Company Registration No. 01826890

# Chrysalis Investments Limited

## Reports and Financial Statements

## 31 December 2014

# Chrysalis Investments Limited

# Reports and financial statements 2014

## Contents

# Chrysalis Investments Limited

# Reports 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

### 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 Investments Limited

## Strategic report

The directors present their Strategic report for the year ended 31 December 2014 for Chrysalis Investments Limited (the "Company").

**Business performance 2014**

As shown in the Company's Statement of comprehensive income on page 8, the Company reported a loss after tax of £12,074,000 (2013: £23,000). 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.

The Company has been dormant as defined in section 480 of the Companies Act 2006 for the final six months of the year. It is anticipated that the Company will remain dormant for the foreseeable future.

**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

27 March 2015

# Directors' report

The directors present their Directors report and audited financial statements for the year ended 31 December 2014 for Chrysalis Investments Limited (the "Company").

**Principal activities**

The principal business of the Company during the year ended 31 December 2014 was an investment holding company.

On 30 June 2014, the Company was made dormant as defined in section 480 of the Companies Act 2006. It is anticipated that the Company will remain dormant for the foreseeable future.

**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: £nil).

**Directors and officers insurance**

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

**Employees**

The Company had no employees in the current or prior year.

**Political and charitable contributions**

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

**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. The ultimate parent company has confirmed its continued support of the Company. Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements.

# Chrysalis Investments Limited

## Directors' report (continued)

**Statement of disclosure of information to auditors**

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/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.

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

27 March 2015

## Chrysalis Investments 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 Investments Limited

# Independent auditors' report to the members of Chrysalis Investments Limited

## Report on the financial statements

### Our opinion

In our opinion, Chrysalis Investments 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 Investments 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.

# Independent auditors' report to the members of Chrysalis Investments 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

# Statement of comprehensive income
## Year ended 31 December 2014

| | Note | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|---|
| Impairment | 7 | (19,494) | - |
| **(Loss)/result from operations** | | (19,494) | - |
| Finance costs | 3 | (76) | (65) |
| Finance income | 4 | 7,496 | 37 |
| **Loss before taxation** | | (12,074) | (28) |
| Taxation | 6 | - | 5 |
| Loss for the year attributable to equity shareholder | | (12,074) | (23) |

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 Investments Limited

## Statement of financial position
## As at 31 December 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 7 | 9,241 | 9,241 |
| Long term loans to group companies | 8 | - | 5,626 |
| **Total non-current assets** | | 9,241 | 14,867 |
| **Current assets** | | | |
| Trade and other receivables | 9 | - | 7 |
| **Total current assets** | | - | 7 |
| **Total assets** | | 9,241 | 14,874 |
| **Equity** | | | |
| Share capital | 10 | - | 1,453 |
| Share premium | | - | 6,988 |
| Retained earnings/deficit | | 9,241 | (112) |
| **Total equity** | | 9,241 | 8,329 |
| **Non-current liabilities** | | | |
| Long term loans from group companies | 8 | - | 6,545 |
| **Total current liabilities** | | - | 6,545 |
| **Total equity and liabilities** | | 9,241 | 14,874 |

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

The financial statements of Chrysalis Investments Limited, registered number 01826890 were approved by the Board of Directors on 27 March 2015.

Signed on behalf of the Board of Directors

M Ranyard
Director

# Chrysalis Investments Limited

## Statement of changes in equity
## Year ended 31 December 2014

| | Share capital £'000 | Share Premium £'000 | Retained earnings/ (deficit) £'000 | Total £'000 |
|---|---|---|---|---|
| As at 1 January 2013 | 1,453 | 478 | (89) | 1,842 |
| Increase in share premium | - | 6,510 | - | 6,510 |
| Loss and total comprehensive expense for the year | - | - | (23) | (23) |
| As at 1 January 2014 | 1,453 | 6,988 | (112) | 8,329 |
| Share subscription | - | 13,811 | - | 13,811 |
| Reduction in share capital/(deficit) | (1,453) | (20,799) | 22,252 | - |
| Dividend in specie | - | - | (825) | (825) |
| Loss and total comprehensive expense for the year | - | - | (12,074) | (12,074) |
| As at 31 December 2014 | - | - | 9,241 | 9,241 |

As part of an ongoing group-wide company rationalisation process, a dividend of £825,000 was declared during the year.

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

# Chrysalis Investments Limited

## Statement of cash flows
## Year ended 31 December 2014

| | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|
| **Loss before taxation** | (12,074) | (28) |
| Adjustments for: | | |
| Finance income | (66) | (35) |
| Finance costs | 76 | 65 |
| Impairment of investment | 19,494 | - |
| Dividend income | (7,430) | (2) |
| **Cash generated from operations** | - | - |
| **Net increase in cash and cash equivalents** | - | - |
| Cash and cash equivalents at the beginning of the year | - | - |
| **Cash and cash equivalents at the end of the year** | - | - |

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

# Notes to the financial statements
# Year ended 31 December 2014

## 1. Accounting policies

Chrysalis Investments 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 years 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 12).

**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 on-going 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, performance and position are set out in the Strategic report and the Directors' Report on pages 2 to 4. Chrysalis Investments Limited made a loss of £12,074,000 (2013: £23,000) in the year. 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.

**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 subsidiarics the difference between disposal proceeds and the carrying amounts of the investments is recognised in the statement of comprehensive income.

**1. Accounting policies (continued)**

**Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

**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 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.

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

**1. Accounting policies (continued)**

**Reversal of impairment**

An impairment loss in respect of receivables 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.

**Net financing costs**

Net financing costs comprise interest payable, interest receivable on funds invested, dividend income and foreign exchange gains and losses that are recognised in the Statement of comprehensive income. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

**Taxation**

Tax on the loss for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## 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 financials 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.

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

2. **Employee costs and directors' remuneration**

The directors received no remuneration from the Company for services during the current year (2013: £nil).

The Company did not have any other employees and as a result incurred no staff costs (2013: £nil).

3. **Finance costs**

| | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|
| Interest cost on intercompany balances | (76) | (65) |

Interest costs represent interest charged by the parent company and other related parties in respect of loan facilities provided.

4. **Finance income**

| | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|
| Finance income | 66 | 35 |
| Dividend income | 7,430 | 2 |
| | 7,496 | 37 |

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

5. **Audit fee**

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

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

## 6. Taxation

| | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax – current year | - | (5) |
| **Total tax credit** | - | (5) |

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

**Tax reconciliation**

| | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|
| Loss before taxation | (12,074) | (28) |
| Tax charge using the UK corporation tax rate of 21.5% (2013: 23.25 %) | (2,596) | (7) |
| Effects of: | | |
| Dividend income | (1,597) | - |
| Impairment losses | 4,191 | - |
| Unrecognised tax losses carried forward | 2 | 2 |
| Current tax credit for the year | - | (5) |

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 £8,000 (2013: £8,000) 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 tax profits will be generated to offset the losses and therefore no asset has been recognised.

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

## 7. Investments

| | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|
| **Cost** | | |
| At beginning of the year | 11,848 | 5,338 |
| Additions | 19,493 | 6,510 |
| At the end of the year | 31,341 | 11,848 |
| **Amounts provided** | | |
| At beginning of the year | (2,607) | (2,607) |
| Charge in the year | (19,493) | - |
| At the end of the year | (22,100) | (2,607) |
| **Net book value** | | |
| At beginning of the year | 9,241 | 2,731 |
| At end of the year | 9,241 | 9,241 |

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.

On 30 June 2014, Chrysalis Investments Limited subscribed to 1 share in Chrysalis Holdings Limited. This investment was subsequently fully impaired.

Details of the principal investments of the Company are as follows:

| Subsidiary undertakings | Country of incorporation /operation | Principal activity | Description and proportion of ordinary shares held % |
|---|---|---|---|
| Chrysalis Holdings Limited | United Kingdom | Holding company | 100% |
| Chrysalis Music Limited | United Kingdom | Music publishing | 100% |
| Chrysalis Copyrights Limited | United Kingdom | Record company | 100% |
| Chrysalis Songs Limited | United Kingdom | Music publishing | 100% |
| Air Records Limited | United Kingdom | Record company | 100% |
| G.W. Mills Limited | United Kingdom | Music publishing | 100% |
| Oxford Street Studios Limited | United Kingdom | Music publishing | 100% |
| Tom Jones (Enterprises) Limited | United Kingdom | Music publishing | 100% |

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

## 8. Long term loans

| | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|
| Loans to group companies | - | 5,626 |
| Loans from group companies | - | (6,545) |
| | - | (919) |

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 from group companies | - | 2 |
| Group relief receivable | - | 5 |
| | - | 7 |

## 10. Share capital

| | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|
| **Authorised:** | | |
| 1 (2013:1,500,000) ordinary share of £1 each | 1 | 1,500 |
| **Allotted, called up and fully paid equity:** | | |
| 1 (2013: 1,453,314) ordinary share of £1 each | 1 | 1,453 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On 30 June 2014, there was a share subscription by Chrysalis Group Limited, for 1 ordinary share.

This was subsequently followed by a reduction of share capital to £1 by the cancellation of 1,453,315 ordinary shares of £1 held by Chrysalis Group Limited and the cancellation of the entire share premium account. This is part of an ongoing group-wide company rationalisation process.

## 11. Financial instruments

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

***(a) Fair values of financial instruments***

*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 |
| Loans to group companies | - | - | 5,626 | 5,626 |
| Loans from group companies | - | - | (6,545) | (6,545) |
| Trade and other receivables from group companies | - | - | 2 | 2 |
| **Unrecognised gains/losses** | - | - | (917) | (917) |

***(b) Credit risk***

*Financial risk management*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from group companies. This risk is mitigated as balances are spread across multiple parties.

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. There was no exposure to credit risk at the year end.

***(c) Liquidity risk***

*Financial risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Liquidity is managed by group via the cash pooling facility.

***(d) Market risk***

*Financial risk management*

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

*Market risk - Foreign currency risk*

The Company has no foreign currency risk.

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

## 11. Financial instruments (continued)

*Sensitivity analysis — Foreign currency risk*

The Company did not issue any foreign currency invoices during the year and so exposure to foreign currency risk is minimal.

*Market risk – interest rate risk*

The Company's exposure to interest rate risk arises from the fluctuations in the rate of interest charged on cash and cash equivalent balances payable as impacted on by the changes in the Bank of England base rate. The Company also 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, remain constant and considers the effect of financial instruments with variable interest rates.

At the year end it is estimated that an increase of one percentage rise in the 3 month LIBOR market rate would increase the Company's loss before taxation by approximately £nil (2013: £9,000).

## 12. 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 the Bertelsmann SE & Co. KGaA, and with its directors and executive officers.

**Related party transactions**

During the year the Company entered into the following transactions with related parties. The transactions were priced on an arm's length basis.

| | Sales/(purchases) of goods £'000 | | Loan balances receivable/ (payable) £'000 | |
|---|---|---|---|---|
| | **2012** | **2013** | **2012** | **2013** |
| Chrysalis Group Limited | 57 | - | - | 5,626 |
| Chrysalis Holdings Limited | - | - | - | (6,545) |
| **Total** | 57 | - | - | 919 |

## 13. Ultimate parent company and controlling party

The immediate parent company is Chrysalis Group 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 financial statements are publicly available.

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