

Company Registration No. 2487446 (England and Wales)

TRANSYLVANIA PETS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997



TRANSYLVANIA PETS LIMITED

COMPANY INFORMATION

| | |
|-------------------|---|
| Directors | Mr M J Powell Mr A Barnes Mr I Fishman Mrs V J Schrager-Powell |
| Secretary | Mr I Fishman |
| Company number | 2487446 |
| Registered office | 58/60 Berners Street London W1P 4JS |
| Auditors | Hacker Young 168 Church Road Hove East Sussex BN3 2DL |

TRANSYLVANIA PETS LIMITED

CONTENTS

| | Page |
|--|------|
| Directors' Report | 1 |
| Statement of Directors' Responsibilities | 2 |
| Auditors' Report | 3 |
| Profit and Loss Account | 4 |
| Balance Sheet | 5 |
| Notes to the Financial Statements | 6-8 |

TRANSYLVANIA PETS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 1997.

Principal Activities and Review of the Business

The principal activity of the company continued to be that of the creation and development of characters and storylines capable of being used by the Group in the production of animated television serials.

Results and dividends

The results for the year are set out on page 3.

Directors

The following directors have held office since 1 January 1997:

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

The directors' interest in the shares of the company and the holding company were as stated below:

Directors' interests

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

| | Ordinary shares of £1 each | |
|-------------------------|----------------------------|----------------|
| | 31 December 1997 | 1 January 1997 |
| Mr M J Powell | - | - |
| Mr A Barnes | 499 | 499 |
| Mr I Fishman | - | - |
| Mrs V J Schrager-Powell | - | - |

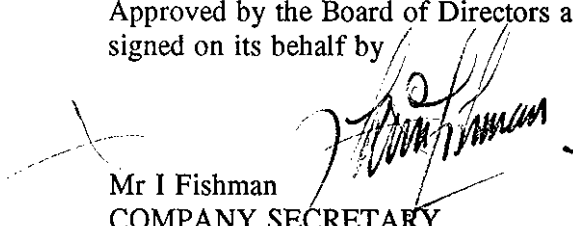
The directors' interests in the shares of the holding company are disclosed in that company's financial statements.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Hacker Young be reappointed as auditors of the company will be put to the Annual General Meeting.

Registered Office:
58/60 Berners Street
London
W1P 4JS
18 June 1998

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


Mr I Fishman
COMPANY SECRETARY

TRANSYLVANIA PETS LIMITED

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 LIMITED

REPORT OF THE AUDITORS
TO THE MEMBERS OF TRANSYLVANIA PETS LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

168 Church Road
Hove
East Sussex
BN3 2DL
18 June 1998



HACKER YOUNG
Registered Auditors
Chartered Accountants

TRANSYLVANIA PETS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

| | Notes | 1997 £ | 1996 £ |
|--|-------|-----------|-----------|
| Turnover | 1.2 | 71,933 | 103,442 |
| Administrative expenses | | (79,090) | (105,905) |
| Operating loss | 3 | (7,157) | (2,463) |
| Other interest receivable and similar income | 4 | 97 | 282 |
| Interest payable and similar charges | 5 | - | (32) |
| Loss on ordinary activities before taxation | | (7,060) | (2,213) |
| Tax on loss on ordinary activities | | - | - |
| Loss on ordinary activities after taxation | 9 | (7,060) | (2,213) |

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 6 to 8 form part of these financial statements.


TRANSYLVANIA PETS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 1997

| | Notes | 1997 £ | £ | 1996 £ | £ |
|---|-------|------------------|-----------------|------------------|-----------------|
| Current assets | | | | | |
| Debtors | 6 | 224,916 | | 142,006 | |
| Cash at bank and in hand | | 97 | | 20,703 | |
| | | <u>225,013</u> | | <u>162,709</u> | |
| Creditors: amounts falling due within one year | 7 | <u>(259,864)</u> | | <u>(190,500)</u> | |
| Total assets less current liabilities | | | <u>(34,851)</u> | | <u>(27,791)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 8 | | 1,000 | | 1,000 |
| Profit and loss account | 9 | | <u>(35,851)</u> | | <u>(28,791)</u> |
| Shareholders' funds - equity interests | 10 | | <u>(34,851)</u> | | <u>(27,791)</u> |

The financial statements were approved by the board on 18 June 1998


.....
Mr M J Powell
Director


.....
Mrs. V.J. Schrager-Powell
Director

The notes on pages 6 to 8 form part of these financial statements.

TRANSYLVANIA PETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

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 financial statements have been prepared on a going concern basis even though at the Balance Sheet date the Company's current liabilities exceeded its current assets by £34,851 and it made a loss for the year of £7,060.

The Directors consider the going concern basis to be appropriate because, in their opinion, the Company will continue to obtain sufficient funding to enable it to pay its debts as they fall due. If the Company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

3 Operating loss

| | 1997 | 1996 |
|--|-------------------|-------------------|
| | £ | £ |
| Operating loss is stated after charging: | | |
| Auditors' remuneration | - | 500 |
| | <u> </u> | <u> </u> |

4 Other interest receivable and similar income

| | 1997 | 1996 |
|---------------|-------------------|-------------------|
| | £ | £ |
| Bank interest | 97 | 282 |
| | <u> </u> | <u> </u> |

5 Interest payable

| | 1997 | 1996 |
|------------------------------|-------------------|-------------------|
| | £ | £ |
| On bank loans and overdrafts | - | 32 |
| | <u> </u> | <u> </u> |

TRANSYLVANIA PETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

| | | |
|--|-----------------|------------------------------------|
| 6 Debtors | 1997 | 1996 |
| | £ | £ |
| Trade Debtors | 6,949 | 19,434 |
| Amounts owed by parent and fellow subsidiary undertakings | 217,967 | 122,572 |
| | <u>224,916</u> | <u>142,006</u> |
| 7 Creditors: amounts falling due within one year | 1997 | 1996 |
| | £ | £ |
| Accruals and deferred income | - | 190,500 |
| Amounts owed to parent and fellow subsidiary undertakings | 259,864 | - |
| | <u>259,864</u> | <u>190,500</u> |
| 8 Share capital | 1997 | 1996 |
| | £ | £ |
| Authorised | | |
| 1,000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| Allotted, called up and fully paid | | |
| 1,000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| 9 Statement of movements on profit and loss account | | Profit and loss account |
| | | £ |
| Balance at 1 January 1997 | | (28,791) |
| Retained loss for the year | | <u>(7,060)</u> |
| Balance at 31 December 1997 | | <u>(35,851)</u> |
| 10 Reconciliation of movements in shareholders' funds | 1997 | 1996 |
| | £ | £ |
| Loss for the financial year | (7,060) | (2,213) |
| Opening shareholders' funds | <u>(27,791)</u> | <u>(25,578)</u> |
| Closing shareholders' funds | <u>(34,851)</u> | <u>(27,791)</u> |

TRANSYLVANIA PETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

11 Control

The company is a subsidiary undertaking of Sleepy Kids PLC, a company incorporated in England and Wales.

TRANSYLVANIA PETS LIMITED

SCHEDULE OF DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 1997

| | 1997 | 1996 |
|--------------------------------|---------------|----------------|
| | £ | £ |
| Administrative expenses | | |
| Service charge payable | 79,000 | 105,000 |
| Legal and professional fees | - | 150 |
| Audit fees | - | 500 |
| Bank charges | - | 156 |
| Loss on foreign exchange | 90 | - |
| Sundry expenses | - | 99 |
| | <u>79,090</u> | <u>105,905</u> |