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TRANSYLVANIA PETS LIMITED

REPORT OF THE DIRECTORS

The Directors present their First Report together with the Audited Accounts for the period ended 31st October 1990.

The Company was incorporated on 30th March 1990, and became a subsidiary of Sleepy Kids PLC during the period.

PRINCIPAL ACTIVITY

The principal activity of the Company for the period was the creation and development of characters and story lines capable of being used by the Company in the production of animated television series.

RESULTS

The Company commenced trading on 30th March 1990 and the results for the period are as disclosed on Page 3.

The profit for the period was £10,363.

DIVIDEND

The Directors do not recommend payment of a dividend.

SHARE CAPITAL

Details of shares issued during the period are set out in Note 8 to the Accounts.

FIXED ASSETS

Changes during the period are summarised in the Notes to the Accounts.

DIRECTORS

The Directors during the period and their beneficial interests in the shares of the Company and Holding Company were as follows:-

	<u>Holding Company</u> <u>Ordinary Shares</u> <u>of 5p each</u>		<u>Company</u> <u>Ordinary Shares</u> <u>of £1 each</u>	
	<u>31.10.1990</u>	<u>30.3.1990</u>	<u>31.10.1990</u>	<u>30.3.1990</u>
Mr. M. Powell (Appointed 5.4.1990)	6,507,500	6,507,500	-	-
Mr. A. Barnes (Appointed 5.4.1990)	2,500	2,500	499	-
	=====	=====	=====	=====

AUDITORS

In accordance with Section 384(1), Companies Act 1985, a resolution proposing the re-appointment of Hacker Young as Auditors of the Company will be put to the Annual General Meeting.

Registered Office:

58-60 Berners Street,

London W1P 4JS.

14th December 1990

By Order of the Board
V. Schnager-Powell 89

Secretary

V. Schnager-Powell

Hacker Young Chartered Accountants

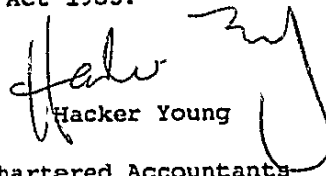


St. Alphage House
2 Fore Street
London EC4A 3DH

AUDITORS' REPORT TO THE MEMBERS OF
TRANSYLVANIA PETS LIMITED

We have audited the accounts set out on pages 3 to 6 in accordance with Auditing Standards.

In our opinion, the accounts show a true and fair view of the state of affairs of the company as at 31 October 1990 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Hacker Young

14 December 1990

Chartered Accountants

TRANSYLVANIA PETS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE PERIOD 30TH MARCH 1990 TO 31ST OCTOBER 1990

<u>Sch.</u>	<u>Notes</u>	<u>£</u>	<u>£</u>
TURNOVER	1b		25,000
A	Selling and Distribution Costs	353	
B	Administrative Expenses	<u>10,715</u>	
			(11,068)
OPERATING PROFIT	2		<u>13,932</u>
C	Interest payable and similar charges		<u>(9)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			13,923
Tax on profit on ordinary activities	4		<u>(3,560)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION/RETAINED PROFITS CARRIED FORWARD			<u><u>10,363</u></u>


The notes on pages 5 and 6 form part of these financial statements.

TRANSYLVANIA PETS LIMITED
BALANCE SHEET AT 31ST OCTOBER 1990

	<u>Notes</u>	<u>£</u>	<u>£</u>
<u>FIXED ASSETS</u>			
Development Costs	5		16,752
<u>CURRENT ASSETS</u>			
Debtors	6	6,175	
Cash at Bank and in Hand		<u>7,599</u>	
		13,774	
<u>CREDITORS</u> - Amounts Falling Due Within One Year	7	(<u>19,163</u>)	
NET CURRENT LIABILITIES			(<u>5,389</u>)
			11,363
			=====
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	8		1,000
Profit and Loss Account			<u>10,363</u>
			11,363
			=====

These accounts were approved by the Board of Directors on 14th December 1990.

M. Powell



The notes on pages 5 and 6 form part of these financial statements.

TRANSYLVANIA PETS LIMITEDNOTES TO THE ACCOUNTSFOR THE PERIOD 30TH MARCH 1990 TO 31ST OCTOBER 19901. ACCOUNTING POLICIESa) Accounting Convention

The Financial Statements have been prepared in accordance with the historical cost convention.

b) Turnover

Turnover represents sales, excluding returns and Value Added Tax, of goods sold and services rendered during the period.

c) Development Costs

Development expenditure and production costs are written off in relation to the revenue derived from the first screenings of the cartoon series in each of the principal territories.

2. PROFIT BEFORE TAXATION

The operating profit before taxation is stated after charging:-

	<u>1990</u>
	<u>£</u>
Auditors' Remuneration	500
	=====

3. INTEREST PAYABLE

	<u>1990</u>
	<u>£</u>
Bank Overdraft	9
	=====

4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1990</u>
	<u>£</u>
Corporation tax at 25% based on the Profit for the Period	3,560
	=====

5. DEVELOPMENT COSTS

	<u>1990</u>
	<u>£</u>
Capitalised during the Period/Carried forward	16,752
	=====

TRANSYLVANIA PETS LIMITEDNOTES TO THE ACCOUNTSFOR THE PERIOD 30TH MARCH 1990 TO 31ST OCTOBER 19906. DEBTORS

	<u>1990</u>
<u>Amounts Falling Due Within One Year</u>	<u>£</u>
Trade Debtors	5,175
Other Debtors	<u>1,000</u>
	6,175
	=====

7. CREDITORS

	<u>1990</u>
<u>Amounts Falling Due Within One Year</u>	<u>£</u>
Trade Creditors	3,684
Amounts owed to Group Companies	8,200
Current Corporation Tax	3,560
Other Taxes and Social Security Costs	2,619
Accruals	<u>1,100</u>
	19,163
	=====

8. SHARE CAPITAL

	<u>1990</u>
<u>Authorised</u>	<u>£</u>
1,000 Ordinary Shares of £1 each	<u>1,000</u>
	=====
<u>Issued, Called Up and Fully Paid</u>	
1,000 Ordinary Shares of £1 each	<u>1,000</u>
	=====

On 30th March 1990, 1,000 Ordinary Shares were issued at par for cash in order to raise working capital.

9. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Sleepy Kids PLC a company incorporated in England.