

SPICE GIRLS LIMITED

Report and Financial Statements

31 August 2001



**Deloitte & Touche
London**

REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

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
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 2001.

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 profit after tax for the year of £29,599 (2000 – loss of £70,367). 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 (2000 – £nil 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 2000 and 31 August 2001 were:

	Ordinary shares 5p each 2001	Ordinary shares 5p each 2000
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

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

V C Beckham
Director



30 September 2002

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 2001 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

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.

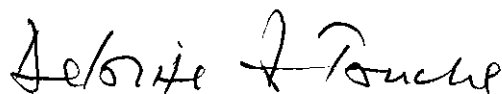
Basis of opinion

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 2001 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
London

30 September 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 August 2001

	Note	2001 £	2000 £
TURNOVER	2	3,424,392	3,288,327
Cost of sales		<u>(2,558,575)</u>	<u>(1,766,730)</u>
Gross profit		865,817	1,521,597
Administrative expenses		<u>(856,929)</u>	<u>(1,646,444)</u>
OPERATING PROFIT/(LOSS)	2	8,888	(124,847)
Interest receivable and similar income		<u>39,064</u>	<u>54,480</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		47,952	(70,367)
Tax on profit/(loss) on ordinary activities	4	<u>(18,353)</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR		29,599	(70,367)
Profit and loss account brought forward		<u>1,578,225</u>	<u>1,648,592</u>
Profit and loss account carried forward		<u><u>1,607,824</u></u>	<u><u>1,578,225</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.

BALANCE SHEET
31 August 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible fixed assets	5	4,189	20,878
Investments	6	4	4
		<u>4,193</u>	<u>20,882</u>
CURRENT ASSETS			
Debtors	7	1,132,276	1,737,765
Cash at bank and in hand		825,022	1,408,668
		<u>1,957,298</u>	<u>3,146,433</u>
CREDITORS: amounts falling due within one year	8	<u>(352,672)</u>	<u>(1,588,095)</u>
NET CURRENT ASSETS		<u>1,604,626</u>	<u>1,558,338</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,608,819</u>	<u>1,579,220</u>
CAPITAL AND RESERVES			
Called up share capital	10	995	995
Profit and loss account		<u>1,607,824</u>	<u>1,578,225</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,608,819</u>	<u>1,579,220</u>

These financial statements were approved by the Board of Directors on

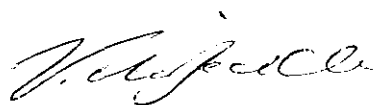
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September 2002.

Signed on behalf of the Board of Directors

V C Beckham

Director



CASH FLOW STATEMENT

Year ended 31 August 2001

	Note	2001 £	2000 £
Net cash inflow/(outflow) from operating activities	11	153,813	(162,645)
Returns on investments and servicing of finance	12	44,735	45,249
Taxation	12	(779,781)	(104,282)
Capital expenditure and financial investment	12	(2,413)	(6,222)
Equity dividends paid		-	(400,050)
Net cash outflow		<u>(583,646)</u>	<u>(627,950)</u>

Reconciliation of net cash flow to movement in net funds (Note 13)

	2001 £	2000 £
Decrease in cash in the year	<u>(583,646)</u>	<u>(627,950)</u>
Change in net funds resulting from cash flows	(583,646)	(627,950)
Net funds brought forward	<u>1,408,668</u>	<u>2,036,618</u>
Net funds carried forward	<u>825,022</u>	<u>1,408,668</u>

NOTES TO THE ACCOUNTS
Year ended 31 August 2001**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.

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.

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.

NOTES TO THE ACCOUNTS

Year ended 31 August 2001

2. TURNOVER AND OPERATING PROFIT/(LOSS)

	2001 £	2000 £
Operating profit/(loss) is stated after charging:		
Auditors' remuneration - audit	7,000	15,000
- other	147,300	234,450
Depreciation	18,043	32,380
Other operating lease charges	17,500	17,500
Loss on disposal of tangible fixed assets	1,059	-
	<u>183,902</u>	<u>299,330</u>

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

	2001 £	2000 £
Directors' emoluments	<u>99,167</u>	<u>85,625</u>

Employees

Employee costs (including directors):

Wages and salaries	222,203	239,672
Social security costs	23,134	29,226
	<u>245,337</u>	<u>268,898</u>

The average number of employees (including directors) by activity during the year was:

	No.	No.
Music and other entertainment services	4	4
Administration	5	6
	<u>9</u>	<u>10</u>

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

	2001 £	2000 £
UK corporation tax at 30% (2000 - 30%)	<u>18,353</u>	<u>-</u>

The tax charge is high due to the add back of gifts and entertaining.

NOTES TO THE ACCOUNTS
Year ended 31 August 2001

5. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Fixtures, fittings and office equipment £	Musical equipment £	Computer equipment and capitalised software £	Total £
Cost					
At 1 September 2000	50,064	7,208	3,729	38,868	99,869
Additions	-	800	-	1,613	2,413
Disposals	-	(1,278)	-	(5,733)	(7,011)
	<u>50,064</u>	<u>6,730</u>	<u>3,729</u>	<u>34,748</u>	<u>95,271</u>
At 31 August 2001					
Accumulated depreciation					
At 1 September 2000	38,666	5,169	2,485	32,671	78,991
Charge for the year	11,398	1,681	932	4,032	18,043
Disposals	-	(959)	-	(4,993)	(5,952)
	<u>50,064</u>	<u>5,891</u>	<u>3,417</u>	<u>31,710</u>	<u>91,082</u>
At 31 August 2001					
Net book value					
At 31 August 2001	-	839	312	3,038	4,189
	<u>11,398</u>	<u>2,039</u>	<u>1,244</u>	<u>6,197</u>	<u>20,878</u>
At 31 August 2000					

6. INVESTMENTS

	2001 £	2000 £
Subsidiary undertakings:		
Cost at 31 August 2001	<u>4</u>	<u>4</u>

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 2001, total capital and reserves were £122,670 (2000 - £138,500) while its loss for the year then ended was £15,830 (2000 - profit of £32,110).

NOTES TO THE ACCOUNTS

Year ended 31 August 2001

7. DEBTORS

	2001 £	2000 £
Trade debtors	39,718	228,002
Amounts owed by subsidiary undertakings	1,022,196	894,585
Amounts owed by related parties (see note 15)	38,256	289,755
Other debtors	20,561	28,267
Prepayments and accrued income	11,545	297,156
	<u>1,132,276</u>	<u>1,737,765</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Trade creditors	22,369	42,033
Amounts owed to subsidiary undertakings	3	3
Amounts owed to related parties (see note 15)	9,621	168,403
Taxation and social security	-	760,882
Accruals and deferred income	320,679	616,774
	<u>352,672</u>	<u>1,588,095</u>

9. DEFERRED TAXATION

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

	2001 £	2000 £
Capital allowances in excess of depreciation	<u>7,943</u>	<u>8,235</u>

10. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised:		
20,000 ordinary shares of 5p each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid:		
19,900 ordinary shares of 5p each	<u>995</u>	<u>995</u>

NOTES TO THE ACCOUNTS

Year ended 31 August 2001

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

	2001 £	2000 £
Operating profit/(loss)	8,888	(124,847)
Depreciation	18,043	32,380
Loss on disposal of fixed assets	1,059	-
Decrease in debtors	600,365	2,186,779
Decrease in creditors	(474,542)	(2,256,957)
Net cash inflow/(outflow) from operating activities	<u>153,813</u>	<u>(162,645)</u>

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

	2001 £	2000 £
Returns on investments and servicing of finance		
Interest and other investment income received	<u>44,735</u>	<u>45,249</u>
Taxation		
UK corporation tax paid	(779,781)	(100,250)
Overseas tax paid	-	(4,032)
	<u>(779,781)</u>	<u>(104,282)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	<u>(2,413)</u>	<u>(6,222)</u>

13. ANALYSIS OF NET FUNDS

	2000 £	Cash flow £	2001 £
Cash in hand and at bank	<u>1,408,668</u>	<u>(583,646)</u>	<u>825,022</u>

14. OPERATING LEASE COMMITMENTS

At 31 August 2001 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	2001 £	2000 £
Leases which expire:		
Within two to five years	<u>14,583</u>	<u>10,208</u>

NOTES TO THE ACCOUNTS

Year ended 31 August 2001

15. RELATED PARTIES

During the year the company charged its subsidiary undertaking, Spice Girls Touring Limited £nil (2000: £701,302) 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 2000 remain outstanding at the current year end.

During the year, the company charged Octopus Direct Limited, a company under common control, £99,621 (2000: 409,435) 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	
		2001 £	2000 £
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.

	2001 £	2000 £
Amounts owed to the company by related parties are due from:		
Octopus Direct Limited	6,204	289,755
Moneyspider Productions Limited	2,795	-
Moody Productions Limited	17,754	-
Red Girl Productions Limited	3,542	-
5 Girls Inc. (under joint control of shareholders)	5,846	-
Four Girls Documentary Inc. (under joint control of shareholders)	1,434	-
45 Management Limited (under control of N E Philips)	681	-
	<u>38,256</u>	<u>289,755</u>

	2001 £	2000 £
Amounts owed by the company to related parties are due to:		
Moneyspider Productions Limited	-	35,551
Monsta Productions Limited	9,621	39,690
Moody Productions Limited	-	44,993
Red Girl Productions Limited	-	48,169
	<u>9,621</u>	<u>168,403</u>