Spin Master Corp.

Annual consolidated financial statements

For the years ended as at December 31, 2016 and December 31, 2015

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Deloitte.

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Independent Auditor's Report

To the Shareholders of Spin Master Corp.

We have audited the accompanying consolidated financial statements of Spin Master Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Spin Master Corp. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 22, 2017

Spin Master Corp.

Consolidated statements of financial position as at December 31, 2016 and December 31, 2015

(In thousands of United States dollars)	Notes	2016	2015
Assets			
Current assets			
Cash		99,416	45,713
Trade and other receivables	**9**	272,904	134,618
Inventories	**10**	79,924	49,140
Prepaid expenses		21,398	16,330
		473,642	**245,801**
Non-current assets			
Advance on royalties		11,695	1,523
Property, plant and equipment	**11**	26,996	16,096
Intangible assets	**12**	130,390	62,370
Goodwill	**13**	91,707	36,130
Deferred tax assets	**8**	19,002	26,363
		279,790	**142,482**
Total assets		**753,432**	**388,283**
Liabilities			
Current liabilities			
Trade payables and other liabilities	**14**	206,771	134,717
Loans and borrowings	**15**	158,107	3,436
Deferred revenues		5,500	6,765
Provisions	**16**	26,454	10,115
Interest payable		6	3,026
Income tax payable	**8**	12,331	17,156
		409,169	**175,215**
Non-current liabilities			
Loans and borrowings	**15**	38	46,874
Provisions	**16**	12,025	8,458
Other long-term liabilities		110	225
Deferred tax liabilities	**8**	6,411	1,192
		18,584	**56,749**
Total liabilities		**427,753**	**231,964**
Shareholders' equity			
Issued capital	**17**	670,115	589,263
Accumulated deficit		(408,406)	(507,921)
Contributed surplus		21,436	31,580
Cumulative translation account		42,534	43,397
Total shareholders' equity		**325,679**	**156,319**
Total liabilities and shareholders' equity		**753,432**	**388,283**

Approved by the Board of Directors on March 22, 2017.

The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.

Spin Master Corp.

Consolidated statements of operations and comprehensive income

For the years ended December 31, 2016 and December 31, 2015

(In thousands of United States dollars, except share data)	Notes	2016	2015
Revenue	4	1,154,454	879,406
Cost of sales		557,712	420,486
Gross profit		**596,742**	**458,920**
Expenses			
Selling, marketing, distribution and product development	7	243,689	183,791
Administrative expenses	7	201,008	195,909
Other (income)	5	35	(13,429)
Foreign exchange loss		5,530	6,477
Finance costs	6	8,601	6,539
Income before income tax expense		**137,879**	**79,633**
Income tax expense	8	38,364	32,559
Net income		**99,515**	**47,074**
Items that may be subsequently reclassified to net income or loss			
Foreign currency translation of subsidiary accounts		(863)	16,133
Other comprehensive income		(863)	**16,133**
Total comprehensive income		**98,652**	**63,207**
Comprehensive income attributable to:			
Owners of the Company		98,652	60,197
Non-controlling interests		—	3,010
		98,652	**63,207**
Net income attributable to:			
Owners of the Company		99,515	43,213
Non-controlling interests		—	3,861
		99,515	**47,074**
Earnings per share attributable to owners of the Company			
Basic	18	0.99	0.48
Diluted	18	0.99	0.48
Weighted average of common shares outstanding			
Basic	18	100,647,133	90,939,485
Diluted	18	100,702,757	90,939,485

The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.

Spin Master Corp.

Consolidated statements of changes in equity

For the years ended December 31, 2016 and December 31, 2015

(In thousands of United States dollars)	Note	Issued capital	Accumulated deficit	Contributed surplus	Cumulative translation account	Equity attributable to shareholders	Non-Controlling Interest	Total
Balance at January 1, 2015		**1**	**(118,782)**	**1,647**	**26,413**	**(90,721)**	**24,496**	**(66,225)**
Net income		—	43,212	—	—	43,212	3,861	47,073
Foreign currency translation		—	—	—	16,984	16,984	(851)	16,133
Dividends declared		—	(235,052)	—	—	(235,052)	—	(235,052)
Issuance of common stock		182,668	—	—	—	182,668	—	182,668
Corporate reorganization	**17**	406,594	(197,299)	—	—	209,295	(27,506)	181,789
Stock-based compensation		—	—	29,933	—	29,933	—	29,933
Total comprehensive income		**589,262**	**(389,139)**	**29,933**	**16,984**	**247,040**	**(24,496)**	**222,544**
Balance at December 31, 2015		**589,263**	**(507,921)**	**31,580**	**43,397**	**156,319**	**—**	**156,319**
Balance at January 1, 2016		**589,263**	**(507,921)**	**31,580**	**43,397**	**156,319**	**—**	**156,319**
Net income		—	99,515	—	—	99,515	—	99,515
Foreign currency translation		—	—	—	(863)	(863)	—	(863)
Recognition of share-based payments	**17**	—	—	20,943	—	20,943	—	20,943
Issuance of subordinate shares*	**17**	48,394	—	—	—	48,394	—	48,394
Shares released from equity participation	**17**	32,458	—	(31,087)	—	1,371	—	1,371
Total comprehensive income		**80,852**	**99,515**	**(10,144)**	**(863)**	**169,360**	**—**	**169,360**
Balance at December 31, 2016		**670,115**	**(408,406)**	**21,436**	**42,534**	**325,679**	**—**	**325,679**

* Net of transaction costs of $2,587.

The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.

Spin Master Corp.

Consolidated statements of cash flows

For the years ended December 31, 2016 and December 31, 2015			
(In thousands of United States dollars)	**Notes**	**2016**	**2015**
Operating activities			
Net income		99,515	47,074
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Income tax expense	**8**	38,364	32,559
Interest expense	**6**	2,833	4,597
Depreciation and amortization of non-current assets	**11,12**	30,490	22,877
Amortization of fair value from acquisition		—	975
Accretion expense	**6, 16**	2,868	—
Amortization of financing costs	**6**	602	466
Property, plant and equipment impairment	**5**	265	1,718
Gain on transfer of business related assets	**5**	—	(9,566)
Stock-based compensation expense	**17**	20,943	50,658
Changes in non-cash working capital, net	**19**	(87,220)	(50,044)
Changes in contingent consideration liabilities		3,567	7,785
Income taxes paid		(33,233)	(31,163)
Interest paid		(5,956)	(1,571)
Share-based compensation payments	**17**	—	(20,725)
Cash provided by operating activities		**73,038**	**55,640**
Investing activities			
Acquisition of property, plant and equipment	**11**	(24,036)	(15,240)
Acquisition of intangible assets	**12**	(17,542)	(29,053)
Disposal of property, plant and equipment		10	—
Business acquisitions, net of cash acquired	**24**	(130,705)	(49,280)
Cash provided by (used in) investing activities		**(172,273)**	**(93,573)**
Financing activities			
Proceeds from borrowings	**15**	204,000	152,937
Repayment of borrowings	**15**	(96,242)	(101,555)
Advances on loans from related parties	**21**	—	405
Issuance of subordinate voting shares, net of transaction costs	**17**	47,709	155,227
Issuance of shares over allotment, net of transaction costs	**17**	—	23,558
Dividends paid		—	(235,053)
Settlement of preferred shares		—	(4,683)
Payment of financing costs		—	(2,377)
Cash provided by (used in) financing activities		**155,467**	**(11,541)**
Effect of foreign currency exchange rate changes on cash		**(2,529)**	**(6,105)**
Net increase (decrease) in cash during the year		53,703	**(55,579)**
Cash, beginning of year		45,713	101,292
Cash, end of year		**99,416**	**45,713**

The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.

1. Description of business

Spin Master Corp., (the "Company"), formerly SML Investments Inc., was incorporated on June 9, 2004, under the laws of the Province of Ontario, Canada. Spin Master Ltd., which was incorporated on May 9, 1994, under the laws of the Province of Ontario, Canada, is a subsidiary of the Company. The Company, through Spin Master Ltd. and its subsidiaries, is a children's entertainment company engaged in the design, marketing and sale of entertainment products for children. The Company's principal place of business is 121 Bloor Street East, Toronto, Canada, M4W 1A9.

The Company has three reportable operating segments: North America, Europe and Rest of World (see Note 26). The North American segment is comprised of the United States and Canada. The European segment is comprised of the United Kingdom, France, Italy, the Benelux, Germany, Austria, and Switzerland. The Rest of World segment is primarily comprised of Hong Kong, China, and Mexico, as well as all other areas of the world serviced by the Company's distribution network.

2. Significant accounting policies

(A) Statement of compliance and basis of preparation and measurement

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial information is presented in thousands of United States dollars, except as otherwise indicated.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 22, 2017.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is measured on the fair value of the consideration provided in exchange for goods and services.

(B) Application of new and revised IFRS

In May 2014, the IASB issued amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". The amendments clarify when a method of depreciation or amortization based on revenue may be appropriate. IAS 16 clarifies that the depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. IAS 38 establishes a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances which are:

- Where the intangible asset is expressed as a measure of revenue; or
- Where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendment is effective for annual periods beginning on or after January 1, 2016, and there is no impact to the Company's consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1 amendments") The amendments address additional subtotals in the statement of financial position or statement of profit and loss and other comprehensive income. The amendments give guidance on what additional subtotals are acceptable and how they are presented. The revised guidance captures common subtotals that are not specifically required by IFRS, such as operating profit or profit before interest and tax. Additional subtotals should:

- Be made up of items recognized and measured in accordance with IFRS;
- Be presented and labeled in a manner that makes the components of the subtotal understandable;
- Be consistent from period to period; and
- Not be displayed with more prominence than the subtotals and totals specified in IAS 1.

The amendment is effective for annual periods beginning on or after January 1, 2016, and there is no impact to the Company's consolidated financial statements.

2. Significant accounting policies *(continued)*

(B) Application of new and revised IFRS (continued)

In January 2016, the IASB issued an amendment to IAS 12 "Income Taxes". The IASB has concluded that the diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value is mainly attributable to uncertainty about the application of some of the principals in IAS12. Therefore the amendments consist of some clarifying paragraphs and an illustrating example. There is no impact to the Company's consolidated financial statements.

The amendment is effective for annual periods beginning on or after January 1, 2016, and there is no impact to the Company's consolidated financial statements.

(C) Basis of preparation

The consolidated financial statements incorporate the financial statement accounts of the Company and entities controlled by the Company and its subsidiaries (Note 20) (the "Group"). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of operations and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(D) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustment against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant policy. Changes in the fair value of contingent consideration classified as equity are not recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known would have affected the amounts recognized at that time.

2. **Significant accounting policies *(continued)***

(D) Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is measured as the excess of the sum of the consideration transferred, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (CGUs) (or groups of cash-generating units) that are expected to benefit from the combination.

(E) Goodwill

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognized directly in profit or loss, and an impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant CGU, the attributed amount of goodwill is included in the determination of the profit or loss on disposal.

(F) Revenue recognition

Sale of goods

The majority of the Company's revenue is derived from the sales of toys and related products to retail customers and distributors in select international markets.

Revenue represents the fair value of the sale of goods excluding value added tax and after deduction of estimates for defective products and sales allowances relating to the sale.

Estimates for defective products and allowances to customers are made as a reduction against revenue in the period in which the related sales are recorded. Estimates are made based on contractual terms and conditions and historical data.

Revenues from the sale of goods are recognized when all the following conditions have been met and control over the goods has been transferred to the buyer.

- Significant risks and rewards of ownership of the goods have been transferred to the buyer.
- The revenues can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the company.
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

These conditions are typically met at the time the risks and rewards of ownership of the product pass to the customer.

Television Distribution, Royalty & License Sales

Television distribution sales as well as royalty and licensing revenues which allows others to use the Company's brands are recognized on an accrual basis in accordance with the substance of the relevant agreements. Revenue is measured at the fair value of the consideration received or receivable when it is probable the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

These conditions are typically met in the period in which the royalty or licensing period has commenced unless there are future performance obligations that must be met or upon the delivery of the programs to the broadcaster for television distribution sales.

Customer advances on contracts, licensing and/or television distribution, are recorded in unearned revenue until all of the foregoing revenue recognition conditions have been met.

(G) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

2. Significant accounting policies *(continued)*

(G) Leases (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(H) Foreign currencies

The Company reports its financial results in United States Dollars; however, the functional currency of the Company is the Canadian dollar.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company, including goodwill and fair value adjustments arising on acquisition, are translated into the Company's functional currency of Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in the foreign currency translation adjustment as part of other comprehensive income.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the Group entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting foreign currency exchange gains or losses are recognized in net income or loss.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated in the same manner as above with exchange differences impacting other comprehensive income and accumulated in equity.

At December 31, 2016 and 2015, the functional currencies of the Groups subsidiaries included the Canadian Dollar, the Euro, the Great Britain Pound, the Hong Kong Dollar, the Mexican Peso, the Chinese Yuan, the Swedish Krona and the Australian Dollar.

(I) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income attributable to owners of the Company by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing the net income attributable to the owners of the Company by the weighted average number common shares outstanding, if all the convertible securities were exercised during the period. Convertible securities refer to all outstanding stock options.

(J) Income taxes

Income tax expense represents the sum of the taxes currently payable and deferred taxes.

Current tax

For each entity in the Group, the tax currently payable is based on taxable income for the year. Taxable income differs from "net income before income tax expense" as reported on the consolidated statement of operations and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

2. Significant accounting policies *(continued)*

(J) Income taxes (continued)

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that does not affect either taxable income or accounting income. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is expected to be settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period, reflecting the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(K) *Cash*

Cash includes cash on hand and in banks, net of outstanding bank overdrafts.

(L) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Repair and maintenance costs are recognized in profit or loss as incurred. Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method or declining balance method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following are the estimated useful lives for the major classes of property, plant and equipment:

Land	Not depreciated
Buildings	30 years
Moulds, dies and tools	2 years
Office equipment	3 years
Leasehold improvements	Lesser of lease term or 5 years
Computer hardware	3 years
Machinery and equipment	30% declining balance

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognized in profit or loss.

(M) Intangible assets

The following are the estimated useful lives for the major classes of intangible assets:

Brand	Indefinite
Character trademarks	5 years
Customer relationships	5 years

2. Significant accounting policies *(continued)*

(M) Intangible assets (continued)

Intellectual property	10 years
Non-competition agreements	1 year
Content development	1-5 years
Computer software	1 year

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives, such as brands and trademarks that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their initial cost).

Subsequent to initial recognition, intangible assets acquired in business combinations are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as an expense as incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are recognized in profit or loss in the period in which they are incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Television production assets

Television production assets are a component of intangible assets, and are recorded at cost under Content Development. Capitalized costs net of anticipated federal and provincial tax credits are charged to amortization expense as completed episodes are delivered on a pro-rata basis over the total number of episodes for the season. The federal and provincial tax credits are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the tax credits will be received.

Deferred revenue related to television production assets arises as a result of consideration received in advance of the Company fulfilling its obligation.

2. Significant accounting policies *(continued)*

(M) Intangible assets (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually as part of year-end procedures, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss equal to the difference between the carrying and recorded amounts is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(N) Advances on royalties

The Company enters into license agreements with inventors and licensors for the use of their intellectual properties in its products. These agreements may call for payment in advance or future payment of minimum guaranteed amounts. Amounts paid in advance are recorded as an asset and charged to the results of operations as revenue from the related products is recognized. If all, or a portion of an advance, does not appear to be recoverable through future use of the rights obtained under license, the non-recoverable portion is written-off and recognized immediately in profit or loss.

(O) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a standard cost basis, and includes the purchase price and other costs, such as import duties, taxes and transportation costs. Trade discounts and rebates are deducted from the purchase price. Net realizable value represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecast and net realizable value. The impact of changes in inventory reserves is reflected in cost of sales.

(P) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the amount expected to be required to settle the obligation, and are re-measured each reporting date.

Future royalty obligations

Where the Company is committed to pay royalties on sales of acquired brands, the future royalty obligation is measured based on the Company's estimate of the related brands future sales, discounted based on the timing of the expected payments and recorded as a provision.

2. **Significant accounting policies *(continued)***

(P) Provisions (continued)

Provision for defectives

Defectives refer to when the end consumer returns defective goods to the Company's customers. Customers without a fixed allowance for defectives are eligible for a credit for the cost of the product if returned as defective by the end consumer. The estimate of defectives is made based on the class and nature of the product and reduces the net sales figure on the consolidated statements of operations and comprehensive income.

Supplier obligations

Supplier obligations represent the estimated compensation to be paid to suppliers for lower than expected volumes purchased, resulting in the supplier having excess raw material and finished goods inventory. While payments are not contractually required, the Company regularly compensates suppliers to maintain supplier relationships, which represents a constructive obligations due to past practices. The supplier obligation is based on an estimate of the cost of the supplier's excess raw material and finished goods inventory.

Share-based payments

As part of the Company's Initial Public Offering (the "Initial Offering"), employees were granted subordinate voting shares under two arrangements; the settlement of equity participation agreements and the issuance of restricted stock units ("RSUs"). The initial Offering price multiplied by the number of shares that an employee is entitled to receive is recognized as an expense in administrative expenses, with a corresponding increase in contributed surplus over the period, at the end of which, the employees become unconditionally entitled to shares. The amount expensed is adjusted for forfeitures as required.

The Company has one share option plan for key employees, which forms part of their long-term incentive compensation plan. Under the plan, the exercise price of each option equals the market price of the Company's share on the date of grant and the options have a maximum term of ten years. Options vest between zero and four years.

(Q) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale financial assets or other liabilities.

The Company has made the following classifications:

Cash	Loans and receivables
Trade and other receivables	Loans and receivables
Loans to related parties	Loans and receivables
Other long-term assets	Loans and receivables
Trade payables and other liabilities	Other liabilities
Borrowings	Other liabilities
Interest payable	Other liabilities
Preferred shares	Other liabilities
Loans from related parties	Other liabilities
Other long-term liabilities	Other liabilities
Foreign exchange forward contracts	FVTPL

2. Significant accounting policies *(continued)*

(R) Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measures at fair value plus any attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(S) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

2. Significant accounting policies *(continued)*

(S) Financial liabilities and equity instruments

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(T) Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss.

(U) Fair value

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(V) Fair value hierarchy and liquidity risk disclosure

The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include trade and other receivables, as well as trade payables and accrued liabilities. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future.

(W) Accounting standards issued but not yet applied

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”. These narrow scope amendments simplify accounting for revenue from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, “Financial Instruments”. IFRS 9 applies to classification and measurement of financial assets and replaces the multi category and measurement models of IAS 39 for debt instruments with a new mixed measurement model having only two categories of amortized cost and FVTPL.

IFRS 9 will *replace IAS 39 Financial Instruments: Recognition and Measurement*. Under IFRS 9, all recognized financial assets that are currently within the scope of IAS 39 will be measured at either amortized cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial asset. All equity instruments will be measured at fair value. A debt instrument is measured at amortized cost only if it is held to collect the contractual cash flows and the cash flows represent principal and interest, otherwise it is measured at FVTPL. For financial liabilities designated as at FVTPL, the change in the fair value attributable to changes in the liability’s credit risk is recognized in OCI unless it gives rise to an accounting mismatch in profit or loss.

The IASB has issued new hedge accounting requirements, aligning these more closely with an entity’s risk management activities. In addition, in July 2014 the IASB published the complete revision of IFRS 9, which supersedes the 2010 revision of IFRS 9. This complete revision is effective for annual periods beginning on or after January 1, 2018, with retrospective application. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

2. Significant accounting policies *(continued)*

(W) Accounting standard issued but not yet applied (continued)

IFRS 16 Leases

In January 2016, the IASB issued a new Lease Standard, IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the customer ('lessee') and the supplier ('lessor')). IFRS 16 is effective from January 1, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 *Revenue from Contracts with Customers*. IFRS 16 completes the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact on its financial statements.

IFRS 2 Share Based Payments

The IASB issued amendments to IFRS 2 "Share Based Payments". The amendment is intended to clarify IFRS 2 on the estimation of the fair value of cash settled share based payments. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. The Company is evaluating the impact on its financial statements.

IAS 7 Statement of Cash Flows

In 2016, the IASB issued an amendment to IAS 7 "Statement of Cash Flows". The amendment is intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The amendment is effective for annual periods beginning on or after January 1, 2017 with earlier application permitted. The amendment is not expected to have a material impact of on the Company's consolidated financial statements.

3. Significant accounting judgments and estimates

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The Company has identified the following judgments, apart from estimates, which management has made in the process of applying the Company's accounting policies, and which have the most significant effect on the amounts recognized in the consolidated financial statements.

(A) Determination of CGUs

A CGU is defined as is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determining the impact of impairment requires significant judgment in identifying which assets or groups of assets CGUs of the Company.

(B) Functional currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Determining the appropriate functional currencies for entities in the Group requires analysis of various factors, including the currencies and country-specific factors that mainly influence sales prices, and the currencies that mainly influence labour, materials, and other costs of providing goods or services.

3. Significant accounting judgments and estimates *(continued)*

Significant estimates and assumptions

The Company has identified the following accounting policies under which significant judgments, estimates and assumptions are made, where actual results may differ from these estimates under different assumptions and conditions, and which may materially affect financial results or the financial position in future periods.

(A) Useful life of property, plant and equipment and intangible assets with finite useful lives

The Company employs significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, considering industry trends such as technological advancements, past experience, expected use and review of asset lives.

Components of an item of property, plant and equipment may have different useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. The Company reviews depreciation methods, useful lives and residual values annually or when circumstances change and adjusts its depreciation methods and assumptions prospectively.

(B) Impairment testing of goodwill and indefinite life intangible assets

Goodwill and indefinite life intangible assets are assessed for impairment at least annually, and whenever there is an indication that the asset may be impaired. The Company determines the fair value of its cash-generating unit groupings and indefinite life intangible assets using discounted cash flow models corroborated by other valuation techniques. The process of determining these fair values requires the Company to make estimates and assumptions of a long term nature regarding discount rates, projected revenues, royalty rates and margins, as applicable, derived from past experience, actual operating results and budgets. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies.

(C) Provision for inventory

Inventories are stated at the lower of cost and estimated net realizable value. The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

(D) Sales allowances

A sales allowance is established to reflect credits requested by customers relating to factors such as contractual discounts, negotiated discounts, customer audits, defective products, and costs incurred by customers to sell the Company’s products. The allowance is based on specific reserves based upon the Company’s evaluation of the likelihood of the outcome of sales allowance claims.

(E) Income and other taxes

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense in the consolidated statement of earnings and may result in cash payments or receipts.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company’s income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

4. Revenue

The Company earns revenue from the following primary sources:

- Sales of toys and related products; and
- Royalties and licensing fees received for the use of intellectual property and the distribution of television programs ("Other revenue")

Year ended December 31	2016	2015
Revenue from the sale of goods	1,106,514	860,189
Other revenue	47,940	19,217
Total revenue	**1,154,454**	**879,406**

5. Other (income) expense

Year ended December 31	2016	2015
Impairment of non-current assets (see notes 11,12)	265	1,718
Revaluation of provisions	(222)	(457)
Service fees	—	(5,051)
Gain on transfer of non-business related assets	—	(9,566)
Other	(8)	(73)
Total other (income) expense	**35**	**(13,429)**

Service fees

Associated with the acquisition of Cardinal Industries, Inc. ("Cardinal") in 2015 as described in Note 24, the Company received approximately $5,051 in service fees in connection with services provided to Cardinal prior to the acquisition date.

Gain on transfer of non-business related assets

Prior to the closing of the initial public offering ("Initial Offering") in 2015, one of the predecessor corporations to the Company owned non-business related assets which were transferred at their fair value to the principal shareholders. The non-business assets previously had no carrying value for financial reporting purposes. The aggregate amount of the dividend-in-kind and related gain on transfer totaled $9,566.

6. Finance costs

Year ended December 31	2016	2015
Interest on bank loans	2,833	915
Interest related to income tax assessments	—	2,992
Bank fees	2,228	1,476
Accretion expense	2,868	673
Amortization of financing costs	602	466
Other	70	17
Total finance costs	**8,601**	**6,539**

7. Costs included within expenses

Included within operating expenses are the following research and development costs, depreciation expense and employee benefit expenses.

Research and development costs

Year ended December 31	2016	2015
Research and development costs	22,017	15,486
Total research and development costs	**22,017**	**15,486**

7. Costs included within expenses *(continued)*

Depreciation expense

Year ended December 31	2016	2015
Depreciation and amortization included in cost of sales	23,680	20,926
Depreciation and amortization included in administrative expenses	6,810	1,951
Total depreciation expenses	**30,490**	**22,877**

Employee benefits expense

Year ended December 31	2016	2015
Salaries, wages, and bonuses	3,856	1,823
Other employee benefits	683	284
Total employee benefits expenses in cost of sales	**4,539**	**2,107**
Salaries, wages, and bonuses	99,473	80,894
Share-based payments	20,943	50,658
Termination benefits	1,823	3,528
Other employee benefits	14,236	9,816
Total employee benefits expenses in administrative costs	**136,475**	**144,896**
Total employee benefits expenses	**141,014**	**147,003**

Selling, marketing, distribution and product development

Year ended December 31	2016	2015
Selling	77,102	55,604
Marketing expenses	112,339	91,152
Distribution	32,231	21,646
Product development	22,017	15,486
Other	—	(97)
Total selling, marketing, distribution and product development	**243,689**	**183,791**

Administrative expenses

Year ended December 31	2016	2015
Staff costs	136,474	144,896
Technology	5,131	3,743
Professional services	19,482	15,190
Property and operations	22,496	17,519
Depreciation of property, plant and equipment (excluding Tooling)	6,896	7,109
Other	10,529	7,452
Total administrative expenses	**201,008**	**195,909**

8. Income taxes

Income tax recognized in profit or loss

Year ended December 31	2016	2015
Current tax expense	28,354	32,862
Deferred tax expense	10,010	(303)
Total income tax expense	**38,364**	**32,559**

The income tax expense for the year can be reconciled to the accounting profit as follows:

Year ended December 31	2016	2015
Net income before income taxes	137,879	79,633
Statutory tax rate (26.5%)	36,538	21,103
Adjustments		
Effect of expenses that are not deductible in determining taxable profit	1,471	2,236
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	277	1,015
Effect of previously unrecognized unused tax losses and deductible temporary differences now recognized as deferred tax assets	(187)	(113)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,976)	(1,873)
Effect of tax settlement with the Canada Revenue Agency on transfer pricing matter	(153)	10,508
Other	4,394	(317)
Total income tax expense	**38,364**	**32,559**

The tax rates used for the reconciliations above are the domestic corporate tax rates payable by corporate entities in the Group, on taxable profits under tax law in the respective jurisdictions in which the Company operates.

Current tax assets and liabilities

As at December 31	2016	2015
Income tax payable	12,331	17,156
Total income tax payable	**12,331**	**17,156**

Deferred tax balances

The following is the analysis of deferred tax assets and liabilities presented in the consolidated statement of financial position:

As at December 31	2016	2015
Deferred tax assets	19,002	26,363
Deferred tax liabilities	(6,411)	(1,192)
Net deferred tax asset	**12,591**	**25,171**

8. Income taxes *(continued)*

Recognized deferred tax assets and liabilities

As at December 31	2015	Recognized in Profit or loss	Recognized in equity	Recognized in Acquisitions/ Disposals	2016
Deferred tax assets (liabilities) in relation to					
Property, plant and equipment	1,172	40	—	(108)	1,104
Intangible assets	492	(517)	685	(4,650)	(3,990)
Provisions	5,158	(135)	(2)	—	5,021
Allowance for doubtful accounts	150	110	—	—	260
	6,972	(502)	683	(4,758)	2,395
Tax losses	19,110	(9,566)	(6)	—	9,538
Other	(911)	58	—	1,511	658
Total deferred tax	**25,171**	**(10,010)**	**677**	**(3,247)**	**12,591**

Unrecognized deductible temporary differences and unused tax losses

As at December 31	2016	2015
Tax losses	1,919	1,694
Others	2,139	1,426
Total deductible temporary difference and unused tax losses	**4,058**	**3,120**

The unused tax losses will expire commencing in 2023.

Unrecognized taxable temporary differences associated with investments

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized as at December 31, 2016, is $182,708 (2015 - $120,142).

9. Trade and other receivables

As at December 31	2016	2015
Trade receivables	307,051	190,271
Provisions for sales allowances	(79,261)	(66,123)
Allowance for doubtful accounts	(2,684)	(1,245)
	225,106	**122,903**
Other receivables	47,798	11,715
Total net trade and other receivables	**272,904**	**134,618**

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Company has not recognized an allowance because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Trade receivables past due but not impaired

As at December 31	2016	2015
60-90 days	7,077	6,391
91-120 days	3,031	2,335
> 120 days	34,244	19,575
Total trade receivables past due but not impaired	**44,352**	**28,301**

9. Trade and other receivables *(continued)*

Movement in the allowance for doubtful accounts

As at December 31	2016	2015
Balance at the beginning of the year	1,245	914
Impairment losses recognized on receivables	2,058	946
Amounts written off during the year as uncollectible	(409)	(548)
Impairment losses reversed	(237)	—
Foreign exchange translation	27	(67)
Total as at December 31,2016	**2,684**	**1,245**

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

10. Inventories

As at December 31	2016	2015
Raw materials	2,408	1,774
Finished goods	77,516	47,366
Total inventories	**79,924**	**49,140**

The cost of inventories recognized as an expense in cost of sales during the year was $501,551 (2015 - $368,418).

During 2016, $9,423 of inventories was written down to net realizable value (2015 - $2,780).This charge is included within cost of sales in the consolidated statements of operations and comprehensive income.

11. Property, plant and equipment

	Moulds, dies and tools	Equipment *	Property **	Computer hardware	Total
Cost					
Balance, December 31, 2014	71,208	7,202	6,817	7,920	**93,147**
Additions	13,754	341	197	948	**15,240**
Asset retirements	(2,249)	(21)	—	(186)	**(2,456)**
Foreign currency translation	(2,552)	(743)	(607)	(791)	**(4,693)**
Other	—	10	13	2	**25**
Total at December 31, 2015	**80,161**	**6,789**	**6,420**	**7,893**	**101,263**
Balance at December 31, 2015	80,161	6,789	6,420	7,893	**101,263**
Additions	19,574	2,470	1,517	475	**24,036**
Asset retirements	(1,317)	(2)	(27)	(19)	**(1,365)**
Asset Impairments	(854)	(343)	(230)	(150)	**(1,577)**
Assets recognized upon acquisition	1,205	6,548	1,930	244	**9,927**
Foreign currency translation	(2,885)	(61)	(157)	(28)	**(3,131)**
Total at December 31, 2016	**95,884**	**15,401**	**9,453**	**8,415**	**129,153**

* Equipment includes office equipment, machinery, and equipment
** Property includes land, building and leasehold improvements

	Moulds, dies and tools	Equipment *	Property **	Computer hardware	Total
Accumulated depreciation					
Balance, December 31, 2014	(63,669)	(6,242)	(5,277)	(6,715)	**(81,903)**
Depreciation	(6,592)	(324)	(120)	(526)	**(7,562)**
Asset retirements	2,249	21	—	186	**2,456**
Asset Impairments	(1,059)	—	—	—	**(1,059)**
Foreign currency translation	1,300	827	467	321	**2,915**
Other	—	—	(8)	(6)	**(14)**
Total at December 31, 2015	**(67,771)**	**(5,718)**	**(4,938)**	**(6,740)**	**(85,167)**
Balance at December 31, 2015	(67,771)	(5,718)	(4,938)	(6,740)	**(85,167)**
Depreciation	(11,417)	(1,644)	(299)	(446)	**(13,806)**
Asset retirements	1,312	2	22	19	**1,355**
Asset Impairments	616	338	209	149	**1,312**
Assets recognized upon acquisition	(80)	(4,124)	(1,359)	(52)	**(5,615)**
Foreign currency translation	321	(82)	(45)	(430)	**(236)**
Total at December 31, 2016	**(77,019)**	**(11,228)**	**(6,410)**	**(7,500)**	**(102,157)**

* Equipment includes office equipment, machinery, and equipment
** Property includes land, building and leasehold improvements

Net carrying amount					
Balance at December 31, 2015	**12,390**	**1,071**	**1,482**	**1,153**	**16,096**
Balance at December 31, 2016	**18,865**	**4,173**	**3,043**	**915**	**26,996**

For the year ended December 31, 2016, the Company recorded $265 (2015 - $1,059) of impairment losses in respect of 8 CGUs (2015 - 13). Impairment losses are recorded where the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount was based the CGU's value in use.

12. Intangible assets

	Brands Indefinite	Trademarks, licenses & customer lists Definite	Content development	Computer software	Total
Cost					
Balance, December 31, 2014	27,258	—	26,342	20,569	**74,169**
Additions	2,658	3,100	21,791	1,461	**29,010**
Asset Acquisitions via business combinations	8,100	10,400	—	—	**18,500**
Foreign currency translation	(4,065)	—	(5,411)	(3,546)	**(13,022)**
Total at December 31, 2015	**33,951**	**13,500**	**42,722**	**18,484**	**108,657**
Balance, December 31, 2015	33,951	13,500	42,722	18,484	**108,657**
Additions	—	62	15,390	2,090	**17,542**
Disposals	—	—	—	(288)	**(288)**
Asset acquisitions via business combinations	44,480	20,747	852	—	**66,079**
Foreign currency translation	1,542	195	1,979	477	**4,193**
Total at December 31, 2016	**79,973**	**34,504**	**60,943**	**20,763**	**196,183**
Accumulated amortization					
Balance, December 31, 2014	—	—	(18,071)	(18,848)	**(36,919)**
Impairment losses	—	—	(659)	—	**(659)**
Amortization	—	(402)	(14,334)	(579)	**(15,315)**
Foreign currency translation	—	—	3,376	3,230	**6,606**
Total at December 31, 2015	**—**	**(402)**	**(29,688)**	**(16,197)**	**(46,287)**
Balance, December 31, 2015	—	(402)	(29,688)	(16,197)	**(46,287)**
Amortization	—	(2,713)	(12,263)	(1,708)	**(16,684)**
Disposal	—	—	—	288	**288**
Foreign currency translation	(302)	25	(1,935)	(898)	**(3,110)**
Total at December 31, 2016	**(302)**	**(3,090)**	**(43,886)**	**(18,515)**	**(65,793)**

Net carrying amount					
Balance at December 31, 2015	**33,951**	**13,098**	**13,034**	**2,287**	**62,370**
Balance at December 31, 2016	**79,671**	**31,414**	**17,057**	**2,248**	**130,390**

Indefinite life intangibles have been allocated for impairment testing purposes to the following cash-generating units determined by brands:

- The ‘Wild Planet’ brand has been allocated to the ‘Spy Gear’ cash-generating unit;
- The ‘Meccano’ brand has been allocated to the ‘Meccano Brand’ cash-generating unit;
- The ‘Imagination Games’, ‘Head Bandz’, ‘Boom Boom Balloon’ ‘Catch a Bubble’, 'Bellz', 'EG Games' and 'Cardinal' brands have been allocated to the ‘Games and Puzzles’ cash-generating unit;
- The 'Swimways' brand has been allocated to the 'Swimways' cash-generating unit;
- The ‘Toca Boca’ and 'Sago Mini' brands have been allocated to the ‘Toca Boca’ cash-generating unit; and
- The ‘Etch A Sketch’ brand has been allocated to the ‘Etch A Sketch’ cash-generating unit.

12. Intangible assets *(continued)*

Impairment losses

For the year ended December 31, 2016, the Company recorded $nil (2015 - $659) of impairment losses in respect of nil CGUs (2015 - 13) . Impairment losses are recorded where the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount was based on the CGUs value in use.

The recoverable amount of the CGUs is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre tax discount rate of 11.1% per annum (2015: 15.0.0% per annum).

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond the five-year period have been extrapolated using a steady 1.0% (2015: 0%) per annum growth rate which is the projected long-term average growth rate. Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGUs.

The carrying amount of indefinite life intangible assets, comprised of brands and trademarks, was allocated to these cash-generating units as follows:

As at December 31	2016	2015
Spy Gear	7,577	7,577
Meccano Brand	2,221	2,221
Games and Puzzles	25,393	24,153
Swimways	24,690	—
Toca Boca	13,000	—
Etch A Sketch	6,790	—
Total	**79,671**	**33,951**

13. Goodwill

As at December 31	2016	2015
Balance, beginning of year	36,130	3,847
Additions during the period	55,806	32,564
Foreign currency translation	(229)	(281)
Total goodwill	**91,707**	**36,130**

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- The ‘Feva’ business has been allocated to the ‘Spin Master UK’ cash-generating unit;
- The ‘Meccano’ business has been allocated to the ‘Meccano Brand’ cash-generating unit;
- The ‘X Concepts (Tech Deck)’ business has been allocated to the ‘Tech Deck’ cash-generating unit;
- The ‘Cardinal’ and 'EG Games' businesses have been allocated to the ‘Games and Puzzles’ cash-generating unit;
- The ‘Swimways’ business has been allocated to the ‘Swimways’ cash-generating unit;
- The ‘Toca Boca’ business has been allocated to the ‘Toca Boca’ cash-generating unit; and
- The ‘Etch A Sketch’ business has been allocated to the ‘Etch A Sketch’ cash-generating unit.

13. Goodwill *(continued)*

The carrying amount of goodwill was allocated to these CGUs as follows:

As at December 31	2016	2015
Spin Master UK	215	215
Meccano Brand	2,145	2,145
Tech Deck	1,206	1,206
Games and Puzzles	35,264	32,564
Etch A Sketch	3,933	-
Toca Boca	11,492	-
Swimways	37,452	-
Total goodwill	**91,707**	**36,130**

There have been no impairment losses recognized with respect to goodwill during 2016 (2015 - $nil).

14. Trade payables and other liabilities

As at December 31	2016	2015
Trade payables	92,171	55,656
Accrued liabilities	114,600	79,061
Total trade payables and other liabilities	**206,771**	**134,717**

15. Loans and borrowings

As at December 31	2016	2015
Unsecured debt (at amortized cost)		
Loans from other entities (i)	215	489
	215	**489**
Secured debt (at amortized cost)		
Bank facilities (ii) and (iii) and (iv)	160,831	51,797
	161,046	**52,286**
Less:		
Financing costs	2,901	**1,976**
Total loans and borrowings	**158,145**	**50,310**

Current	158,107	**3,436**
Non-current	38	**46,874**
Total loans and borrowings	**158,145**	**50,310**

(i) Fixed rate loans with Région Nord-Pas de Calais, Cap Calais and OSEO related to Meccano operations in France, with remaining maturity periods not exceeding 3 years (2015 - 3 years). The weighted average effective interest rate on the loans is 1.06% per annum (2015 - 1.08% per annum).

(ii) Variable rate secured facility with maximum borrowings of $4,281 to finance television production costs through one of the Company's production entities. The interest rate on amounts drawn under the facility bear interest at a variable rate referenced to the lending institution's Canadian dollar prime rate. Amounts outstanding are due prior to July, 2017.

The obligation under the facility is secured through a general security agreement over the production company's assets and by a guarantee by the parent company of the Production Company.

As at December 31, 2016, the Company had $1,640 outstanding (December 31, 2015 - $2,797) on the obligation.

15. Loans and borrowings *(continued)*

On December 21, 2016, the Company's Revolving Credit Facility and Term Credit Facility were restructured into a single five-year secured revolving facility (the "Facility"), and the total capital available was increased from $280 million to $510 million. The new maturity date of the Facility is December 2021. Advances under the Revolving Credit Facility may be used for general corporate purposes including refinancing existing Indebtedness, funding working capital requirements, permitted acquisitions and permitted distributions.

(iv) Available borrowing options under the Facility include:
- Prime Rate Loans;
- Base Rate Loans;
- Bankers' Acceptances from BA Lenders with a maturity of thirty (30), sixty (60), ninety (90) or one hundred and eighty (180) days, subject to availability;
- BA Equivalent Loans from the Non-BA Lenders with a maturity of thirty (30)), sixty (60), ninety (90) or one hundred and eighty (180) days, subject to availability;
  LIBOR Loans with an Interest Period of one (1), two (2), three (3) or six (6) months, subject to availability;
- Swing Loans; or
- Letters of Credit

The obligation under the Facility is secured by a general security and pledge agreement in respect of all present and future personal property, assets and undertaking of the credit parties. This facility is subject to the maintenance of the following financial covenants:

- Total Leverage Ratio, defined as the ratio of (a) Total Debt at such time, to (b) EBITDA for the applicable twelve-month period, is calculated on a quarterly basis, of 3.00 to1.00 or less, provided that, in the event the Borrower used proceeds of a Borrowing to complete a single Permitted Acquisition with aggregate consideration greater than $100,000, during any two consecutive fiscal quarters falling within the twelve-month reporting period immediately following such Permitted Acquisition, the Borrower must only maintain the Total Leverage Ratio 3.50 to 1.00 or less; and
- Interest Coverage Ratio, calculated on a consolidated, rolling four quarter basis, at 3.00:1.00 or greater.

Company was in compliance with the Total Leverage and Fixed Charge Coverage Ratio covenants as at December 31, 2016 and 2015.

As at December 31, 2016, the Company had utilized $160,912 (2015 - $49,000) of its Facility: $159,190 drawn in LIBOR Loans and $1,722 (2015 - $1,136) drawn in letters of credit.

16. Provisions and contingent liabilities

As at December 31	2016	2015
Defectives (i)	10,943	6,038
Royalties (ii)	29	584
Supplier liabilities (iii)	5,202	3,493
Contingent consideration, acquisitions (iv)	22,305	8,458
Total provisions	**38,479**	**18,573**

Current	26,454	10,115
Non-current	12,025	8,458
Total Provisions	**38,479**	**18,573**

16. Provisions and contingent liabilities *(continued)*

	Defectives	Royalties	Supplier liabilities	Contingent consideration, acquisitions	Total
As at December 31, 2014	8,205	1,298	1,692	—	**11,195**
Provisions recognized	6,038	—	4,193	7,785	**18,016**
Accretion recognized	—	—	—	673	**673**
Reductions arising from payments	(8,205)	(257)	(2,392)	—	**(10,854)**
Revaluation of provisions	—	(457)	—	—	**(457)**
As at December 31, 2015	**6,038**	**584**	**3,493**	**8,458**	**18,573**
As at December 31, 2015	6,038	584	3,493	8,458	**18,573**
Provisions recognized	10,943	—	1,709	11,892	**24,544**
Accretion	—	—	—	2,868	**2,868**
Reductions arising from payments	(6,038)	(334)	—	(861)	**(7,233)**
Revaluation of provisions	—	(221)	—	(52)	**(273)**
As at December 31, 2016	**10,943**	**29**	**5,202**	**22,305**	**38,479**

Provisions

(i) Defectives refer to when the end consumer returns faulty goods to the Company's customers. Customers without a fixed allowance for defectives are eligible for a credit for the cost of the product if returned as defective by the end consumer. The estimate of defectives is made based on the class and nature or the product and reduces the net sales figure on the statements of operations and comprehensive income.

(ii) During 2012, the Company acquired a number of brands in an asset acquisition. As part of the purchase price, the Company committed to pay royalties on sales of those brands until November 21, 2016. The future royalty obligation was estimated based on the Company's estimate of the related brands' future sales.

(iii) Supplier obligations represent the estimated compensation to be paid to suppliers for lower than expected volumes purchased, resulting in the supplier having excess raw material and finished goods inventory. While payments are not legally required, the Company will regularly compensate suppliers to maintain supplier relationships. The supplier obligation is based on the Company's estimate of the cost of the supplier's excess raw material and finished goods inventory. The provision for supplier obligations is recorded in Cost of Sales on the consolidated statements of operations and comprehensive income.

(iv) The Company took part in several business combinations as described in Note 24 which includes an earn-out payable over the next five calendar years. The fair value of the total contingent consideration on December 31, 2016 was $22,305 (2015 - $8,458) and is based on the achievement of certain financial performance criteria. The accretion of the earn-out is recorded in other (income) expense on the consolidated statements of operations and comprehensive income.

The Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business, financial condition and/or its results of operations. However, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period.

17. Issued capital

(a) Authorized as at December 31, 2016 and 2015

Unlimited number of Multiple voting shares;

Unlimited number of Subordinate voting shares; and

Unlimited number of Preferred shares issuable in series.

17. Issued capital *(continued)*

As at December 31	2016	2015
Multiple voting shares	406,595	406,595
Subordinate voting shares	263,520	182,668
Total capital issued and outstanding	**670,115**	**589,263**

As at December 31	Number of shares	Number of shares
Multiple voting shares	77,230,812	79,680,812
Subordinate voting shares	24,445,309	19,612,423
Total capital issued and outstanding	**101,676,121**	**99,293,235**

Issued and outstanding

On June 6, 2016, the Company closed the public offering of 4,900,000 subordinate voting shares at a price of $20.69 per subordinate voting share (the "Secondary Offering"). The Secondary Offering included a treasury offering of 2,450,000 subordinate voting shares by the Company for gross proceeds of $50,691 and a secondary offering of 2,450,000 subordinate voting shares, satisfied by the exchange of multiple voting shares by the founders of the Company. The Company incurred $2,587 of issuance costs, which is deducted from share capital in accordance with IAS 32, Financial instruments: Presentation.

During 2015, the Company completed the Initial Offering. As part of that Initial Offering, 12,225,000 Subordinate voting shares were issued at a price of $12.98 for gross proceeds, before expenses of $159 million. As part of the Initial Offering, the underwriters were granted an over-allotment option exercisable at their sole discretion at any time, in whole or in part, for a period of 30 days after the closing of the Initial Offering, to purchase from the Company, at the Initial Offering price, up to an additional 1,833,750 Subordinate voting shares. On August 26, 2015, the over-allotment option granted to the underwriters was exercised in full, generating additional gross proceeds to Spin Master of $24 million.

Immediately prior to the Company's Initial Offering, a reorganization of the Company and its subsidiaries was completed, resulting in the exchange of Class A1, Class A2 and Class Y preference shares held by the principal shareholders for Multiple voting shares. The completion of this reorganization also resulted in the elimination of the previously recognized non-controlling interest. Class X1 and X2 preference shares were redeemed by the Company and settled in cash.

(b) Share-based plans

Participation arrangements

The Company had equity participation arrangements ("Participation Arrangements") with nine senior employees and one former employee pursuant to which they were entitled to receive a cash payment and shares on the initial public offering of the Company. The Participation Arrangements served to reward the past service, and to encourage retention. The terms of the Participation Arrangements differ between participants with vesting participants being entitled to some or all of their shares between six months and six years following the Initial Offering.

The Company satisfied the participants' entitlements by making a one-time cash payment to participants and by issuing an aggregate 4,790,178 Subordinate voting shares immediately prior to the closing of the Initial Offering. The compensation expense for the Participation Arrangements is calculated based on the fair value of each Participation Arrangement, as determined by the value of the Company at the closing of the Initial Offering, less the value of the cash settlement. The Company recognizes compensation expense over the vesting period of the Participation Arrangements, which is between six months and six years.

As of December 31, 2016, 2,473,228 Subordinate voting shares have vested with a fair value of $59,229 (December 31, 2015 - $nil).

Restricted Share Units ("RSUs")

In connection with the Initial Offering, the Company issued RSUs at a value of $10,500 to all of its current employees (other than the participants under the Participation Arrangements and employees in China).

17. Issued capital *(continued)*

The RSUs served to reward past service of the employees and align the interests of the employees with those of the Company. The RSUs were settled with Subordinate voting shares that fully vested on the first anniversary of the closing of the Initial Offering. Upon vesting of the RSUs, the Company issued approximately 693,057 Subordinate voting shares. Only employees that were employed on the settlement date received Subordinate voting shares.

The Company classified the RSUs as equity instruments as the Company had the ability and intent to settle the awards with Subordinate voting shares. The compensation expense for RSUs is calculated based on the fair value of each RSU as determined by the closing value of the Company's Subordinate voting shares on the business day of the grant date. The Company recognized compensation expense over the vesting period of the RSU.

(c) Compensation expense

The expense recognized for employees services received during the year is shown in the following table:

	2016	2015
Expense arising from equity-settled "Participation Agreement" transactions	14,270	25,558
Expense arising from cash-settled "Participation Agreement" transactions	—	20,725
Expense arising from equity-settled "RSU" transactions	5,949	4,375
Expense arising from share options	724	—
Total stock based compensation expense	**20,943**	**50,658**

Compensation expense of $20,943 (2015 - $50,658) is recorded in administrative expenses within the consolidated statement of operations. A corresponding entry is booked to contributed surplus for the equity settled awards of $20,456 (2015 - $29,933) with the remainder being settled through cash during the year.

Upon completion of the Initial Offering, the Company immediately incurred compensation expense of $38,670 in respect of the Participation Arrangements. This amount was included in the Company's financial results for the year ended December 31, 2015. In addition, the Company expected to incur additional expenses of $42,836 in its financial statements over the six-year period following the closing of the offering on a graded basis of which $7,613 was included in the Company's results for the year ended December 31, 2015. In total, the Company recognized $46,283 of compensation expense in its financial results for 2015 related to the Participation Arrangements. In 2016 the company incurred $14,507 in respect Participation arrangements.

In 2016, the company incurred compensation expense of $5,949 its financial results for RSU equity awards granted.The Company also incurred $4,375 of compensation expense in its financial results for 2015 for the RSU equity awards granted.

A summary of the Participation Arrangements and RSU activity since December 31, 2015 is shown below:

	Participation Agreement		RSUs	
	Number	Weighted average grant date fair value	Number	Weighted average grant date fair value
Granted during the year	4,790,178	65,877	763,495	10,500
Balance at December 31, 2015	**4,790,178**	**65,877**	**763,495**	**10,500**
Forfeited	(51,140)	(703)	(15,974)	(220)
Balance at December 31, 2016	**4,739,038**	**65,174**	**747,521**	**10,280**

The weighted average remaining contractual life for Participation Arrangements outstanding as at December 31, 2016 is 24 months and for the RSUs outstanding as at December 31, 2016 is 7 months.

(d) Share Purchase Options ("Options")

The Company has one share option plan for key employees, which forms part of their long-term incentive compensation plan. Under the plan, the exercise price of each option equals the market price of the Company's share on the date of grant and the options have a maximum term of ten years. Options vest between zero and four years.

17. Issued capital *(continued)*

The following is a summary of the activity of the outstanding share purchase options:

	Number of options	Weighted average exercise price (CAD)
Balance as at December 31, 2015	—	—
Granted during the year	346,148	22.94
Balance as at December 31, 2016	**346,148**	**22.94**

18. Earnings per share

Details of the calculations of earnings per share are set out below:

	2016		2015	
	Weighted average number of shares	Per common share amount ($)	Weighted average number of shares	Per common share amount ($)
Basic	100,647,133	0.99	90,939,485	0.48
Diluted	101,702,757	0.99	90,939,485	0.48

The Participation Arrangements and RSUs issued to employees as Subordinate voting shares resulted in the issuance of fewer multiple voting shares to the principal shareholders. These shares issuances are anti-dilutive and are, therefore, not included in the computation of diluted earnings per share.

19. Change in working capital, net

	2016	2015
(Increase) decrease in:		
Trade and other receivables	(128,448)	(37,614)
Inventories	(39,205)	(1,005)
Prepaid expenses	(6,731)	(11,856)
Advances on royalties	(10,140)	(1,695)
	(184,524)	**(52,170)**
Increase (decrease) in:		
Trade payables and other liabilities	68,320	(402)
Advances from related parties	—	15
Deferred revenues	(1,265)	3,593
Provisions	30,249	(1,080)
Other	—	—
	97,304	**2,126**
Total net change in working capital	**(87,220)**	**(50,044)**

20. Investments in subsidiaries

The table below provides a summary of the Company's subsidiaries as at December 31, 2016. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly or indirectly by the Company, and the proportion of ownership interests held is equal to the voting rights held by the shareholders of the Company. The country of incorporation corresponds to the below noted principal place of operations.

20. Investment in subsidiaries *(continued)*

Entity	Country	2016	2015
		%	%
Spin Master Ltd.	Canada	100.0	100.0
Spin Master Film Productions Inc.	Canada	100.0	100.0
Spin Master Paw Productions Inc.	Canada	100.0	100.0
Spin Master Paw 2 Production Inc.	Canada	100.0	100.0
Spin Master Paw 3 Production Inc.	Canada	100.0	100.0
Spin Master Paw 4 Production Inc.	Canada	100.0	100.0
Spin Master Film Distribution Inc.	Canada	100.0	100.0
Spin Master Charming Production Inc.	Canada	100.0	100.0
Spin Master Charming 2 Production Inc.	Canada	100.0	100.0
Spin Master Dig It Productions Inc.	Canada	100.0	100.0
Spin Master Riveting Productions Inc.	Canada	100.0	100.0
Spin Master Hatching Productions Inc.	Canada	100.0	100.0
Spin Master Acquisition Inc.	Canada	100.0	100.0
Sago Sago Toys Inc.	Canada	100.0	—
Spin Master Mexico S.S de C.V	Mexico	100.0	100.0
Spin Master Mexico Services S.A de C.V	Mexico	100.0	100.0
Spin Master US Holdings Inc.	United States	100.0	100.0
Spin Master Inc.	United States	100.0	100.0
Spin Master Studios Inc.	United States	100.0	100.0
Bluesquare Innovation Inc.	United States	100.0	100.0
Cardinal Industries Inc.	United States	100.0	100.0
Swimways Corp	United States	100.0	—
Toca Boca Inc.	United States	100.0	—
Spin Master US Finance Co.	United States	100.0	—
Spin Master US 7 LLC.	United States	100.0	—
Spin Master Acquisition Co.	United States	100.0	—
Spin Master Far East Services Ltd.	Hong Kong	100.0	—
Spin Master Toys Far East Limited	Hong Kong	100.0	100.0
Swimways Hong Kong Company Ltd.	Hong Kong	100.0	—
Red Bird HK Ltd.	Hong Kong	100.0	100.0
Guangzhou Swimways Trading Co. Ltd.	China	100.0	—
Spin Master Dongguan Technical Consultancy Servicing Co.Ltd	China	100.0	100.0
Spin Master Japan Ltd.	Japan	100.0	100.0
Spin Master Europe Holdings SARL	Luxembourg	100.0	100.0
Spin Master International SARL	Luxembourg	100.0	100.0
Spin Master Toys UK Limited	United Kingdom	100.0	100.0
Spin Master France SAS	France	100.0	100.0
Meccano SA	France	100.0	100.0
Toba Boca AB	Sweden	100.0	—
Spin Master Australia Ltd.	Australia	100.0	—

21. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Immediately before the closing of the Company's Initial Offering on July 30, 2015 a series of transactions were undertaken to distribute non-business assets and funds to Ronnen Harary, Anton Rabie and Ben Varadi (collectively, the "Principal Shareholders") and to create the Company's post-Offering share capital structure (the "Reorganization.")

There were no related party transactions included in consolidated financial statements of the Company as at December 31, 2016.

The following related party transactions are included in the consolidated financial statements of the Company as at December 31, 2015:

(a) *Transfer of non-business related assets*

In 2015 prior to the closing of the Initial Offering, one of the predecessor corporations to the Company owned non-business related assets, which were transferred at their fair value to the principal shareholders. The non-business assets previously had no carrying value for the financial reporting purposes. The aggregate amount of the dividend-in-kind and related gain on transfer totaled $9,566.

(b) *Preferred shares redemption*

In 2015, the company redeemed the outstanding Class X1 Preferred Shares and the Class X2 Preferred shares in exchange for $4,683 in cash.

(c) Amalgamation

In 2015, the Company amalgamated the SML Investments 2008 Inc. and Varadi Bee Corp. The predecessor corporations were all non-active corporations indirectly owned the Principal Shareholders.

(d) Dividends to principal shareholders

In 2015, following the amalgamation, the Company paid dividends to the Principal Shareholders in the aggregate of $235,053. The dividends were paid from cash, after accounting for set off against existing indebtedness owing by Principal Shareholders for the Company, from proceeds of the Offering and by drawing down on the credit facilities immediately following the closing of the Initial Offering.

No guarantees were given or received. No expense was recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties. These entities were related parties by virtue of being owned by Principal Shareholders of the company, or members of key management personnel.

Compensation of key management personnel

The remuneration of directors and other key management personnel during the year was as follows:

Year ended December 31	2016	2015
Salary and short-term benefits	5,293	15,321
Other long-term benefits	1,548	641
Share based compensation	9,155	5,040
Total compensation of key management personnel	**15,996**	**21,002**

22. Operating leases

Operating leases relate primarily to the leasing of offices and related office equipment, and have been entered into with lease terms of between two and ten years in length.

Payments recognized as an expense

Year ended December 31	2016	2015
Minimum lease payments	7,099	5,390
Total minimum lease payments	**7,099**	**5,390**

23. Commitments for expenditures

As at December 31, 2016, the Company had minimum guarantees to licensors of approximately $32,092 (2015 - $34,586).

Non-cancellable operating lease commitments

As at December 31	2016	2015
No later than 1 year	6,784	6,475
Later than 1 year and no later than 5 years	16,097	12,779
Later than 5 years	—	4,277
Total lease commitments	**22,881**	**23,531**

24. Business combinations

Acquisition of Swimways Corporation ("Swimways")

On August 2, 2016, the Company acquired Swimways, a privately held Company headquartered in Virginia Beach, Virginia with offices in Guangzhou, China and a manufacturing and distribution facility in Tarboro, North Carolina. Swimways has a diverse portfolio of toys, games, and sporting goods for the pool, beach and backyard which will complement the Company's existing products and drive sales throughout the year, outside of the seasonality traditionally associated with toys and games. Pursuant to the terms set forth in the agreement, the Company acquired control of Swimways through the acquisition of 100% of the shares of Swimways for total cash consideration of $85 million on closing, less an escrow for possible adjustments. In addition, the Company agreed to pay an earn-out of up to $8.5 million based on Swimways sales growth over four years. The potential payments for the first two years of the earn-out are included in the total purchase consideration, whereas the payments related to the latter two years of the earn-out are recognized separately from the business combination transaction because they are contingent upon the continued employment with the acquired entity.

Where the deferred consideration is contingent upon continued employment, it is recognized separately from the business combination transaction and treated as remuneration within administrative expenses in the period of performance. At each balance sheet date, the contingent deferred consideration balance comprises of the accrual for unsettled remuneration which has been expensed as at that date. For the period ended December 31, 2016, the Company recorded $466 in administrative expenses and a corresponding liability related to deferred consideration for post-acquisition services.

Included in the total purchase consideration of $91,376 is $5,220 related to the estimated fair value of the deferred payments included in the earn-out which are not contingent upon continuing employment. The total purchase consideration has been allocated to identifiable intangible assets based on their estimated fair values of $33,800 (related to brands and intellectual property), $37,452 of goodwill acquired and $20,124 of net tangible assets acquired. The Company is in the process of finalizing the valuation of the assets acquired and liabilities assumed which may result in adjustments to the values presented and a corresponding adjustment to goodwill. The Company incurred $800 in transaction related costs which have all been included in administrative expenses in the consolidated statement of operations and comprehensive income for the year ended December 31, 2016.

24. Business combinations (continued)

Acquisition of Swimways Corporation ("Swimways") (continued)

Assets acquired and liabilities recognized at the date of acquisition

	Fair value as at August 2, 2016
Assets acquired	
Cash	760
Trade and other receivables	13,205
Inventories	6,345
Prepaid expenses	687
Property, plant and equipment	3,059
Intangible assets	33,800
Other assets	273
	58,129
Liabilities assumed	
Trade payables and accrued liabilities	4,205
	4,205
Fair value of identifiable net assets acquired	**53,924**

The trade and other receivables acquired (which principally comprised trade receivables) in this transaction with a fair value of $13,205 had gross contractual amounts of $13,205.

Goodwill arising on acquisition

	Total
Consideration transferred, including deferred payments	91,376
Fair value of identifiable net assets acquired	(53,924)
Goodwill arising from transaction	**37,452**

Goodwill arose on the acquisition of Swimways because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, $37,452 of goodwill is expected to be deductible for income tax purposes and is amortized over 15 years.

The consideration transferred includes $5,220 in deferred payments. The deferred payment is payable to the vendor upon the achievement of key performance indicators over a two year period. The potential undiscounted amount of all future payments that the Company could be required to make under the contingent consideration arrangement is between $0 and $5,500.

Net cash outflow on acquisition

	Total
Consideration paid in cash	89,332
Less: receivable relating to closing net debt and working capital	(3,176)
Less: cash balance acquired	(760)
Net cash outflow	**85,396**

Impact of acquisition on the results of the Company

Included in the Company's financial results for the year ended December 31, 2016 is $16,870 in revenues and $2,450 in net losses, attributable to the Swimways acquisition. On a proforma basis (unaudited), had this acquisition been completed on January 1, 2016, the Company's total revenue and net loss for the year would have amounted to $1,239,244 and $100,658, respectively. Management considers these 'pro-forma' estimates to represent an approximate measure of the performance of the combined Company on an annualized basis.

24. Business combinations *(continued)*

Acquisition of Toca Boca and Sago Mini companies ("Toca Boca")

On May 2, 2016, the Company acquired Toca Boca, a privately held Company with offices in Stockholm, San Francisco, New York and Toronto, from Bonnier Group of Sweden, pursuant to a share purchase agreement. Toca Boca, is a play studio that makes digital toys and creates mobile applications for kids aged 2-9, focusing on the pre-school segment. The acquisition will allow the Company to develop a leadership position in the mobile application space for kids. Pursuant to the terms set forth in the agreement, the Company obtained control of Toca Boca through the acquisition of 100% of the shares of Toca Boca for total cash consideration of $30,839.

Included in the total purchase consideration of $32,098 is $833 of deferred payments and $426 of working capital adjustments. The total purchase consideration of $32,098 has been allocated to identifiable intangible assets based on their estimated fair values of $23,202 (related to brands and trademarks), $7,184 of goodwill acquired and $453 of net tangible assets acquired.

The determination of the final values of the assets acquired and liabilities assumed may result in adjustments to the values presented and a corresponding adjustment to goodwill. The pro forma and actual results of operations for this acquisition have not been presented and are immaterial. The Company incurred $500 in transaction related costs which have all been Included in administrative expense in the consolidated statement of operations and comprehensive income for the year ended December 31, 2016.

Assets acquired and liabilities recognized at the date of acquisition

	Fair value as at May 2, 2016
Assets acquired	
Trade and other receivables	1,072
Inventories	251
Prepaid expenses	283
Property, plant and equipment	467
Intangible assets	23,202
Deferred tax assets	1,193
Other assets	163
	26,631
Liabilities assumed	
Trade payables and accrued liabilities	733
Other liabilities	984
	1,717
Fair value of identifiable net assets acquired	**24,914**

The trade and other receivables acquired (which principally comprised trade receivables) in this transaction with a fair value of $1,072 had gross contractual amounts of $1,072.

Goodwill arising on acquisition

	Total
Consideration transferred, including deferred payments	32,098
Fair value of identifiable net assets acquired	(24,914)
Goodwill arising from transaction	**7,184**

Goodwill arose on the acquisition of Toca Boca because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, $7,184 of the goodwill is expected to be deductible for income tax purposes and is amortized over 15 years.

24. Business combinations *(continued)*

Acquisition of Toca Boca and Sago Mini companies ("Toca Boca") (continued)

The consideration transferred includes $833 related to the estimated fair value of the deferred payments as at the acquisition date. The deferred payment is payable to the vendor upon the achievement of key performance indicators over a five year period. The potential undiscounted amount of all future payments the Company could be required to make under the contingent consideration arrangement is between $0 and $4,000.

Net cash outflow on acquisition

	Total
Consideration paid in cash	30,839
Net cash outflow	**30,839**

Acquisition of assets of Editrice Giochi SRL ("EG Games")

On March 11, 2016, the Company acquired EG Games, a privately held company headquartered in Italy, pursuant to a share purchase agreement. EG Games specializes in producing and selling board games. The acquisition builds upon the Company's substantial presence and will strengthen its position as a leader in the Games market in Europe.

Pursuant to the terms set forth in the agreement, the Company obtained control of EG Games through the acquisition of 100% of the net assets of EG Games for total cash consideration of $5,000, of which $2,900 was due on closing, including an indemnity escrow amount of $435 held for 3 years after closing and $2,100 in Deferred Payments. Deferred Payments are to be paid into escrow quarterly over the next 7 years based on 6.5% of Gross Sales up to a maximum payment of $2,100 and is to be paid to the vendor on the 7th anniversary of the Closing date subject to set-off rights. In addition, the Company agreed to pay additional cash consideration of $500 if the aggregate gross sales during the five year period commencing from the acquisition date reaches a specified target.

Included in the total purchase consideration of $5,111 is $1,671 relating to the estimated fair value of the deferred payments and $310 related to the estimated fair value of the additional cash consideration as at the acquisition date. The total purchase consideration has been initially allocated to identifiable intangible assets based on their estimated fair values of $1,983 (related to brands and trademarks), and $2,700 of goodwill acquired. Additionally, $428 of net tangible assets were acquired. These assets are included in the Activities, Games & Puzzles, and Fun Furniture product category, belonging to the Europe segment effective March 11, 2016. The pro forma and actual results of operations for this acquisition have not been presented and are immaterial. The Company incurred $199 in transaction related costs which have all be included in administrative expenses in the consolidated statement of operations and comprehensive income for the year-ended December 31, 2016.

Assets acquired and liabilities recognized at the date of acquisition

	Fair value as at March 11, 2016
Assets acquired	
Cash	105
Trade and other receivables	138
Inventories	671
Intangible assets	1,983
	2,897
Liabilities assumed	
Trade payables and accrued liabilities	486
	486
Fair value of identifiable net assets acquired	**2,411**

The trade and other receivables acquired (which principally comprised trade receivables) in this transaction with a fair value of $138 had gross contractual amounts of $138.

24. Business combinations *(continued)*

Acquisition of assets of Editrice Giochi SRL ("EG Games") (continued)

Goodwill arising on acquisition

	Total
Consideration transferred, including deferred payments	5,111
Fair value of identifiable net assets acquired	(2,411)
Goodwill arising from transaction	**2,700**

Goodwill arose on the acquisition of EG Games because the cost of the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill recognized is not expected to be deductible for income tax purposes.

Net cash outflow on acquisition

	Total
Consideration paid in cash	3,144
Cash balances acquired	(105)
Net cash outflow	**3,039**

Acquisition of assets of Etch A Sketch

On February 11, 2016, the Company acquired the rights to the brands of Etch A Sketch and Doodle Sketch ("Etch A Sketch"), pursuant to an asset purchase agreement with the Ohio Art Company. The acquisition will complement the Company's existing products and builds on its reputation for acquiring legacy brands and infusing them with unexpected innovation. The Company obtained control of Etch A Sketch through the acquisition of all brand-related patents, trademarks, and inventory for the brands for total cash consideration of $8,950, including an indemnity escrow amount of $850. In addition, the Company agreed to pay a royalty between 2-4% based on future revenues for 8 years from the date of closing up with a minimum royalty payment of $3,150 up to a maximum of $8,150.

Included in the total purchase consideration of $11,074 is $2,124 related to the estimated fair value of the future royalty payments as at the acquisition date. The total purchase consideration has been initially allocated to identifiable intangible assets based on their estimated fair values of $6,790 (related to brands and trademarks), and $3,712 of goodwill acquired. Additionally, $572 of net tangible assets were acquired. These assets are included in the Activities, Games & Puzzles, and Fun Furniture product category effective February 11, 2016. The pro forma and actual results of operations for this acquisition have not been presented because they are not material. The Company incurred $57 in transaction related costs which have all been included in administrative expenses in the consolidated statement of operations and comprehensive income for the year ended December 31, 2016.

Assets acquired at the date of acquisition

	Fair value as at February 11, 2016
Assets acquired	
Inventories	572
Intangible assets	6,790
Fair value of identifiable net assets acquired	**7,362**

24. Business combinations *(continued)*

Acquisition of assets of Etch A Sketch (continued)

Goodwill arising on acquisition

	Total
Consideration transferred, including present value of royalty payments	11,074
Fair value of identifiable net assets acquired	(7,362)
Post-closing purchase price adjustment	275
Goodwill arising from transaction	**3,987**

Goodwill arose on the acquisition of the Etch A Sketch brand because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, $3,987 of the goodwill is expected to be deductible for income tax purposes and is amortized at 7% declining balance.

Net cash outflow on acquisition

	Total
Consideration paid in cash	8,950
Net cash outflow	**8,950**

Prior year acquisitions

Acquisition of Cardinal Industries Inc.

On October 2, 2015, the Company acquired Cardinal, a privately-held U.S. company headquartered in Long Island City, New York, pursuant to a share purchase agreement. Cardinal is a toy company specializing in producing and selling games and puzzles which complements the Company's existing product, builds upon the Company's substantial presence and will strengthen its position as a leader in the Games market. Pursuant to the terms set forth in the agreement, the Company obtained control of Cardinal through the acquisition of 100% of the issued and outstanding common shares of Cardinal for total cash consideration of $50,000, less an indemnity escrow of $1,250 held for one-year after closing. In addition, the Company agreed to pay an earn-out of up to an aggregate amount of $19,500 in cash over the five calendar years following the acquisition based on the achievement of certain EBITDA targets. The Cardinal acquisition was financed through the Company's existing Credit Facility.

Including the estimated fair value of future earn out payments, the total purchase consideration of $58,100 million was allocated to net tangible assets acquired based on their estimated fair value of $7,000, identifiable intangible assets (primarily related to the trademarks and customer lists) of $18,500, and $32,600 of goodwill. The fair values of the identifiable intangible assets related to trade names were based on the relief from royalty method, using Level 3 inputs within the fair value hierarchy, which included forecasted future cash flows, long-term revenue growth rates, royalty rates, and discount rates.

24. Business combinations *(continued)*

Acquisition of Cardinal Industries Inc. (continued)

Assets acquired and liabilities recognized at the date of acquisition

	Fair value as at October 2, 2016
Assets acquired	
Cash	720
Trade and other receivables	14,928
Inventories	9,415
Prepaid expenses	446
Intangible assets	18,500
	44,009
Liabilities assumed	
Trade payables and accrued liabilities	18,485
	18,485
Fair value of identifiable net assets acquired	**25,524**

The trade and other receivables acquired (which principally comprised trade receivables) in this transaction with a fair value of $14,928 had gross contractual amounts of $17,551. The best estimate at the acquisition date of the contractual cash flows not expected to be collected amounted to $2,623.

Goodwill arising on acquisition

	Total
Consideration transferred, including estimated earn out payments	58,089
Fair value of identifiable net assets acquired	(25,524)
Goodwill arising from transaction	**32,565**

Goodwill arose on the acquisition of Cardinal Industries Inc. because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Cardinal. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, $32,565 of the goodwill was expected to be deductible for income tax purposes and was amortized over 15 years.

Net cash outflow on acquisition

	Total
Consideration paid in cash	50,000
Less:cash balances acquired	(720)
Net cash outflow	**49,280**

Impact of acquisition on the results of the Company

Included in the Company's revenue and net income for the year ended December 31, 2015 is $31,002 and $3,909, respectively, attributable to the acquisition. On a pro forma basis (unaudited), had this acquisition been completed on January 1, 2015, the Company's total revenue and income for the year would have amounted to $969,739 and $59,069, respectively. Management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Company on an annualized basis.

25. Financial instruments and risk management

Capital management

Management includes the following items in its definition of capital:

	2016	2015
Capital components		
Short-term borrowings	158,107	3,436
Non-current borrowings	38	46,874
Total debt	**158,145**	**50,310**
Issued Capital	670,115	589,263
Contributed Surplus	21,436	31,580
Accumulated Deficit	(408,406)	(507,921)
Total capital	**441,290**	**163,232**

The Company makes adjustments to it capital based on the funds available to the Company, in order to support the operations of the business and in order to ensure that the entities in the Company will be able to continue as going concerns, while maximizing the return to stakeholders through the optimization of the debt and equity balances.

The Company manages its capital structure, and makes adjustments to it in light of changes in economic conditions. In order to maintain or modify the capital structure, the Company may arrange new debt with existing or new lenders, or obtain additional financing through other means.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable. There were no changes in the Company's approach to capital management during the years ended December 31, 2016.

The Company is subject to capital requirements under the credit facility agreement, as described in Note 15. As at December 31, 2016, the Company was in compliance with all financial covenants.

Financial risk management objectives

Management's objective is to protect the Company and its subsidiaries on a consolidated basis against material economic exposures, and the variability of results from various financial risks that include foreign currency risk, interest rate risk, credit risk, and liquidity risk.

Market risk

Foreign currency risk

Due to the nature of the Company's international operations, it is exposed to foreign currency risk driven by fluctuations in exchange rates. Risk arises because the value of monetary assets, liabilities, revenues and expenditures arising from transactions denominated in foreign currencies may vary due to changes in exchange rates ("transaction exposures") and because the non-US dollar denominated financial statements of the Company's subsidiaries may vary on revaluation into the US dollar presentation currency ("translation exposures"). These exposures could impact the Company's earnings and cash flows.

The Company uses derivative financial instruments such as foreign exchange forward contracts to manage foreign currency risk.

As at December 31, 2016, the Company is committed under outstanding foreign exchange contracts to purchase Canadian dollars in exchange for US dollars, representing total purchase commitments of approximately $162,777 (2015 - $41,692).

25. Financial instruments and risk management *(continued)*

The consolidated statements of financial position include the following amounts (by denomination) presented in United States dollars:

	2016	2015
Financial Assets		
United States Dollars	161,090	121,579
Canadian Dollars	10,027	8,306
Euros	91,696	31,026
Pound	39,598	5,154
Peso	21,266	14,266
Total Assets	**323,677**	**180,331**
Financial Liabilities		
United States dollars	293,838	164,795
Canadian dollars	58,687	6,945
Euros	8,183	12,260
Pound	7,366	1,524
Peso	2,537	2,715
Total Liabilities	**370,611**	**188,239**

Foreign currency risk - sensitivity analysis

The Company is mainly exposed to the Canadian dollar and the Euro. A sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel, and represents management's assessment of the reasonably possible change in foreign exchange rates to which the Company is exposed.

For the year ended December 31, 2016, a 5% strengthening of the above currencies against the United States dollar would have resulted in a decrease to net assets of $4,086 (2015 - an decrease to net assets of $1,681).

The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities, and adjusts their translation at the reporting period for a 5% change in foreign currency rates.

Interest rate risk - management

Interest rate risk is the risk that the Company's financial assets and liabilities will increase or decrease in value due to a change in interest rates. The Company is exposed to interest rate risk as its loan facility bears interest at a variable rate.

Interest rate risk - sensitivity analysis

The Company is exposed to interest rate risk on financial instruments. A sensitivity rate of 50 basis points is used when reporting interest rate risk internally to key management personnel, and represents management's assessment of the reasonably possible change in interest rates to which the Company is exposed.

For floating rate liabilities, the analysis below assumes the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

For the year ended December 31, 2016, with all other variables held constant, a 50 basis point increase in interest rates would have resulted in a decrease to net income for the year of $600 (2015 - a decrease to net income of $178). This is mainly attributable to the Company's exposure to interest rate on its variable rate borrowings.

25. Financial instruments and risk management *(continued)*

Credit risk

As the Company usually grants credit to customers on an unsecured basis, credit risk arises from the possibility that customers may experience financial difficulty and may be unable to fulfill their financial obligations.

This risk is managed through the establishment of credit limits and payment terms based on an evaluation of the customer's financial performance, ability to generate cash, financing availability, and liquidity status. These factors are reviewed at least annually, with more frequent reviews performed as necessary.

In addition, the Company uses a variety of financial arrangements to ensure collectability of trade receivables, including requiring letters of credit, cash in advance of shipment and through the purchase of insurance on material customer receivables.

As at December 31, 2016, approximately 43% (2015 - 39%) of the Company's trade receivable are from three major retail customers, and these three major customers represent approximately 52% of gross product sales for the year ended December 31, 2016 (2015 - 57%). Substantially all of these customers were covered by credit insurance.

The Company mitigates credit risk on its cash balance by ensuring all deposits are with financial institutions with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The following details the Company's remaining contractual maturities for its financial liabilities with contractual repayment periods. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay, including both interest and principal cash flows.

To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Less than 1 year	1 year to Greater than 5 years	Greater than 5 years	2016 Total
Trade payables and other liabilities	206,771	—	—	206,771
Other long-term liabilities	—	110	—	110
Loans and borrowings	158,107	38	—	158,145
Provisions	26,454	12,025	—	38,479
Total as at December 31	**391,332**	**12,173**	**—**	**403,505**

	Less than 1 year	1 year to Greater than 5 years	Greater than 5 years	2015 Total
Trade payables and other liabilities	134,717	—	—	134,717
Other long-term liabilities	—	225	—	225
Loan and borrowings	3,436	46,874	—	50,310
Provisions	10,115	8,458	—	18,573
Total as at December 31	**148,268**	**55,557**	**—**	**203,825**

Financing facilities

	2016	2015
Secured bank loan facilities		
Amount used	160,831	50,136
Amount unused	343,450	227,764
Total as at December 31	**504,281**	**277,900**

25. Financial instruments and risk management *(continued)*

Fair value measurements

With the exception of foreign exchange forward contracts, the Company does not currently record any financial assets or liabilities at fair value in the financial statements. The carrying amounts of those financial assets and liabilities approximate their fair values.

The fair value of foreign exchange forward contracts represented a liability as at December 31, 2016 of $78 (2015 - $755) recorded in other liabilities. These fair values are categorized within Level 2 of the fair value hierarchy. The fair value of foreign exchange contracts is estimated based on forward exchange rates observable at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

26. Segment information

Spin Master's portfolio includes children's products, brands and entertainment properties which are grouped into five major product categories as follows:

(i) Activities, games & puzzles and fun furniture
(ii) Remote control and interactive characters
(iii) Boys action and high-tech construction
(iv) Pre-school and girls
(v) Outdoor

Information reported to the Chief Operating Decision Maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on geographical areas rather than by product category. The directors of the Company have chosen to organize the Company around the following operating segments: (i) North America, (ii) Europe, and (iii) Rest of World. Factors considered in determining the operating segments include the nature of the Company's business activities, the management structure directly accountable to the CODM, availability of discrete financial information, and strategic priorities within the organizational structure.

Segment revenue and results

The following table shows of the Company's revenue and results from continuing operations by reportable segment.

	2016	2015
Revenue by segment		
North America	847,278	692,242
Europe	271,130	183,786
Rest of world	136,150	106,665
Gross product sales	1,254,558	982,693
Other revenue and sales allowances	(100,104)	(103,287)
Total consolidated revenue	**1,154,454**	**879,406**
Segment income		
North America	65,022	22,454
Europe	65,455	37,408
Rest of world	44,314	33,442
Total segment income	174,791	93,304
Corporate and other	(36,912)	(13,671)
Net income before taxes	**137,879**	**79,633**

Revenues for North America include revenues attributable to Canada of $31,001 and $54,154, for 2016 and 2015, respectively.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015 - $nil). The Company does not include sales adjustments such as trade discounts and other allowances in the calculation of segment revenues ("referred to as gross product sales").

26. Segment information *(continued)*

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 2. Segment income represents income before tax earned by each segment without allocation of other income and expenses, foreign exchange loss (gain), and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets

As at December 31	2016	2015
Assets		
North America	571,267	228,999
Europe	105,561	60,304
Rest of world	37,596	20,537
Total segment assets	**714,424**	**309,840**
Corporate and other	39,008	78,443
Total consolidated assets	**753,432**	**388,283**

A breakdown of non-current assets by location of assets are detailed as follows:

As at December 31	2016	2015
Non-current assets		
North America	140,880	54,939
Europe	10,519	4,490
Rest of world	6,042	4,529
Total segment non-current assets	**157,441**	**63,958**
Corporate and other	122,349	78,524
Total consolidated non-current assets	**279,790**	**142,482**

Non-current assets for North America include non-current assets attributable to Canada of $68,902 and $50,744 for the years ending December 31, 2016 and December 31, 2015 respectively.

Segment liabilities

As at December 31	2016	2015
Liabilities		
North America	220,317	192,236
Europe	25,116	17,977
Rest of world	15,518	8,391
Total segment liabilities	**260,951**	**218,604**
Corporate and other	166,802	13,360
Total consolidated liabilities	**427,753**	**231,964**

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than deferred tax assets, other long-term assets and computer software. Goodwill is allocated to cash generating units as described in Note 13. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than royalties payable included within trade payables and accrued liabilities, deferred tax liabilities and preferred shares. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

26. Segment information *(continued)*

Depreciation and amortization by segment

Year ended December 31	2016	2015
Depreciation and amortization by segment		
North America	24,193	20,229
Europe	3,100	1,539
Rest of world	1,808	862
Total segment depreciation	29,101	22,630
Corporate and other	1,389	247
Total consolidated depreciation	**30,490**	**22,877**

In addition to the depreciation and amortization reported above, impairment losses of $265 (2015 ‑ $1,718) were recognized in respect of property, plant and equipment and intangible assets. These impairment losses were attributable to the following reportable segments:

Year ended December 31	2016	2015
Impairment losses recognized for the year		
North America	—	1,406
Europe	—	205
Rest of world	265	107
Total impairment losses	**265**	**1,718**

Revenue from major product categories

The following is an analysis of the Company's worldwide revenues from continuing operations based on its major product categories:

Year ended December 31	2016	2015
Revenue from product categories		
Activities, games & puzzles, & fun furniture	337,768	231,433
Remote control & interactive characters	282,777	233,294
Boys action & high-tech construction	154,454	192,304
Pre-school & girls	460,484	325,662
Outdoor	19,075	—
Gross product sales	1,254,558	982,693
Other revenues and sales allowances	(100,104)	(103,287)
Total revenues	**1,154,454**	**879,406**

Major customers

Sales to the Company's largest customers accounted for 52% and 57% of consolidated gross product sales for 2016 and 2015 respectively, as follows:

Year ended December 31	2016	2015
Revenue		
Wal-Mart	303,952	241,532
Toys "R" Us	193,343	164,585
Target	154,119	157,684
Total	**651,414**	**563,801**