

RED GIRL PRODUCTIONS LIMITED

Report and Financial Statements

Year ended 31 August 2002



**Deloitte & Touche LLP
London**

REPORT AND FINANCIAL STATEMENTS Error! Bookmark not defined.

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M J Chisholm
N Phillips
A J Thompson

SECRETARY

J A Eastgate

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 OQS

PROFESSIONAL ADVISERS AND AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

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 2002.

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 profit before tax for the year of £447,700 (2001 – loss of £467,902). The directors intend to take every opportunity to develop the business in future years.

DIVIDENDS

The directors propose to pay a dividend of £186,000 (2001 – £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year and their interests, as defined by the Companies Act 1985, in the company were:

	Ordinary shares of £1 each	
	2002	2001
M J Chisholm	2	2
A J Thompson	-	-
N Phillips	-	-

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 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 the 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 to 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
RED GIRL PRODUCTIONS LIMITED**

We have audited the financial statements of Red Girl Productions Limited for the year ended 31 August 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 at 31 August 2002 and of its profit 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	1	1,387,730	1,466,768
Cost of sales		(438,649)	(581,888)
Gross profit		949,081	884,880
Administrative expenses		(508,574)	(1,363,317)
OPERATING PROFIT/(LOSS)	3	440,507	(478,437)
Interest receivable and similar income		7,193	10,568
Interest payable and similar charges		-	(33)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		447,700	(467,902)
Tax (charge)/credit on profit/(loss) on ordinary activities	4	(137,142)	29,585
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR		310,558	(438,317)
Profit and loss account brought forward		4,629	442,946
Dividend proposed		(186,000)	-
Profit and loss account carried forward		129,187	4,629

All activities derive from continuing operations.

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

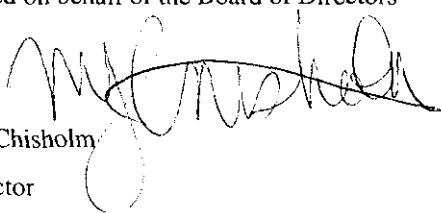
BALANCE SHEET
31 August 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible fixed assets	5	93,860	16,663
Investments	6	2	2
		<u>93,862</u>	<u>16,665</u>
CURRENT ASSETS			
Debtors	7	497,948	534,532
Cash at bank and in hand		440,589	458,907
		<u>938,537</u>	<u>993,439</u>
CREDITORS: amounts falling due within one year	8	(903,210)	(1,005,473)
NET CURRENT ASSETS/(LIABILITIES)		<u>35,327</u>	<u>(12,034)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>129,189</u>	<u>4,631</u>
CAPITAL AND RESERVES			
Called up share capital	9	2	2
Profit and loss account		129,187	4,629
EQUITY SHAREHOLDERS' FUNDS		<u>129,189</u>	<u>4,631</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



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.

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

Tangible fixed assets are stated at cost 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:

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

Group accounts

The company is exempt from the requirement to prepare group accounts as it qualifies as the parent company of a small 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 2002

2. DIRECTORS AND EMPLOYEES

	2002 £	2001 £
Directors' emoluments	300,500	762,227
Highest paid director: Remuneration	300,500	762,227
Employees		
Employee costs (including directors):		
Wages and salaries	338,500	816,560
Social security costs	39,055	92,066
	377,555	908,626
	No.	No.
The average number of employees (including directors) by activity during the year was:		
Music and other entertainment services	1	1
Administration	3	3
	4	4

3. OPERATING PROFIT/(LOSS)

	2002 £	2001 £
Operating profit /(loss) is stated after charging:		
Auditors' remuneration - audit	7,000	7,000
- other	15,175	16,625
Depreciation - owned assets	44,140	14,041
Increase in provision against related party balance (see note 11)	13,663	331,638

NOTES TO THE ACCOUNTS

Year ended 31 August 2002

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

Analysis of tax charge on ordinary activities:

	2002 £	2001 £
United Kingdom corporation tax at 30% (2001: 30%)	(135,721)	29,850
Foreign tax	-	(265)
Adjustment in respect of prior year	(1,411)	-
	<u>(137,142)</u>	<u>29,585</u>

Factors affecting tax charge for the current period:

	2002 £	2001 £
Profit on ordinary activities before tax	447,700	(467,902)
Tax at 30%	(134,310)	140,371
Expenses not deductible for tax purposes	(4,067)	(99,595)
Depreciation in excess of capital allowances	(6,560)	(2,600)
Utilisation of tax losses	7,559	-
Group relief claimed / (surrendered)	1,647	(8,326)
Unrelieved foreign tax	-	(265)
Adjustments in respect of prior years	(1,411)	-
Current tax charge for the period	<u>(137,142)</u>	<u>29,585</u>

5. TANGIBLE FIXED ASSETS

	Home studio £	Motor vehicles £	Musical equipment £	Office equipment £	Total £
Cost					
At 1 September 2001	-	36,293	1,687	6,084	44,064
Additions	63,663	-	57,674	-	121,337
At 31 August 2002	<u>63,663</u>	<u>36,293</u>	<u>59,361</u>	<u>6,084</u>	<u>165,401</u>
Accumulated depreciation					
At 1 September 2001	-	24,195	1,456	1,750	27,401
Charge for the year	15,916	12,098	14,605	1,521	44,140
At 31 August 2002	<u>15,916</u>	<u>36,293</u>	<u>16,061</u>	<u>3,271</u>	<u>71,541</u>
Net book value					
At 31 August 2002	<u>47,747</u>	<u>-</u>	<u>43,300</u>	<u>2,813</u>	<u>93,860</u>
At 31 August 2001	<u>-</u>	<u>12,098</u>	<u>231</u>	<u>4,334</u>	<u>16,663</u>

NOTES TO THE ACCOUNTS

Year ended 31 August 2002

6. INVESTMENTS

	2002 £
Subsidiary undertakings:	
At 1 September 2001 and 31 August 2002	2

The above fixed asset investment represents 100% of the ordinary £1 share capital of Red Girl Touring Limited, a company registered in England and Wales, whose main activity is that of tour production. As at 31 August 2002 the total deficit on capital and reserves of Red Girl Touring Limited was £345,300; its loss for the period then ended was £13,662.

7. DEBTORS

	2002 £	2001 £
Trade debtors	44,170	13,634
Amounts owed by subsidiary undertaking (see note 11)	26,607	88,475
Amounts owed by related parties (see note 11)	38,798	644
Other debtors	45,905	45,559
Prepayments and accrued income	342,468	386,220
	<u>497,948</u>	<u>534,532</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	12,855	11,940
Amounts owed to related parties (see note 10)	74,374	103,353
Taxation and social security	161,101	543,172
Accruals and deferred income	21,595	22,309
Director's current account	633,285	324,699
	<u>903,210</u>	<u>1,005,473</u>

The director's current account relates to M J Chisholm and the maximum overdrawn amount on this account during the year was £26,883 (2001: debtor of £124,582).

9. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid:		
2 ordinary shares of £1 each	2	2

NOTES TO THE ACCOUNTS**Year ended 31 August 2002****10. RESERVES NOTE**

	Profit and loss account £
Balance at 1 September 2001	4,629
Profit for the year	310,558
Dividends proposed	(186,000)
	<hr/>
Balance at 31 August 2002	<u>129,187</u>

11. RELATED PARTIES

Refer to note 8 for information on the director's current account.

During the year, the company charged fees of £nil (2001 – £400,000) 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. Additionally, during the year the company received fees of £32,518 (2001 – £20,817) from Spice Girls Limited in relation to activities connected with 5 Girls Limited.

Also during the year, the company lent a further £nil (2001 – £225,000) to its subsidiary Red Girl Touring Limited. This loan is interest free, and with no fixed repayment date. The company was charged £200,000 in the year by the Red Girl Touring Ltd relating to tour support and recharged £46,908 to Red Girl Touring Ltd relating to amounts paid by the company on the subsidiary company's behalf. All other transactions between the company and its subsidiary undertaking are in the normal course of business.

The company was charged fees of £7,336 (2001 – £7,806) for the provision of legal services by Lee & Thompson, in which A J Thompson is a partner.

The company was charged fees of £75,000 (2001 – £60,000) by Paul O'Neill Racing Limited for sponsorship services. Paul O'Neill Racing Limited is a company controlled by a sibling of M J Chisholm.

	2002 £	2001 £
Amounts owed by related parties are due from:		
Red Girl Inc.	644	644
Red Girl Touring Limited	371,908	420,113
Less provision	(345,301)	(331,638)
Spice Girls Limited	38,208	-
	<hr/>	<hr/>
	<u>65,405</u>	<u>89,119</u>

NOTES TO THE ACCOUNTS**Year ended 31 August 2002****11. RELATED PARTIES (continued)**

In the current year a further £13,663 has been provided against the debt due from Red Girl Touring Ltd due to the trading results of that company.

	2002 £	2001 £
Amounts owed to related parties are payable to:		
Spice Girls Limited	-	3,542
Spice Girls Touring Limited	-	1,296
45 Management Limited	74,374	98,515
	<u>74,374</u>	<u>103,353</u>

All related party transactions are undertaken on an arms' length basis unless specifically stated otherwise.

12. ULTIMATE CONTROLLING PARTY

Red Girl Productions Limited is controlled by M J Chisholm.