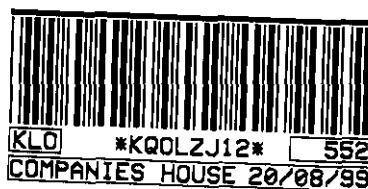


**RED GIRL PRODUCTIONS LIMITED**  
(formerly Gardella Limited)

**Report and Financial Statements**

**12 June 1997 to 31 August 1998**



**RED GIRL PRODUCTIONS LIMITED**  
**(formerly Gardella Limited)**

**REPORT AND FINANCIAL STATEMENTS 1998**

**CONTENTS**

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

**RED GIRL PRODUCTIONS LIMITED**  
**(formerly Gardella Limited)**

**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

**PROFESSIONAL ADVISERS**

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

**AUDITORS**

Daeche & Co.  
Chartered Accountants  
Lindens  
Chantry Lane  
Hatfield  
Hertfordshire  
AL10 9PH

**SOLICITORS**

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

**RED GIRL PRODUCTIONS LIMITED**  
**(formerly Gardella Limited)**

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the period from incorporation on 12 June 1997 to 31 August 1998.

### **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**

The company was incorporated on 12 June 1997 as Gardella Limited and changed its name to Red Girl Productions Limited on 29 August 1997. Trading commenced on 1 September 1999.

The company made a profit before tax for the period of £276,511.

### **DIVIDENDS**

A dividend was paid during the period of £200,000.

### **FUTURE PROSPECTS**

The directors intend to take every opportunity to develop the business in future years.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the period and their beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 31 August 1998 and 12 June 1997 (or the date of appointment, if later) were:

		<b>Ordinary shares of £1 each</b>	
		<b>31 August 1998</b>	<b>23 July 1997</b>
M J Chisholm	(appointed 26 August 1997)	2	2
A J Thompson	(appointed 21 November 1997)	-	-
S R Fuller	(appointed 1 September 1997; resigned 11 November 1997)	-	-
R J L Harris	(appointed 26 August 1997; resigned 11 November 1997)	-	-
M R Aucott	(appointed 12 June 1997; resigned 26 August 1997)	-	-
C J Bradbrook	(appointed 21 November 1997; resigned 28 August 1998)	-	-
N Phillips	(appointed 28 August 1998)	-	-

### **YEAR 2000**

Planning to deal with the impact arising from the Year 2000 is well advanced and the estimated cost of necessary changes will not be significant for the company.

### **AUDITORS**

Daeche & Co were appointed during the period.

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

M J Chisholm

Director

19 August 1999



## **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;
- 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 (formerly Gardella Limited)**

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 8.

#### **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 1998 and of its profit for the period from 12 June 1997 to 31 August 1998 and have been properly prepared in accordance with the Companies Act 1985.

  
Daeche & Co

Chartered Accountants and Registered Auditors

Lindens

Chantry Lane

Hatfield

Hertfordshire, AL10 9PH

20 August 1999

**RED GIRL PRODUCTIONS LIMITED**  
(formerly Gardella Limited)

**PROFIT AND LOSS ACCOUNT**

Period from 12 June 1997 to 31 August 1998

	Note	12 June 1997 to 31 August 1998 £
<b>TURNOVER</b>	1	6,701,888
Cost of sales		(235)
Gross profit		6,701,653
Administrative expenses		(6,433,686)
<b>OPERATING PROFIT</b>	3	267,967
Interest receivable and similar income		8,733
Interest payable and similar charges		(189)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		276,511
Tax charge on profit on ordinary activities	4	(58,447)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		218,064
Dividends	5	(200,000)
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>		18,064
Profit and loss account brought forward		-
Profit and loss account carried forward		18,064

All activities derive from continuing operations.

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

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

Period from 12 June 1997 to 31 August 1998

	12 June 1997 to 31 August 1998 £
Profit for the financial period	18,064
Capital subscribed	2
Net increase in shareholders' funds	18,066
Opening shareholders' funds	-
Closing shareholders' funds	18,066

**RED GIRL PRODUCTIONS LIMITED**  
(formerly Gardella Limited)

**BALANCE SHEET**  
**31 August 1998**

	Note	1998 £
<b>FIXED ASSETS</b>		
Tangible fixed assets	6	705
<b>CURRENT ASSETS</b>		
Debtors	7	987,414
Cash at bank and in hand		1,225,146
		2,212,560
<b>CREDITORS: amounts falling due within one year</b>	8	(2,195,199)
<b>NET CURRENT ASSETS</b>		17,361
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		18,066
<b>CAPITAL AND RESERVES</b>		
Called up share capital	9	2
Profit and loss account		18,064
<b>EQUITY SHAREHOLDERS' FUNDS</b>		18,066

These financial statements were approved by the Board of Directors on 19 August 1999.

Signed on behalf of the Board of Directors

M J Chisholm

Director





**RED GIRL PRODUCTIONS LIMITED**  
(formerly Gardella Limited)

**CASH FLOW STATEMENT**

**Period from 12 June 1997 to 31 August 1998**

	Note	12 June 1997 to 31 August 1998 £
<b>Net cash inflow from operating activities</b>	11	1,421,630
Returns on investments and servicing of finance	12	4,454
Taxation	12	-
Capital expenditure and financial investment	12	(940)
Equity dividends paid		(200,000)
<b>Cash inflow before use of liquid resources and financing</b>		1,225,144
Financing	12	2
<b>Net cash inflow</b>		1,225,146
<b>Reconciliation of net cash flow to movement in net funds (Note 13)</b>		
		12 June 1997 to 31 August 1998 £
Increase in cash in the period		1,225,146
Change in net funds resulting from cash flows		1,225,146
Net funds brought forward		-
Net funds carried forward		1,225,146

**NOTES TO THE ACCOUNTS**

**Period from 12 June 1997 to 31 August 1998**

**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.

**Turnover**

Turnover is derived wholly from the principal activity of the company.

**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:

Musical equipment	25% per annum
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**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.

**RED GIRL PRODUCTIONS LIMITED**  
(formerly Gardella Limited)

**NOTES TO THE ACCOUNTS**

**Period from 12 June 1997 to 31 August 1998**

**2. DIRECTORS AND EMPLOYEES**

	12 June 1997 to 31 August 1998 £
Directors' emoluments	6,066,364
Highest paid director: Remuneration	6,066,364
<b>Employees</b>	
Employee costs including directors:	
Wages and salaries	6,066,364
Social security costs	143,167
	6,209,531
	No.
The average number of employees including directors by activity during the period was:	
Music and other entertainment services	1
Administration	2
	3

**3. OPERATING PROFIT**

	12 June 1997 to 31 August 1998 £
Operating profit is stated after charging :	
Auditors' remuneration	2,000
Depreciation	235

**4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

	12 June 1997 to 31 August 1998 £
UK corporation tax at 21%	58,447

No provision for deferred taxation has been made in these accounts, as the amount is immaterial.

**RED GIRL PRODUCTIONS LIMITED**  
(formerly Gardella Limited)

**NOTES TO THE ACCOUNTS**

**Period from 12 June 1997 to 31 August 1998**

**5. DIVIDENDS**

	12 June 1997 to 31 August 1998 £
Dividend on ordinary shares at £100,000 per share	200,000

**6. TANGIBLE FIXED ASSETS**

	Musical equipment £
<b>Cost</b>	
At 12 June 1997	-
Additions	940
At 31 August 1998	940
<b>Accumulated depreciation</b>	
At 12 June 1997	-
Charge for the period	235
At 31 August 1998	235
<b>Net book value</b>	
At 31 August 1998	705
At 12 June 1997	-

**7. DEBTORS**

	1998 £
Trade debtors	34
Amounts owed by related parties (see note 10)	606,124
Prepayments and accrued income	381,256
	987,414

**RED GIRL PRODUCTIONS LIMITED**  
**(formerly Gardella Limited)**

**NOTES TO THE ACCOUNTS**

**Period from 12 June 1997 to 31 August 1998**

**8. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £
Trade creditors	21,564
Amounts owed to related parties (see note 10)	2,445
Taxation and social security	1,552,132
Director's current account	527,032
Accruals and deferred income	92,026
	<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 £39,178.

**9. CALLED UP SHARE CAPITAL**

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

Ordinary share capital of 2 ordinary shares of £1 each, nominal value £2, was issued during the period for cash consideration.

**10. RELATED PARTIES**

During the year, the company charged fees of £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.

The company was charged fees of £14,812 for the provision of accounting and advisory services by Deloitte & Touche, in which C J Bradbrook is a partner.

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

The company was charged management commission of £148,822 by 19 Management Limited, a company of which S R Fuller and R J L Harris are directors.

Amounts owed by related parties are due from:	£
Spice Girls Limited	598,860
Spice Girls Touring Limited	7,264
	<u>606,124</u>

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

**RED GIRL PRODUCTIONS LIMITED**  
(formerly Gardella Limited)

**NOTES TO THE ACCOUNTS**

**Period from 12 June 1997 to 31 August 1998**

**11. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	12 June 1997 to 31 August 1998 £
Operating profit	267,967
Depreciation	235
Increase in debtors	(983,325)
Increase in creditors	2,136,753
	<hr/>
Net cash inflow from operating activities	1,421,630 <hr/>

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

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

**13. ANALYSIS OF NET FUNDS**

	12 June 1997 £	Cash flow £	31 August 1998 £
Cash in hand and at bank	-	1,225,146	1,225,146
	<hr/>	<hr/>	<hr/>