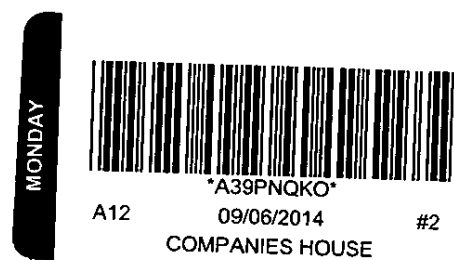


Company Registration No. 4126652

Chrysalis Music Publishing Limited

Reports and Financial Statements

31 December 2013



Chrysalis Music Publishing Limited

Reports and financial statements 2013

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Chrysalis Music Publishing 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 Wigmore Street
London
United Kingdom
W1U 1QX

Solicitors

Russell's Solicitors
1-4 Warwick Street
Regency House
London
W1B 5LJ

Independent Auditors

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

Chrysalis Music Publishing Limited

Strategic report

The directors present their Strategic report for the year ended 31 December 2013 for Chrysalis Music Publishing Limited (the "Company")

Business review

Chrysalis Music Publishing Limited is a United Kingdom subsidiary of Chrysalis Music Limited. Chrysalis Music Publishing Limited owns and administers rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. It additionally contracts as a sub-publisher for collection and transfer of monies to other affiliated companies within the BMG Group.

Strategy

The Company is part of an international group of companies focused on the management of music rights. The Company covers the entire range of rights administration, development and exploitation, placing the needs of songwriters and artists at the core of its business model. The Company has established a presence in its core music markets and now represents rights to numerous songs and recordings. At the core of the Company's strategy is delivering a high quality rights administration service to artists and writers.

Key performance indicators

The directors monitor the Company's performance in a number of ways including key performance indicators such as reported revenue, net publisher's share (revenue received by a music publisher less royalties payable, "NPS") and operating loss (Earnings Before Interest and Taxes, "EBIT"). The Company is financed through intercompany funding from its group parent companies and through equity.

Business performance

As shown in the Company's Statement of comprehensive income on page 10, the Company reported revenues of £1,323,000 (2012: £1,612,000) and NPS of £224,000 (2012: £237,000). Revenue and NPS has declined marginally. However, the Company has a strong roster of internationally successful songwriters and artists and therefore there remains a healthy mix of income from all traditional sources. The operating loss was £126,000 (2012: £76,000 profit), primarily driven by increased management recharges and provisions against advances.

Principal risks and uncertainties

There are a number of market and business risks that could affect the Company. We set out below the Company's view of the main risks which could materially and adversely affect the Company's business, financial condition and return to stakeholders, should any actually materialise. Further risks and uncertainties which are not presently known to the directors at the date of this document, or that the directors currently deem less significant, may also have an adverse effect on the business, financial condition or results of the group.

Market risks

Global economic outlook

The Company received income from various sources and is susceptible to changes in the global economy. Failure to adjust to changes in the global economy could have a material adverse effect on the Company's business. The Company is part of a broader group of rights administration companies which are actively building a business presence in the European, US and UK territories as a strategy to diversify this risk.

Chrysalis Music Publishing Limited

Strategic report (continued)

Music industry growth

The recorded music industry is experiencing a year of ongoing financial challenge due to the changing means by which consumers choose to access music, retail piracy, industrial piracy and a corresponding decline in the sale of physical product, which may not be offset completely by new digital and internet based revenue streams

Intense competition in the music industry could result in higher artist and writer acquisition costs or failure to attract and retain key talent. Such competition may affect customer choices and options available to them for music publishing and administration contracts. These changes could materially and adversely affect the business of the Company.

Music industry regulatory and business legal risk

The music publishing industry is regulated, with mechanical and performance royalty rates set by industry bodies, over which the company has no control. Any significant change to the payment structures operated within the music industry or any decrease in current mechanical or performance royalty rates could have a material adverse effect on the company's business. Also, future copyright royalty rate arbitration and other industry wide regulations can change the relationships between record labels, artists and music publishers/writers. Such change in regulations could materially and adversely affect the business of the company. Copyright royalties are either collected or controlled by third parties, such as collection societies, ceding control over royalty collections to such entities. This diminishes control and might result in lower revenues, if collection fees were revised upwards or collection scope was narrowed, thus affecting the business of the company.

The company also operates in the master rights business and is susceptible to further contraction of recorded music sales. Failure to adjust to external changes could have a material effect on the Company's business. The company has diversified its revenues through balances contributions from copyrights and master rights. The company's business is highly dependent upon copyright ownership, a subject which has encountered increased litigation in recent years. If the company is alleged to infringe the intellectual property rights of a third party, any litigation to defend the claim could be costly and would divert the time and resources of management of the company, regardless of the merits of the claim. If the company were to lose a litigation relating to intellectual property, it could be forced to pay monetary damages and to cease the sale of certain products or the use of certain technology. Any of the foregoing may adversely affect the company's business.

Business risks

Failure to fully exploit organic and acquisition growth opportunities

If the Company fails to keep pace with industry trends and developments, it may experience competitive disadvantage, which may result in lower margins and loss of market share. Failure to directly or indirectly exploit new growth areas, such as the use of music individual media, could have a material adverse effect on the Company's business. The future success of the Company therefore depends on the successful implementation of its growth strategy, both through signings and acquisitions.

Client retention and performance of releases

The Company's prospects may be adversely impacted if the business fails to identify, sign and retain songwriters and artists and by the absence of superstar releases. The decisions of potential clients to sign with the Company or decisions of existing clients to remain with the Company are complex and involve considerations of many factors. As such it is uncertain how many new clients the Company will sign and what proportion of existing clients will extend their agreements. Equally, the Company has no control over the release schedule of partnering record companies and the phasing of album releases can impact the Company's results on an annual basis.

Chrysalis Music Publishing Limited

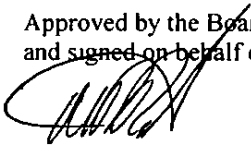
Strategic report (continued)

Dependency on third party service partners and shareholder affiliates

Emerging channels for music distribution could significantly change the operational setting/configuration and financial performance/returns in the businesses of recorded music and music publishing. The Company relies on a number of third party business partners and shareholder affiliates to operate successfully. These include sub-publishers, who support the Company in international rights management and license income collections.

Additionally, the Company outsources information technology infrastructure, certain finance and accounting functions and other back-office functions to affiliates operating as service providers in the respective functions.

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



M Ranyard
Director

6 March 2014

Chrysalis Music Publishing Limited

Directors' report

The directors present their Directors' report and financial statements for the year ended 31 December 2013 for Chrysalis Music Publishing Limited (the "Company")

Principal activities

The principal business of the Company during the year ended 31 December 2013 was music publishing. The directors do not anticipate any significant changes in the activities of the Company.

The Company's music publishing business can be summarised as an intellectual property business focused on the exploitation of the copyright of songs. In return for promoting, placing, marketing and administering the creative output of a songwriter, the Company retains a share of revenues generated from use of the song. The services described above are also carried out on behalf of other rights holders such as catalogue owners and other publishing companies.

Outlook

The directors do not anticipate any significant changes in the activities 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.

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.

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.

Chrysalis Music Publishing Limited

Directors' report (continued)

Statement of disclosure of information to auditors

Each of the persons who are 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

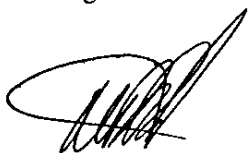
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

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 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



M Ranyard
Director

6 March 2014

Chrysalis Music Publishing 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.

Independent auditors' report to the members of Chrysalis Music Publishing Limited

We have audited the financial statements of Chrysalis Music Publishing 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 7, 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 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.

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 loss and cash flows 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

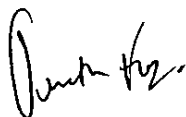
In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

6 March 2014

Chrysalis Music Publishing Limited

Statement of comprehensive income Year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Revenue	2	1,323	1,612
Cost of sales		(1,099)	(1,375)
Gross profit		<u>224</u>	<u>237</u>
Administrative expenses		(350)	(161)
(Loss)/profit from operations	3	<u>(126)</u>	<u>76</u>
Investment revenue	5	21	40
(Loss)/profit before taxation		<u>(105)</u>	<u>116</u>
Taxation	6	18	-
(Loss)/profit for the year attributable to equity shareholder		<u>(87)</u>	<u>116</u>

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 Music Publishing Limited

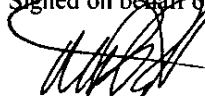
Statement of financial position As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Long term loans	9	660	639
Total non-current assets		<u>660</u>	<u>639</u>
Current assets			
Trade and other receivables	7	3,900	2,929
Total current assets		<u>3,900</u>	<u>2,929</u>
Total assets		<u>4,560</u>	<u>3,568</u>
Equity			
Share capital	10	-	-
Retained earnings		705	792
Total shareholder's equity		<u>705</u>	<u>792</u>
Current liabilities			
Trade and other payables	8	3,855	2,776
Total current liabilities		<u>3,855</u>	<u>2,776</u>
Total equity and liabilities		<u>4,560</u>	<u>3,568</u>

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

The financial statements of Chrysalis Music Publishing Limited, registered number 4126652, were approved by the Board of Directors on 6 March 2014

Signed on behalf of the Board of Directors



M Ranyard
Director

Chrysalis Music Publishing Limited

Statement of changes in equity Year ended 31 December 2013

	Share capital £'000	Retained earnings £'000	Total £'000
Opening shareholder's funds at 1 January 2012	-	676	676
Profit and total comprehensive income for the year	-	116	116
Opening shareholder's funds at 1 January 20123	-	792	792
Loss total comprehensive income for the year	-	(87)	(87)
Closing shareholder's funds at 31 December 2013	-	705	705

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

Chrysalis Music Publishing Limited

Statement of cash flows Year ended 31 December 2013

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
(Loss) / profit before taxation	(105)	116
Adjustments for		
Investment revenue	(21)	(40)
Management fees	166	162
Other non-cash movement	184	(1)
Increase in trade and other receivables	(1,137)	(1,111)
Increase in trade and other payables	913	874
Cash used in operations	-	-
Cash flows from financing activities		
Interest received	-	-
Net cash from financing activities	-	-
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

Chrysalis Music Publishing Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies

Chrysalis Music Publishing 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

Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis.

These financial statements have been prepared in accordance with 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, performance and position are set out in the Strategic report and Directors' report on pages 2 to 6. 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 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.

Chrysalis Music Publishing Limited

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

1. Accounting policies (continued)

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.

Reversal of impairment

An impairment loss in respect of 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.

Loan receivables and payables

Long term loans are initially measured at fair value net of transaction costs.

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.

Chrysalis Music Publishing Limited

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

1. Accounting policies (continued)

Trade and other payables

Trade and other payables are stated at amortised cost which approximates to cost

Revenue

Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and value added tax

Revenue from royalty licencing is recognised in accordance with IAS 18. According to IAS 18 29 revenue from royalties shall be recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Where revenue streams have a forward visibility revenue is recognised on an accruals principle. If there is no or minimal forward visibility of revenue streams, it is not possible to measure the revenue streams reliably until cash is collected.

Music publishing royalties

Music publishing royalties derived from the inclusion of the Company's copyrights on recorded music products or from performance are recognised when they are earned by the Company from the relevant collection society or record company. The Company considers that it can most reliably measure such royalties following receipt of cash or a statement.

Where the Company receives advances which are recoupable from future sales or profits, or are otherwise conditional on continued performance of duties by the Company, these are recorded as liabilities. Revenue is recognised as it is earned.

Advance payments to artists are carried forward within other receivables where they relate to proven artists and where it is estimated that sufficient future income will be recouped against those advance payments. The

Advance payments should be written off if these are not covered by future income. In case of unproven contract the advance payments should be immediately written off. Any other royalty licensing income is recognised on a cash basis.

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 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 Music Publishing Limited

Notes to the financial statements (continued)

Year ended 31 December 2013

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements

The Company uses estimates to calculate the writer royalties due for the second half of the year for all the royalty receipts and company used industry standard rates estimate the royalties' accruals

Writer advances provisions were made during the year based on calculation used across the Chrysalis group

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 reclassifiable 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 Music Publishing Limited

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

2. Revenue

An analysis of the Company's revenue is as follows

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Geographical market		
UK	347	341
North America	473	492
Europe	407	641
Other	96	138
	<u>1,323</u>	<u>1,612</u>

3 (Loss)/profit from operations

The audit fee of £14,000 (2012 £13,750) for the year was borne by BMG Rights Management (UK) Limited

4 Employee costs and directors' remuneration

The directors received no remuneration from the Company for services during the year (2012 £nil)

The Company did not have any other employees and as a result incurred no staff costs (2012 £nil)

5. Investment revenue

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest receivable from other group companies	<u>21</u>	<u>40</u>

Interest income represents interest received from the parent company and other related parties in respect of loan facilities provided

Chrysalis Music Publishing Limited

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

6. Taxation

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current taxation		
UK corporation tax – current year	(18)	-
Deferred taxation	-	-
Origination and reversal of temporary differences	-	-
Total tax credit	<u>(18)</u>	<u>-</u>

The current year tax credit represents amounts receivable from fellow UK subsidiaries of the Bertelsmann Group in respect of current year tax losses surrendered in the United Kingdom

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 2013 £'000	Year ended 31 December 2012 £'000
(Loss) / profit before taxation	(105)	116
Tax using the UK corporation tax rate of 23.25% (2012: 24.5%)	(24)	28
Effects of		
Tax losses claimed for no consideration	6	(28)
Utilisation of losses brought forward	-	-
	<u>(18)</u>	<u>-</u>

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 / losses 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 of £5,000 (2012: £nil) 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 future reversal of these timing differences and therefore no asset has been recognised.

Chrysalis Music Publishing Limited

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

7. Trade and other receivables

	31 December 2013 £'000	31 December 2012 £'000
Due within one year		
Trade receivables	337	708
Trade and other receivables from group companies	3,563	2,221
	<u>3,900</u>	<u>2,929</u>

8. Trade and other payables

	31 December 2013 £'000	31 December 2012 £'000
Due within one year		
Trade and other payables	580	706
Trade and other payables from group companies	3275	2,070
	<u>3,855</u>	<u>2,776</u>

Trade and other payables to group companies include the group cash pooling facility balance with the parent company

9. Long term loans

	31 December 2013 £'000	31 December 2012 £'000
Loans to group companies	<u>660</u>	<u>639</u>

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

10. Share capital

	31 December 2013 £	31 December 2012 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued and fully paid:		
1 ordinary share of £1	<u>1</u>	<u>1</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 Music Publishing Limited

Notes to the financial statements (continued)

Year ended 31 December 2013

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

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

	2013		2012	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade receivables	337	337	708	708
Trade and other receivables from group companies	3,563	3,563	2,221	2,221
Loans to group companies	660	660	639	639
Trade and other payables	(580)	(580)	(706)	(706)
Trade and other payables from group companies	(3,275)	(3,275)	(2,070)	(2,070)
	<u>705</u>	<u>705</u>	<u>792</u>	<u>792</u>
Unrecognised gains/losses				<u>-</u>

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from 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. Therefore, the maximum exposure to credit risk at the statement of financial position date was £337,000 being the total of the carrying amount of trade receivables, shown in the table above.

Chrysalis Music Publishing Limited

Notes to the financial statements (continued)

Year ended 31 December 2013

11 Financial instruments (continued)

Financial assets and impairment losses

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

	Gross trade receivables £'000	2013 Doubtful debt provision £'000	Net trade receivables £'000	Gross trade receivables £'000	2012 Doubtful debt provision £'000	Net trade receivables £'000
Not past due	337	-	337	708	-	708

(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

(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 is not exposed to foreign currency risk

Sensitivity analysis — Foreign currency risk

The Company did not issue many 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 utilises a group loan 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 £6,600 (2012: £6,000)

Chrysalis Music Publishing Limited

Notes to the financial statements (continued)

Year ended 31 December 2013

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 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		Trade Balances receivable/ (payable) £'000		Loan Balances receivable/ (payable) £'000	
	2013	2012	2013	2012	2013	2012
BMG Rights Management (UK) Limited	(148)	(162)	(377)	(229)	-	-
BMG Rights Management GmbH	-	-	(3)	(3)	-	-
Chrysalis Music Limited	21	40	668	383	660	639
	<u>(127)</u>	<u>(122)</u>	<u>288</u>	<u>151</u>	<u>660</u>	<u>639</u>

13. Ultimate parent company and controlling party

The immediate parent company is Chrysalis Music Limited, a company incorporated in the United Kingdom. The ultimate parent company 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.