

SPICE GIRLS LIMITED

Report and Financial Statements

31 August 2000

**Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

V C Beckham
M J Brown
E L Bunton
M J Chisholm
N E Phillips

SECRETARY

J A Allen

REGISTERED OFFICE

Hill House
1 Little New Street
London
EC4A 3TR

BANKERS

National Westminster Bank plc
Cavell House
2a Charing Cross Road
London
WC2H 0NN

Coutts & Co
440 The Strand
London
WC2R 0QS

PROFESSIONAL ADVISERS AND AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

SOLICITORS

Lee & Thompson
Green Garden House
15-22 St Christophers Place
London
W1M 5HE

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 August 2000.

ACTIVITIES

The principal activity of the group is that of exploitation of the talents of the recording artists Spice Girls.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The group made a loss after tax for the period of £38,257 (1999 – profit of £1,658,164). The directors intend to take every opportunity to develop the business in future years.

DIVIDENDS

The directors do not recommend the payment of a dividend (1999 – £402.06 per share).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 31 August 1999 and 31 August 2000 were:

	Ordinary shares 5p each 2000	Ordinary shares £1 each 1999
V C Beckham	4,975	199
E L Bunton	4,975	199
M J Chisholm	4,975	199
M J Brown	4,975	199
G E Halliwell (resigned 30 November 1999)	-	199
N E Phillips	-	-

On 4 November 1999 all 1,000 ordinary shares of £1.00 each in the capital of the company were subdivided into 20,000 ordinary shares of 5p each.

Other than as stated above, no director holds shares in any other group company.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution for their reappointment will be prepared at the forthcoming Annual General Meeting.

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



M J Chisholm

Director

24 September 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF SPICE GIRLS LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 August 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

26 September 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 August 2000

	Note	2000 £	1999 £
TURNOVER	2	4,762,314	14,296,357
Cost of sales		<u>(3,222,003)</u>	<u>(9,947,214)</u>
Gross profit		1,540,311	4,349,143
Administrative expenses		<u>(1,666,303)</u>	<u>(2,012,975)</u>
OPERATING (LOSS)/PROFIT	2	(125,992)	2,336,168
Interest receivable and similar income		<u>92,536</u>	<u>94,507</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(33,456)	2,430,675
Tax on (loss)/profit on ordinary activities	4	<u>(4,801)</u>	<u>(772,511)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(38,257)	1,658,164
Dividends	5	<u>-</u>	<u>(400,050)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(38,257)	1,258,114
Profit and loss account brought forward		<u>1,754,981</u>	<u>496,867</u>
Profit and loss account carried forward		<u><u>1,716,724</u></u>	<u><u>1,754,981</u></u>

All activities derive from continuing operations.

There are no recognised gains or losses for either financial year other than as stated in the profit and loss account.

CONSOLIDATED BALANCE SHEET
31 August 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible fixed assets	7	54,373	116,995
CURRENT ASSETS			
Debtors	9	1,010,584	3,866,393
Cash at bank and in hand		2,405,223	3,270,965
		3,415,807	7,137,358
CREDITORS: amounts falling due within one year	10	(1,752,461)	(5,491,717)
NET CURRENT ASSETS		1,663,346	1,645,641
TOTAL ASSETS LESS CURRENT LIABILITIES		1,717,719	1,762,636
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	(6,660)
		1,717,719	1,755,976
CAPITAL AND RESERVES			
Called up share capital	12	995	995
Profit and loss account		1,716,724	1,754,981
EQUITY SHAREHOLDERS' FUNDS		1,717,719	1,755,976

These financial statements were approved by the Board of Directors on 24 September 2001.
Signed on behalf of the Board of Directors



M J Chisholm

Director

COMPANY BALANCE SHEET
31 August 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible fixed assets	7	20,878	47,036
Investments	8	4	4
		<u>20,882</u>	<u>47,040</u>
CURRENT ASSETS			
Debtors	9	1,737,765	3,915,313
Cash at bank and in hand		1,408,668	2,036,618
		<u>3,146,433</u>	<u>5,951,931</u>
CREDITORS: amounts falling due within one year	10	<u>(1,588,095)</u>	<u>(4,349,384)</u>
NET CURRENT ASSETS		<u>1,558,338</u>	<u>1,602,547</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,579,220</u>	<u>1,649,587</u>
CAPITAL AND RESERVES			
Called up share capital	12	995	995
Profit and loss account		1,578,225	1,648,592
EQUITY SHAREHOLDERS' FUNDS		<u>1,579,220</u>	<u>1,649,587</u>

These financial statements were approved by the Board of Directors on 24 September 2001.
Signed on behalf of the Board of Directors



M J Chisholm
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 August 2000

	Note	2000 £	1999 £
Net cash (outflow)/inflow from operating activities	13	(349,496)	1,096,327
Returns on investments and servicing of finance	14	92,536	94,507
Taxation	14	(104,282)	(20,612)
Capital expenditure and financial investment	14	(104,450)	(3,130)
Equity dividends paid		(400,050)	-
Net cash (outflow)/inflow		<u>(865,742)</u>	<u>1,167,092</u>

Reconciliation of net cash flow to movement in net funds (Note 15)

	2000 £	1999 £
(Decrease)/increase in cash in the year	<u>(865,742)</u>	<u>1,167,092</u>
Change in net funds resulting from cash flows	(865,742)	1,167,092
Net funds brought forward	<u>3,270,965</u>	<u>2,103,873</u>
Net funds carried forward	<u>2,405,223</u>	<u>3,270,965</u>

NOTES TO THE ACCOUNTS**Year ended 31 August 2000****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries for the year ended 31 August 2000.

Royalties

Royalties receivable from sub-licensees are recognised in respect of each of their royalty accounting periods ending within the company's financial year.

Advances

Non-returnable advances received from record companies, licensees and sub-licensees are taken to income when contractually due. Returnable advances received from licensees are carried forward until they are recouped or returned.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates ruling at that date. All differences are taken to the profit and loss account.

Intangible fixed assets

Trademark and associated costs are charged to the profit and loss account as they are incurred.

Tangible fixed assets

Depreciation is provided on the cost of tangible fixed assets in equal annual instalments over their estimated lives. The rates of depreciation used are as follows:

Leasehold improvements	Over the term of the lease
Stage sets	Over the length of the applicable tour
Fixtures, fittings and office equipment	25% per annum
Musical equipment	25% per annum
Computer equipment and capitalised software	33 $\frac{1}{3}$ % per annum

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for impairment.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Leases

Rentals on operating leases are charged to the profit and loss account in equal annual amounts over the lease term.

NOTES TO THE ACCOUNTS

Year ended 31 August 2000

2. TURNOVER AND OPERATING (LOSS)/PROFIT

	2000 £	1999 £
Operating (loss)/profit is stated after charging :		
Auditors' remuneration - audit	20,500	20,000
- other	284,525	303,701
Depreciation	167,072	78,499
Other operating lease charges	17,500	17,500

Turnover is derived wholly from the principal activity of the group. The directors are of the opinion that no part of the group's worldwide market is substantially different from any other and therefore a geographical analysis of turnover is not disclosed.

3. DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Directors' emoluments	85,625	79,808
Employees		
Employee costs (including directors):		
Wages and salaries	239,672	219,834
Social security costs	29,226	22,344
	268,898	243,178
	No.	No.
The average number of employees (including directors) by activity during the year was:		
Music and other entertainment services	4	5
Administration	6	6
	10	11

4. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
UK corporation tax at 30% (1999 - 30%)	11,461	777,691
Overseas tax irrecoverable	-	1,807
Double taxation relief	-	(1,807)
Deferred taxation	(6,660)	(8,273)
	4,801	769,418
Adjustment in respect of prior years	-	3,093
	4,801	772,511

The tax charge arises as a result of the profits made in Spice Girls Touring Limited being only partially mitigated by losses group relieved from Spice Girls Limited.

NOTES TO THE ACCOUNTS

Year ended 31 August 2000

5. DIVIDENDS

	2000 £	1999 £
Dividend proposed - £nil per ordinary share (1999 - £402.06)	-	400,050

6. COMPANY PROFIT AND LOSS ACCOUNT

The company has not presented its own profit and loss account, as permitted by Section 230 of the Companies Act 1985. The consolidated profit and loss account includes a loss after tax of £70,367 (1999 - profit of £1,638,448) which arises in the accounts of the parent company.

7. TANGIBLE FIXED ASSETS

The group	Leasehold improve- ments £	Stage sets £	Fixtures, fittings and office equipment £	Musical equipment £	Computer equipment and capitalised software £	Total £
Cost						
At 31 August 1999	50,064	81,927	7,208	137,373	41,889	318,461
Additions	-	98,228	-	335	5,887	104,450
At 31 August 2000	50,064	180,155	7,208	137,708	47,776	422,911
Accumulated depreciation						
At 31 August 1999	21,978	81,927	3,365	68,541	25,655	201,466
Charge for the year	16,688	98,228	1,804	34,428	15,924	167,072
At 31 August 2000	38,666	180,155	5,169	102,969	41,579	368,538
Net book value						
At 31 August 2000	11,398	-	2,039	34,739	6,197	54,373
At 31 August 1999	28,086	-	3,843	68,832	16,234	116,995

NOTES TO THE ACCOUNTS
Year ended 31 August 2000

7. TANGIBLE FIXED ASSETS (continued)

The company	Leasehold improve- ments £	Fixtures, fittings and office equipment £	Musical equipment £	Computer equipment and capitalised software £	Total £
Cost					
At 31 August 1999	50,064	7,208	3,394	32,981	93,647
Additions	-	-	335	5,887	6,222
At 31 August 2000	50,064	7,208	3,729	38,868	99,869
Accumulated depreciation					
At 31 August 1999	21,978	3,365	1,552	19,716	46,611
Charge for the year	16,688	1,804	933	12,955	32,380
At 31 August 2000	38,666	5,169	2,485	32,671	78,991
Net book value					
At 31 August 2000	11,398	2,039	1,244	6,197	20,878
At 31 August 1999	28,086	3,843	1,842	13,265	47,036

8. INVESTMENTS

The company	2000 £	1999 £
Subsidiary undertakings :		
At 31 August 2000	4	4

All subsidiaries undertakings are included in the consolidation, wholly owned and registered in England and Wales:

Name	Activity	Holding
Spice Girls Touring Limited	Tour production	Ordinary shares
Spice Girls Merchandising Limited	Dormant	Ordinary shares
Spice Girls Perfumes Limited	Dormant	Ordinary shares
Spice Girls Productions Limited	Dormant	Ordinary shares

9. DEBTORS

	The group		The company	
	2000 £	1999 £	2000 £	1999 £
Trade debtors	381,613	996,058	228,002	994,385
Amounts owed by subsidiary undertakings	-	-	894,585	179,645
Amounts owed by related parties (see note 17)	291,466	143,809	289,755	140,298
Other debtors	30,631	31,357	28,267	3,376
Prepayments and accrued income	306,874	2,695,169	297,156	2,597,609
	1,010,584	3,866,393	1,737,765	3,915,313

NOTES TO THE ACCOUNTS

Year ended 31 August 2000

10. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group		The company	
	2000	1999	2000	1999
	£	£	£	£
Trade creditors	95,411	168,227	42,033	120,514
Amounts owed to subsidiary undertakings	-	-	3	3
Amounts owed to related parties (see note 17)	164,304	1,953,591	168,403	1,952,023
Taxation and social security	802,266	979,240	760,882	968,269
Accruals and deferred income	690,480	1,990,609	616,774	908,525
Proposed dividend (see note 5)	-	400,050	-	400,050
	<u>1,752,461</u>	<u>5,491,717</u>	<u>1,588,095</u>	<u>4,349,384</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation	
	2000	1999
	£	£
The group		
Balance at 31 August	6,660	14,933
(Release in)/charge for the year/period	<u>(6,660)</u>	<u>(8,273)</u>
Balance at 31 August	<u>-</u>	<u>6,660</u>

The amounts of deferred tax provided in the financial statements, together with the potential amounts not provided are:

	Provided		Unprovided	
	2000	1999	2000	1999
Capital allowances in excess of depreciation	<u>-</u>	<u>6,660</u>	<u>(9,881)</u>	<u>(4,322)</u>

12. CALLED UP SHARE CAPITAL

	2000	1999
	£	£
Authorised:		
20,000 (1999 – 1,000) ordinary shares of 5p (1999 – £1) each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid:		
19,900 (1999 – 995) ordinary shares of 5p (1999 – £1) each	<u>995</u>	<u>995</u>

On 4 November 1999 all 1,000 ordinary shares of £1.00 each in the capital of the Company were subdivided into 20,000 ordinary shares of 5p each.

NOTES TO THE ACCOUNTS

Year ended 31 August 2000

13. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating (loss)/profit	(125,992)	2,336,168
Depreciation	167,072	78,499
Profit on disposal of fixed assets	-	(3,953)
Decrease in debtors	2,855,809	1,379,321
Decrease in creditors	(3,246,385)	(2,693,708)
Net cash (outflow)/inflow from operating activities	<u>(349,496)</u>	<u>1,096,327</u>

14. ANALYSIS OF CASH FLOWS FOR HEADINGS OFFSET IN THE CASH FLOW STATEMENT

	2000 £	1999 £
Returns on investments and servicing of finance		
Interest and other investment income received	<u>92,536</u>	<u>94,507</u>
Taxation		
UK corporation tax paid	(100,250)	(18,805)
Overseas tax paid	<u>(4,032)</u>	<u>(1,807)</u>
	<u>(104,282)</u>	<u>(20,612)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(104,450)	(20,320)
Receipts from sales of fixed assets	-	17,190
	<u>(104,450)</u>	<u>(3,130)</u>

15. ANALYSIS OF NET FUNDS

	1999 £	Cash flow £	2000 £
Cash in hand and at bank	<u>3,270,965</u>	<u>(865,742)</u>	<u>2,405,223</u>

16. OPERATING LEASE COMMITMENTS

At 31 August 1999 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2000 £	Land and buildings 1999 £
Leases which expire:		
Within two to five years	<u>17,500</u>	<u>17,500</u>

NOTES TO THE ACCOUNTS

Year ended 31 August 2000

17. RELATED PARTIES

The group charged fees of £409,435 (1999 – £3,957,307) for the licence of rights in relation to Spice Girls to Octopus Direct Limited, a company subject to common control with Spice Girls Limited.

During the year, the group was charged fees under the terms of loan out agreements for the services of certain directors as follows:

Company	Director	Fee	
		2000 £	1999 £
Moneyspider Productions Limited	M J Brown	-	1,500,000
Monsta Productions Limited	E L Bunton	-	1,500,000
Moody Productions Limited	V C Beckham	-	1,500,000
Red Girl Productions Limited	M J Chisholm	-	1,500,000

Each of these companies is under the control of the named director.

In accordance with Section 3(a) of Financial Reporting Standard No. 8 Related Party Disclosures, transactions between members of the Spice Girls Limited group have not been disclosed.

Unless specifically mentioned, all transactions arose in the normal course of business.

	2000 £	1999 £
Amounts owed to the group by related parties are due from:		
Octopus Direct Limited	289,755	139,841
Red Girl Touring Limited (under control of M J Chisholm)	1,711	3,578
Yandella Limited (under common directorship of V C Beckham)	-	390
	<u>291,466</u>	<u>143,809</u>

	2000 £	1999 £
Amounts owed by the group to related parties are due to:		
Geri Productions Limited	-	5,240
Moneyspider Productions Limited	35,551	501,975
Monsta Productions Limited	39,690	487,849
Moody Productions Limited	44,993	495,342
Red Girl Productions Limited	44,070	463,185
	<u>164,304</u>	<u>1,953,591</u>