Rights Management (France) SARL	-	-	-	-	-	2
BMG Rights Management GmbH	174	404	590	409	-	-
Chrysalis Copyrights Limited	-	(4)	-	-	(29)	(28)
Chrysalis Holdings Limited	-	782	-	-	12,753	12,561
Chrysalis Investments Limited	-	68	-	-	(5,626)	889
Chrysalis Limited	-	1,952	-	-	-	-
Chrysalis Music Group Inc	-	44	-	-	-	-
Chrysalis Music Holdings GmbH	-	(6)	-	-	(49)	(45)
Chrysalis Music Limited	-	(1,317)	(984)	(984)	(2,894)	(2,845)
Chrysalis Songs Limited	-	5	-	-	84	81
Oxford Street Studios Limited	-	(21)	-	-	-	-
The Echo Label Limited	-	(7)	-	-	(33)	(32)
Total	174	2,762	(4,536)	(4,590)	24,712	24,071

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2013

18. Notes to the cash flow statement

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit for the year	1,074	10,192
Adjustment for		
Loss on liquidation of investments	-	43
Profit on the disposal of property, plant and equipment	-	(266)
Depreciation	60	27
Investment revenue	(986)	(9,828)
Finance costs	131	766
Tax charge	-	8
Decrease in provisions	(59)	(646)
Dividend income	-	(253)
Other non-cash items	(175)	(390)
	<hr/>	<hr/>
Operating loss before movements in working capital and provisions	46	(347)
Decrease in trade and other receivables	242	2,224
Decrease in trade and other payables	(44)	(1,973)
Decrease in provisions	(223)	(787)
	<hr/>	<hr/>
Cash generated utilised by operations	20	(883)
Tax paid	-	(8)
	<hr/>	<hr/>
Net cash from operating activities	20	(891)