

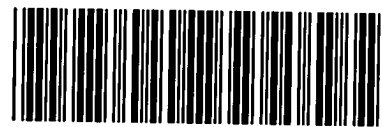
Registered number: 4316800

# HIT CONSUMER PRODUCTS LIMITED

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

WEDNESDAY



\*ACVVMCEZ\*

A19

31/01/2024

#196

COMPANIES HOUSE

<b>HIT CONSUMER PRODUCTS LIMITED</b>
--------------------------------------

---

**COMPANY INFORMATION**

---

<b>Directors</b>	N A Godfrey P Bapna M Moore
<b>Company secretary</b>	T Piccus S K Tung
<b>Registered number</b>	4316800
<b>Registered office</b>	3rd Floor The Porter Building 1 Brunel Way Slough Berkshire SL1 1FQ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

---

---

**HIT CONSUMER PRODUCTS LIMITED**

---

---

---

**CONTENTS**

---

	Page(s)
<b>Directors' Report</b>	<b>1 - 3</b>
<b>Independent Auditors' Report</b>	<b>4 - 6</b>
<b>Statement of Comprehensive Income</b>	<b>7</b>
<b>Balance Sheet</b>	<b>8</b>
<b>Statement of Changes in Equity</b>	<b>9</b>
<b>Notes to the Financial Statements</b>	<b>10 - 18</b>

---

---

## HIT CONSUMER PRODUCTS LIMITED

---

---

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

---

The directors present their report and the 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 Directors' 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.

#### 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 31 DECEMBER 2022**

---

**Future Developments**

The Directors believe that the ongoing third-party agreement for audio rights, which was renewed in 2020, expired in 2023, and is expected to be renewed, will help to provide a platform for future revenue growth.

**Going concern**

In assessing the company's ability to continue to operate as a going concern the directors have considered the future operations of the company and have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. 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.

**Results**

The profit for the year, after taxation, amounted to £3,000 (2021 - £nil).

The directors have not paid a dividend throughout the year (2021: £nil) and do not propose a final dividend.

**Directors**

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

N A Godfrey (appointed 24 January 2018)

P Bapna (appointed 27 July 2020)

M Moore (appointed 7 December 2021)

**Post balance sheet events**

Post balance sheet events have been discussed in note 12.

**Independent auditors**

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

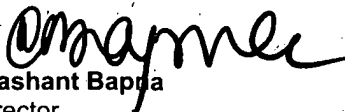
**Small companies note**

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.

**HIT CONSUMER PRODUCTS LIMITED**

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

This report was approved by the board on 29 January 2024 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 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 Directors' 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 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 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 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](http://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**

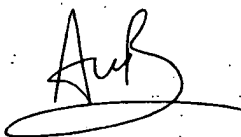
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.



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

---

**HIT CONSUMER PRODUCTS LIMITED**

---

---

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

---

	Note	2022 £000	2021 £000
Other operating income		3	-
Operating profit and profit before tax	5	3	-
Profit and total comprehensive income for the financial year		3	-

The notes on pages 10 to 18 form part of these financial statements.

**HIT CONSUMER PRODUCTS LIMITED**  
**REGISTERED NUMBER: 4316800**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	3,130	3,127
		<u>3,130</u>	<u>3,127</u>
<b>Total assets less current liabilities</b>		<b>3,130</b>	<b>3,127</b>
<b>Net assets</b>		<u><b>3,130</b></u>	<u><b>3,127</b></u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account	11	3,130	3,127
<b>Total equity</b>		<u><b>3,130</b></u>	<u><b>3,127</b></u>

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

The notes on pages 10 to 18 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 January 2024.

  
**Prashant Bapna**  
 Director

# HIT CONSUMER PRODUCTS LIMITED

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2021	-	3,127	3,127
At 31 December 2021 and at 1 January 2022	-	3,127	3,127
Profit and total comprehensive income for the financial year	-	3	3
At 31 December 2022	-	3,130	3,130

The notes on pages 10 to 18 form part of these financial statements.

---

---

## HIT CONSUMER PRODUCTS LIMITED

---

---

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

---

#### 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 ('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 future operations of the company and have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. 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.

---

---

**HIT CONSUMER PRODUCTS 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 Mattel Inc. 333 Continental Blvd, El Segundo, CA 90245, United States.

---

---

## HIT CONSUMER PRODUCTS 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 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.

#### 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.

---

---

## HIT CONSUMER PRODUCTS 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 one 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. As revenue is recognised in accordance with 2.3.2 above, any advance in deferred revenue is offset against accrued revenue created at the time of recognising revenue.



---

---

## HIT CONSUMER PRODUCTS LIMITED

---

---

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

---

#### 2. Accounting policies (continued)

##### 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 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.

##### 2.6 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.

##### 2.7 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

---

---

## HIT CONSUMER PRODUCTS LIMITED

---

---

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

---

## 2. Accounting policies (continued)

### 2.7 Financial instruments (continued)

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.

### 2.8 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.

## 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 31 DECEMBER 2022

### 4. Turnover

Any revenue reported in the current year has been recouped against the upfront revenue that was recognised in FY20 upon renewal of the third-party agreement for audio rights. Therefore no revenue has been recognised in the current or prior year.

### 5. Operating profit and profit before tax

The operating profit and profit before tax is stated after crediting:

	2022 £000	2021 £000
Exchange differences	(3)	-

### 6. Auditors' remuneration

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

### 7. Directors and employees

The average monthly number of employees, excluding directors, was nil (2021: nil). The directors were remunerated by fellow 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. Taxation

	2022 £000	2021 £000
Total current tax	-	-
Deferred tax	-	-
Total deferred tax	-	-
Taxation on profit	-	-

# HIT CONSUMER PRODUCTS LIMITED

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

### 8. Taxation (continued)

#### Factors affecting tax charge for the year

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

	2022 £000	2021 £000
Profit on ordinary activities before tax	3	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	1	-
Effects of:		
Group relief for nil consideration	(26)	(2)
Transfer pricing adjustments	25	2
Total tax charge for the year	-	-

#### 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.

There are no deferred taxes for the year.

# HIT CONSUMER PRODUCTS LIMITED

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

### 9. Debtors: amounts falling due within one year

	2022 £000	2021 £000
Amounts owed by group undertakings	3,130	3,127
	<u>3,130</u>	<u>3,127</u>

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

### 10. Called up share capital

	2022 £000	2021 £000
<b>Authorised</b>		
2 (2021 - 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 9 of the financial statements.

### 12. 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.

### 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.