

RED GIRL PRODUCTIONS LIMITED

Report and Financial Statements

Year ended 31 August 1999

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



REPORT AND FINANCIAL STATEMENTS 1999

CONTENTS

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Reconciliation of movements in shareholders' funds	6
Balance sheet	7
Cash flow statement	8
Notes to the accounts	9

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M J Chisholm
N Phillips
A J Thompson

SECRETARY

J A Allen

REGISTERED OFFICE

Hill House
1 Little New Street
London
EC4A 3TR

BANKERS

National Westminster Bank plc
214 High Holborn
London
WC1V 7BX

Coutts & Co
440 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 Square
15-22 St Christophers Place
London
W1M 5HE

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 August 1999.

ACTIVITIES

The principal activity of the company is that of exploitation of the talents of the recording artist and entertainer Melanie Chisholm.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company made a loss before tax for the year of £49,988 (1998: profit £276,511). 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 (1998: £200,000).

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 were:

	Ordinary shares of £1 each	
	31 August 1999	31 August 1998
M J Chisholm	2	2
A J Thompson	-	-
N Phillips	-	-

AUDITORS

Deloitte & Touche were appointed as auditors during the year, and have expressed their willingness to continue in office.

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



M J Chisholm

Director

26 September 2000

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 as at the end of the financial year and of the profit or loss of the company 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 company 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE SHAREHOLDERS OF

RED GIRL PRODUCTIONS LIMITED

We have audited the financial statements on pages 5 to 13 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 financial statements. 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 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 at 31 August 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors

27/9/2000

PROFIT AND LOSS ACCOUNT**Year ended 31 August 1999**

		Year ended 31 August 1999	12 June 1997 to 31 August 1998
	Note	£	£
TURNOVER	1	3,188,744	6,701,888
Cost of sales		(325,853)	(149,056)
Gross profit		2,862,891	6,552,832
Administrative expenses		(2,935,018)	(6,284,865)
OPERATING (LOSS)/PROFIT	3	(72,127)	267,967
Interest receivable and similar income		22,140	8,733
Interest payable and similar charges		(1)	(189)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(49,988)	276,511
Tax credit/(charge) on (loss)/profit on ordinary activities	4	8,441	(58,447)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(41,547)	218,064
Dividends	5	-	(200,000)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR/PERIOD		(41,547)	18,064
Profit and loss account brought forward		18,064	-
Profit and loss account carried forward		(23,483)	18,064

All activities derive from continuing operations.

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 August 1999

	Year ended 31 August 1999 £	23 July 1997 to 31 August 1998 £
(Loss)/profit for the financial year	(41,547)	18,064
Capital subscribed	-	2
Net (decrease)/increase in shareholders' funds	(41,547)	18,066
Opening shareholders' funds	18,066	-
Closing shareholders' funds	(23,481)	18,066

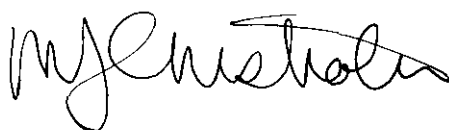
BALANCE SHEET
31 August 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible fixed assets	6	23,473	705
CURRENT ASSETS			
Debtors	7	1,110,917	987,414
Cash at bank and in hand		613,543	1,225,146
		1,724,460	2,212,560
CREDITORS: amounts falling due within one year	8	(1,771,414)	(2,195,199)
NET CURRENT (LIABILITIES)/ASSETS		(46,954)	17,361
TOTAL ASSETS LESS CURRENT LIABILITIES		(23,481)	18,066
CAPITAL AND RESERVES			
Called up share capital	9	2	2
Profit and loss account		(23,483)	18,064
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS		(23,481)	18,066

These financial statements were approved by the Board of Directors on 26 September 2000.

Signed on behalf of the Board of Directors

M J Chisholm
Director



CASH FLOW STATEMENT

Year ended 31 August 1999

	Note	Year ended 31 August 1999 £	12 June 1997 to 31 August 1998 £
Net cash (outflow)/inflow from operating activities	11	(538,275)	1,421,630
Returns on investments and servicing of finance	12	24,606	4,454
Taxation	12	(63,500)	-
Capital expenditure and financial investment	12	(34,434)	(940)
Equity dividends paid		-	(200,000)
Cash (outflow)/inflow before use of liquid resources and financing		(611,603)	1,225,144
Financing	12	-	2
Net cash (outflow)/inflow		(611,603)	1,225,146

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

	Year ended 31 August 1999 £	12 June 1997 to 31 August 1998 £
(Decrease)/increase in cash in the period	(611,603)	1,225,146
Change in net funds resulting from cash flows	(611,603)	1,225,146
Net funds brought forward	1,225,146	-
Net funds carried forward	613,543	1,225,146

NOTES TO THE ACCOUNTS**Year ended 31 August 1999****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. During the current year management commissions payable have been included in cost of sales where previously they were included in administrative expenses. Accordingly, the comparative amounts have been restated.

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover is derived wholly from the principal activity of the company, and the directors do not believe that any part of the company's worldwide market is significantly different from any other.

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.

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:

Motor vehicles	33 $\frac{1}{3}$ % per annum
Musical equipment	25% per annum

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.

Basis of preparation

The balance sheet shows net liabilities of £23,481 and net current liabilities of £46,954. This is after deducting an amount of £708,554 owed to M J Chisholm, a director. She has confirmed that she will not demand payment of this amount until the company is in a position to do so and accordingly the directors have prepared the financial statements on the going concern basis.

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

2. DIRECTORS AND EMPLOYEES

	Year ended 31 August 1999 £	12 June 1997 to 31 August 1998 £
Directors' emoluments	2,195,542	6,066,364
Highest paid director: Remuneration	2,195,542	6,066,364
Employees		
Employee costs (including directors):		
Wages and salaries	2,195,542	6,066,364
Social security costs	552,521	143,167
	2,748,063	6,209,531
	No.	No.
The average number of employees (including directors) by activity during the year was:		
Music and other entertainment services	1	1
Administration	2	2
	3	3

3. OPERATING (LOSS)/PROFIT

	Year ended 31 August 1999 £	12 June 1997 to 31 August 1998 £
Operating (loss)/profit is stated after charging :		
Auditors' remuneration - audit	7,000	2,000
- other	13,958	-
Depreciation	11,666	235

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

	Year ended 31 August 1999 £	12 June 1997 to 31 August 1998 £
United Kingdom corporation tax at 30% (1998: 21%)	(50,006)	(58,447)
Adjustment in respect of prior years	58,447	-
	8,441	(58,447)

The taxation charge is disproportionately high due to disallowable expenditure. No provision for deferred taxation has been made in these accounts, as the amount is immaterial.

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

5. DIVIDENDS

	Year ended 31 August 1999 £	12 June 1997 to 31 August 1998 £
Dividend on ordinary shares at £nil (1998: £100,000) per share	-	200,000

6. TANGIBLE FIXED ASSETS

	Motor vehicles £	Musical equipment £	Total £
Cost			
At 1 September 1998	-	940	940
Additions	33,866	568	34,434
At 31 August 1999	33,866	1,508	35,374
Accumulated depreciation			
At 1 September 1998	-	235	235
Charge for the year	11,289	377	11,666
At 31 August 1999	11,289	612	11,901
Net book value			
At 31 August 1999	22,577	896	23,473
At 31 August 1998	-	705	705

7. DEBTORS

	1999 £	1998 £
Trade debtors	111,242	34
Amounts owed by related parties (see note 10)	516,539	606,124
Other debtors	14,237	-
Prepayments and accrued income	468,899	381,256
	1,110,917	987,414

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

8. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	16,107	21,564
Amounts owed to related parties (see note 10)	-	2,445
Taxation and social security	957,101	1,552,132
Director's current account	708,554	527,032
Accruals and deferred income	89,652	92,026
	<u>1,771,414</u>	<u>2,195,199</u>

The director's current account relates to M J Chisholm and the maximum overdrawn amount on this account during the year was £108,526.

9. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

10. RELATED PARTIES

During the year, the company charged fees of £1,500,000 (1998: £5,955,602) under the terms of a loan out agreement for the services of M J Chisholm to Spice Girls Limited, of which M J Chisholm is a director and has a beneficial interest. Also during the year, the company was charged £25,000 (1998: £nil) by Spice Girls Limited for additional administrative costs incurred on behalf of the company.

The company was charged fees of £19,313 (1998: £6,058) for the provision of legal services by Lee & Thompson, in which A J Thompson is a partner.

Amounts owed by related parties are due from:	1999 £	1998 £
Red Girl Inc.	644	-
Red Girl Touring Ltd	52,710	-
Spice Girls Limited	463,185	598,860
Spice Girls Touring Limited	-	7,264
	<u>51,539</u>	<u>606,124</u>

Amounts owed to related parties are due to:	1999 £	1998 £
Spice Girls Limited	<u>-</u>	<u>2,445</u>

NOTES TO THE ACCOUNTS

Year ended 31 August 1999

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

	Year ended 31 August 1999 £	12 June 1997 to 31 August 1998 £
Operating (loss)/profit	(72,127)	267,967
Depreciation	11,666	235
Increase in debtors	(112,474)	(983,325)
(Decrease)/increase in creditors	(365,340)	2,136,753
Net cash (outflow)/inflow from operating activities	<u>(538,275)</u>	<u>1,421,630</u>

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

	Year ended 31 August 1999 £	12 June 1997 to 31 August 1998 £
Returns on investments and servicing of finance		
Interest and other investment income received	24,606	4,643
Interest paid	-	(189)
	<u>24,606</u>	<u>4,454</u>
Taxation		
UK corporation tax paid (including advance corporation tax)	(63,500)	-
	<u>(63,500)</u>	<u>-</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(34,434)	(940)
	<u>(34,434)</u>	<u>(940)</u>
Financing		
Issue of ordinary share capital	-	2
	<u>-</u>	<u>2</u>

13. ANALYSIS OF NET FUNDS

	31 August 1998 £	Cash flow £	31 August 1999 £
Cash in hand and at bank	<u>1,225,146</u>	<u>(611,603)</u>	<u>613,543</u>