Spin Master Corp.

Annual consolidated financial statements

For the years ended December 31, 2017 and December 31, 2016

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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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, 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 7, 2018

Spin Master Corp.

Consolidated statements of financial position as at December 31, 2017 and December 31, 2016

(In thousands of United States dollars)	Notes	2017	2016
Assets			
Current assets			
Cash		117,262	99,416
Trade and other receivables	**9**	369,719	295,068
Inventories	**10**	120,329	79,924
Prepaid expenses		20,500	21,398
		627,810	**495,806**
Non-current assets			
Advances on royalties		5,000	11,695
Property, plant and equipment	**11**	32,978	26,996
Intangible assets	**12**	145,165	130,390
Goodwill	**13**	105,487	91,707
Deferred tax assets	**8**	21,945	19,002
		310,575	**279,790**
Total assets		**938,385**	**775,596**
Liabilities			
Current liabilities			
Trade payables and other liabilities	**14**	350,757	228,935
Loans and borrowings	**15**	531	158,107
Deferred revenues		10,472	5,500
Provisions	**16**	25,398	26,454
Interest payable		45	6
Income tax payable	**8**	37,290	12,331
		424,493	**431,333**
Non-current liabilities			
Loans and borrowings	**15**	—	38
Provisions	**16**	5,735	12,025
Other long-term liabilities		—	110
Deferred tax liabilities	**8**	8,075	6,411
		13,810	**18,584**
Total liabilities		**438,303**	**449,917**
Shareholders' equity			
Share capital	**17**	681,310	670,115
Accumulated deficit		(247,340)	(408,406)
Contributed surplus		20,323	21,436
Accumulated other comprehensive income		45,789	42,534
Total shareholders' equity		**500,082**	**325,679**
Total liabilities and shareholders' equity		**938,385**	**775,596**

Approved by the Board of Directors on March 7, 2018.

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 year ended December 31 (In thousands of United States dollars, except share data)	Notes	2017	2016
Revenue	**4**	1,551,324	1,154,454
Cost of sales		750,868	557,712
Gross profit		**800,456**	**596,742**
Expenses			
Selling, marketing, distribution and product development	**7**	312,186	243,689
Administrative expenses	**7**	262,066	201,008
Other expenses	**5**	6,700	35
Foreign exchange (gain) loss		(11,370)	5,530
Finance costs	**6**	10,445	8,601
Income before income tax expense		**220,429**	**137,879**
Income tax expense	**8**	59,363	38,364
Net income		**161,066**	**99,515**
Items that may be subsequently reclassified to net income or loss			
Currency translation adjustment		3,255	(863)
Other comprehensive income (loss)		3,255	**(863)**
Total comprehensive income		**164,321**	**98,652**
Earnings per share			
Basic and diluted	**18**	1.58	0.99
Weighted average number of common shares outstanding			
Basic	**18**	101,675,906	100,647,133
Diluted	**18**	101,846,680	100,702,757

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

(In thousands of United States dollars)	Note	Share capital	Accumulated deficit	Contributed surplus	Accumulated other comprehensive income	Total
Balance at January 1, 2016		**589,263**	**(507,921)**	**31,580**	**43,397**	**156,319**
Net income		—	99,515	—	—	**99,515**
Currency translation adjustment		—	—	—	(863)	**(863)**
Share-based compensation	**17**	—	—	20,943	—	**20,943**
Issuance of subordinate shares, net of transaction costs	**17**	48,394	—	—	—	**48,394**
Shares released from equity participation	**17**	32,458	—	(31,087)	—	**1,371**
Balance at December 31, 2016		**670,115**	**(408,406)**	**21,436**	**42,534**	**325,679**
Balance at January 1, 2017		**670,115**	**(408,406)**	**21,436**	**42,534**	**325,679**
Net income		—	161,066	—	—	**161,066**
Currency translation adjustment		—	—	—	3,255	**3,255**
Share-based compensation	**17**	—	—	10,082	—	**10,082**
Shares released from equity participation	**17**	11,195	—	(11,195)	—	**—**
Balance at December 31, 2017		**681,310**	**(247,340)**	**20,323**	**45,789**	**500,082**

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 year ended December 31 (In thousands of United States dollars)	Notes	2017	2016
Operating activities			
Net income		161,066	99,515
Adjustments to reconcile net income to net cash provided by operating activities			
Income tax expense	**8**	59,363	38,364
Interest expense	**6**	3,357	2,833
Depreciation and amortization	**7, 11, 12**	44,908	30,490
Amortization of fair value increments to inventories acquired in business combinations		2,805	—
Accretion expense	**6**	2,559	2,868
Amortization of financing costs	**6**	879	602
Impairment of non-current assets	**5**	9,693	265
Share-based compensation expense	**17**	10,082	20,943
Changes in net working capital	**19**	16,782	(87,220)
Changes in contingent consideration liabilities		(6,290)	3,567
Income taxes paid		(34,878)	(33,233)
Interest paid		(2,921)	(5,956)
Cash provided by operating activities		**267,405**	**73,038**
Investing activities			
Capital expenditures - property, plant and equipment	**11**	(25,918)	(24,036)
Capital expenditures - intangible assets	**12**	(31,264)	(17,542)
Disposal of property, plant and equipment		—	10
Business acquisitions, net of cash acquired	**23**	(24,416)	(130,705)
Cash used in investing activities		**(81,598)**	**(172,273)**
Financing activities			
Proceeds from borrowings	**15**	25,791	204,000
Repayment of borrowings	**15**	(187,276)	(96,242)
Issuance of subordinate voting shares, net of transaction costs	**17**	—	47,709
Cash (used in) provided by financing activities		**(161,485)**	**155,467**
Effect of foreign currency exchange rate changes on cash		**(6,476)**	**(2,529)**
Net increase in cash during the year		**17,846**	**53,703**
Cash, beginning of year		99,416	45,713
Cash, end of year		**117,262**	**99,416**

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 25). 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, Switzerland and Poland. The Rest of World segment is primarily comprised of Hong Kong, China, Australia and Mexico, as well as all other areas of the world serviced by the Company's distribution network.

2. Summary of 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 ("USD"), except as otherwise indicated.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 7, 2018.

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

Amendments to International Accounting Standard ("IAS") 7 - Statement of Cash Flows

The amendments to IAS 7 Statement of Cash Flows are part of the International Accounting Standards Board's ("IASB") Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

The amendment was adopted on January 1, 2017. The amendment does not have a significant impact on the Company's consolidated financial statements for the year ended December 31, 2017.

Amendments to IAS 12 - Recognition of deferred tax assets for unrealized losses

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The amendment was adopted on January 1, 2017, 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 (the "Group"). Control is achieved when the Company:

- has power over the investee;

2. Significant accounting policies (continued)

(C) Basis of preparation (continued)

- 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.

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.

The Company has reclassified certain sales tax receivable and sales tax payable balances for the comparative period in the statement of financial position, in order to reflect the appropriate netting of sales tax receivable and payable accounts, in accordance with IAS 12 "Income Taxes". The impact of the reclassification was an increase of $22,164 in trade and other receivables and a corresponding increase in trade payables and other liabilities as at December 31, 2016.

(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.

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 CGUs) that are expected to benefit from the combination.

2. Significant accounting policies *(continued)*

(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; and
- 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 allow 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 deferred 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.

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.

2. Significant accounting policies *(continued)*

(H) Foreign currencies

The Company reports its financial results in USD; 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 USD 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, 2017 and 2016, 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 net income by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of 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 "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.

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 net income before taxes. 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.

2. Significant accounting policies *(continued)*

(J) Income taxes (continued)

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:

Brands	Indefinite
Character trademarks	5 years
Customer lists	5 years
Intellectual property	10 years
Non-competition agreements	1 year
Content development	1-5 years
Computer software	1 year

2. Significant accounting policies *(continued)*

(M) Intangible Assets (continued)

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 if applicable 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 incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized 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.

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 CGU to which the asset belongs. When a reasonable and consistent basis

2. Significant accounting policies *(continued)*

(M) Intangible assets (continued)

of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU) 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 CGU) 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 initially recorded as an asset and subsequently expensed to net income or loss 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.

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 is recorded as a reduction to revenue in the consolidated statements of operations and comprehensive income.

2. Significant accounting policies *(continued)*

(P) Provisions (continued)

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 obligation 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 was 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 that 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
Loans from related parties	Other liabilities
Other long-term liabilities	Other liabilities
Foreign exchange forward contracts	FVTPL

(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.

2. Significant accounting policies *(continued)*

(R) Financial Assets (continued)

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 measured 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 classified as 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 offset 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 the Company are recognized as 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.

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.

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

(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 hierarchy and liquidity risk disclosure

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).

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

(V) Accounting standards issued but not yet adopted

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which replaces IAS 11 - *Construction Contracts*, IAS 18 - *Revenue* and International Financial Reporting Interpretations Committee 13 - *Customer Loyalty Programs* ("IFRIC 13"), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, non-monetary transactions, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements. The standard is effective for annual periods beginning on or after January 1, 2018.

In April 2016, the IASB published clarifications to IFRS 15 which addressed three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts. The amendments are effective for annual periods beginning on or after January 1, 2018.

The guidance permits two methods of adoption: retrospectively to each prior reporting period restated (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company will adopt the standard using the full retrospective method to restate each prior reporting period presented.

In preparation for adoption of the standard, the Company has completed the review of relevant contracts and has concluded there will be no material transitional adjustment upon adoption and no material changes in the timing of revenue recognition is expected once adopted.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments". The new standard includes revised guidance on the classification and measurement of financial assets, including impairment, as well as new hedge accounting principles.

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, fair value through other comprehensive income ("FVOCI") 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 or FVOCI. A debt instrument that has cash flows which represent solely payments of principal and interest is measured at amortized cost only if it is held to collect the contractual cash flows or FVOCI if it is held to collect and sale contractual cash flows. Otherwise it is measured at FVTPL. For financial liabilities designated as at FVTPL, the change in the fair value attributable to

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

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

changes in the liability's credit risk is recognized in other comprehensive income ("OCI") unless it gives rise to an accounting mismatch in profit or loss.

IFRS 9 introduces a new expected credit loss ("ECL") model for all financial assets in scope of the impairment requirements. The new ECL will result in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event.

In preparation for adoption of the standard, the Company has completed its assessment of the implications of implementing the new standard and has concluded there will be no material transitional adjustment upon adoption and no material changes are expected once adopted.

IFRS 2 Share Based Payments

The IASB issued amendments to IFRS 2 "Share Based Payments". The amendment is intended to clarify 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.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The IASB has reached the consensus that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. The Company is evaluating the impact on its financial statements.

IFRIC 23 Uncertainty Over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 to clarify how the requirements of IAS 12 Income Taxes should be applied when there is uncertainty over income tax treatments. The interpretation specifically addresses:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How and entity determine taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019, with modified retrospective or retrospective application. The Company is currently evaluating the impact of IFRIC 23 on its financial statements.

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 and 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.

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. The estimates and underlying assumptions are reviewed on an ongoing

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

basis, and adjustments 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 are CGUs of the Company.

(B) Functional currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates as of the dates the transactions occur. 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.

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 CGU 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 required to sell. 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 contractual discounts, negotiated discounts, customer audits, defective products and costs incurred by customers to sell the Company's products. The

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

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 earned for the use of intellectual property, application revenues and the distribution of television programs ("Other revenue")

Year ended December 31	2017	2016
Revenue from sale of goods	1,465,532	1,106,514
Other revenue	85,792	47,940
Total revenue	**1,551,324**	**1,154,454**

5. Other (income) expenses

Year ended December 31	2017	2016
Impairment of non-current assets (see Notes 11,12)	9,693	265
Revaluation of provisions	—	(222)
Other	(2,993)	(8)
Total other expenses	**6,700**	**35**

6. Finance costs

Year ended December 31	2017	2016
Interest on bank loans	3,357	2,833
Bank fees	3,650	2,228
Accretion expense	2,559	2,868
Amortization of financing costs	879	602
Other	—	70
Total finance costs	**10,445**	**8,601**

7. Costs included within expenses

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

7. Costs included within expenses (continued)

Research and development costs

Year ended December 31	2017	2016
Research and development costs	23,365	22,017
Total research and development costs	**23,365**	**22,017**

Depreciation and amortization expense

Year ended December 31	2017	2016
Depreciation and amortization included in cost of sales	34,679	23,680
Depreciation and amortization included in administrative expenses	10,229	6,810
Total depreciation and amortization expense	**44,908**	**30,490**

Employee benefits expenses

Year ended December 31	2017	2016
Salaries, wages and bonuses	2,671	3,856
Other employee benefits	955	683
Total employee benefits expenses in cost of sales	**3,626**	**4,539**
Salaries, wages and bonuses	129,684	99,473
Share-based compensation	10,082	20,943
Termination benefits	1,680	1,823
Other employee benefits	28,509	14,236
Total employee benefits expenses in administrative expenses	**169,955**	**136,475**
Total employee benefits expenses	**173,581**	**141,014**

Selling, marketing, distribution and product development

Year ended December 31	2017	2016
Selling	106,471	77,102
Marketing	128,713	112,339
Distribution	53,637	32,231
Product development	23,365	22,017
Total selling, marketing, distribution and product development	**312,186**	**243,689**

Administrative expenses

Year ended December 31	2017	2016
Staff costs	169,955	136,474
Technology	8,382	5,131
Professional services	23,696	19,482
Property and operations	31,246	22,496
Depreciation of property, plant and equipment (excluding tooling)	10,229	6,896
Other	18,558	10,529
Total administrative expenses	**262,066**	**201,008**

8. Income taxes

Income tax recognized in profit or loss

Year ended December 31	2017	2016
Current tax expense	59,838	28,354
Deferred tax expense	(475)	10,010
Total income tax expense	**59,363**	**38,364**

Reconciliations of the income tax expense for the year at the statutory tax rate with the amounts presented in the consolidated statements of operations are as follows:

Year ended December 31	2017	2016
Net income before income taxes	220,429	137,879
Statutory tax rate (26.5%)	58,414	36,538
Adjustments		
Effect of expenses that are not deductible in determining taxable income	1,112	1,471
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	480	277
Effect of previously unrecognized unused tax losses and deductible temporary differences now recognized as deferred tax assets	(510)	(187)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(6,782)	(3,976)
Effect of tax rate changes	2,528	—
Effect of tax settlement with the Canada Revenue Agency on transfer pricing matter	—	(153)
Other	4,121	4,394
Total income tax expense	**59,363**	**38,364**

The tax rates used for the reconciliations above is the Canadian statutory tax rate of the parent 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

Year ended December 31	2017	2016
Income tax payable	37,290	12,331
Total income tax payable	**37,290**	**12,331**

Deferred tax balances

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

Year ended December 31	2017	2016
Deferred tax assets	21,945	19,002
Deferred tax liabilities	(8,075)	(6,411)
Net deferred tax asset	**13,870**	**12,591**

8. Income taxes *(continued)*

Recognized deferred tax assets and liabilities

As at December 31	2016	Recognized in profit or loss	Recognized in equity	2017
Deferred tax assets (liabilities) in relation to:				
Property, plant and equipment	1,104	(560)	70	614
Intangible assets	(3,990)	(276)	(242)	(4,508)
Provisions	5,021	2,834	317	8,172
Allowance for doubtful accounts	260	79	16	355
	2,395	2,077	161	4,633
Tax losses	9,538	(2,786)	602	7,354
Other	658	1,184	41	1,883
Total deferred tax	**12,591**	**475**	**804**	**13,870**

Unrecognized deductible temporary differences and unused tax losses

Year ended December 31	2017	2016
Tax losses	2,604	1,919
Other	—	2,139
Total deductible temporary difference and unused tax losses	**2,604**	**4,058**

Unused tax losses of $1,077 will expire beyond 2027 and $1,527 may be carried forward indefinitely.

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, 2017, is $228,749 (2016 - $182,708).

9. Trade and other receivables

As at	December 31, 2017	December 31, 2016
Trade receivables	393,617	307,051
Provisions for sales allowances	(120,547)	(79,261)
Allowance for doubtful accounts	(2,789)	(2,684)
	270,281	**225,106**
Other receivables	99,438	69,962
Total net trade and other receivables	**369,719**	**295,068**

Trade receivables disclosed above include amounts that are past due as 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, 2017	December 31, 2016
60-90 days	9,697	7,077
91-120 days	7,229	3,031
> 120 days	35,771	34,244
Total trade receivables past due but not impaired	**52,697**	**44,352**

9. Trade and other receivables (continued)

Movement in the allowance for doubtful accounts

As at	December 31, 2017	December 31, 2016
Balance at the beginning of the year	2,684	1,245
Impairment losses recognized on receivables	8,060	2,058
Amounts written off during the year as uncollectible	(7,636)	(409)
Impairment losses reversed	(424)	(237)
Foreign currency translation	105	27
Balance as at December 31, 2017	**2,789**	**2,684**

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, 2017	December 31, 2016
Raw materials	10,931	9,114
Finished goods	109,398	70,810
Total inventories	**120,329**	**79,924**

The cost of inventories recognized as an expense in cost of sales during the year was $670,621 (2016 - $501,551).

During 2017, $6,114 of inventories were written down to net realizable value (2016 - $4,048). 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, land and building	Computer hardware	Total
Cost					
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**
Additions	19,505	2,134	2,954	1,325	**25,918**
Asset retirements	(6,341)	(127)	(127)	(447)	**(7,042)**
Asset impairments	(660)	—	—	—	**(660)**
Foreign currency translation	3,916	706	590	470	**5,682**
Total at December 31, 2017	**112,304**	**18,114**	**12,870**	**9,763**	**153,051**

	Moulds, dies and tools	Equipment	Property, land and building	Computer hardware	Total
Accumulated depreciation					
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)**
Depreciation	(17,445)	(1,555)	(1,080)	(655)	**(20,735)**
Asset retirements	6,341	82	52	400	**6,875**
Foreign currency translation	(2,631)	(564)	(355)	(506)	**(4,056)**
Total at December 31, 2017	**(90,754)**	**(13,265)**	**(7,793)**	**(8,261)**	**(120,073)**
Net carrying amount					
Total at December 31, 2016	**18,865**	**4,173**	**3,043**	**915**	**26,996**
Total at December 31, 2017	**21,550**	**4,849**	**5,077**	**1,502**	**32,978**

For the year ended December 31, 2017, the Company recorded $660 (2016 - $265) of impairment losses in respect of 4 CGUs (2016 - 8). 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, 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**
Additions	—	—	30,109	1,155	**31,264**
Asset impairments	(5,734)	(3,045)	(859)	(5,288)	**(14,926)**
Asset acquisitions via business combinations	6,300	4,400	—	—	**10,700**
Foreign currency translation	2,463	124	4,487	1,517	**8,591**
Total at December 31, 2017	**83,002**	**35,983**	**94,680**	**18,147**	**231,812**
Balance, December 31, 2015	—	(402)	(29,688)	(16,197)	**(46,287)**
Amortization	—	(2,713)	(12,263)	(1,708)	**(16,684)**
Disposals	—	—	—	288	**288**
Foreign currency translation		(277)	(1,935)	(898)	**(3,110)**
Total at December 31, 2016	**—**	**(3,392)**	**(43,886)**	**(18,515)**	**(65,793)**
Amortization	—	(3,180)	(19,173)	(1,820)	**(24,173)**
Asset impairment	—	1,074	129	4,690	**5,893**
Foreign currency translation	—	(320)	(978)	(1,276)	**(2,574)**
Total at December 31, 2017	**—**	**(5,818)**	**(63,908)**	**(16,921)**	**(86,647)**
Net carrying amount					
Balance at December 31, 2016	**79,973**	**31,112**	**17,057**	**2,248**	**130,390**
Balance at December 31, 2017	**83,002**	**30,165**	**30,772**	**1,226**	**145,165**

Indefinite life intangibles have been allocated for impairment testing purposes to the following CGUs determined by brands:

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

Impairment losses

For the year ended December 31, 2017, the Company recorded $9,033 (2016 - $nil) of impairment losses in respect of 3 CGUs (2016 - nil) . Impairment losses are recorded where the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount was based on the CGU's 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 11.5% per annum (2016: 11.1% per annum).

12. Intangible assets *(continued)*

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% (2016: 1.0%) 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 CGUs as follows:

As at	December 31, 2017	December 31, 2016
Spy Gear	5,047	7,577
Meccano Brand	2,221	2,221
Games and Puzzles	27,313	25,695
Swimways	27,790	24,690
Toca Boca	13,000	13,000
Etch A Sketch	7,631	6,790
Total	**83,002**	**79,973**

13. Goodwill

As at	December 31, 2017	December 31, 2016
Balance, beginning of year	91,707	36,130
Additions during the year	13,123	55,806
Foreign currency translation	657	(229)
Total goodwill	**105,487**	**91,707**

Goodwill has been allocated for impairment testing purposes to the following CGUs:

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

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

As at December 31	2017	2016
Spin Master UK	215	215
Meccano Brand	2,145	2,145
Tech Deck	1,206	1,206
Games and Puzzles	44,223	35,264
Etch A Sketch	4,148	3,933
Toca Boca	11,492	11,492
Swimways	42,058	37,452
Total goodwill	**105,487**	**91,707**

There have been no impairment losses recognized with respect to goodwill during 2017 (2016 - $nil).

14. Trade payables and other liabilities

As at	December 31, 2017	December 31, 2016
Trade payables	155,519	92,171
Accrued liabilities	195,238	136,764
Total trade payables and other liabilities	**350,757**	**228,935**

15. Loans and borrowings

As at	December 31, 2017	December 31, 2016
Unsecured debt (at amortized cost)		
Loans from third parties (i)	44	215
	44	**215**
Secured debt (at amortized cost)		
Bank facilities (ii) and (iii)	532	160,831
	576	**161,046**
Less:		
Financing costs	45	2,901
Total loans and borrowings	**531**	**158,145**
Current	531	158,107
Non-current	—	38
Total loans and borrowings	**531**	**158,145**

(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 1 year (2016 - 3 years). The weighted average effective interest rate on the loans is 1.27% per annum (2016 - 1.06% per annum).

(ii) Variable rate secured facility with maximum borrowings of $905 to finance television production. 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.

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, 2017, the Company had $532 outstanding (December 31, 2016 - $1,640) on the obligation.

On March 6, 2017 the Company entered into a Revolving Credit Facility (the "Production Facility") with a limit of $31,867 to finance television and film production. The interest rate on amounts drawn under the Production Facility bear interest at a variable rate referenced to the lending institution's Canadian dollar prime rate. As at December 31, 2017, nil was drawn on the Production Facility.

(iii) 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 $280,000 to $510,000. The new maturity date of the Facility is December 2021. Advances under the Facility may be used for general corporate purposes including refinancing existing Indebtedness, funding working capital requirements, permitted acquisitions and permitted distributions.

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;

15. Loans and borrowings *(continued)*

- 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 to 1.00 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 million 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.

The Company was in compliance with the total leverage and interest coverage ratio covenants as at December 31, 2017 and December 31, 2016.

As at December 31, 2017, the Company had utilized $545 (December 31, 2016 - $160,912) of its Facility: nil (December 31, 2016 - $159,190) drawn in LIBOR Loans, nil drawn in Swing Line loans and $545 (December 31, 2016 - $1,722) drawn in letters of credit.

16. Provisions and contingent liabilities

As at December 31	2017	2016
Defectives (i)	8,956	10,943
Royalties (ii)	—	29
Supplier liabilities (iii)	5,826	5,202
Contingent consideration, acquisitions (iv)	16,351	22,305
Total provisions	**31,133**	**38,479**
Current	25,398	26,454
Non-current	5,735	12,025
Total provisions	**31,133**	**38,479**

	Defectives	Royalties	Supplier liabilities	Contingent consideration, acquisitions	Total
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 recognized	—	—	—	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**
As at December 31, 2016	**10,943**	**29**	**5,202**	**22,305**	**38,479**
Provisions recognized	14,936	—	1,616	1,539	**18,091**
Accretion recognized	—	—	—	2,559	**2,559**
Reductions arising from payments	(16,923)	—	(992)	(6,773)	**(24,688)**
Revaluation of provisions	—	(29)	—	(3,279)	**(3,308)**
As at December 31, 2017	**8,956**	**—**	**5,826**	**16,351**	**31,133**

16. Provisions and contingent liabilities *(continued)*

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 23 which includes an earn-out payable over the next five calendar years. The fair value of the total contingent consideration on December 31, 2017 was $16,351 (2016 - $22,305) and is based on the achievement of certain financial performance criteria. The accretion of the earn-out is recorded in other (income) expense in 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. Share capital

(a) *Authorized as at December 31, 2017 and December 31, 2016*

Unlimited number of Multiple voting shares;

Unlimited number of Subordinate voting shares; and

Unlimited number of Preferred shares issuable in series.

As at	December 31, 2017	December 31, 2016
Multiple voting shares	375,115	406,595
Subordinate voting shares	306,195	263,520
Total share capital issued and outstanding	**681,310**	**670,115**

	Number of shares	Number of shares
Multiple voting shares	73,549,812	77,230,812
Subordinate voting shares	28,126,094	24,445,309
Total share capital issued and outstanding	**101,675,906**	**101,676,121**

17. Share capital *(continued)*

Issued and outstanding

On May 24, 2017 the three founders of the Company closed an offering of 3,681,000 subordinate voting shares of the Company at a price of $30.21 per share, for aggregate gross proceeds to the selling shareholders of $111,203. To satisfy the sale, the selling shareholders converted in aggregate 3,681,000 multiple voting shares into subordinate voting shares on a one-for-one basis. The Company did not receive any proceeds from the sale of subordinate voting shares associated with this offering.

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.

(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 (the "Initial Offering") of the Company. The Participation Arrangements served to reward past service and encourage retention. The terms of the Participation Arrangements differ between participants with vested 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 of 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 at December 31, 2017, 2,473,228 Subordinate voting shares have vested with a fair value of $106,439 (December 31, 2016 - $59,229).

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).

The RSUs served to reward past service of the employees and align their interests 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 RSUs were accounted for as equity instruments as the Company had the ability and intent to settle the awards with Subordinate voting shares. The compensation expense for RSUs was 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.

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. Share capital *(continued)*

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

	Year ended December 31,	
	2017	**2016**
Expense arising from equity-settled “Participation Agreement” transactions	8,689	14,270
Expense arising from equity-settled “RSU” transactions	—	5,949
Expense arising from share options	1,393	724
Total share-based compensation expense	**10,082**	**20,943**

Compensation expense of $10,082 (2016 - $20,943) is recorded in administrative expenses in the consolidated statement of operations and comprehensive income. A corresponding amount was recorded in contributed surplus.

In 2017, the Company incurred compensation expense of nil its financial results for RSU equity awards granted (2016 - $5,949).

There was no activity for Participation Arrangements and RSUs since December 31, 2016 as shown below:

	Participation Agreement		RSUs	
	Number	**Weighted average grant date fair value**	**Number**	**Weighted average grant date fair value**
Balance as at December 31, 2016	**4,739,038**	**65,174**	**747,521**	**10,280**
Balance as at December 31, 2017	**4,739,038**	**65,174**	**747,521**	**10,280**

The weighted average remaining contractual life for Participation Arrangements outstanding as at December 31, 2017 is 24 months.

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, 2016	346,148	$22.94
Granted during the period	206,551	$37.64
Balance as at December 31, 2017	**552,699**	**$28.43**

18. Earnings per share

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

	2017		2016	
	Weighted average number of shares	**Per common share amount ($)**	**Weighted average number of shares**	**Per common share amount ($)**
Basic	101,675,906	1.58	100,647,133	0.99
Diluted	101,846,680	1.58	100,702,757	0.99

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. As these share issuances are anti-dilutive, they are not included in the computation of diluted earnings per share.

19. Changes in net working capital

	Year ended December 31, 2017	2016
(Increase) decrease in:		
Trade and other receivables	(136,594)	(150,612)
Inventories	(42,384)	(39,205)
Prepaid expenses	1,005	(6,731)
Advances on royalties	5,160	(10,140)
	(172,813)	**(206,688)**
Increase (decrease) in:		
Trade payables and other liabilities	186,668	90,484
Deferred revenues	4,972	(1,265)
Provisions	(2,596)	30,249
Other	550	—
	189,594	**119,468**
Total changes in net working capital	**16,782**	**(87,220)**

20. 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.

There were no related party transactions included in consolidated financial statements of the Company as at December 31, 2017 and December 31, 2016.

Compensation of key management personnel

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

Year ended December 31	2017	2016
Salaries, wages and bonuses	5,230	5,293
Other employee benefits	340	1,548
Share-based compensation	1,037	9,155
Total compensation of key management personnel	**6,607**	**15,996**

21. 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	2017	2016
Minimum lease payments	10,539	7,099
Total minimum lease payments	**10,539**	**7,099**

22. Commitments for expenditures

As at December 31, 2017, the Company had minimum guarantees to licensors of approximately $47,331 (2016 - $32,092).

22. Commitments for expenditures *(continued)*

Non-cancellable operating lease commitments

As at December 31	2017	2016
No later than 1 year	6,832	6,784
Later than 1 year and no later than 5 years	40,859	16,097
Later than 5 years	16,231	—
Total lease commitments	**63,922**	**22,881**

23. Business combinations

Acquisition of Perplexus

On November 30, 2017 the Company acquired certain assets related to the Perplexus product, co-invented in 2001 by Michael McGinnis and Klitsner Industrial Design Group of San Francisco and manufactured by Busy Life LLC.

Pursuant to the terms set forth in the agreement, the Company acquired control of Perplexus through the acquisition of certain assets, for a total purchase consideration of $9,861 less an escrow for possible adjustments. In addition, the Company has agreed to pay an earn-out of up to $2,000 per year based on Perplexus sales over a five year term, commencing January 1, 2018.

Included in the total purchase consideration of $9,861 is $815 related to the estimated fair value of the future earn-out payments as at the acquisition date. The total purchase consideration has been initially allocated to the identifiable intangible assets based on its estimated fair values of $2,000 (related to the trade name), and $7,861 of goodwill acquired. The assets are included in the games and puzzles product category, belonging to the North America segment effective November 30, 2017. The pro forma and actual results of operations for this acquisition have not been presented and are immaterial. The Company incurred $90 in transactions related costs which have all been included in administrative expenses in the consolidated statements of operations and comprehensive income for the year ended December 31, 2017.

Assets acquired at the date of acquisition

	Fair Value as at November 30, 2017
Assets acquired	
Intangible assets	2,000
Fair value of identifiable assets acquired	**2,000**

Goodwill arising on acquisition

	Total
Consideration transferred	9,861
Fair value of identifiable assets acquired	2,000
Goodwill arising from transaction	**7,861**

Goodwill relates to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, $7,861 of goodwill is expected to be deductible for income tax purposes and is being amortized for tax purposes over 15 years.

Net cash outflow on acquisition

	Total
Consideration paid in cash	9,046
Net cash outflow	**9,046**

23. Business combinations *(continued)*

Acquisition of Aerobie Inc. ("Aerobie")

On July 28, 2017 the Company acquired certain assets of Aerobie, a privately held Company headquartered in Palo Alto, California. Aerobie is a manufacturer of outdoor flying disks and sports toys, which will complement the Company's existing products in the outdoor segment. Pursuant to the terms set forth in the agreement, the Company acquired control of Aerobie through the acquisition of certain assets, for total purchase consideration of $11,418, less an escrow for possible adjustments. Additionally, the Company has agreed to pay additional consideration in the form of a royalty, calculated in each quarterly period of a three year royalty term, commencing January 1, 2018.

Included in the total purchase consideration of $11,418 is $724 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 $6,100 (related to brands and customer relationships), $4,606 of goodwill acquired and $712 of inventory acquired. The assets are included in the Outdoor product category, belonging to the North America segment effective July 28, 2017. The pro forma and actual results of operations for this acquisition have not been presented and are immaterial. The Company incurred $200 in transaction related costs which have been included in administrative expenses in the consolidated statement of operations and comprehensive income for the year ended December 31, 2017.

Assets acquired at the date of acquisition

	Fair Value as at July 28, 2017
Assets acquired	
Inventories	712
Intangible assets	6,100
Fair value of identifiable assets acquired	**6,812**

Goodwill arising on acquisition

	Total
Consideration transferred	11,418
Fair value of identifiable assets acquired	(6,812)
Goodwill arising from transaction	**4,606**

Goodwill relates to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, $4,606 of goodwill is expected to be deductible for income tax purposes and is being amortized for tax purposes over 15 years.

Net cash outflow on acquisition

	Total
Consideration paid in cash	10,694
Net cash outflow	**10,694**

Acquisition of Marbles Corporation

On April 28, 2017, the Company acquired Marbles Holdings, LLC ("Marbles"), a privately held Company headquartered in Chicago, Illinois, pursuant to an asset purchase agreement. Marbles is a leader in brain-building and high-quality games, gifts and gadgets for all ages. The acquisition will complement the Company’s existing products and builds upon the Company’s substantial presence and will strengthen its position as a leader in the Games market. The Company obtained control of the Marbles business through the acquisition of brand-related patents, trademarks and inventory for the brands for total cash consideration of $4,675.

23. Business combinations *(continued)*

Acquisition of Marbles Corporation (continued)

The acquired assets were sold through a bankruptcy court approved sale process and include all of Marbles' proprietary and licensed games, warehoused inventory and the Marbles name and website. Spin Master submitted a bid for the assets and subsequently emerged as the successful bidder at the conclusion of the open auction sale process on April 24, 2017. The court overseeing the Marbles bankruptcy case issued an order approving the sale to Spin Master on April 26, 2017. The Company closed the acquisition of Marbles on April 28, 2017.

The total purchase consideration has been allocated to identifiable intangible assets based on their estimated fair values of $2,600 (related to brands, trademarks and customer relationships). Additionally $1,419 of net tangible assets were acquired. The assets are included in the Games & Puzzles product category, belonging to the North America segment effective April 28, 2017. The pro forma and actual results of operations for this acquisition have not been presented and are immaterial. The Company incurred $1,218 in transaction related costs, $262 of which have been included in administrative expenses and $956 of which have been included in other expenses in the consolidated statement of operations and comprehensive income for the year ended December 31, 2017.

Assets acquired and liabilities recognized at the date of acquisition

	Fair Value as at April 28, 2017
Assets acquired	
Inventories	983
Prepaid expenses	450
Intangible assets	2,600
	4,033
Liabilities assumed	
Royalties payable	14
	14
Fair value of identifiable net assets acquired	**4,019**

Goodwill arising on acquisition

	Total
Consideration transferred	4,675
Fair value of identifiable net assets acquired	(4,019)
Goodwill arising from transaction	**656**

Goodwill relates to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, $656 of goodwill is expected to be deductible for income tax purposes and is being amortized for tax purposes at 5% declining balance.

Net cash outflow on acquisition

	Total
Consideration paid in cash	4,675
Net cash outflow	**4,675**

Prior year acquisitions

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

23. Business combinations *(continued)*

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

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 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.

<u>*Assets acquired and liabilities recognized at the date of acquisition*</u>

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.

<u>*Goodwill arising on acquisition*</u>

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

23. Business combinations *(continued)*

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

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.

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.

23. Business combinations *(continued)*

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

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.

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.

23. Business combinations *(continued)*

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

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.

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.

23. Business combinations *(continued)*

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

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**

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.

23. Business combinations *(continued)*

Acquisition of assets of Etch A Sketch (continued)

Net cash outflow on acquisition

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

24. Financial instruments and risk management

Capital management

Management includes the following items in its definition of capital:

As at	2017	2016
Capital components		
Short-term borrowings	531	158,107
Non-current borrowings	—	38
Total debt	**531**	**158,145**
Share capital	681,310	670,115
Contributed surplus	20,323	21,436
Accumulated deficit	(247,340)	(408,406)
Total capital	**454,824**	**441,290**

The Company makes adjustments to its' 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 year ended December 31, 2017.

The Company is subject to capital requirements under the credit facility agreement, as described in Note 15. As at December 31, 2017, 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 translation 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.

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

As at December 31, 2017, the Company is committed under outstanding foreign exchange contracts to purchase USD, representing total purchase commitments of approximately $48,060 (2016 - $162,777).

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

As at December 31	2017	2016
Financial Assets		
USD	335,123	161,090
CAD	19,248	10,027
Euros	56,173	91,696
Pound	25,881	39,598
Peso	40,392	21,266
Yen	19	—
Australian dollar	9,634	—
Total Assets	**486,470**	**323,677**
Financial Liabilities		
USD	85,569	293,838
CAD	145,330	58,687
Euros	38,863	8,183
Pound	9,402	7,366
Peso	14,750	2,537
Yen	99	—
Australian dollar	3,365	—
Total Liabilities	**297,378**	**370,611**

Foreign currency risk - sensitivity analysis

The Company is consistently exposed to the Canadian dollar, the Peso, the British Pound 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, 2017, a 5% strengthening of the above currencies against the USD would have resulted in a decrease to net assets of $3,508 (2016 - an increase to net assets of $4,517).

The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities, and adjusts their translation as at the end of 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 the year ended December 31, 2017, with all other variables held constant, a 50 basis point increase in interest rates would have resulted in no impact to net income for the year (2016 - a decrease to net income of $600).

24. 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, 2017, approximately 33% (2016 - 43%) of the Company's trade receivables are from three major retail customers which represent approximately 48% of gross product sales for the year ended December 31, 2017 (2016 - 52%). The Company's credit insurance provides coverage for all of these customers.

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.

To the extent that interest rates are floating, 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.

The Company's contractual maturities are as follows:

	Less than 1 year	1 year to 5 years	Greater than 5 years	2017 Total
Trade payables and other liabilities	350,757	—	—	350,757
Loans and borrowings	531	—	—	531
Provisions	25,398	5,735	—	31,133
Total as at December 31	**376,686**	**5,735**	**—**	**382,421**

	Less than 1 year	1 year to 5 years	Greater than 5 years	2016 Total
Trade payables and other liabilities	228,935	—	—	228,935
Other long-term liabilities	—	110	—	110
Loan and borrowings	158,107	38	—	158,145
Provisions	26,454	12,025	—	38,479
Total as at December 31	**413,496**	**12,173**	**—**	**425,669**

Financing facilities

As at December 31,	2017	2016
Secured bank loan facilities		
Amount used	531	160,831
Amount unused	510,373	343,450
Total as at December 31	**510,904**	**504,281**

24. 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 and their carrying amounts approximate their fair values.

The fair value of foreign exchange forward contracts represented an asset as at December 31, 2017 of $971 and is recorded in other assets (2016 - liability $78 and is 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.

25. 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 and 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 product category. The directors of the Company have chosen to organize the Company around the 3 operating segments as follows: (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 the Company's revenue and results from continuing operations by reportable segment:

	Year ended December 31	
	2017	**2016**
Revenue by segment		
North America	1,082,709	847,278
Europe	368,009	271,130
Rest of world	206,310	136,150
Gross product sales	**1,657,028**	**1,254,558**
Other revenue and sales allowances	(105,704)	(100,104)
Total consolidated revenue	**1,551,324**	**1,154,454**
Segment income		
North America	189,973	65,023
Europe	19,647	65,455
Rest of world	19,806	44,314
Total segment income	**229,426**	**174,792**
Corporate and other	(8,997)	(36,913)
Income before income tax expense	**220,429**	**137,879**

Revenues for North America include revenues attributable to Canada of $142,707 (2016 - $122,350) for the period ended December 31, 2017.

Revenue reported by segment above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016 - $nil). The Company does not include sales adjustments such as trade discounts and other allowances in reporting revenue by segment ("referred to as gross product sales").

25. 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 income tax expense earned by each segment without allocation of other expenses, foreign exchange (gain) loss 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	2017	2016
Assets		
North America	489,390	571,267
Europe	99,819	105,561
Rest of world	138,087	37,596
Total segment assets	**727,296**	**714,424**
Corporate and other	211,089	61,172
Total consolidated assets	**938,385**	**775,596**

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

As at December 31	2017	2016
Non-current assets		
North America	204,136	140,880
Europe	12,741	10,519
Rest of world	9,665	6,042
Total segment non-current assets	**226,542**	**157,441**
Corporate and other	84,033	122,349
Total consolidated non-current assets	**310,575**	**279,790**

Non-current assets for North America include non-current assets attributable to Canada of $82,862 (2016 - $68,902) for the periods ending December 31, 2017.

Segment liabilities

As at December 31	2017	2016
Liabilities		
North America	295,313	220,317
Europe	60,619	25,116
Rest of world	55,335	15,518
Total segment liabilities	**411,267**	**260,951**
Corporate and other	27,036	188,966
Total consolidated liabilities	**438,303**	**449,917**

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 CGUs. 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 other liabilities) and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

25. Segment information *(continued)*

Depreciation and amortization by segment

Year ended December 31	2017	2016
Depreciation and amortization by segment		
North America	33,681	24,193
Europe	5,207	3,100
Rest of world	3,216	1,808
Total segment depreciation and amortization	**42,104**	**29,101**
Corporate and other	2,804	1,389
Total consolidated depreciation and amortization	**44,908**	**30,490**

In addition to the depreciation and amortization reported above, impairment losses of $9,693 (2016 - $265) were recognized in respect of property, plant and equipment and intangible assets, for the year ended December 31, 2017. These impairment losses were attributable to the following reportable segments:

Year ended December 31	2017	2016
Impairment losses		
North America	9,033	—
Rest of world	660	265
Total impairment losses	**9,693**	**265**

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	2017	2016
Revenue from product categories		
Activities, games and puzzles, and fun furniture	365,378	337,768
Remote control and interactive characters	593,355	282,777
Boys action and high-tech construction	112,102	154,454
Pre-school and girls	493,069	460,484
Outdoor	93,124	19,075
Gross product sales	**1,657,028**	**1,254,558**
Other revenues and sales allowances	(105,704)	(100,104)
Total revenues	**1,551,324**	**1,154,454**

Major customers

Sales to the Company's largest customers accounted for 48.1% and 52.0% of consolidated gross product sales for 2017 and 2016 respectively. Sales to single customers of the company that contributed 10% or more to gross product sales include three customers. The largest customer contributed $363,674 (2016 - $303,952) while the second and third largest customers each contributed $230,696 (2016 - $193,343) and $203,425 (2016 - $154,119), respectively. No other single customer contributed 10% or more to gross product sales of the company for 2017 and 2016.

26. Events after the reporting period

On February 28, 2018, the Company signed an agreement to acquire certain assets relating to the Gund line of business from Enesco LLC for $79.1 million. Gund is a manufacturer and distributor of plush toys and is best known for its' line of teddy bears. Established in 1898, Gund has a 120-year history as a market leader and toy industry pioneer widely known for its high quality and innovative design. Headquartered in Edison, New Jersey, Gund distributes product throughout the United States, Canada, Europe, Japan, Australia and South America. The acquisition will allow Spin Master to build a stable platform for expansion into the infant toy and specialty gift categories and further grow the business internationally. Gund will be included in the Activities, Games and Puzzles and Fun Furniture business segment. The purchase consideration will be funded from internally generated cash resources and the Company's existing Credit Facility. The acquisition is expected to close on April 1, 2018.