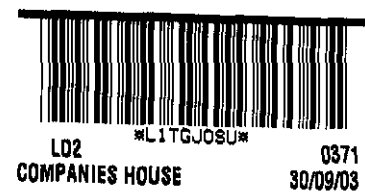


SPICE GIRLS LIMITED

Report and Financial Statements

31 August 2002



**Deloitte & Touche LLP
London**

REPORT AND FINANCIAL STATEMENTS Error! Bookmark not defined.

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

J A Eastgate

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 LLP
Chartered Accountants
London

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 2002.

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 company made a loss after tax for the year of £361,504 (2001 – profit of £29,599). 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 (2001 – £nil per share).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year and their beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 31 August 2001 and 31 August 2002 were:

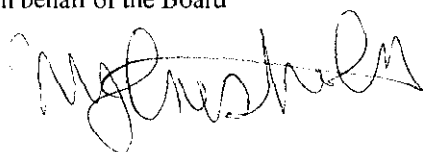
	Ordinary shares 5p each 2002	Ordinary shares 5p each 2001
V C Beckham	4,975	4,975
E L Bunton	4,975	4,975
M J Chisholm	4,975	4,975
M J Brown	4,975	4,975
N E Phillips	-	-

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

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

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



M J Chisholm

Director

18 SEPTEMBER 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that year. 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 the 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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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
SPICE GIRLS LIMITED**

We have audited the financial statements of Spice Girls Limited for the year ended 31 August 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

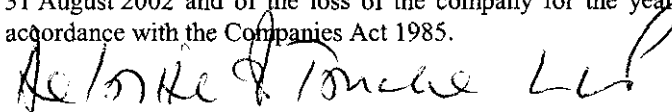
Basis of audit opinion

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 company's circumstances, 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 company's affairs as at 31 August 2002 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors
London

30 September 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 August 2002

	Note	2002 £	2001 £
TURNOVER	2	149,949	3,424,392
Cost of sales		(190,729)	(2,558,575)
Gross profit		(40,780)	865,817
Administrative expenses		(353,694)	(856,929)
OPERATING (LOSS)/PROFIT	2	(394,474)	8,888
Interest receivable and similar income		14,617	39,064
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(379,857)	47,952
Tax credit/(charge) on (loss)/profit on ordinary activities	4	18,353	(18,353)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR		(361,504)	29,599
Profit and loss account brought forward		1,607,824	1,578,225
Profit and loss account carried forward		1,246,320	1,607,824

All activities derive from continuing operations.

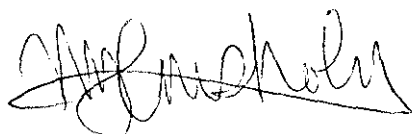
There are no recognised gains or losses for either financial year other than as stated in the profit and loss account.

BALANCE SHEET
31 August 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible fixed assets	5	-	4,189
Investments	6	4	4
		<u>4</u>	<u>4,193</u>
CURRENT ASSETS			
Debtors	7	455,329	1,132,276
Cash at bank and in hand		1,075,482	825,022
		<u>1,530,811</u>	<u>1,957,298</u>
CREDITORS: amounts falling due within one year	8	<u>(283,500)</u>	<u>(352,672)</u>
NET CURRENT ASSETS		<u>1,247,311</u>	<u>1,604,626</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,247,315</u>	<u>1,608,819</u>
CAPITAL AND RESERVES			
Called up share capital	10	995	995
Profit and loss account	11	1,246,320	1,607,824
EQUITY SHAREHOLDERS' FUNDS		<u>1,247,315</u>	<u>1,608,819</u>

These financial statements were approved by the Board of Directors on 18 SEPTEMBER 2003.

Signed on behalf of the Board of Directors



M J Chisholm

Director

SPICE GIRLS LIMITED

CASH FLOW STATEMENT Year ended 31 August 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	12	214,375	153,813
Returns on investments and servicing of finance	13	14,617	44,735
Taxation	13	18,353	(779,781)
Capital expenditure and financial investment	13	3,115	(2,413)
Increase/(decrease) in cash in the year		<u>250,460</u>	<u>(583,646)</u>

Reconciliation of net cash flow to movement in net funds (Note 14)

	2002 £	2001 £
Increase/(decrease) in cash in the year	250,460	(583,646)
Change in net funds resulting from cash flows	250,460	(583,646)
Net funds brought forward	825,022	1,408,668
Net funds carried forward	<u>1,075,482</u>	<u>825,022</u>

NOTES TO THE ACCOUNTS

Year ended 31 August 2002

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

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

Tangible fixed assets are stated at cash net of depreciation.

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 in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 2002

1. ACCOUNTING POLICIES (continued)

Group accounts

The company is exempt from the requirement to prepare group accounts as it qualifies as the parent company of a medium sized group under Section 248 of the Companies Act 1985. Accordingly, these financial statements represent information about the individual company and not about its group.

2. TURNOVER AND OPERATING (LOSS)/PROFIT

	2002 £	2001 £
Operating (loss)/profit is stated after charging:		
Auditors' remuneration - audit	6,750	7,000
- other	-	147,300
Depreciation	1,139	18,043
Other operating lease charges	-	17,500
Loss on disposal of tangible fixed assets	(65)	1,059

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

3. DIRECTORS AND EMPLOYEES

	2002 £	2001 £
Directors' emoluments	-	99,167
Employees		
Employee costs (including directors):		
Wages and salaries	19,455	222,203
Social security costs	1,822	23,134
	21,277	245,337
	No.	No.
The average number of employees (including directors) by activity during the year was:		
Music and other entertainment services	4	4
Administration	1	5
	5	9

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

Analysis of tax credit/(charge) on ordinary activities:

	2002 £	2001 £
United Kingdom corporation tax at 30% (2001: 30%)	-	(18,353)
Adjustment in respect of prior years	18,353	-
Tax credit/(charge) for the year	18,353	(18,353)

NOTES TO THE ACCOUNTS

Year ended 31 August 2002

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

Factors affecting tax charge for the current year:

	2002 £	2001 £
(Loss)/Profit on ordinary activities before tax	(379,857)	47,952
Tax at 30%	113,957	(14,386)
Expenses not deductible for tax purposes	(387)	(4,259)
Capital allowances in excess of depreciation	7,942	292
Tax losses not utilised in period	(102,076)	-
Group relief utilisation of losses	(1,085)	-
Losses carried back	(18,351)	-
Adjustment in respect of prior years	18,353	-
Current tax credit/(charge) for the year	18,353	(18,353)

5. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Fixtures, fittings and office equipment £	Musical equipment £	Computer equipment and capitalised software £	Total £
Cost					
At 1 September 2001	50,064	6,730	3,729	34,748	95,271
Additions	-	-	-	846	846
Disposals	(50,064)	(6,730)	(3,729)	(35,594)	(96,117)
At 31 August 2002	-	-	-	-	-
Accumulated depreciation					
At 1 September 2001	50,064	5,891	3,417	31,710	91,082
Charge for the year	-	146	76	917	1,139
Disposals	(50,064)	(6,037)	(3,493)	(32,627)	(92,221)
At 31 August 2002	-	-	-	-	-
Net book value					
At 31 August 2002	-	-	-	-	-
At 31 August 2001	-	839	312	3,038	4,189

NOTES TO THE ACCOUNTS

Year ended 31 August 2002

6. INVESTMENTS

	2002	2001
	£	£
Subsidiary undertakings:		
Cost at 31 August 2002	4	4

All subsidiary undertakings are wholly owned, registered in England and Wales and incorporated in Great Britain:

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

In respect of Spice Girls Touring Limited, as at 31 August 2002, total capital and reserves were £131,603 (2001 - £122,670) while its profit for the year then ended was £10,492 (2001 - loss of £17,389).

7. DEBTORS

	2002	2001
	£	£
Trade debtors	2,166	39,718
Amounts owed by subsidiary undertakings	225,000	1,022,196
Amounts owed by related parties (see note 15)	173,344	38,256
Corporation tax	39,251	-
Other debtors	6,249	20,561
Prepayments and accrued income	9,319	11,545
	<u>455,329</u>	<u>1,132,276</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Trade creditors	24,080	22,369
Amounts owed to subsidiary undertakings	3	3
Amounts owed to related parties (see note 16)	138,474	9,621
Taxation and social security	14,742	-
Accruals and deferred income	106,201	320,679
	<u>283,500</u>	<u>352,672</u>

9. DEFERRED TAXATION

Deferred taxation not recognised in the financial statements, is as follows:

	2002	2001
	£	£
Capital allowances in excess of depreciation	<u>7,943</u>	<u>7,943</u>

NOTES TO THE ACCOUNTS
Year ended 31 August 2002

10. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
20,000 ordinary shares of 5p each	1,000	1,000
Called up, allotted and fully paid:		
19,900 ordinary shares of 5p each	995	995

11. RESERVES

	Profit and loss account £'000	Total £'000
At 1 September 2001	1,607,824	1,607,824
Loss for the financial period	(361,504)	(361,504)
At 31 August 2002	1,246,320	1,246,320

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

	2000 £	2001 £
Operating (loss)/profit	(394,474)	8,888
Depreciation	1,139	18,043
Loss on disposal of fixed assets	(65)	1,059
Decrease in debtors	670,917	600,365
Decrease in creditors	(63,142)	(474,542)
Net cash inflow from operating activities	214,375	153,813

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

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest and other investment income received	14,617	44,735
Taxation		
UK corporation tax refunded/(paid)	18,353	(779,781)
Overseas tax paid	-	-
	18,353	(779,781)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	-	(2,413)
Cash received from sale of fixed assets	3,115	-

NOTES TO THE ACCOUNTS
Year ended 31 August 2002

14. ANALYSIS OF NET FUNDS

	2001 £	Cash flow £	2002 £
Cash in hand and at bank	825,022	250,460	1,075,482

15. OPERATING LEASE COMMITMENTS

At 31 August 2002 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	2002 £	2001 £
Leases which expire:		
Within two to five years	-	14,583

16. RELATED PARTIES

During the year the company charged its subsidiary undertaking, Spice Girls Touring Limited £nil (2001: £nil) in respect of licence fees payable by its parent company, Spice Girls Limited. Additionally, during the prior year, the company provided funding to its subsidiary undertaking of £225,000. This latter amount is non-interest bearing and with no fixed repayment date. Both amounts in respect of the year ended 31 August 2001 remain outstanding at the current year end.

During the year, the company charged Octopus Direct Limited, a company under common control, £99,621 (2001: £99,621) in respect of the licence of rights in respect of the Spice Girls.

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	
		2002 £	2001 £
Moneyspider Productions Limited	M J Brown	-	400,000
Monsta Productions Limited	E L Bunton	-	400,000
Moody Productions Limited	V C Beckham	-	400,000
Red Girl Productions Limited	M J Chisholm	-	400,000

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

Unless specifically mentioned, all related party transactions are undertaken on an arm's length basis.

	2002 £	2001 £
Amounts owed to the company by related parties are due from:		
Octopus Direct Limited	163,784	6,204
Moneyspider Productions Limited	-	2,795
Moody Productions Limited	-	17,754
Red Girl Productions Limited	-	3,542
5 Girls Inc. (under joint control of shareholders)	8,126	5,846
Four Girls Documentary Inc. (under joint control of shareholders)	1,434	1,434
45 Management Limited (under control of N E Philips)	-	681
	173,344	38,256

NOTES TO THE ACCOUNTS
Year ended 31 August 2002

16. RELATED PARTIES (continued)

	2002	2001
	£	£
Amounts owed by the company to related parties are due to:		
45 Management	4,380	
Moneyspider Productions Limited	32,138	-
Monsta Productions Limited	31,714	9,621
Moody Productions Limited	32,088	-
Red Girl Productions Limited	38,154	-
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	138,474	9,621
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