

CHRYSALIS PLC

Interim results for the six months ended 31 March 2009 (Unaudited)

Chrysalis PLC (LSE: CHS) today announces its unaudited interim results for the six months ended 31 March 2009. The Group changed its financial year end in 2008 to 30 September. The comparative figures are for the seven months ended 31 March 2008.

	Six months ended 31 March 2009 £'m	Seven months ended 31 March 2008 £'m
Revenue	31.2	28.6
Consolidated NPS	6.5	5.6
Operating profit/(loss)	2.0	(13.9)
Normalised operating profit/(loss) ¹	1.4	(1.1)
Normalised profit/(loss) before tax ¹	0.5	(0.3)
Loss before tax ²	(2.6)	(13.1)
Basic loss per share (pence)	(3.45)	(10.79)
Net debt	10.0	14.3

Results Highlights

- Trading results were encouragingly ahead of Board expectations despite the difficult current economic conditions.
- Normalised pre-tax profit for the six months ended 31 March 2009 of £0.5m shows a turnaround from the loss-making prior period (seven months ended 31 March 2008: £0.3m).
- **Chrysalis Music** performed ahead of expectations with consolidated music NPS up 22.6% to £6.5m from £5.3m on a comparable six month period, up 7.5% to £5.7m from £5.3m on a constant currency basis, comprising:
 - Publishing up 15.1% to £6.1m from £5.3m, flat on a constant currency basis
 - Non-publishing up from breakeven to £0.4m on an actual and constant currency basis.
- **Non-Music Publishing** returned to profitability after restructuring last year.
- **Lasgo Chrysalis** has again exceeded Board's expectations with operating profit for the six month period of £1.3m (seven months ended 31 March 2008: £1.0m), a highly commendable outcome in volatile market conditions.
- Continued focus on cost management - central corporate overhead significantly reduced to £1.1m for the period, excluding a £0.7m received in relation to a lease surrender premium (seven months ended 31 March 2009: £1.7m).
- Solid financial position with facility of £37.4m available for selective catalogue acquisitions.
- The mortgage on the freehold property at Bramley Road was repaid in March.
- Encouraging start to the remainder of the financial period with chart and airplay success from *Bat for Lashes*, *the Yeah Yeah Yeahs*, and for our writer Fraser T Smith who co-wrote the *Tinchy Stryder* single "Number One" which has been no.1 in the singles charts for the last three weeks. We also have high hopes for new upcoming releases from an array of artists including *the Gossip*, *the Horrors*, *Brendan Benson*, *Cee Lo Green*, *Athlete* and *the Cribs*.

1. Normalised measures are stated before separately disclosed items. See notes 2 and 5 for further details.

2. The loss before tax is operating profit after charging net finance costs of £4.6m, which includes a £3.6m charge in respect of the fair value movements in derivative financial instruments.

3. Constant currency results are calculated by restating current period local currency amounts using prior period exchange rates.

4. The Group believes that the normalised measures provide additional guidance to the statutory measures of the performance of the business during the financial period. These measures are not defined under adopted IFRS and therefore may not be directly comparable with other companies adjusted profit measures. It is not intended to be a substitute for or superior to Adopted IFRS measurements of profit.

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Commenting on the results, Jeremy Lascelles, Chief Executive, said;“Chrysalis has performed ahead of management expectations in the first half of the year, mainly caused by higher than anticipated NPS and a very strong performance from Lasgo Chrysalis. I am very pleased that we have managed to emerge from a very difficult period last year in such strong shape, which I attribute to some very good A&R decisions in the signing of artists like *White Lies*, *Fleet Foxes*, *Bon Iver*, *Mastodon* and *Laura Marling*, and the steps we took to streamline the business and concentrate on our core strengths. The continuing robust performance of our catalogue confirms our belief that the value of strong intellectual property is holding up in the difficult current economic environment.”

Enquiries:

Chrysalis PLC	Jeremy Lascelles, Andy Mollett	Group Chief Executive Group Finance Director	020 7465 6170 or 07767 436 300 020 7465 6321 or 07825 781 785
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Financial Dynamics	Charlie Palmer	020 7831 3113
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Analyst Meeting:	9.30am, 22 May 2009
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Venue:	Investec, 2 Gresham Street, London EC2V 7QP
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Chairman's Review

Overall the results are ahead of management's expectations for the first half of the year, mainly as a result of better than expected trading across all areas of the business, illustrated by the growing NPS and the excellent Lasgo Chrysalis performance.

Operational review

Consolidated Music NPS (net publisher's share) was up by 22.6% to £6.5m from £5.3m on comparative six months for 2008. On constant currency basis consolidated Music NPS was up by 7.5% to £5.7m from £5.3m on comparable six months for 2008.

Publishing

Publishing NPS up by 15.1% to £6.1m from £5.3m on the comparative six months for 2008 and flat on a constant currency basis.

The NPS derived from Mechanical continues to fall, though digital NPS is slowly starting to compensate for the shortfall. Our Performance NPS has remained stable, and our Synchronisation NPS has improved on last year. We believe that these are the ongoing trends to our future NPS as we generate new income to make up for the decline in Mechanical.

The overall normalised operating profit has increased by £0.6m to £0.8m (seven months ended 31 March 2008: £0.2m), mainly due to the increased NPS of £0.4m and overheads lower by £0.3m, offset by A&R write-off higher by £0.1m.

Non-Publishing

As part of our second half review last year, our recording activities were restructured. Following the restructuring, Echo has made a profit of £0.2m against a loss of £0.6m in the first seven months of the 2008 financial period. Chrysalis Copyrights performed in line with last period with £0.1m, and Flatiron made a small profit against a small loss last period. Overall non-publishing made an operating profit of £0.3m (seven months ended 31 March 2008: loss of £0.5m).

Lasgo Chrysalis

Lasgo Chrysalis has performed ahead of the Board's expectations in the first six months, with revenues increasing to £13.0m (seven months ended 31 March 2008: £12.6m). This increase in revenues and the improved gross margin from changes in sales mix has led to an increase in operating profit to £1.3m (seven months ended 31 March 2008: £1.0m).

Group Financial Review

Revenue for the period was £31.2m (seven months ended 31 March 2008: £28.6m). Chrysalis Music's revenue was £18.2m for the half year, a £2.2m increase over the corresponding figure for the seven months of 2008 of £16.0m. At constant currency the revenue was flat. Of total revenue, music publishing accounted for £17.6m (seven months ended 31 March 2008: £14.2m) and non-publishing accounted for £0.6m (seven months ended 31 March 2008: £1.8m). Lasgo Chrysalis' revenue rose to £13.0m (seven months ended 31 March 2008: £12.6m).

The Group operating profit of £2.0m (seven months ended 31 March 2008: operating loss of £13.9m) includes £0.7m received in respect of an early lease termination fee. The comparative period included the estimated cost of the buyout of the pension scheme of £11.8 million and costs of £0.9m relating to the offer process.

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The normalised operating profit before these individually significant costs was £1.4m (seven months ended 31 March 2008: operating loss of £1.1m). The normalised operating profit of music publishing of £0.8m for the half year was £0.6m higher than the seven months ended 31 March 2008 (seven months ended 31 March 2008: operating profit of £0.2m), the non-publishing operating profit of £0.3m was £0.8m higher than last year's loss (seven months ended 31 March 2008: operating loss of £0.5m) and Lasgo Chrysalis operating result was £1.3m, up £0.3m (seven months ended 31 March 2008: operating profit of £1.0m). Normalised corporate costs of £1.1m for the half year were £0.6m lower than the corresponding figure of £1.7m for the seven months ended 31 March 2008 due to the continuing reduction in central corporate functions during the period.

The Group net finance cost was £4.6m (seven months ended 31 March 2008: £0.9m income). The net financing cost is stated after including a loss of £3.6m on our interest rate hedge derivatives (seven months ended 31 March 2008: £0.9m gain). Management continues to monitor interest rates, but consider an unwinding of all our hedges at this point uneconomic. The net finance income for the seven months ended 31 March 2008 also benefitted from £2.0m of interest earned on the Chrysalis Radio disposal proceeds prior to the cash return to shareholders.

A tax credit of £0.3m compared to a credit of £0.8m last period in the period as a result of an overprovision in previous financial periods.

After profits of £0.1m (seven months ended 31 March 2008: £0.1m) attributable to minority interests, the loss attributable to the equity holders of the parent for the period was £2.3m (seven months ended 31 March 2008: loss of £12.4m).

Basic and diluted loss per share for the six months ended 31 March 2009 was 3.45p (seven months ended 31 March 2008: loss per share of 10.79p).

The Group's net debt of £10.0m at 31 March 2009 and the net increase in cash of £6.1m reflects the an additional drawn down on our securitisation facility of £10.5m, foreign exchange gains of £0.5m less the repayment of the mortgage of £5.0m. On 22 April 2009 we repaid the outstanding loan notes of £7.2m in full out of existing cash balances.

The Group has an unused facility of £37.4m available for selective catalogue acquisitions and continues to review potential targets. The assets considered must be a good fit and have long term value.

It is not proposed to pay a dividend in respect of the six months ended 31 March 2009. Future dividend policy will be determined by the Board, having regard to the Group's ongoing earnings.

Full year outlook

Publishing

The Board is encouraged by the chart success of the first half including White Lies, The Fleet Foxes, The Yeah Yeah Yeahs and James Morrison, through our writers, Fraser T Smith and Nina Woodford. The Board is confident that we will see a return to NPS growth in 2009 after our difficult last year, but notes that foreign exchange rates will continue to have an impact.

Non-Publishing

All of our Non-publishing businesses are performing in line with expectations and are we anticipate that they will be profitable.

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Lasgo Chrysalis

Lasgo Chrysalis's performance in the first six months exceeded the Board's expectations for the period, as set out in internal budgets at the start of the financial period and it continues to exceed those budgets. However, the Board is mindful that it trades in the volatile entertainment product retail market.

After a difficult period of change and restructuring, Chrysalis is now seeing the benefits of its recent A&R decisions and successful rights management activities coming through. The Board remains focused on ensuring that the day-to-day performance of both Chrysalis Music and Lasgo Chrysalis are optimal in enhancing the value of its core assets to the benefit of all shareholders.

Chris Wright, Chairman

21 May 2009

Risks and uncertainties

The key risks and uncertainties that affect the Group are described in detail on pages 18 to 20 of the 2008 Annual Report available at www.chrysalis.com. In summary they include:

General risks relating to the business of the Group

- Significant further downturn in the economy
- Failure to meet acquisition expectations
- Exchange rate risk
- Loss of key individuals

Music Publishing

- The ongoing downward movement in mechanical revenue
- Failure of the publishing industry to fully exploit and monetise the use of music in fast growing areas of music consumption such as social networking sites
- Failure to meet financial targets
- Increasingly competitive environment

Lasgo Chrysalis

- Stock risk
- A decline in margins
- Further global downturn in music retail sales & weakness of releases in the audio and non-audio markets
- Loss of key individuals
- Withdrawal of credit insurance
- Adverse exchange rates impacting its import and export business
- Loss of revenue through continued reduction in average selling prices across main formats
- Lack of suppliers of deal product for DVD

These are still considered to be the most relevant risks and uncertainties at this time. A number of these risks and uncertainties could have an impact on the Group's performance over the remaining six months of the period and could cause actual results to differ from expected and historical results. Where a risk that was disclosed in the Annual Report is unchanged, further disclosure in this report is considered unnecessary.

In addition to the above, the Group's borrowings are subject to floating interest rates and it is therefore exposed to movements in interest rates. The Group has entered into interest rate swap and interest rate cap and collar hedging instruments to achieve a suitable mix of fixed and floating interest exposure. These instruments have resulted in interest cost savings in the past, however the recent rapid reduction in interest rates has negated these savings, and will result in additional interest costs if interest rates remain at the current levels. The Group continues to monitor interest rates and will consider restructuring these instruments, as appropriate, to manage future interest costs.

Responsibility statement of the directors in respect of the interim financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.
- The interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial period and their impact on the condensed interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial period; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial period and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Jeremy Lascelles (Group Chief Executive)

Andy Mollett (Group Finance Director)

21 May 2009

On behalf of the Board

Chris Wright (Chairman)

Jeremy Lascelles (Group Chief Executive)

Andy Mollett (Group Finance Director)

Peter Lassman

David Murrell

Geoff Howard-Spink

Jorgen Larsen

Condensed consolidated income statement (unaudited)

For the six months ended 31 March 2009

	Note	6 months ended 31 March 2009 £'000	7 months ended 31 March 2008 £'000	13 months ended 30 September 2008 £'000
Revenue	2	31,242	28,605	54,078
Operating expenses		(29,230)	(42,486)	(74,105)
Operating profit/(loss)		2,012	(13,881)	(20,027)
Analysed as:				
Operating profit/(loss) before separately disclosed items		1,385	(1,066)	(998)
Separately disclosed items	5	627	(12,815)	(19,029)
Finance income		302	3,917	6,449
Finance costs		(4,864)	(3,053)	(5,292)
Net financing (cost)/income	3,5	(4,562)	864	1,157
Share of (losses)/profits of equity accounted investments		-	(79)	21
Loss before tax		(2,550)	(13,096)	(18,849)
Tax credit	4	305	823	32
Loss after tax		(2,245)	(12,273)	(18,817)
Discontinued operations				
Loss from discontinued operations	5	-	-	(528)
Loss after discontinued operations for the period		(2,245)	(12,273)	(19,345)
Attributable to:				
Equity holders of parent		(2,319)	(12,405)	(19,494)
Minority interests (equity interests)		74	132	149
Loss for the period		(2,245)	(12,273)	(19,345)
Loss per share				
Basic and diluted loss/earnings per share	6	(3.45)p	(10.79)p	(21.20)p
Loss per share from continuing operations				
Basic loss per share		(3.45)p	(10.79)p	(20.62)p

Chrysalis PLC

Condensed consolidated statement of recognised income and expense (unaudited)

For the six months ended 31 March 2009

	6 months ended 31 March 2009 £000	7 months ended 31 March 2008 £000	13 months ended 30 September 2008 £'000
Exchange differences on translation of foreign operations	(255)	(143)	(332)
Actuarial gains on defined benefit pension schemes	-	1,288	1,364
Movement in fair value of cash flow hedges	(3,658)	(1,397)	(1,918)
Amount recycled in respect of cash flow hedges	55	(158)	(416)
Tax on income and expense recognised directly in equity	-	(15)	70
Income and expense recognised directly in equity	(3,858)	(425)	(1,232)
Loss for the period	(2,245)	(12,273)	(19,345)
Total recognised income and expense for the period	(6,103)	(12,698)	(20,577)
Attributable to:			
Equity holders of parent	(6,269)	(12,906)	(20,776)
Minority interests (equity interests)	166	208	199
Total recognised income and expense for the period	(6,103)	(12,698)	(20,577)

Chrysalis PLC

Condensed consolidated balance sheet (unaudited)

As at 31 March 2009

	Note	31 March 2009 £'000	31 March 2008 £'000	30 September 2008 £'000
Assets				
Goodwill		1,061	4,315	1,061
Other intangible assets		4,315	6,693	4,188
Property, plant and equipment		1,054	10,754	1,010
Investments accounted for using the equity method		-	77	-
Derivative financial instruments		-	313	-
Deferred tax assets		-	933	-
Total non-current assets		6,430	23,085	6,259
Inventories		2,330	2,200	2,227
Trade and other receivables		25,474	32,218	25,237
Assets held for sale		8,000	-	8,000
Employee benefits		-	-	1,495
Derivative financial instruments		-	136	-
Cash and cash equivalents	7	28,749	11,953	22,426
Total currents assets		64,553	46,507	59,385
Total assets		70,983	69,592	65,644
Liabilities				
Interest-bearing loans and borrowings		(29,830)	(19,085)	(19,217)
Provisions		(1,010)	-	(1,115)
Derivative financial instruments		(6,691)	-	(18)
Deferred tax liabilities		-	(467)	-
Total non-current liabilities		(37,531)	(19,552)	(20,350)
Interest-bearing loans and borrowings		(8,928)	(7,200)	(14,720)
Trade and other payables		(27,727)	(29,199)	(28,239)
Employee benefits		-	(3,820)	-
Derivative financial instruments		(888)	-	(324)
Total current liabilities		(37,544)	(40,219)	(43,283)
Total liabilities		(75,075)	(59,771)	(63,633)
Net current assets		27,009	6,288	16,102
Net (liabilities)/assets		(4,092)	9,821	2,011
Equity attributable to equity holders of parent				
Issued capital	9	1,343	1,343	1,343
Share premium	9	4	-	4
Other reserves	9	(904)	3,208	3,046
Retained profit/(loss)	9	(5,097)	4,865	(2,778)
		(4,654)	9,416	1,615
Minority interests (equity interests)	9	562	405	396
Total equity		(4,092)	9,821	2,011

Chrysalis PLC

Condensed consolidated statement of cash flows

For the six months ended 31 March 2009

	6 months ended 31 March 2009 £'000	7 months ended 31 March 2008 £'000	13 months ended 30 September 2008 £'000
Cash flows from operating activities			
Loss for the period	(2,245)	(12,273)	(19,345)
Adjustments for:			
Depreciation	243	524	878
Finance income	(302)	(3,341)	(5,534)
Finance costs	4,864	2,478	4,377
Share of (profits)/losses of equity accounted investments	-	79	(21)
Separately disclosed items	113	12,815	19,029
Loss/(gain) on sale of property, plant and equipment	-	5	(7)
Equity settled share based payment expenses	-	-	65
Income tax credit	(305)	(823)	(32)
Discontinued operations	-	-	528
Non cash items	16	(61)	(153)
	2,384	(597)	(215)
(Increase)/decrease in trade and other receivables	(261)	(571)	5,329
Increase in inventories	(103)	(299)	(326)
Decrease in trade and other payables	(996)	(4,586)	(8,601)
Decrease in provisions and employee benefits	(100)	(671)	-
	843	(6,724)	(3,813)
Interest received	302	1,485	5,133
Interest paid	(1,167)	(1,799)	(2,899)
Income tax (paid)/received	(91)	867	208
	(956)	553	2,442
Net cash used in operating activities	(113)	(6,171)	(1,371)
Cash flows from investing activities			
Acquisition of intangible fixed assets	-	(73)	(13)
Acquisition of property, plant and equipment	(253)	-	(175)
Acquisition of equity accounted investments	-	(75)	-
Receipt/(payment) in respect of pension scheme buyout	1,495	(10,000)	(12,000)
Proceeds from sales of property, plant, equipment and intangible fixed assets	-	-	14
Loans repaid by/(advanced to) equity accounted investments	(4)	(18)	46
Net cash from/(used in) investing activities	1,238	(10,166)	(12,128)
Cash flows from financing activities			
Proceeds from issue of share capital	-	13	4
Return of capital to shareholders	-	(96,500)	(96,500)
Expenses relating to return of capital to shareholders	-	(1,077)	(1,077)
Repayment of borrowings	(5,500)	(40,000)	(40,000)
Increase in borrowings	10,500	-	-
Net decrease in cash from financing activities	5,000	(137,564)	(137,573)
Net (decrease)/increase in cash and cash equivalents	6,125	(153,901)	(151,072)
Cash and cash equivalents at 1 September	20,406	165,448	170,948
Effects of exchange rate changes on cash and cash equivalents	489	406	530
Cash and cash equivalents at end of period	27,020	11,953	20,406

Chrysalis PLC

Notes to the financial statements For the six months ended 31 March 2009

1. Accounting policies

Basis of preparation

These condensed unaudited consolidated interim financial statements for the six month period ended 31 March 2009 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority for the six month period ended 31 March 2009 in accordance with *IAS 34 Interim Financial Reporting* as adopted by the EU. They do not include all the information required for full annual financial statements. The Group will publish its full annual consolidated financial statements for the 12 month period ending 30 September 2009 in December 2009. These condensed consolidated interim financial statements were approved by the Board of Directors on 22 May 2009.

The comparative figures for the 13 months ended 30 September 2008 are not the company's statutory accounts for that financial period. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Accounting policies

The accounting policies applied by the Group in these condensed interim financial statements are in accordance with International Financial Reporting Standard as adopted by the European Union ('Adopted IFRS') and are the same as those accounting policies which were applied by Chrysalis PLC in its consolidated financial statements for the 13 months ended 30 September 2008. The same accounting policies are anticipated to be applied for the 12 month period ending 30 September 2009.

Going concern

The Directors have considered the funding and liquidity position of the Group.

The Board remains satisfied with the Group's funding and liquidity position. The Group has net liabilities of £4.1 million and net current assets of £27.0 million at 31 March 2009. The net liability position includes the liabilities of £7.6 million arising on the fair value movements of derivative financial instruments. Excluding these derivative financial liabilities, the Group has net assets of £3.1 million, including cash of £27.0 million. In addition, we have undrawn credit facilities of £37.4 million. The main source of debt funding is a bank loan, which is £31.6 million and is repayable in instalments from September 2010 to 2021.

The Directors consider that, on the basis of current financial projections and available facilities, the Group has adequate working capital and other resources to enable the Group to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported accounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

During the period, a review of the useful lives of intangible assets, principally music catalogues, was completed. Following this review, the useful lives of all music catalogues was revised to from 50 years to 25 years. This revision brings the Group in line with its industry peers and has resulted in an additional amortisation charge of £24,000 in the six months to 31 March 2009.

Use of non-GAAP profit and loss measures

The Group believes that along with operating profit/(loss), the following measures:

- normalised operating profit;
- normalised profit before interest, tax and amortisation; and
- normalised profit before tax

provide additional guidance to the statutory measures of the performance of the business during the financial period.

Chrysalis PLC

Notes to the financial statements For the six months ended 31 March 2009

1. Accounting policies (continued)

Normalised measures are stated before separately disclosed items. These items comprise individually significant items, by size or nature, which the Group believes should be separately disclosed to assist in the understanding of the business. Further details are included in Note 5.

None of the three non-GAAP profit and loss measures set out above are Adopted IFRS and therefore may not be directly comparable with other companies adjusted profit measures. They are not intended to be a substitute for or superior to Adopted IFRS measurements of profit.

2. Segmental information

Revenue	6 months ended 31 March 2009 £'000	7 months ended 31 March 2008 £'000	13 months ended 30 September 2008 £'000
Publishing	17,606	14,237	29,628
Non-publishing	642	1,761	3,644
Lasgo Chrysalis	12,994	12,613	20,856
	31,241	28,611	54,128
Less: Share of equity accounted revenue (Publishing)	-	(6)	(50)
	31,242	28,605	54,078

Segment result	6 months ended 31 March 2009			7 months ended 31 March 2008		13 months ended 30 September 2008	
	Normalised £'000	Separately disclosed items (Note 5) £'000	Total £'000	Normalised £'000	Separately disclosed items (Note 5) £'000	Total £'000	Total £'000
Publishing	828	(113)	715	158	(92)	66	(2,934)
Non-publishing	307	-	307	(480)	-	(480)	(1,133)
Lasgo Chrysalis	1,329	-	1,329	976	-	976	1,248
Corporate	(1,079)	740	(339)	(1,720)	(12,723)	(14,443)	(17,208)
Operating profit/(loss)	1,385	627	2,012	(1,066)	(12,815)	(13,881)	(20,027)
Net finance (costs)/income	(927)	(3,635)	(4,562)	809	55	864	1,157
Share of profits/(loss) of equity accounted investments	-	-	-	(79)	-	(79)	21
Profit/(loss) before tax	458	(3,008)	(2,550)	(336)	(12,760)	(13,096)	(18,849)
Tax credit	305	-	305	823	-	823	32
Profit/(loss) for the period	763	(3,008)	(2,245)	487	(12,760)	(12,273)	(18,817)
Loss from discontinued operations	-	-	-	-	-	-	(528)
Profit/(loss) for the period	763	(3,008)	(2,245)	487	(12,760)	(12,273)	(19,345)

Chrysalis PLC

Notes to the financial statements For the six months ended 31 March 2009

3. Net financing (costs)/income

	6 months ended 31 March 2009 £'000	7 months ended 31 March 2008 £'000	13 months ended 30 September 2008 £'000
Finance income			
Bank interest receivable	302	2,373	2,824
Expected return on pension scheme assets	-	400	1,347
Fair value movements on derivative financial instruments	-	957	-
Gain on settlement of derivative financial instruments	-	158	2,228
Other	-	29	50
	302	3,917	6,449
Financing costs			
Bank loans and overdrafts	902	1,264	2,172
Amortisation of issuance costs on securitisation loan	128	148	243
Interest cost on pension scheme liabilities	-	447	1,431
Fair value movements on derivative financial instruments	3,635	903	915
Loss on settlement of derivative financial instruments	55	-	-
Unwinding of discount on provisions	19	-	-
Other	125	291	531
	4,864	3,053	5,292
Net financing (costs)/income	(4,562)	864	1,157

4. Taxation

The group's tax credit for the period is £0.3m, resulting in an effective credit tax rate for the six months ended 31 March 2009 of 11.9% based on the estimated tax rate for the full year (seven months ended 31 March 2008 : 6%). The difference between this and the standard rate of corporation tax of 28% is mainly due to overprovision in prior periods and the availability of brought forward tax losses.

Chrysalis PLC

Notes to the financial statements For the six months ended 31 March 2009

5. Separately disclosed items

Separately disclosed items impact operating profit/(loss), net finance (cost)/income and loss from discontinued business as follows:

		6 months ended 31 March 2009 £'000	7 months ended 31 March 2008 £'000	13 months ended 30 September 2008 £'000
Amortisation of intangible assets		(113)	(92)	(180)
Lease surrender premium	(a)	740	-	-
Costs relating to pension scheme buyout	(b)	-	(11,823)	(8,230)
Impairment of goodwill	(c)	-	-	(2,152)
Restructuring of the Echo business	(d)	-	-	(1,806)
Redundancy costs	(e)	-	-	(696)
Costs relating to vacant properties	(f)	-	-	(1,115)
Costs relating to offer process	(g)	-	(900)	(900)
Impairment of intangible assets	(h)	-	-	(2,435)
Impairment of land and buildings	(i)	-	-	(1,515)
Operating profit/(loss)		627	(12,815)	(19,029)
Net finance (cost)/income	(j)	(3,635)	55	897
Loss from discontinued business	(k)	-	-	(528)
Total separately disclosed items		(3,008)	(12,760)	(18,660)

31 March 2009

- a) This relates to a lease surrender premium received from Global Radio following its early termination of operating leases over office space.
- j) This relates to the fair value movement in derivate financial instruments.

31 March 2008 and 30 September 2008

- b) On 31 January 2008, the Board of Directors committed to the winding up of the Chrysalis Group Retirement Benefits Scheme. This amount represents the net cost of the buyout by Paternoster UK Limited.
- c) This was the impairment of the goodwill associated with Chrysalis Music Holdings GmbH.
- d) As a result of the unexpectedly poor results generated by the Echo operations, a full review of the business operating model was undertaken. The review resulted in a reorganisation which included staff redundancy costs of £54,000, other working capital provisions of £650,000 and the impairment of all related goodwill of £1.1 million.
- e) This comprised redundancy payments and associated costs incurred as a result of streamlining the European and US publishing operations.
- f) This related to the cost of vacant leasehold properties in the UK.
- g) This related to the aborted costs incurred in considering and assessing offers received from third parties for the Group, principally legal and professional fees.
- h) This comprised impairment losses recognised in respect of certain UK and French music catalogues.
- i) This related to the impairment of surplus property by £1.5 million to reflect the current fair value.
- k) This relates to amounts paid to a former director, Richard Huntingford, following his resignation from the Board in September 2007.

Chrysalis PLC

Notes to the financial statements For the six months ended 31 March 2009

6. (Loss)/earnings per share

	6 months ended 31 March 2009 £'000	7 months ended 31 March 2008 £'000	13 months ended 30 September 2008 £'000
Loss attributable to equity holders of parent	(2,319)	(12,405)	(19,494)
Loss from discontinued operations	-	-	528
Loss from continuing operations	(2,319)	(12,405)	(18,966)
Separately disclosed items	3,008	12,760	18,660
Normalised profit/(loss)	689	355	(306)
Weighted average number of shares in issue (million)			
Basic	67.1	115.0	91.7
Loss per share			
Basic and diluted	(3.45)p	(10.79)p	(21.20)p
Loss per share from continuing operations			
Basic and diluted	(3.45)p	(10.79)p	(20.62)p

The weighted average number of shares in issue has been adjusted for shares held by the Chrysalis Employee Share Ownership Plan Trust. The diluted loss per share for the period, adjusts the basic loss per share figure for the effect of dilutive options. None of the outstanding options were dilutive in the respective period ends.

7. Cash and cash equivalents

	31 March 2009 £'000	31 March 2008 £'000	30 September 2008 £'000
Cash and cash equivalents per balance sheet	28,749	11,953	22,426
Bank overdrafts	(1,729)	-	(2,020)
Cash and cash equivalents in the cash flow statement	27,020	11,953	20,406

Cash and cash equivalents at 31 March 2009 include cash deposits and exclude £0.6 million (31 March 2008: £6.5 million; 30 September 2008: £0.5 million) of cash deposits which have been used to offset overdraft and short-term borrowings.

Cash includes £7.2 million (31 March 2008: £3.0 million; 30 September 2008: £5.0 million) held in an escrow account in respect of the repayment of the loan notes.

8. Post balance sheet events

On 22 April 2009, the loan notes of £7.2 million were settled, utilising cash set aside in escrow.

Chrysalis PLC

Notes to the financial statements For the six months ended 31 March 2009

9. Capital and reserves

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
1 September 2007	3,357	62,269	3,050	51,223	119,899	197	120,096
Scheme of arrangement	(2,014)	(62,269)	1,343	(34,637)	(97,577)	-	(97,577)
(Loss)/profit for the period	-	-	-	(12,405)	(12,405)	132	(12,273)
Exchange differences on translations of foreign operations	-	-	(219)	-	(219)	76	(143)
Actuarial gains on defined benefit pension scheme	-	-	-	1,288	1,288	-	1,288
Movement in fair value of cash flow hedges	-	-	(1,397)	-	(1,397)	-	(1,397)
Amount recycled in respect of cash flow hedges	-	-	(158)	-	(158)	-	(158)
Tax on income and expense recognised directly in equity	-	-	346	(361)	(15)	-	(15)
Adjustment re vesting of shares	-	-	243	(243)	-	-	-
31 March 2008	1,343	-	3,208	4,865	9,416	405	9,821
(Loss)/profit for the period	-	-	-	(7,089)	(7,089)	-	(7,089)
Issue of new shares	-	4	-	-	4	-	4
Exchange differences on translations of foreign operations	-	-	(163)	-	(163)	(9)	(172)
Actuarial gains on defined benefit pension scheme	-	-	-	76	76	-	76
Movement in fair value of cash flow hedges	-	-	(521)	-	(521)	-	(521)
Amount recycled in respect of cash flow hedges	-	-	(258)	-	(258)	-	(258)
Tax on income and expense recognised directly in equity	-	-	467	(382)	85	-	85
Adjustment re vesting of shares	-	-	313	(313)	-	-	-
Share-based payments	-	-	-	65	65	-	65
30 September 2008	1,343	4	3,046	(2,778)	1,615	396	2,011
(Loss)/profit for the period	-	-	-	(2,319)	(2,319)	74	(2,245)
Exchange differences on translations of foreign operations	-	-	(347)	-	(347)	92	(255)
Movement in fair value of cash flow hedges	-	-	(3,658)	-	(3,658)	-	(3,658)
Amount recycled in respect of cash flow hedges	-	-	55	-	55	-	55
31 March 2009	1,343	4	(904)	(5,097)	(4,654)	562	(4,092)

Chrysalis PLC

Notes to the financial statements For the six months ended 31 March 2009

8. Capital and reserves (continued)

Analysis of other reserves

	Other Reserve £'000	Merger reserve £'000	Foreign exchange reserve £'000	Hedging Reserve £'000	Reserve for own shares £'000	Total £'000
1 September 2007	741	-	(147)	3,012	(556)	3,050
Exchange differences on translation of foreign operations	-	-	(219)	-	-	(219)
Movement in fair value of cash flow hedges	-	-	-	(1,397)	-	(1,397)
Amount recycled in respect of cash flow hedges	-	-	-	(158)	-	(158)
Tax on income and expense recognised directly in equity	-	-	-	346	-	346
Scheme of arrangement	-	1,343	-	-	-	1,343
Adjustment re vesting of shares	-	-	-	-	243	243
31 March 2008	741	1,343	(366)	1,803	(313)	3,208
Exchange differences on translation of foreign operations	-	-	(163)	-	-	(163)
Movement in fair value of cash flow hedges	-	-	-	(521)	-	(521)
Amount recycled in respect of cash flow hedges	-	-	-	(258)	-	(258)
Tax on income and expense recognised directly in equity	-	-	-	467	-	467
Adjustment re vesting of shares	-	-	-	-	313	313
30 September 2008	741	1,343	(529)	1,491	-	3,046
Exchange differences on translation of foreign operations	-	-	(347)	-	-	(347)
Movement in fair value of cash flow hedges	-	-	-	(3,658)	-	(3,658)
Amount recycled in respect of cash flow hedges	-	-	-	55	-	55
31 March 2009	741	1,343	(876)	(2,112)	-	(904)

INDEPENDENT REVIEW REPORT TO CHRYSALIS PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the six months ended 31 March 2009 which comprises the condensed income statement, condensed balance sheet, condensed consolidated statement of recognised income and expense, condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Mike Harper (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
8 Salisbury Square,
London
EC4Y 8BB

21 May 2009