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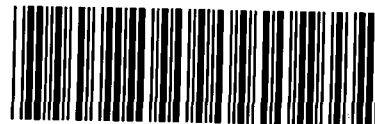
**SUNSHINE HOLDINGS 3 LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**SUNSHINE HOLDINGS 3 LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	A Unitt (appointed 7 September 2015) N A Godfrey (appointed 24 January 2018) T Lynch (appointed 12 September 2018)
<b>Company secretary</b>	T Piccus
<b>Registered number</b>	05359848
<b>Registered office</b>	Maple House 149 Tottenham Court Road London W1T 7NF
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors London WC2N 6RH

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**SUNSHINE HOLDINGS 3 LIMITED**

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## SUNSHINE HOLDINGS 3 LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Introduction

The directors present the Strategic report for Sunshine Holdings 3 Limited ("the Company") for the year ended 31 December 2017.

#### Business review

The Company acts as a holding company and does not trade, which is not expected to change in the foreseeable future.

#### Principal risks and uncertainties

The principal risks and uncertainties of the company relate primarily to the recoverable amount of its investments in subsidiaries compared to the carrying amount.

#### Financial key performance indicators

The Company does not trade, and the directors of Mattel Inc., the ultimate parent company, manage the operations of the Company. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The development, performance and position of the group headed by Mattel Inc. which includes the Company, is discussed in the Mattel Inc. annual report which does not form part of these financial statements.

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



**A Unitt**  
Director

Date: 28 September 2018

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## SUNSHINE HOLDINGS 3 LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the year ended 31 December 2017.

#### **Directors' responsibilities statement**

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 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.

#### **Principal activity**

The Company acts as a holding company, and is likely to do so for the foreseeable future.

#### **Results and dividends**

The result for the year, after taxation, amounted to \$NIL (2016 - profit - \$33,000,000).

The directors did not pay any dividends throughout the year (2016: \$33,000,000).

Net assets of the Company at 31 December 2017, were \$94,416,000 (31 December 2016: \$94,416,000).

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## SUNSHINE HOLDINGS 3 LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 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)  
J McKenzie (appointed 7 September 2015, resigned 3 March 2017)  
A Unitt (appointed 7 September 2015)  
J Richardson (appointed 14 December 2016, resigned 5 September 2017)  
N A Godfrey (appointed 24 January 2018)  
T Lynch (appointed 12 September 2018)

#### Future developments

The directors currently know of no issues that would prevent the Company's continued operation.

#### Financial risk management

The Company is exposed to foreign exchange risk in respect to its operations in the UK and abroad, and to a lesser extent, net assets denominated in foreign currencies.

The Company maintains sufficient available funds for its daily operations. Management actively monitors all funding requirements, and will manage any finance arrangements needed to meet such requirements.

#### Research and development activities

The Company does not engage in research and development activities.

#### Qualifying third party indemnity provisions

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

#### Post balance sheet events

There have been no significant events affecting the Company since the year end.

#### Independent auditors

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

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



A Unitt  
Director

Date: 28 September 2018

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## SUNSHINE HOLDINGS 3 LIMITED

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

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#### REPORT ON 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 2017 and of its result 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

##### 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 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

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## SUNSHINE HOLDINGS 3 LIMITED

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

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information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on 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.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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](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.



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**SUNSHINE HOLDINGS 3 LIMITED**

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

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**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 prepare financial statements in accordance with the small companies regime. We have no exceptions to report arising from this responsibility.



**Craig Skelton** (Senior statutory auditor)

for and on behalf of

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors  
London  
WC2N 6RH  
28 September 2018

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**SUNSHINE HOLDINGS 3 LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>Note</b>	<b>2017 \$000</b>	<b>2016 \$000</b>
Income from shares in group undertakings		-	33,000
<b>Profit before tax</b>		-	33,000
<b>Result/profit for the year</b>		-	33,000

The notes on pages 10 to 17 form part of these financial statements.

There was no other comprehensive income recognised for 2017 or 2016 other than those included in the profit and loss account, therefore a separate statement of comprehensive income has not been presented.

**SUNSHINE HOLDINGS 3 LIMITED**  
**REGISTERED NUMBER: 05359848**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 \$000	2016 \$000
<b>Fixed assets</b>			
Investments	8	94,416	94,416
		<u>94,416</u>	<u>94,416</u>
<b>Total assets less current liabilities</b>		<b>94,416</b>	<b>94,416</b>
<b>Net assets</b>		<u><b>94,416</b></u>	<u><b>94,416</b></u>
<b>Capital and reserves</b>			
Called up share capital	9	215	215
Share premium account	10	203	203
Other reserves	10	1,084,433	1,084,433
Profit and loss account	10	(990,435)	(990,435)
<b>Total Equity</b>		<u><b>94,416</b></u>	<u><b>94,416</b></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

*A Unitt*

**A Unitt**  
Director

Date: 28 September 2018

The notes on pages 10 to 17 form part of these financial statements.

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**SUNSHINE HOLDINGS 3 LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>At 1 January 2016</b>	<b>215</b>	<b>203</b>	<b>1,084,433</b>	<b>(990,435)</b>	<b>94,416</b>
Profit for the year	-	-	-	33,000	33,000
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,000</b>	<b>33,000</b>
Intracompany dividends paid	-	-	-	(33,000)	(33,000)
<b>At 1 January 2017</b>	<b>215</b>	<b>203</b>	<b>1,084,433</b>	<b>(990,435)</b>	<b>94,416</b>
<b>At 31 December 2017</b>	<b>215</b>	<b>203</b>	<b>1,084,433</b>	<b>(990,435)</b>	<b>94,416</b>

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## SUNSHINE HOLDINGS 3 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 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 judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been consistently applied to all years unless otherwise stated:

##### 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 2017 and these financial statements may be obtained from 333 Continental Blvd, El Segundo, CA 90245, United States.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)**

**2.3 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**2.4 Financial instruments**

The Company only enters into basic financial instruments 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 rate of interest that is not a market rate or in 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.

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## SUNSHINE HOLDINGS 3 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.5 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'.

##### 2.6 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

##### 2.7 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. Foreign tax expense relates to withholding taxes on receipt of royalty income.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Estimates and judgments 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.

*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 \$288,000 (2016 - \$284,000) fees relating to other services of \$nil (2016 - \$nil) and fees relating to other taxation services of \$27,000 (2016 - \$46,000).



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**SUNSHINE HOLDINGS 3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**5. Income from shares in group undertakings**

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Dividend income from group undertakings	-	33,000
	<u>-</u>	<u>33,000</u>

**6. Directors and employees**

The Company has no employees other than the directors, who did not receive any remuneration (2016 - \$nil).

The directors were remunerated by other group companies and no recharges were made (2016 - \$nil. It is not possible to apportion the share of the directors costs for services undertaken on behalf of the Company.

**7. Taxation**

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Total current tax	<u>-</u>	<u>-</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Profit on ordinary activities before tax	<u>-</u>	<u>33,000</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	-	6,600
<b>Effects of:</b>		
UK Dividend Income not taxable	-	(6,600)
<b>Total tax charge for the year</b>	<u>-</u>	<u>-</u>

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**SUNSHINE HOLDINGS 3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**7. Taxation (continued)**

**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% (2016: 17%).

There is no deferred tax for the year.

**8. Investments**

	<b>Investments in subsidiary companies \$000</b>
<b>Cost or valuation</b>	
At 1 January 2017	<b>522,795</b>
At 31 December 2017	<b>522,795</b>
<b>Impairment</b>	
At 1 January 2017	<b>428,379</b>
At 31 December 2017	<b>428,379</b>
<b>Net book value</b>	
At 31 December 2017	<b>94,416</b>
At 31 December 2016	<b>94,416</b>

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

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**SUNSHINE HOLDINGS 3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**8. Investments (continued)****DIRECT SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company; all have a registered address of Maple House, 149 Tottenham Court Road, London, W1T 7NF, United Kingdom:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Sunshine Acquisition Limited	Ordinary	100 %	Dormant
Gullane (Thomas) Limited	Ordinary	100 %	Exploitation of the Thomas & Friends character licensing rights
HIT Entertainment Limited	Ordinary	100 %	Ownership, development and exploitation of intellectual property rights associated with the HIT brands portfolio.
Gullane (Development) Limited	Ordinary	100 %	Ownership and development of intellectual property rights
Sunshine Holdings 2 Limited	Ordinary	100 %	Dormant
HIT Ventures 5 Limited	Ordinary	100 %	Dormant

**Indirect Subsidiary undertakings**

The following were indirect subsidiary undertakings of the Company; all have a registered address of Maple House, 149 Tottenham Court Road, London, W1T 7NF, United Kingdom.

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Gullane (Productions) Limited	Ordinary	100 %	Exploitation of character licensing rights
Prism Art and Design Limited	Ordinary	100 %	Ownership, development and exploitation of character licensing rights
The Magic Railroad Company Limited	Ordinary	100 %	Film Production
HIT Consumer Products Limited (formerly Gullane Music Publishing Limited)	Ordinary	100 %	Exploitation of character licensing rights
HIT Attractions Limited	Ordinary	100 %	Exploitation of character licensing rights
Gullane Entertainment Limited	Ordinary	100 %	Holding company
HIT (MTK) Limited	Ordinary	100 %	Ownership, development and exploitation of intellectual property rights associated with the Mike The Knight brand.
Rainbow Magic Limited	Ordinary	100 %	Ownership of intellectual property rights associated with the Mike The Knight brand.
HIT Entertainment Finance Unlimited	Ordinary	100 %	Dormant

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**SUNSHINE HOLDINGS 3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**9. Called up share capital**

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Shares classified as equity</b>		
<b>Authorised</b>		
399,865,000 (2016: 399,865,000) Ordinary shares of £1 each	-	-
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
136,102 (2016: 136,102) Ordinary shares of £1 each	<b>215</b>	<b>215</b>
	<u>          </u>	<u>          </u>

**10. 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 9 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 9 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 9 of the financial statements.

**11. 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.