
SUNSHINE HOLDINGS 3 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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SUNSHINE HOLDINGS 3 LIMITED

COMPANY INFORMATION

Directors	A Unitt (appointed 7 September 2015) N A Godfrey (appointed 24 January 2018)
Company secretary	T Piccus
Registered number	05359848
Registered office	Maple House 149 Tottenham Court Road London W1T 7NF
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

SUNSHINE HOLDINGS 3 LIMITED

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SUNSHINE HOLDINGS 3 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are 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.

SUNSHINE HOLDINGS 3 LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Business review

During the financial year, the Company wrote down its investment in Gullane (Thomas) Limited to its estimated fair value. The Company incurred impairment charges of \$10,553,000. In respect of the carrying value of the Company's investment in subsidiaries, an assessment is undertaken to determine whether there have been any events or changes in circumstances that indicate the carrying value may be impaired. An impairment review is carried out when such indicators are present by comparing the carrying value of a subsidiary to its recoverable amount.

Challenging trading conditions for the Thomas & Friends brand in particular was considered to be an indicator of potential impairment and an impairment review was carried out. The key assumptions behind the recoverable amount calculations are revenue growth rates, taking into account the impact these have on the operating profit margin, the discount rate applied and the time period of the analysis. The Directors have applied judgement to the key assumptions in order to reflect their assessment of the future trading prospects for each subsidiary. Every care has been taken to ensure these judgements are carefully backed up by their knowledge of the investments.

Whilst the Company wrote down its investment in Gullane (Thomas) Limited to its estimated fair value during the financial year, the Thomas & Friends brand is still one of the top preschool licences in the United Kingdom. There continues to be significant investment by Gullane (Thomas) Limited in the redevelopment of the creative content for Thomas & Friends through new story lines and CGI animation production, whilst episodes continue to rate well. The planned release of new content in 2020 will help to mark the 75th anniversary of the Thomas & Friends brand, which will be celebrated with regular special events throughout the anniversary year. Moreover, with the continued investment and the evergreen nature and heritage of the brand, the Directors believe that the Thomas & Friends brand is well positioned for future growth.

Directors

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

S Mathur (appointed 1 May 2015, resigned 31 August 2018)

A Unitt (appointed 7 September 2015)

N A Godfrey (appointed 24 January 2018)

T Lynch (appointed 12 September 2018, resigned 29 April 2019)

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.

Independent auditors

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

SUNSHINE HOLDINGS 3 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

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.

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



A Unitt
Director

Date: 24 September 2019

SUNSHINE HOLDINGS 3 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNSHINE HOLDINGS 3 LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Sunshine Holdings 3 Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss 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 2018; the Profit and Loss Account, 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

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

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 on, 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

SUNSHINE HOLDINGS 3 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNSHINE HOLDINGS 3 LIMITED

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2018 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 set out on page 1, 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.

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.

SUNSHINE HOLDINGS 3 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNSHINE HOLDINGS 3 LIMITED

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

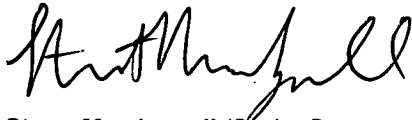
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received 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 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
1 Embankment Place
London
WC2N 6RH

Date: 25.9.19

SUNSHINE HOLDINGS 3 LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 \$000	2017 \$000
Impairment loss on investments	7	(10,553)	-
(Loss)/result before tax		(10,553)	-
(Loss)/result for the financial year		(10,553)	-

There were no recognised gains and losses for 2018 or 2017 other than those included in the profit and loss account.

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

SUNSHINE HOLDINGS 3 LIMITED
REGISTERED NUMBER: 05359848

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 \$000	2017 \$000
Fixed assets			
Investments	7	83,863	94,416
		<u>83,863</u>	<u>94,416</u>
Total assets less current liabilities		<u>83,863</u>	<u>94,416</u>
Net assets		<u>83,863</u>	<u>94,416</u>
Capital and reserves			
Called up share capital	8	215	215
Share premium account	9	203	203
Other reserves	9	1,084,433	1,084,433
Profit and loss account	9	(1,000,988)	(990,435)
Total equity		<u>83,863</u>	<u>94,416</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 by:



A Unitt
Director

Date: 24 September 2019

SUNSHINE HOLDINGS 3 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	\$000	\$000	\$000	\$000	\$000
At 1 January 2017	215	203	1,084,433	(990,435)	94,416
At 1 January 2018	215	203	1,084,433	(990,435)	94,416
Loss for the year	-	-	-	(10,553)	(10,553)
At 31 December 2018	215	203	1,084,433	(1,000,988)	83,863

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

SUNSHINE HOLDINGS 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Sunshine Holdings 3 Limited (the "Company") acts as an intermediate holding company. The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is Maple House, 149 Tottenham Court Road, London, W1T 7NF.

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. These financial statements are prepared on a going concern basis.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group. 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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

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 2018 and these financial statements may be obtained from 333 Continental Blvd, El Segundo, CA 90245, United States.

SUNSHINE HOLDINGS 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is USD. This is due to the cost of investments historically been held in USD.

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 the Profit and Loss Account 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 Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

2.4 Taxation

Tax is recognised in the Profit and Loss Account, 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 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 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 non-puttable 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 financed at a

SUNSHINE HOLDINGS 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.6 Financial instruments (continued)

rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow 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 Profit and Loss Account.

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.

SUNSHINE HOLDINGS 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 estimates and assumptions that have a risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment Assessments

At each balance sheet date the company considers whether investments in subsidiaries are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. The discount rate used was 10.14%.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market riskfree rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised in the profit and loss account.

4. Auditors' remuneration

Auditors' remuneration has been borne by a related party, HIT Entertainment Limited, in the current and prior year. HIT Entertainment Limited incurred audit fees of \$314,000 (2017 - \$350,000) fees relating to other services of \$nil (2017 - \$nil) and fees relating to other taxation services of \$59,000 (2017 - \$27,000).

5. Directors and employees

The Company has no employees other than the Directors, who did not receive any remuneration (2017 - \$nil).

The Directors were remunerated by other group companies and no recharges were made (2017 - \$nil). It is not possible to apportion the share of the directors costs for services undertaken on behalf of the Company.

SUNSHINE HOLDINGS 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6. Taxation

	2018 \$000	2017 \$000
Total current tax	-	-

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017 - the same as) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%) as set out below:

	2018 \$000	2017 \$000
(Loss)/result on ordinary activities before tax	(10,553)	-
(Loss)/result on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(2,005)	-
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	2,005	-
Total tax charge for the year	-	-

Factors that may affect future tax charges

The 2016 Budget, announced that the UK corporation tax rate for the year starting 1 April 2020 will reduce to 17%. These changes have been substantively enacted at the balance sheet date and, therefore, UK deferred tax has been provided at 17% (2017: 17%).

There is no deferred tax for the year.

SUNSHINE HOLDINGS 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. Investments

	Investments in subsidiary companies \$000
Cost or valuation	
At 1 January 2018	522,795
At 31 December 2018	522,795
Impairment	
At 1 January 2018	428,379
Charge for the period	10,553
At 31 December 2018	438,932
Net book value	
At 31 December 2018	83,863
At 31 December 2017	94,416

The Directors believe that the carrying value of the remaining investments is supported by their underlying net assets.

SUNSHINE HOLDINGS 3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Sunshine Acquisition Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
Gullane (Thomas) Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
HiT Entertainment Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
Gullane (Development) Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
Sunshine Holdings 2 Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
HiT Ventures 5 Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
Gullane (Productions) Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
Prism Art and Design Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
The Magic Railroad Company Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
HiT Consumer Products Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
HiT Attractions Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
Gullane Entertainment Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
HiT (MTK) Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
Rainbow Magic Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%
HiT Entertainment Finance Limited	Maple House, 149 Tottenham Court Road, London, W1T 7NF	Ordinary	100%

SUNSHINE HOLDINGS 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. Investments (continued)

Subsidiary undertakings (continued)

During the financial year, the Company wrote down its investment in Gullane (Thomas) Limited to its estimated fair value. The Company incurred impairment charges of \$10,553,000. In respect of the carrying value of the Company's investment in subsidiaries, an assessment is undertaken to determine whether there have been any events or changes in circumstances that indicate the carrying value may be impaired. An impairment review is carried out when such indicators are present by comparing the carrying value of a subsidiary to its recoverable amount.

Challenging trading conditions for the Thomas & Friends brand in particular was considered to be an indicator of potential impairment and an impairment review was carried out. The key assumptions behind the recoverable amount calculations are revenue growth rates, taking into account the impact these have on the operating profit margin, the discount rate applied and the time period of the analysis. The Directors have applied judgement to the key assumptions in order to reflect their assessment of the future trading prospects for each subsidiary. Every care has been taken to ensure these judgements are carefully backed up by their knowledge of the investments.

8. Called up share capital

	2018 \$000	2017 \$000
Allotted, called up and fully paid		
215,000 (2017 - 215,000) Ordinary shares of £1.00 each	215	215

9. Reserves

Share premium account

All movements during the year in the Share Premium account have been disclosed in the Statement of Changes in Equity on page 8 of the financial statements.

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 8 of the financial statements.

Profit & loss account

All movements during the year in the Profit & Loss account have been disclosed in the Statement of Changes in Equity on page 8 of the financial statements.

SUNSHINE HOLDINGS 3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Controlling parties

The immediate parent undertaking is Mattel Overseas Operations Limited, which is registered in Bermuda.

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.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.