

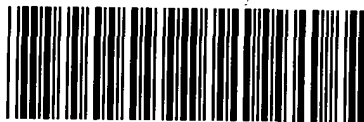
Company Registration No. 00946978

Chrysalis Group Limited

Reports and Financial Statements

31 December 2014

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Chrysalis Group Limited

Report and financial statements 2014

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Chrysalis Group Limited

Report and financial statements 2014

Officers and professional advisers

Directors

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

Registered Office

33 Wigmore Street
London
United Kingdom
W1U 1QX

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 2014 for Chrysalis Group Limited (the "Company").

Strategy

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

The Company provides management and administration services to members of the Chrysalis Group of companies and acts as an investment holding company.

Business performance 2014

As shown in the company's Statement of comprehensive income on page 8, the operating loss for the year was £13,845,000 (2013: Profit of £203,000). The large operating loss is due to a one off impairment charge of an investment realised as part of an ongoing group-wide company rationalisation process.

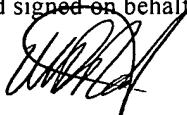
Principal risks

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 understanding the 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

27 March 2015

Chrysalis Group Limited

Directors' report

The directors present their Directors report and audited financial statements for the year ended 31 December 2014 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 (2013: £230,000).

Directors and officers insurance

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

Going concern

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 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.

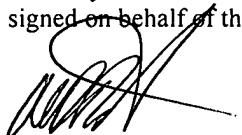
Chrysalis Group Limited

Directors' report (continued)

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

A handwritten signature in black ink, appearing to be 'M Ranyard', written over the text 'and signed on behalf of the Board'.

M Ranyard
Director
27 March 2015

Chrysalis Group Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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

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 2014 and of its loss 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

Chrysalis Group Limited's financial statements comprise:

- the Statement of financial position as at 31 December 2014;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Statement of cash flows 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 applicable law and IFRSs as adopted by the European Union.

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 matters prescribed by the Companies Act 2006

In our opinion, 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.

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.

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.

Chrysalis Group Limited

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

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

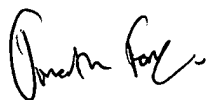
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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



Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 March 2015

Chrysalis Group Limited

Statement of comprehensive income Year ended 31 December 2014

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Administrative (expenses)/income		(34)	203
Impairment of investment	7	(13,811)	-
(Loss)/profit from operations	2	(13,845)	203
Dividend income		825	-
Finance income	3	560	986
Finance costs	4	(261)	(115)
(Loss)/profit before taxation		(12,721)	1,074
Taxation	5	-	-
(Loss)/profit for the year attributable to equity shareholder		(12,721)	1,074

The accompanying notes are an integral part of this Statement of comprehensive income for the year ended 31 December 2014 and the company did not have any items of other comprehensive income. All results relate to continuing operations.

Chrysalis Group Limited

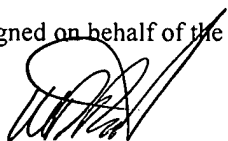
Statement of financial position As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Property, plant and equipment	6	15	76
Investments	7	10,195	10,195
Long term loans	8	21,833	34,559
Total non-current assets		32,043	44,830
Current assets			
Trade and other receivables	9	353	1,260
Total current assets		353	1,260
Total assets		32,396	46,090
Equity			
Share capital	12	-	-
Share premium		6,510	6,510
Revaluation reserve		3,900	3,900
Other reserves		253	253
Retained earnings		7,245	19,966
Total shareholder's equity		17,908	30,629
Non-current liabilities			
Long term loans	8	9,661	9,847
Provisions	11	155	82
Total non-current liabilities		9,816	9,929
Current liabilities			
Trade and other payables	10	4,672	5,532
Total current liabilities		4,672	5,532
Total equity and liabilities		32,396	46,090

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 27 March 2015.

Signed on behalf of the Board of Directors



M Ranyard
Director

Chrysalis Group Limited

Statement of changes in equity Year ended 31 December 2014

	Share capital £'000	Share premium £'000	Revaluation reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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 1 January 2014	-	6,510	3,900	253	19,966	30,629
Loss and total comprehensive expense for the year	-	-	-	-	(12,721)	(12,721)
At 31 December 2014	-	6,510	3,900	253	7,245	17,908

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 2014**

		Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
	Notes		
Net cash from operating activities	17	70	20
Cash flows from investing activities		-	-
Net cash from investing activities		-	-
Cash flows from financing activities			
Movement in intercompany loans		(70)	(20)
Net cash from financing activities		(70)	(20)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at end of the year		-	-

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 2014

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 15).

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 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 2014

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 is 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 2014

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 2014

1. Accounting policies (continued)

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 2014, but do not have a material impact on the company:

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

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.

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

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.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

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 2014, 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. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement.

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2014

2. (Loss)/profit from operations

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Movement in onerous lease provision	46	(32)
Net foreign exchange loss/(gain)	33	(6)
Unwind of discount on onerous lease provision	46	(46)
Depreciation	61	60
Rental income	(290)	(225)
Impairment (note 7)	13,811	-
Operating lease rentals		
- land and buildings	260	209

The audit fee of £5,000 (2013: £5,000) was borne by the intermediate parent United Kingdom holding company, BMG Rights Management (UK) Limited.

3. Finance income

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Interest receivable on intercompany balances	560	986

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 2014 £'000	Year ended 31 December 2013 £'000
Interest payable on intercompany balances	216	68
Effect of unwinding of discount rate on provisions	45	46
Bank loans and overdrafts	-	1
	261	115

Interest charges represent interest charges 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 2014

5. Taxation

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Current taxation		
UK corporation tax	-	-
Total tax expense	<u>-</u>	<u>-</u>

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 2014 £'000	Year ended 31 December 2013 £'000
(Loss)/profit before taxation	<u>(12,721)</u>	<u>1,074</u>
Tax charge using the UK corporation tax rate of 21.5% (2013: 23.25%)	(2,735)	250
Effects of:		
Dividend income	(177)	-
Impairment losses	2,969	-
Movements in unrecognised deferred tax		
- Capital allowances in excess of depreciation	-	(189)
- Utilisation of unprovided losses	(51)	(55)
- Other temporary differences	(6)	(6)
	<u>-</u>	<u>-</u>

The standard rate of corporation tax in the United Kingdom changed from 23% to 21% with effect from 1 April 2014. Accordingly the company's losses are taxed at an effective rate of 21.5%.

During 2013 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 of £9,136,000 (2013: £9,352,000) 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 2014

5. Taxation (continued)

Unrecognised deferred tax asset

	Year ended 31 December 2013 £'000	Movement £'000	Year ended 31 December 2014 £'000
Tax losses	3,306	(211)	3,095
Capital losses	5,257	-	5,257
Depreciation in excess of capital allowances	747	1	748
Other temporary differences	42	(6)	36
	<u>9,352</u>	<u>(216)</u>	<u>9,136</u>

6. Property, plant and equipment

	Furniture, fixtures, plant and equipment £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 January 2014	10	131	141
At 31 December 2014	<u>10</u>	<u>131</u>	<u>141</u>
Accumulated depreciation			
At 1 January 2014	7	58	65
Charge for the year	3	58	61
At 31 December 2014	<u>10</u>	<u>116</u>	<u>126</u>
Net book value			
At 31 December 2013	<u>3</u>	<u>73</u>	<u>76</u>
At 31 December 2014	<u>-</u>	<u>15</u>	<u>15</u>

The depreciation charge is recognised in the Statement of comprehensive income under the line administrative (expenses)/income.

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2014

7. Investments

The movement in the year was as follows:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Cost		
Opening balance	10,392	3,882
Additions	13,811	6,510
	<u>24,203</u>	<u>10,392</u>
Provisions		
Opening balance	(197)	(197)
Additions	(13,811)	-
	<u>(14,008)</u>	<u>(197)</u>
Net book value at end of year	<u>10,195</u>	<u>10,195</u>
Net book value at beginning of year	<u>10,195</u>	<u>3,685</u>

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.

On 30 June 2014 Chrysalis Group Limited subscribed to 1 ordinary share in Chrysalis Investments Limited. This was subsequently fully impaired by £13,811,000 as part of an ongoing group-wide company rationalisation process.

All transactions were completed at fair value.

The principal investments held at 31 December 2014 were as follows:

Subsidiary undertakings	Principal activity	Class of share	Percentage of shares held
Chrysalis Copyrights Limited	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.

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2014

8. Long term loans

	Year ended 31 December 2014 £'000	Yearended 31 December 2013 £'000
Loans to group companies	21,833	34,559
Loans from group companies	(9,661)	(9,847)
	<u>12,172</u>	<u>24,712</u>

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

9. Trade and other receivables

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Trade and other receivables	8	54
Trade and other receivables from group companies	97	900
Other receivables	248	306
	<u>353</u>	<u>1,260</u>

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

10. Trade and other payables

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Due within one year		
Trade and other payables to group companies	4,602	5,295
Accruals and deferred income	70	237
	<u>4,672</u>	<u>5,532</u>

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2014

11. Provisions

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Vacant property provision		
At beginning of year	222	504
Utilised	(158)	(204)
Effect of change in discount rate	45	(46)
Released to the profit and loss account	46	(32)
	<u>155</u>	<u>222</u>
At end of year	<u>155</u>	<u>222</u>
Current (included in other payables to group companies)	147	140
Non-current	8	82
	<u>155</u>	<u>222</u>
At end of year	<u>155</u>	<u>222</u>

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

12. Share capital

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Authorised:		
200,000 (2013: 200,000) ordinary shares of £0.02 each	<u>4,000</u>	<u>4,000</u>
Authorised, allotted, called up and fully paid:		
100 (2013: 1 ordinary share of £1) ordinary shares of £0.02	<u>2</u>	<u>2</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.

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2014

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:

	2014		2013	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	8	8	54	54
Trade and other receivables from group companies	97	97	900	900
Other receivables	248	248	306	306
Loans to group companies	21,833	21,833	34,559	34,559
Loans from group companies	(9,661)	(9,661)	(9,847)	(9,847)
Trade and other payables to group companies	(4,672)	(4,672)	(5,532)	(5,532)
	<u>7,853</u>	<u>7,853</u>	<u>20,440</u>	<u>20,440</u>
Unrecognised gains/losses				<u>-</u>

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2014

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 £8,000, being the total of the carrying amount of trade and other receivables, shown in the table above.

Financial assets and impairment losses

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

	2014			2013		
	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	8	-	8	54	-	54

(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.

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2014

13. Financial instruments (continued)

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 £1,000 (2013: £249,000).

14. Financial commitments

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

	Land and building	
	2014	2013
	£'000	£'000
Within one year	168	350
Within 2 to 5 years	14	182
	182	532

15. 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.

16. 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 2014

16. 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	
	2014	2013	2014	2013	2014	2013
Air Management Services Limited	-	-	-	-	23	22
BMG Rights Management (UK) Limited	391	-	(4,587)	(4142)	21,723	20,484
BMG Rights Management GmbH	155	174	81	590	-	-
Chrysalis Copyrights Limited	-	-	-	-	-	(29)
Chrysalis Holdings Limited	130	-	-	-	-	12,753
Chrysalis Investments Limited	(57)	-	-	-	-	(5,626)
Chrysalis Music Holdings GmbH	(2)	-	-	-	-	(49)
Chrysalis Music Limited	(57)	-	-	(984)	(2,952)	(2,894)
Chrysalis Songs Limited	2	-	-	-	86	84
The Echo Label Limited	(63)	-	-	-	(6,708)	(33)
Total	499	174	(4,506)	(4,536)	12,172	24,712

Chrysalis Group Limited

Notes to the financial statements (continued) Year ended 31 December 2014

17. Notes to the cash flow statement

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
(Loss)/profit for the year	(12,721)	1,074
Adjustment for:		
Impairment of investment	13,811	-
Depreciation	61	60
Finance income	(560)	(986)
Finance costs	216	131
Increase/(decrease) in provisions	45	(59)
Dividend income	(825)	-
Other non-cash items	-	(175)
Operating loss before movements in working capital and provisions	27	45
Decrease in trade and other receivables	769	242
Decrease in trade and other payables	(726)	(44)
Decrease in provisions	-	(223)
Cash generated generated from operations	70	20
Net cash from operating activities	70	20