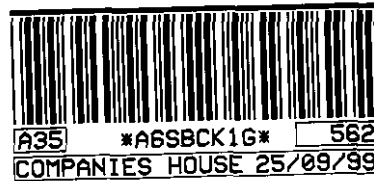


Company Registration No. 2487446 (England and Wales)

TRANSYLVANIA PETS LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998



TRANSYLVANIA PETS LTD

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TRANSYLVANIA PETS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 1998.

Principal activities and review of the business

The principal activity of the company is that of the creation and development of characters and concepts for commercial exploitation including publishing, recording and merchandising.

Results

The results for the year are set out on page 5.

Year 2000

Many computer systems which express dates using only the last two digits of the year may malfunction due to the change to the Year 2000. This risk to the business relates not only to the Company's computer systems, but also to some degree on those of our customers and suppliers.

The Company has reviewed its computer systems for the impact of the Year 2000 date change. An impact analysis has been prepared to identify the major risks, and action plans have been developed to address these in advance of critical dates. The plans give priority to the systems which could have a significant financial or legal impact if they were to fail. The main system affected is the accounting and management information system upon which ongoing compliance work is being performed. Non-compliant equipment and software has been identified and has either been replaced or is due to be replaced prior to 31 December 1999. No significant external costs are expected to be incurred to achieve compliance.

The Company has requested from major suppliers and other trading partners with whom information is exchanged electronically, confirmation that their relevant systems are Year 2000 compliant.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. However, the Board believes that its plans and the resources allocated are appropriate and adequate to address the issue.

Directors

The following directors have held office since 1 January 1998:

M J Powell
V J Schrager-Powell
A Barnes
I Fishman

M Heap was appointed as a director of the company on 17 February 1999.

M J Powell and V J Schrager-Powell resigned as directors on 31 March 1999.

Cont/d...

TRANSYLVANIA PETS LIMITED

DIRECTORS' REPORT

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 December 1998	1 January 1998
M J Powell	-	-
V J Schrager-Powell	-	-
A Barnes	499	499
I Fishman	-	-

The directors' interests in the shares of the ultimate holding company are disclosed in that company's financial statements.

Auditors

Hacker Young resigned as Auditors and Grant Thornton were appointed in their place in accordance with section 385 of the Companies Act 1985.

Registered Office:
58/60 Berners Street
London W1P 4JS

7th July 1999
.....

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

Irvin Fishman
Secretary

A large, stylized handwritten signature in black ink, appearing to read 'Irvin Fishman', is written over the printed name and title. The signature is fluid and cursive, with a long horizontal stroke at the end.

TRANSYLVANIA PETS LTD

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 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 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TRANSYLVANIA PETS LTD

REPORT OF THE AUDITORS
TO THE MEMBERS OF TRANSYLVANIA PETS LTD

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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.

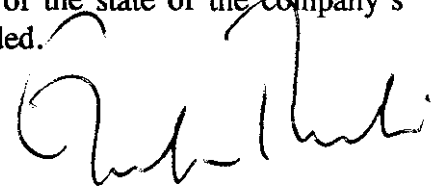
Basis of opinion

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 as at 31 December 1998 and of its loss for the year then ended.



GRANT THORNTON
Registered Auditors
Chartered Accountants

Melton Street
Euston Square
London
NW1 2EP
7 July 1999

TRANSYLVANIA PETS LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998 £	1997 £
Turnover	3	7,433	71,933
Administrative expenses		(10,022)	(79,090)
Operating loss		(2,589)	(7,157)
Other interest receivable and similar income	4	-	97
Loss on ordinary activities before taxation		(2,589)	(7,060)
Tax on loss on ordinary activities	5	-	-
Loss on ordinary activities after taxation	9	(2,589)	(7,060)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 7 to 9 form part of these financial statements.

TRANSYLVANIA PETS LTD

BALANCE SHEET
AS AT 31 DECEMBER 1998

	Notes	1998 £	£	1997 £	£
Current assets					
Debtors	6	232,363		224,916	
Cash at bank and in hand		61		97	
		<u>232,424</u>		<u>225,013</u>	
Creditors: amounts falling due within one year	7	<u>(269,864)</u>		<u>(259,864)</u>	
Total assets less current liabilities			<u>(37,440)</u>		<u>(34,851)</u>
Capital and reserves					
Called up share capital	8		1,000		1,000
Profit and loss account	9		<u>(38,440)</u>		<u>(35,851)</u>
Shareholders' funds - equity interests	10		<u>(37,440)</u>		<u>(34,851)</u>

The financial statements were approved by the Board on 7 July 1999

Signed on behalf of the Board of Directors

M Heap
Director



The notes on pages 7 to 9 form part of these financial statements.

TRANSYLVANIA PETS LTD

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 1998**

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies have remained unchanged from the previous year and are set out below.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.4 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Going concern

The Directors have considered the funding requirements for the next twelve months and have concluded that it is appropriate to prepare the financial statements on a going concern basis.

3 Turnover

The total turnover of the company was derived from its principal activity.

4 Other interest receivable and similar income	1998	1997
	£	£
Bank interest	-	'97
	<hr/>	<hr/>

5 Taxation

No liability to UK Corporation tax arose on ordinary activities for the year ended 31 December 1998 nor for the year ended 31 December 1997.

TRANSYLVANIA PETS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

6 Debtors	1998	1997
	£	£
Trade debtors	7,170	6,949
Amounts owed by subsidiary companies	225,193	217,967
	<u>232,363</u>	<u>224,916</u>
	<u><u>232,363</u></u>	<u><u>224,916</u></u>
 7 Creditors: amounts falling due within one year	 1998	 1997
	£	£
Amounts owed to holding company	269,864	259,864
	<u>269,864</u>	<u>259,864</u>
	<u><u>269,864</u></u>	<u><u>259,864</u></u>
 8 Share capital	 1998	 1997
	£	£
Authorised		
1,000 Ordinary shares of £ 1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
	<u><u>1,000</u></u>	<u><u>1,000</u></u>
 Allotted, called up and fully paid		
1,000 Ordinary shares of £ 1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
	<u><u>1,000</u></u>	<u><u>1,000</u></u>
 9 Statement of movements on profit and loss account		
		Profit and loss account
		£
Balance at 1 January 1998		(35,851)
Retained loss for the year		(2,589)
		<u>(38,440)</u>
Balance at 31 December 1998		<u><u>(38,440)</u></u>

TRANSYLVANIA PETS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

10 Reconciliation of movements in shareholders' funds	1998	1997
	£	£
Loss for the financial year	(2,589)	(7,060)
Opening shareholders' funds	(34,851)	(27,791)
	<hr/>	<hr/>
Closing shareholders' funds	(37,440)	(34,851)
	<hr/>	<hr/>

11 Contingent liabilities

There is a contingent liability in respect of bank borrowings of the following companies secured by a cross composite guarantee;

SKD Media plc.

The Sleepy Kid Company Limited.

Probrands International Limited.

Entertainment Rights Limited.

Bank borrowings are secured by an unscheduled mortgage debenture incorporating a fixed and floating charge over all current and future assets of the company.

12 Capital commitments

There were no capital commitments at 31 December 1998 or 31 December 1997.

13 Employees

Number of employees

There were no employees during the year apart from the directors who received no remuneration (1997: nil).

14 Ultimate parent undertaking and controlling related party

The directors consider that the ultimate parent undertaking and controlling related party is its parent company SKD Media plc.

The largest and smallest group of undertakings for which group accounts have been drawn up is headed by SKD Media plc.

15 Related party transactions

During the year a service charge of £10,000 was paid to SKD Media plc. The company owed an amount of £269,864 to The SKD Media plc at 31 December 1998. The company was owed £169,384 and £55,809 by The Sleepy Kid Company Limited and Probrands International Limited at 31 December 1998 respectively.