

Registered number: 4316800

HIT CONSUMER PRODUCTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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HIT CONSUMER PRODUCTS LIMITED

COMPANY INFORMATION

Directors	NA Godfrey (appointed 24 January 2018) P Bapna (appointed 27 July 2020) S Wollman (appointed 18 November 2019)
Company secretary	T Piccus
Registered number	4316800
Registered office	3rd Floor The Porter Building 1 Brunel Way Slough Berkshire SL1 1FQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

HIT CONSUMER PRODUCTS LIMITED

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HIT CONSUMER PRODUCTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

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, the 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;
- prepare the audited 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.

Principal activities

HIT Consumer Products Limited's (the "Company") principal activities are to promote audio rights for the Thomas & Friends brand. The Directors expect this to remain so for the foreseeable future.

HIT CONSUMER PRODUCTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2020**

Future Developments

The Company renewed a third-party agreement for audio rights during the year. The Directors believe that this will help to provide a platform for future revenue growth.

Going concern

The Company has 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.

Directors

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

NA Godfrey (appointed 24 January 2018)

P Bapna (appointed 27 July 2020)

S Wollman (appointed 18 November 2019)

A Unitt (appointed 24 January 2018, resigned 7 August 2020)

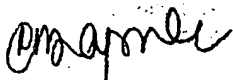
Independent auditors

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006. In addition the directors have taken advantage of the small companies exemption from preparing a strategic report provided by section 414B of the Companies Act 2006.

This report was approved by the board on 29 September 2021 and signed on its behalf.



Prashant Bapna
Director

Independent auditors' report to the members of HIT Consumer Products Limited

Report on the audit of the financial statements

Opinion

In our opinion, HIT Consumer Products Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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, comprising 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 Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Statement of Comprehensive Income, 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 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, 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 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 fraudulent recognition of revenue and bias relating to accounting estimates. Audit procedures performed by the engagement team included:

- Discussions and enquiries with management and legal counsel, relating to instances of non-compliance with laws and regulation and fraud;
- Review of minutes of the Board of Directors' meetings;
- Identifying and testing journal entries, in particular any journal entries with unusual account combinations;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Challenging estimates and judgements made by management and independently testing the assumptions in relation to these.

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

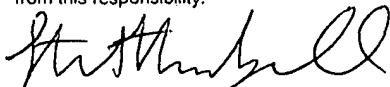
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Stuart Macdougall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 September 2021

HIT CONSUMER PRODUCTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Turnover	4	1,400	566
Cost of sales		(49)	(147)
Gross profit		1,351	419
Administrative expenses		(1)	7
Operating profit	5	1,350	426
Total comprehensive income for the year		1,350	426

The notes on pages 9 to 17 form part of these financial statements.

HIT CONSUMER PRODUCTS LIMITED
REGISTERED NUMBER: 4316800

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Current assets			
Debtors: amounts falling due within one year	9	3,127	1,777
		<u>3,127</u>	<u>1,777</u>
Total assets less current liabilities		3,127	1,777
Net assets		<u>3,127</u>	<u>1,777</u>
Capital and reserves			
Profit and loss account	11	3,127	1,777
		<u>3,127</u>	<u>1,777</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2021.



Prashant Bapna
Director

The notes on pages 9 to 17 form part of these financial statements.

HIT CONSUMER PRODUCTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1st January 2019	-	1,351	1,351
Profit for the year	-	426	426
At 31st December 2019 and at 1st January 2020	-	1,777	1,777
Profit for the year	-	1,350	1,350
At 31st December 2020	-	3,127	3,127

The notes on pages 9 to 17 form part of these financial statements.

HIT CONSUMER PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

1. General information

HIT Consumer Products Limited (the "Company") promotes audio rights for the Thomas & Friends brand. The Company is a private company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of the 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 and the Companies Act 2006.

The Company has 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 (see note 3).

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Mattel Inc. as at 31 December 2019 and these financial statements may be obtained from Mattel Inc. 333 Continental Blvd, El Segundo, CA 90245, United States. The following principal accounting policies have been applied:

HIT CONSUMER PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

2. Accounting policies (continued)

2.3 Revenue

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 reasonable assured.

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.

Delinquent royalties

Where revenue recognised during a period is based on an accrual (as opposed to actual reported royalties) and royalties are not reported by the reporting period due date (usually a subsequent period) the licensee will be considered delinquent. As such:

- a reversal of previously accrued revenue for the reporting period that is now delinquent is booked in the period that the royalty becomes delinquent; and
- no further revenue is accrued in future periods until the Company receives all delinquent royalty statements.

This is on the basis that where a licensee is not reporting royalties by the reporting period due date, collection of the fees may no longer be reasonably assured.

2.3.2.2 Variable Fees with non-cross collateralised 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.

HIT CONSUMER PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

2. Accounting policies (continued)

2.3 Revenue (continued)

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.

- 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.

2.3.2.3 Variable Fees with cross collateralised non-refundable MG's

Fees subject to cross collateralisation are not considered fixed or determinable with respect to each brand/territory/category/year/film until the licensee exploits all the rights. As such revenue is recognised as follows:

1) Under contracts which allow for the cross-collateralisation of guarantee balances and have a specified guarantee for the entire contract term:

- Per 2.3.2.2 above.

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

- Per 2.3.2.2 above.

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;

HIT CONSUMER PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

2. Accounting policies (continued)

2.3 Revenue (continued)

2.3.3 Licensing revenue - TV (continued)

(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 Revenue Liability." As revenue is recognised in accordance with 2.3.2 above, any advance in "Deferred Revenue Liability" is offset against "Accrued Revenue Asset" created at the time of recognising 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:

2.4 Taxation

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.

2.5 Debtors

Short term debtors 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.

HIT CONSUMER PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020**

2. Accounting policies (continued)

2.6 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 and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

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 amounts of assets and liabilities within the next financial year.

HIT CONSUMER PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £000	2019 £000
Audio Licensing	1,400	566
	<u>1,400</u>	<u>566</u>

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	282	53
Rest of Europe	486	150
Rest of the World	632	363
	<u>1,400</u>	<u>566</u>

5. Operating profit

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

	2020 £000	2019 £000
Exchange differences	1	(7)
	<u>1</u>	<u>(7)</u>

6. Auditors' remuneration

Auditors' remuneration in the current and prior year has been borne by fellow group company Hit Entertainment Limited.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of the parent Company.

7. Directors and employees

The directors were remunerated by other group companies and no recharges were made (2019 - £nil). It is not possible to apportion the share of the directors costs for services undertaken on behalf of the Company.

HIT CONSUMER PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020**

8. Taxation

	2020 £000	2019 £000
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	1,350	426
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	257	81
Effects of:		
Group relief	(259)	(87)
Transfer pricing adjustments	2	6
Total tax charge for the year	-	-

Factors that may affect future tax charges

In Finance Bill 2021, substantively enacted in June 2021, the main corporation tax rate is set to increase to 25% with effect from 1 April 2023. As Finance Bill 2021 had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. Had it been substantively enacted by the balance sheet date, the impact on the income tax charge and deferred tax asset would not be material.

UK deferred taxes have been provided at 19% (2019: 17%)

HIT CONSUMER PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

9. Debtors: amounts falling due within one year

	2020 £000	2019 £000
Amounts owed by group undertakings	3,127	1,777
	<u>3,127</u>	<u>1,777</u>

Amounts owed by group undertakings are not secured, interest free and are repayable on demand.

10. Share capital

	2020 £000	2019 £000
Authorised		
2 (2019 - 2) Ordinary shares of £1.00 each	-	-
	<u>-</u>	<u>-</u>

11. 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 8 of the financial statements.

12. Post balance sheet events

The Coronavirus pandemic continues to have a major effect worldwide on people, businesses and the economy. Throughout the pandemic the Company's top priority has been to mitigate the disruption to its business as the Directors undertook adaptive measures accordingly. To the date of this report, liquidity continues to be sufficient to effectively manage through the disruption and to continue to execute the key elements of the Company's strategic plan.

The Directors believe that the impact of the United Kingdom's decision to leave the EU will not have a significant impact on the Company. The Company's revenues are diverse geographically with 80% generated outside of the United Kingdom and 45% generated outside of Europe. Given the Company's type of business, it does not rely on cross border supply chains and can mitigate short term pressures on Sterling with access to funding from the Mattel Group in a range of currencies.

HIT CONSUMER PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

13. Controlling party

The immediate parent undertaking is Gullane 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.