

**SPICE GIRLS LIMITED**

**Report and Financial Statements**

**31 August 1998**



**REPORT AND FINANCIAL STATEMENTS 1998**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

V C Beckham  
M J Gulzar  
E L Bunton  
M J Chisholm  
G E Halliwell  
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**

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 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 1998.

### **ACTIVITIES**

The principal activity of the group is that of exploitation of the talents of the recording artists Spice Girls.

### **REVIEW OF DEVELOPMENTS**

The group made a profit after tax for the period of £265,029 (1997: profit £231,838).

### **DIVIDENDS**

The directors do not recommend the payment of a dividend (1997: £nil).

### **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 year and their beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 1 September 1997 and 31 August 1998 were:

		<b>Ordinary shares of £1 each</b>	
		<b>31 August 1998</b>	<b>1 September 1997</b>
V C Beckham	(appointed 1 September 1997)	199	1
E L Bunton	(appointed 1 September 1997)	199	1
M J Chisholm	(appointed 1 September 1997)	199	1
M J Gulzar	(appointed 1 September 1997)	199	1
G E Halliwell	(appointed 1 September 1997)	199	1
N E Phillips	(appointed 28 March 1998)	-	-
S R Fuller	(resigned 11 November 1997)	-	-
R J L Harris	(resigned 11 November 1997)	-	-

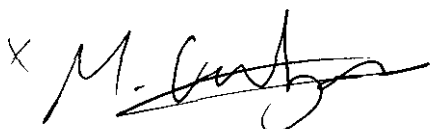
### **YEAR 2000**

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

X 

MELANIE GULZAR  
Director

30 September 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 and the group as at the end of the financial year and of the profit or loss of the group 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 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 the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **AUDITORS' REPORT TO THE SHAREHOLDERS OF**

### **SPICE GIRLS LIMITED**

We have audited the financial statements on pages 5 to 15 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 circumstances of the company and the group, 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 affairs of the company and the group as at 31 August 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Dacche & Co  
Chartered Accountants and Registered Auditors  
Lindens  
Chantry Lane  
Hatfield  
Hertfordshire, AL10 9PH  
30 September 1999

**SPICE GIRLS LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 August 1998**

	Note	Year ended 31 August 1998 £	11 October 1996 to 31 August 1997 £
<b>TURNOVER</b>	2	41,454,821	3,868,456
Cost of sales		(33,592,110)	(3,261,361)
Gross profit		7,862,711	607,095
Administrative expenses		(7,425,450)	(277,766)
<b>OPERATING PROFIT</b>	2	437,261	329,319
Interest receivable and similar income		131,123	7,613
Interest payable and similar charges	4	(882)	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		567,502	336,932
Tax charge on profit on ordinary activities	5	(302,473)	(105,094)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL PERIOD</b>		265,029	231,838
Profit and loss account brought forward		231,838	-
Profit and loss account carried forward		496,867	231,838

All activities derive from continuing operations.

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

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 31 August 1998**

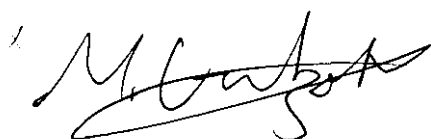
	Year ended 31 August 1998 £	11 October 1996 to 31 August 1997 £
Profit for the financial period	265,029	231,838
Capital subscribed	990	5
Net increase in shareholders' funds	266,019	231,843
Opening shareholders' funds	231,843	-
Closing shareholders' funds	497,862	231,843

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

	Note	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	188,411	-
<b>CURRENT ASSETS</b>			
Debtors	9	5,245,714	2,215,338
Cash at bank and in hand		2,103,873	1,452,777
		7,349,587	3,668,115
<b>CREDITORS: amounts falling due within one year</b>	10	(7,025,203)	(3,436,272)
<b>NET CURRENT ASSETS</b>		324,384	231,843
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		512,795	231,843
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	(14,933)	-
		497,862	231,843
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	995	5
Profit and loss account		496,867	231,838
<b>EQUITY SHAREHOLDERS' FUNDS</b>		497,862	231,843

These financial statements were approved by the Board of Directors on 30 September 1999.

Signed on behalf of the Board of Directors



Director

MELANIE CULZAR

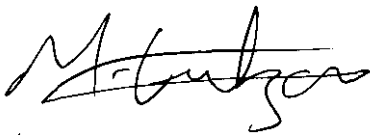


**COMPANY BALANCE SHEET**  
**31 August 1998**

	Note	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	59,885	-
Investments	8	4	4
		<u>59,889</u>	<u>4</u>
<b>CURRENT ASSETS</b>			
Debtors	9	5,480,469	2,215,338
Cash at bank and in hand		440,624	1,452,777
		<u>5,921,093</u>	<u>3,668,115</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(5,569,793)</u>	<u>(3,436,276)</u>
<b>NET CURRENT ASSETS</b>		<u>351,300</u>	<u>231,839</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>411,189</u>	<u>231,843</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	995	5
Profit and loss account		410,194	231,838
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>411,189</u>	<u>231,843</u>

These financial statements were approved by the Board of Directors on 30 September 1999.

Signed on behalf of the Board of Directors

X   
Director  
MELANIE GULZAR

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 August 1998**

	Note	Year ended 31 August 1998 £	11 October 1996 to 31 August 1997 £
Net cash inflow from operating activities	13	1,341,415	1,445,164
Returns on investments and servicing of finance	14	130,241	7,613
Taxation	14	(276,672)	-
Capital expenditure and financial investment	14	(544,883)	-
<b>Cash inflow before use of liquid resources and financing</b>		<b>650,101</b>	<b>1,452,777</b>
Financing	14	995	-
<b>Net cash inflow</b>		<b>651,096</b>	<b>1,452,777</b>
<b>Reconciliation of net cash flow to movement in net funds (Note 15)</b>			
		<b>1998 £</b>	<b>1997 £</b>
Increase in cash in the period		651,096	1,452,777
Change in net debt resulting from cash flows		651,096	1,452,777
Net funds brought forward		1,452,777	-
Net funds carried forward		2,103,873	1,452,777

**NOTES TO THE ACCOUNTS**  
**Year ended 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.

**Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiaries for the year ended 31 August 1998.

**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 <sup>1</sup> / <sub>3</sub> % per annum

**Fixed asset investments**

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

**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.

**NOTES TO THE ACCOUNTS**

**Year ended 31 August 1998**

**2. TURNOVER AND OPERATING PROFIT**

	<b>Year ended 31 August 1998 £</b>	<b>11 October 1996 to 31 August 1997 £</b>
Operating profit is stated after charging :		
Auditors' remuneration	10,000	1,800
Depreciation	356,472	-
	<u>366,472</u>	<u>-</u>

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

**3. DIRECTORS AND EMPLOYEES**

	<b>Year ended 31 August 1998 £</b>	<b>11 October 1996 to 31 August 1997 £</b>
Directors' emoluments	25,000	-
Highest paid director: Remuneration	25,000	-
<b>Employees</b>		
Employee costs including directors:		
Wages and salaries	101,311	-
Social security costs	10,131	-
	<u>111,442</u>	<u>-</u>
	<b>No.</b>	<b>No.</b>
The average number of employees including directors by activity during the year was:		
Music and other entertainment services	5	-
Administration	4	2
	<u>9</u>	<u>2</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>Year ended 31 August 1998 £</b>	<b>11 October 1996 to 31 August 1997 £</b>
Bank overdrafts	882	-
	<u>882</u>	<u>-</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 August 1998**

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	Year ended 31 August 1998 £	11 October 1996 to 31 August 1997 £
UK corporation tax at 31% (1997: 31%)	115,962	105,094
Overseas tax irrecoverable	171,578	-
	<u>287,540</u>	<u>105,094</u>
Deferred taxation	14,933	-
	<u>302,473</u>	<u>105,094</u>

**6. COMPANY PROFIT AND LOSS ACCOUNT**

The company has not presented its own profit and loss account, as permitted by Section 320 of the Companies Act 1985. The consolidated profit and loss account includes a profit of £178,356 (1997 – profit £231,838) which is dealt with in the accounts of the parent company.

**7. TANGIBLE FIXED ASSETS**

The group	Leasehold improve- ments £	Stage sets £	Fixtures, fittings and office equipment £	Musical equipment £	Computer equipment and capitalised software £	Total £
<b>Cost</b>						
At 1 September 1997	-	-	-	-	-	-
Additions	38,087	309,040	6,252	138,611	52,893	544,883
Disposals	-	(227,113)	-	-	-	(227,113)
	<u>38,087</u>	<u>81,927</u>	<u>6,252</u>	<u>138,611</u>	<u>52,893</u>	<u>317,770</u>
At 31 August 1998	38,087	81,927	6,252	138,611	52,893	317,770
<b>Accumulated depreciation</b>						
At 1 September 1997	-	-	-	-	-	-
Charge for the year	5,290	297,336	1,563	34,652	17,631	356,472
Disposals	-	(227,113)	-	-	-	(227,113)
	<u>5,290</u>	<u>70,223</u>	<u>1,563</u>	<u>34,652</u>	<u>17,631</u>	<u>129,359</u>
At 31 August 1998	5,290	70,223	1,563	34,652	17,631	129,359
<b>Net book value</b>						
At 31 August 1998	<u>32,797</u>	<u>11,704</u>	<u>4,689</u>	<u>103,959</u>	<u>35,262</u>	<u>188,411</u>
At 31 August 1997	-	-	-	-	-	-

**NOTES TO THE ACCOUNTS**  
**Year ended 31 August 1998**

**7. TANGIBLE FIXED ASSETS (continued)**

<b>The company</b>	<b>Leasehold improve- ments £</b>	<b>Fixtures, fittings and office equipment £</b>	<b>Musical equipment £</b>	<b>Computer equipment and capitalised software £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 September 1997	-	-	-	-	-
Additions	38,087	6,252	2,822	30,423	77,584
At 31 August 1998	38,087	6,252	2,822	30,423	77,584
<b>Accumulated depreciation</b>					
At 1 September 1997	-	-	-	-	-
Charge for the year	5,290	1,563	705	10,141	17,699
At 31 August 1998	5,290	1,563	705	10,141	17,699
<b>Net book value</b>					
At 31 August 1998	32,797	4,689	2,117	20,282	59,885
At 31 August 1997	-	-	-	-	-

**8. INVESTMENTS**

<b>The company</b>	<b>1998 £</b>	<b>1997 £</b>
Subsidiary undertakings :		
At 31 August 1998 and 31 August 1997	4	4

All subsidiaries undertakings are wholly owned and registered in England and Wales:

<b>Name</b>	<b>Activity</b>
Spice Girls Touring Limited	Tour production
Spice Girls Merchandising Limited	Dormant
Spice Girls Perfumes Limited	Dormant
Spice Girls Productions Limited	Dormant

**9. DEBTORS**

	<b>1998 £</b>	<b>The group 1997 £</b>	<b>1998 £</b>	<b>The company 1997 £</b>
Trade debtors	969,405	268,396	768,349	268,396
Amounts owed by subsidiary undertakings	-	-	2,179,502	-
Amounts owed by related parties (see note 17)	2,331,618	1,371	1,868,916	1,371
Called up share capital not paid	-	5	-	5
Other debtors	435,104	-	277,712	-
Prepayments and accrued income	1,509,587	1,945,566	385,990	1,945,566
	5,245,714	2,215,338	5,480,469	2,215,338

**NOTES TO THE ACCOUNTS**

**Year ended 31 August 1998**

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

	<b>The group</b>		<b>The company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	1,317,811	7,919	527,082	7,919
Amounts owed to subsidiary undertakings	-	-	3	4
Amounts owed to related parties (see note 17)	2,648,862	-	2,617,275	-
Taxation and social security	122,752	253,945	104,011	253,945
Accruals and deferred income	2,935,778	3,174,408	2,321,422	3,174,408
	<u>7,025,203</u>	<u>3,436,272</u>	<u>5,569,793</u>	<u>3,436,276</u>

**11. PROVISIONS FOR LIABILITIES AND CHARGES**

<b>The group</b>	<b>Deferred taxation £</b>
Balance at 1 September 1997	-
Charge for the period	14,933
Balance at 31 August 1998	<u>14,933</u>

Deferred tax relates to capital allowances in excess of depreciation in Spice Girls Touring Limited and has been fully provided.

No provision for deferred taxation has been made for Spice Girls Limited as the amount is immaterial.

**12. CALLED UP SHARE CAPITAL**

	<b>1998 £</b>	<b>1997 £</b>
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and unpaid:		
5 ordinary shares of £1 each	-	5
Called up, allotted and fully paid:		
995 ordinary shares of £1 each	<u>995</u>	-
	<u>995</u>	<u>5</u>

Ordinary share capital of 990 ordinary shares of £1 each, nominal value £990, was issued during the year for cash consideration.

**NOTES TO THE ACCOUNTS**

**Year ended 31 August 1998**

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

	1998 £	1997 £
Operating profit	437,261	329,319
Depreciation	356,472	-
Increase in debtors	(3,030,381)	(2,215,333)
Increase in creditors	3,578,063	3,331,178
Net cash inflow from operating activities	<u>1,341,415</u>	<u>1,445,164</u>

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

	1998 £	1997 £
<b>Returns on investments and servicing of finance</b>		
Interest and other investment income received	131,123	7,613
Interest paid	(882)	-
	<u>130,241</u>	<u>7,613</u>
<b>Taxation</b>		
UK corporation tax paid	105,094	-
Overseas tax paid	171,578	-
	<u>276,672</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	<u>544,883</u>	<u>-</u>
<b>Financing</b>		
Issue of share capital	<u>995</u>	<u>-</u>

**15. ANALYSIS OF NET FUNDS**

	1997 £	Cash flow £	1998 £
Cash in hand and at bank	<u>1,452,777</u>	<u>651,096</u>	<u>2,103,873</u>

**16. OPERATING LEASE COMMITMENTS**

At 31 August 1998 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 1998 £	Land and buildings 1997 £
Leases which expire:		
Within two to five years	<u>17,500</u>	<u>-</u>



# NOTES TO THE ACCOUNTS

Year ended 31 August 1998

## 17. RELATED PARTIES

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 £
Geri Productions Limited	G E Halliwell	5,026,055
Moneyspider Productions Limited	M J Gulzar	5,638,354
Monsta Productions Limited	E L Bunton	5,638,354
Moody Productions Limited	V C Beckham	5,638,354
Red Girl Productions Limited	M J Chisholm	5,638,354

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

The group was charged management commission of £4,837,594 by 19 Management Limited, a company of which S R Fuller and R J L Harris are directors.

The group charged fees of £12,989,195 for the license of rights in relation to Spice Girls to Octopus Direct Limited, a company subject to common control with Spice Girls Limited.

The group charged acting fees of £1,851,837 during the year to Five Girls Limited, a subsidiary undertaking of Octopus Direct Limited.

In accordance with Section 3(a) of Financial Reporting Standard No. 8 Related Party Disclosures, transactions between members of the Spice Girls Limited group have not been disclosed.

£

Amounts owed by related parties are due from:

Octopus Direct Limited	1,418,920
Geri Productions Limited	7,583
Moneyspider Productions Limited	10,143
Monsta Productions Limited	6,587
Moody Productions Limited	3,222
Red Girl Productions Limited	3,080
Spice Girls (partnership)	192,088
5 Girls Inc. (subject to common control)	689,995
	<u>2,331,618</u>

Amounts owed to related parties are due to:

£

Geri Productions Limited	224,346
Moneyspider Productions Limited	607,694
Monsta Productions Limited	604,390
Moody Productions Limited	606,309
Red Girl Productions Limited	606,123
	<u>2,648,862</u>