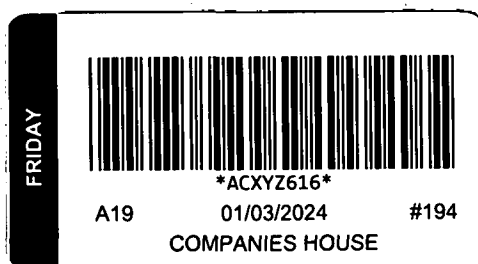


Registered number: 1555168

GULLANE (THOMAS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



GULLANE (THOMAS) LIMITED

COMPANY INFORMATION

Directors	P Bapna N A Godfrey M Moore
Company secretary	T Piccus S K Tung
Registered number	1555168
Registered office	3rd Floor The Porter Building 1 Brunel Way Slough Berkshire SL1 1FQ
Independent auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

GULLANE (THOMAS) LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 25

GULLANE (THOMAS) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present the strategic report of Gullane (Thomas) Limited (the "Company") for the year ended 31 December 2022

Review of business and future developments

Business environment

The children's entertainment business, comprised of television content, licensing and merchandising, home entertainment, live event shows and attractions and digital continues to be a very competitive industry.

While the industry has seen a proliferation of specialist children's channels emerge over the last decade, the distribution of pre-school television content is highly competitive. This is due to the children-focused cable and satellite networks developing and owning their programming content and the number of production companies competing in the market. Accordingly, distribution is secured among the free-to-air public television broadcasters in the major markets. Furthermore, viewership from streaming and channels such as YouTube has become increasingly relevant in recent years, with Thomas & Friends content being distributed and managed accordingly on these platforms.

2022 saw the continued distribution of Thomas & Friends content across the globe. Series 25 was distributed in EMEA and APAC, having already been distributed in North America in 2021, whilst the first half of episodes from Series 26 were delivered on a global scale. During 2023, the second half of episodes from Series 26 were also distributed on a global scale, backed up by a Series 27 Special 'The Great Bubbly Build' which has been delivered in North America. The aim of this continued distribution of new Thomas content on multiple platforms is to help turn around recent revenue declines, most notably in the toy line and consumer products business.

Turnover has declined by 9% compared to prior year, largely attributable to lower royalties being reported in consumer products outside of Europe.

In many key territories across the Consumer Products ("CP") business, character-based retailing is concentrated in the hands of a few retailers who focus on maximising shelf space return with heavily promoted Thomas & Friends branding and events. As broadcast of pre-school shows is a driver of retail placement of the CP, ancillary revenues are also somewhat dependent on the Company's broadcast footprint in each territory. The Company continues to enjoy strong relationships with major broadcasters in key territories.

Business review

The Thomas & Friends brand is still one of the top preschool licenses in the United Kingdom. The master toy rights continue to be held by Fisher-Price (which is part of the Mattel Inc. group) for the International markets. This is a partnership which continues to be a success, and which Directors believes will provide future growth for the Thomas & Friends brand.

The group continues to invest in the brand and the directors believe it is well positioned to turn around recent revenue trends and experience future growth.

Strategy

Key elements of the Company's strategic plan are as follows:

- * continued exploitation of the Thomas & Friends brand through diverse lines of business including Home Entertainment, Consumer Products, Live Events, Television and New Media;
- * enhance the Thomas & Friends brand through programming content investment and innovation;
- * increase brand awareness through alternatives to television, such as movies, theme parks, publishing and digital media;

GULLANE (THOMAS) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

- * continued upgrade of major licensees; and
- * maintain strong relationships with broadcasters all over the world.

The continued success of the Thomas & Friends brand is key to the future of the Company. The directors currently know of no other issues that would prevent the Company's continued success.

Going Concern

In assessing the company's ability to continue to operate as a going concern the directors have considered the cash position of the company, the recoverability of intercompany balances and the future operations of the company. As such, the directors have reasonable expectation that the company has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing these financial statements.

The Company has also sought and obtained a letter of support from its ultimate parent company, Mattel Inc. Consequently, the Directors believe that for any reason should the Company be unable to meet its liabilities then Mattel Inc. will provide financial support to the Company in accordance with this letter such that the Company is able to operate as a going concern and to settle its liabilities as they fall due for at least 12 months from the date of these financial statements. The company has assessed whether it can rely upon the letter of support and has no concern in that regard.

Principal risks and uncertainties

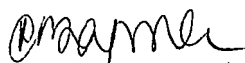
Mattel Inc. manage the Group's risks at a Group level, rather than at an individual entity level. For this reason, the Company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The development, performance and position of the Group headed by Mattel Inc. which includes the Company, is discussed in the Mattel Inc. annual report (from page 11 of Mattel's 2022 annual report, which is posted on its website and can be obtained from the address in note 20), which does not form part of these financial statements.

Financial key performance indicators

The key performance indicators (KPIs) used by the Company to measure annual performance are turnover and operating profit.

Turnover in 2022 was £12,402,000; a decrease of 9% on the prior year (2021 - £13,639,000 as restated), which was largely attributable to lower royalties within the Consumer Products business. Operating profit was £7,096,000 in 2022; an increase of 36% on the prior year (2021 - £5,216,000). At the Balance Sheet date the Company had net assets of £28,097,000 (2021 - £19,561,000).

This report was approved by the board on 29 February 2024 and signed on its behalf.



Prashant Bapna
Director

GULLANE (THOMAS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Results and dividends

The profit for the year, after taxation, amounted to £8,536,000 (2021 - £5,028,000).

There were no dividends received or paid out during the year (2021: £nil). The Directors do not recommend the payment of a dividend (2021: £nil) and have not proposed any dividend before the date of the approval of the financial statements.

GULLANE (THOMAS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Directors

The directors of the company who served during the year and up to the date of signing the financial statements were:

P Bapna (appointed 27 July 2020)
N A Godfrey (appointed 24 January 2018)
M Moore (appointed 7 December 2021)

Future developments

Future developments are discussed in the strategic report on page 1.

Financial risk management

The Company is exposed to foreign exchange risk in respect to its operations in the UK and abroad, and to a lesser extent, net assets denominated in foreign currencies. The Company operates globally, and so third party licensee contracts will continue to be denominated in multiple currencies. Credit management will ensure underlying non-GBP balances are cleared as soon as possible. The Company maintains sufficient available funds for its daily operations. Management actively monitors all funding requirements, and will manage any finance arrangements needed to meet such requirements. The Company's policy is to provide for any trade or other debtors balance whose collection is deemed doubtful. The Company is exposed to credit risk of its trade and other debtors to the extent they are not specifically provided for as doubtful accounts. The Company also monitors its balances with group undertakings on a regular basis to ensure recoverability and to provide for any balances at risk if applicable.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

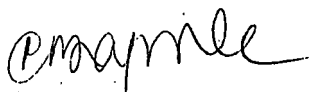
Post balance sheet events

Post balance sheet events have been discussed in note 17.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 February 2024 and signed on its behalf.



Prashant Bapna
Director

Independent auditors' report to the members of Gullane (Thomas) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Gullane (Thomas) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- evaluation of management's controls designed to prevent and detect irregularities;
- inquiries with management, including in respect of known or suspected instances of non-compliance with laws and regulation or fraud;
- review of the minutes of Board meetings;
- identifying and testing journal entries posted, in particular any journal entries posted with unusual account combinations; and
- incorporating elements of unpredictability into the audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Alex Blake (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
1 March 2024

GULLANE (THOMAS) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	As restated 2021 £000
Turnover	4	12,402	13,639
Cost of sales		(4,365)	(7,396)
Gross profit		8,037	6,243
Distribution costs		(948)	(845)
Administrative expenses		(342)	(182)
Other operating income		349	-
Operating profit	5	7,096	5,216
Interest income	8	53	4
Profit before taxation		7,149	5,220
Tax credit/(charge) on profit	9	1,387	(192)
Profit and total comprehensive income for the financial year		8,536	5,028

The Statement of Comprehensive income has been restated to correct for a prior year error (see note 3).

The notes on pages 11 to 25 form part of these financial statements.

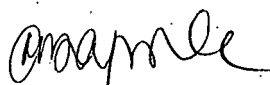
GULLANE (THOMAS) LIMITED
REGISTERED NUMBER: 1555168

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Current assets			
Stocks	10	-	590
Debtors	11	93,362	86,064
Cash at bank and in hand	12	350	264
		<u>93,712</u>	<u>86,918</u>
Creditors: amounts falling due within one year	13	(65,615)	(67,357)
Net current assets		<u>28,097</u>	<u>19,561</u>
Total assets less current liabilities		<u>28,097</u>	<u>19,561</u>
Net assets		<u>28,097</u>	<u>19,561</u>
Capital and reserves			
Called up share capital	15	-	-
Other reserves	16	287,681	287,681
Profit and loss account	16	(259,584)	(268,120)
Total equity		<u>28,097</u>	<u>19,561</u>

The notes on pages 11 to 25 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 February 2024.



Prashant Bapna
Director

GULLANE (THOMAS) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2021	-	287,681	(273,148)	14,533
Profit and total comprehensive income for the financial year	-	-	5,028	5,028
At 31 December 2021 and at 1 January 2022	-	287,681	(268,120)	19,561
Profit and total comprehensive income for the financial year	-	-	8,536	8,536
At 31 December 2022	-	287,681	(259,584)	28,097

The notes on pages 11 to 25 form part of these financial statements.

GULLANE (THOMAS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Gullane (Thomas) Limited (the "Company") exploits the Thomas & Friends character licensing rights associated with its television content. The Company is a private company limited by shares and incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is 3rd Floor, The Porter Building, 1 Brunel Way, Slough, Berkshire, SL1 1FQ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ('FRS 102') and the Companies Act 2006.

In assessing the company's ability to continue to operate as a going concern the directors have considered the cash position of the company, the recoverability of intercompany balances and the future operations of the company. As such, the directors have reasonable expectation that the company has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing these financial statements.

The Company has also sought and obtained a letter of support from its ultimate parent company Mattel Inc. Consequently, the Directors believe that for any reason should the Company be unable to meet its liabilities then Mattel Inc. will provide financial support to the Company in accordance with this letter such that the Company is able to operate as a going concern and to settle its liabilities as they fall due for at least 12 months from the date of these financial statements. The company has assessed whether it can rely upon the letter of support and has no concern in that regard. Therefore, these financial statements are prepared on a going concern basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

GULLANE (THOMAS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.2 Financial reporting standard 102 - reduced disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that entity is consolidated. The Company is a qualifying entity as its results are consolidated in the consolidated financial statements of Mattel Inc. which are publicly available. As a qualifying entity, the company has taken advantage of the following exemptions:

- from the requirement to prepare a statement of cash flows as required by Section 7 and paragraph 3.17(d) of FRS 102;
- from the requirement to present financial instrument disclosures, as required by FRS 102 paragraph 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- from the requirement to present share-based payment disclosures, as required by FRS 102 paragraph 26.18(b), 26.19 and 26.23;
- from the requirement to disclose the key management personnel compensation in total as required by FRS 102 paragraph 33.7; and
- from disclosing transactions, per FRS 102 section 33.1(a), between group companies as long as the subsidiary that is party to the transaction is wholly owned within the group.

This information is included in the consolidated financial statements of Mattel Inc. as at 31 December 2022 and these financial statements may be obtained from 333 Continental Blvd, El Segundo, CA 90245, United States.

GULLANE (THOMAS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

2.3.1 General

The Company has adopted the guidance whereby revenue is recognised only when all of the following conditions are met:

- (i) Evidence of a licensing agreement exists in the form of a signed and fully executed contract;
- (ii) Licensee has obtained control over the necessary property for exploitation of the licensed rights to begin (that is, content has been delivered or available for immediate delivery);
- (iii) The license period of the arrangement has begun and the customer can begin exploitation, exhibition or sale;
- (iv) The arrangement fee is fixed or determinable; and
- (v) Collections of the arrangement fee are reasonably assured.

2.3.2 Licensing revenue

2.3.2.1 Variable Fees - no Minimum Guarantee ('MG') Recognition

All royalty and licensing income is recognised as revenue on an "as-earned" basis during the term of the contract.

For multi-year contracts, royalty income is recognised as revenue on an as-earned basis.

In absence of reported royalties, a royalty revenue accrual is established using the best estimate available, considering but not limited to, licensee sales projections, historical data and seasonal fluctuations and only when the amount is considered material to the individual contract.

Upon receipt of actual reported royalties, "contract inception to reporting date reported royalties" are compared to "contract inception to reporting date recognised revenue" with any associated true up/down recognised in revenue.

2.3.2.2 Variable Fees with non-refundable MG

The Company's business plan is to build strategic partnerships with key licensees in order to develop relationships that result in consistent revenue growth - both for the licensee and for the Company. With this goal in mind, each licensee contract is managed as its own business plan, weighing up licensee performance and ongoing relationship development when considering minimum guarantees. As a result the Company will, from time to time, subjectively waive all or part of an MG to manage such partnerships. This would generally occur in the final year of a contract and can occur under multiple scenarios.

As the possibility of waiver cannot be determined until contract end when performance can be reviewed, MG revenue is not reasonably determinable for upfront revenue recognition. As such:

- 1) Under contracts which have a specified guarantee for the entire contract term:
 - Royalties are recognised on an as-earned basis as per 2.3.2.1 above.

GULLANE (THOMAS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.3 Revenue (continued)

- Royalties earned above and beyond the minimum guaranteed amount are recognised on an as-earned basis in accordance with the 2.3.2.1 above.
- If, at the last reporting period of the contract term, a portion of the non-refundable MG remains unearned ("guarantee shortfall"), any guarantee shortfall is recognised with the recognition of royalty income in the last reporting period of the contract term.
- Recognition of any guarantee balance is subject to the criteria outlined in 2.1 above being met.

2) Under contracts which have stand-alone guarantee periods:

- The guarantee shortfall is recognised with the recognition of royalty income in the last reporting period of each guarantee term.

2.3.3 Licensing revenue - TV

Income is recognised upon satisfaction of the criteria outlined in 2.3.1.

The majority of television contracts have a single advance payment. This is referred to as a 'flat fee'. Flat fees are considered fixed and determinable.

Revenue recognised on owned television programme series and from the distribution of licensed television programmes represents the invoiced value of license fees including withholding tax but excluding value added tax.

Where timing differences arise between the recognition of revenue in the Statement of Comprehensive Income, and the contractual time when the Company is allowed to invoice the licensee, revenue is recognised as follows:

- (1) Where the Company can contractually invoice in the current period but the revenue recognition criteria is not met until a subsequent period (contract signed, material delivered, but license period starts in a future month), recognition of revenue is deferred until the license period starts;
- (2) Where the Company has met the revenue recognition criteria in the current period but contractually cannot invoice until a subsequent period (whether several instalments or 1 instalment at end of the license), revenue is accrued until the point at which the invoice can be raised.

2.3.4 Advances

While an advance may be invoiced, it does not meet the revenue recognition criteria outlined in 2.3.1. Advances invoiced/received are booked in the balance sheet as deferred income.

As revenue is recognised in accordance with 2.3.2 above, any advance in deferred income is offset against accrued income created at the time of recognising revenue.

2.4 Interest income

Interest income is recognised in profit or loss using the effective interest method.

GULLANE (THOMAS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.5 Stocks - Investment in Programmes

Investments in programmes are stated at the lower of cost, less accumulated amortisation, or net realisable value.

Costs comprise direct programme costs, which are capitalised costs incurred up to the date of first release of the programme, and programme development costs. Costs for developing programmes are expensed until such time that a pilot is produced and decision made to further exploit the programme.

A charge is made to write down the cost of completed programmes over their useful lives. Completed programmes are amortised based on the ratio of the current period's net revenues to estimated total net revenues from all sources on an individual production basis. Amortisation is included in cost of sales in the Statement of Comprehensive Income. Series are amortised over 36 months and specials over 15 months.

An assessment is made at each balance sheet date by the directors to determine whether provision is required to reduce the carrying value of the investment in programmes to net realisable value. Where programmes in development are not expected to proceed, the related costs are written off to the profit and loss account.

Any charge from writing down to net realisable value during the year is included in the Statement of Comprehensive income as part of cost of sales.

2.6 Debtors

Short term debtors and amounts owed by group undertakings are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Impairment assessments are performed annually and any impairment loss or reversal of impairment loss is recognised in the Statement of comprehensive income.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

GULLANE (THOMAS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors and amounts owed to group undertakings are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

GULLANE (THOMAS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in profit or loss within 'other operating income' or 'administrative expenses' respectively.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply to the reversal of the timing differences.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The directors do not believe there are any estimates and assumptions that have a risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year.

Prior Year Restatement

During the course of the 2022 financial year, as a result of reviewing a third-party master licensee agreement relating to commission payable, the Directors identified an error in the classification of turnover and cost of sales related to FY21. This error occurred because the turnover and cost of sales related to this agreement were previously accounted for on a net basis, as though the Company was the agent, not the principal, to the agreement. Following a detailed review of the agreement, the Directors concluded that the Company should be considered the principal, not the agent, because the third party master licensee serves as the Company's agent in its sub license arrangements, given that the Company, not the master licensee, controls key terms of the sub license arrangements, and so the master licensee does not obtain control of the Intellectual Property before it is transferred to the sub-licensee. There is no impact on the Balance Sheet as at 1 January 2021. The error resulted in a material understatement of turnover and cost of sales in the Statement of Comprehensive Income for FY21.

The error has been corrected by restating each of the affected financial statement line items for the prior year as follows:

Statement of Comprehensive Income (extract)

	For the year ended 31 December 2021	For the year ended 31 December 2021	For the year ended 31 December 2021
	£000	£000	£000
Turnover	11,918	1,721	13,639
Cost of Sales	5,675	1,721	7,396
		Increase	

The prior year restatement is denoted by the header 'As restated' on the face of the Statement of Comprehensive Income on page 8. The correction further affected some of the amounts disclosed in note 4, relating to Rest of the World turnover within Consumer Products.

GULLANE (THOMAS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Turnover

	2022 £000	As restated 2021 £000
Analysis of turnover by country of destination		
United Kingdom	2,135	1,985
Rest of Europe	1,639	1,555
Rest of the World	8,628	10,099
	<u>12,402</u>	<u>13,639</u>

	2022 £000	As restated 2021 £000
An analysis of turnover by class of business is as follows:		
Consumer Products	8,028	9,944
Home Entertainment	1,265	771
Television	1,322	1,350
Live Events	1,522	1,251
New Media	265	323
	<u>12,402</u>	<u>13,639</u>

5. Operating profit

The operating profit is stated after charging/(crediting):

	2022 £000	2021 £000
Amortisation of investment in programmes	590	2,070
Exchange differences	(349)	242
Other operating expense	15	3
Royalty expenses	<u>2,893</u>	<u>3,183</u>

The distribution costs line in the Statement of Comprehensive Income comprise marketing and advertising costs for both the current and the prior year.

GULLANE (THOMAS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Auditors' remuneration

Auditors' remuneration in the current and prior year has been borne by parent company HIT Entertainment Ltd.

7. Directors and employees

The average monthly number of employees during the year, excluding directors, was nil (2021: nil).

The Directors were remunerated by other group companies and no recharges were made (2021 - £nil). It is not possible to apportion the share of the Directors costs for services undertaken on behalf of the Company.

8. Interest income

	2022 £000	2021 £000
Interest receivable from group undertakings	53	4
	53	4

Interest receivable relates to interest accrued on amounts owed by group undertakings.

GULLANE (THOMAS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Tax on profit

	2022 £000	2021 £000
Foreign tax		
Foreign tax on income for the year	61	142
	<u>61</u>	<u>142</u>
Total current tax	<u>61</u>	<u>142</u>
Deferred tax		
Origination and reversal of timing differences	(27)	50
Recognition of previously unrecognised foreign tax credits	(1,409)	-
Change in tax rate	(12)	-
	<u>(1,448)</u>	<u>50</u>
Total deferred tax	<u>(1,448)</u>	<u>50</u>
Tax (credit)/charge on profit	<u>(1,387)</u>	<u>192</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - *lower than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit before tax	7,149	5,220
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,358	992
Effects of:		
Change in tax rate	(12)	-
Timing differences in relation to animation trade	-	(39)
Foreign taxes unrelieved	61	142
Transfer pricing adjustments	(400)	(518)
Utilisation of previously unrecognised tax losses	(48)	(385)
Unrecognised foreign taxes utilised and recognised	(1,988)	-
Group relief for nil consideration	(358)	-
Total tax (credit)/charge for the year	<u>(1,387)</u>	<u>192</u>

GULLANE (THOMAS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Tax on profit (continued)

Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10. Stocks

	2022 £000	2021 £000
Investment in programmes	-	590
	<u>-</u>	<u>590</u>

Investment in programmes

	Completed £000	Total £000
At 1 Jan 2022	590	590
Amortisation	(590)	(590)
At 31 December 2022	<u>-</u>	<u>-</u>

GULLANE (THOMAS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Debtors

	2022 £000	2021 £000
Due within one year		
Trade debtors	1,302	1,354
Amounts owed by group undertakings	88,117	83,322
Other debtors	109	-
Prepayments and accrued income	2,374	1,376
Deferred taxation	1,460	12
	<u>93,362</u>	<u>86,064</u>

Amounts owed by group undertakings are not secured, interest free, have no fixed date of repayment and are repayable on demand, except for amounts due from Mattel International Finance B.V. which as at 31 December 2022 were a balance of £2,169,000 (2021: £3,056,000), which are subject to interest based on a weighted average investment rate of 3.95% (2021: 0.35%) but are also repayable on demand.

Trade debtors are stated after provisions for impairment of £203,000 (2021: £75,000).

12. Cash at bank and in hand

	2022 £000	2021 £000
Cash at bank and in hand	350	264
	<u>350</u>	<u>264</u>

13. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	509	748
Amounts owed to group undertakings	63,576	65,237
Taxation and social security	-	109
Accruals and deferred income	1,530	1,263
	<u>65,615</u>	<u>67,357</u>

Amounts owed to the group undertakings are not secured, are interest free, have no fixed date of repayment and are repayable on demand.

GULLANE (THOMAS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Deferred tax

	2022 £000	2021 £000
At beginning of year	12	62
Credited/(charged) to profit or loss	1,448	(50)
At end of year	1,460	12

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
DTA on reserve	51	12
Unrelieved foreign taxes	1,409	-
	1,460	12

A previously unrecognised deferred tax asset of £1,981,000, being £55,000 in respect of Trade and Creative Sector Relief losses and £1,926,000 in respect of unrelieved foreign taxes, has been utilised with the remainder recognised in the year as there is sufficient evidence to anticipate full utilisation in the near term.

GULLANE (THOMAS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Called up share capital

	2022	2021
	£000	£000
Authorised		
1,000 (2021 - 1,000) Ordinary shares of £0.10 each	-	-

16. Reserves

Other reserves

Other reserves relate to a capital contribution from 2012, when there was a restructuring exercise within the Mattel Inc. group, of which the Company is a wholly owned indirect subsidiary. All movements during the year in other reserves have been disclosed in the Statement of Changes in Equity on page 10 of the financial statements.

Profit and loss account

All movements during the year in the profit and loss account have been disclosed in the Statement of Changes in Equity on page 10 of the financial statements.

17. Post balance sheet events

The directors have considered all events and circumstances up to the date of signing these financial statements and there are no such subsequent events that require disclosure recognising the nature of this entity.

18. Controlling party

The immediate parent undertaking is HIT Entertainment Limited, which is registered in England and Wales.

The ultimate parent undertaking and controlling party is Mattel Inc., a publicly listed company registered in the United States. The largest and smallest group of companies into which the results of the Company are consolidated at the balance sheet date is Mattel Inc.

The consolidated financial statements can be obtained at Mattel Inc. 333 Continental Blvd, El Segundo, CA 90245, United States.