Spin Master Corp.

Condensed consolidated interim financial statements (unaudited)

For the three month periods ended March 31, 2018 and March 31, 2017

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Spin Master Corp.
Condensed consolidated interim statements of financial position

(Unaudited, in thousands of United States dollars)	Notes	March 31, 2018	December 31, 2017
Assets			
Current assets			
Cash		132,910	117,262
Trade and other receivables	**7**	272,935	369,719
Inventories	**8**	112,994	120,329
Prepaid expenses		24,102	20,500
		542,941	**627,810**
Non-current assets			
Advance on royalties		260	5,000
Property, plant and equipment	**9**	44,060	32,978
Intangible assets	**10**	147,953	145,165
Goodwill	**11**	105,319	105,487
Deferred tax assets		21,942	21,945
		319,534	**310,575**
Total assets		**862,475**	**938,385**
Liabilities			
Current liabilities			
Trade payables and other liabilities	**12**	262,834	350,757
Loans and borrowings	**13**	28,410	531
Deferred revenues		11,208	10,472
Provisions	**14**	24,408	25,398
Interest payable		9	45
Income tax payable		12,791	37,290
		339,660	**424,493**
Non-current liabilities			
Provisions	**14**	4,520	5,735
Deferred tax liabilities		8,080	8,075
		12,600	**13,810**
Total liabilities		**352,260**	**438,303**
Shareholders' equity			
Share capital	**15**	681,398	681,310
Accumulated deficit		(238,641)	(247,340)
Contributed surplus		22,330	20,323
Accumulated other comprehensive income		45,128	45,789
Total shareholders' equity		**510,215**	**500,082**
Total liabilities and shareholders' equity		**862,475**	**938,385**

Approved by the Board of Directors on May 8, 2018.

The accompanying notes on pages 5 to 20 are an integral part of these condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of operations and comprehensive income

For the three month periods ended March 31 (Unaudited, in thousands of United States dollars, except share data)	Notes	2018	2017
Revenue	**3**	285,671	227,711
Cost of sales		136,839	114,384
Gross profit		**148,832**	**113,327**
Expenses			
Selling, marketing, distribution and product development	**5**	58,424	43,522
Administrative expenses	**5**	76,951	53,927
Other expenses		27	770
Foreign exchange loss (gain)		3	(1,699)
Finance costs	**4**	1,600	2,864
Income before income tax expense		**11,827**	**13,943**
Income tax expense	**6**	3,128	3,856
Net income		**8,699**	**10,087**
Items that may be subsequently reclassified to net income or loss			
Currency translation adjustment loss		(661)	(676)
Other comprehensive loss		**(661)**	**(676)**
Total comprehensive income		**8,038**	**9,411**
Earnings per share			
Basic and diluted	**16**	0.09	0.10
Weighted average number of common shares outstanding			
Basic	**16**	101,676,120	101,676,121
Diluted	**16**	101,934,826	101,789,132

The accompanying notes on pages 5 to 20 are an integral part of these condensed consolidated interim financial statements.

Spin Master Corp.
Condensed consolidated interim statements of changes in equity

(Unaudited, in thousands of United States dollars)	Note	Share capital	Accumulated deficit	Contributed surplus	Accumulated other comprehensive income	Total
Balance at January 1, 2017		**670,115**	**(408,406)**	**21,436**	**42,534**	**325,679**
Net income		—	10,087	—	—	**10,087**
Currency translation adjustment		—	—	—	(676)	**(676)**
Share-based compensation	**15**	—	—	2,724	—	**2,724**
Balance at March 31, 2017		**670,115**	**(398,319)**	**24,160**	**41,858**	**337,814**
Balance at January 1, 2018		**681,310**	**(247,340)**	**20,323**	**45,789**	**500,082**
Net income		—	8,699	—	—	**8,699**
Currency translation adjustment		—	—	—	(661)	**(661)**
Share-based compensation	**15**	—	—	2,027	—	**2,027**
Proceeds from exercise of share options	**15**	88	—	(20)	—	**68**
Balance at March 31, 2018		**681,398**	**(238,641)**	**22,330**	**45,128**	**510,215**

The accompanying notes on pages 5 to 20 are an integral part of these condensed consolidated interim financial statements.

Spin Master Corp.
Condensed consolidated interim statements of cash flows

For the three month periods ended March 31 (Unaudited, in thousands of United States dollars)	Notes	2018	2017
Operating activities			
Net income		8,699	10,087
Adjustments to reconcile net income to net cash provided by operating activities			
Income tax expense	**6**	3,128	3,856
Interest expense	**4**	66	1,133
Depreciation and amortization	**5, 9, 10**	11,438	9,214
Amortization of fair value increments to inventories acquired in business combinations		—	2,355
Accretion expense	**4**	596	772
Amortization of financing costs	**4**	219	234
Impairment	**9, 10**	412	774
Share-based compensation expense	**15**	2,027	2,724
Changes in net working capital	**17**	13,336	3,438
Changes in contingent consideration liabilities		(1,215)	(2,483)
Income taxes paid		(27,607)	(6,073)
Interest paid		—	(1,162)
Cash provided by operating activities		**11,099**	**24,869**
Investing activities			
Capital expenditures - property, plant and equipment	**9**	(17,019)	(4,123)
Capital expenditures - intangible assets	**10**	(9,078)	(12,310)
Business acquisitions, net of cash acquired	**10**	(1,000)	—
Cash used in investing activities		**(27,097)**	**(16,433)**
Financing activities			
Proceeds from borrowings	**13**	30,000	10,790
Repayment of borrowings	**13**	(19)	(25,216)
Proceeds from exercise of share options		68	—
Cash provided by (used in) financing activities		**30,049**	**(14,426)**
Effect of foreign currency exchange rate changes on cash		**1,597**	**1,542**
Net increase in cash during the period		**15,648**	**(4,448)**
Cash, beginning of period		117,262	99,416
Cash, end of period		**132,910**	**94,968**

The accompanying notes on pages 5 to 20 are an integral part of these condensed consolidated interim 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 20). The North American segment is comprised of the United States and Canada. The European segment is comprised of the United Kingdom, France, Italy, the Netherlands, Germany, Austria, Switzerland, Belgium, Luxembourg, Slovakia, Hungary, Romania, Czech Republic 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

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2017, except for the impact of the adoption of the Standards and Interpretations described below.

These condensed consolidated interim financial statements and accompanying notes were approved and authorized for issuance by the Board of Directors of the Company on May 8, 2018.

(B) Basis of preparation

These condensed consolidated interim financial statements include the accounts of Spin Master Corp. and its subsidiaries and should be read in conjunction with the Company's consolidated financial statements, including the notes thereto, for the year ended December 31, 2017.

(C) Functional and presentation currency

These interim consolidated financial statements are presented in United States dollars ("USD"), which is the Company's presentation currency; however, the functional currency of the Company is the Canadian dollar. The functional currency of the operating subsidiaries is typically the economic currency in the associated jurisdiction. At March 31, 2018 and 2017, the functional currencies of the Company's 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. All financial information presented in USD has been rounded to the nearest thousand, except per share amounts and where otherwise indicated.

(D) Application of new and revised IFRSs

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements for the year ended December 31, 2017. The changes in accounting policies will be reflected in the Company's consolidated financial statements for the year ending December 31, 2018.

The Company has adopted a number of new standards which were effective from January 1, 2018 that do not have a material impact on the Company's financial statements.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 *Revenue,* IAS 11 *Construction Contracts* and related interpretations.

Under the new standard, a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 includes a five-step process to achieve this principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under existing IFRSs, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

Management has analyzed its significant customer contracts to determine the effects of IFRS 15. For sales of goods to retail customers, revenue is recognized when control of the goods has transferred, which is determined by respective shipping terms and certain additional considerations. Management continues to estimate the amount for certain allowances based on certain judgments and estimates and incorporating historical data. For licensing arrangements, the license is assessed as either providing the customer with a ‘right to use’ or ‘right to access’ license and revenue is recognized at a point-in-time or over time based on the classifications determined. Judgment is required in determining the appropriate classification.

The Company disaggregates its revenues from contracts with customers by segment: North America, Europe and Rest of World. The Company further disaggregates revenues by product category: Activities, games and puzzles and fun furniture, Remote control and interactive characters, Boys action and high-tech construction, Pre-school and girls and Outdoor. The Company believes these collectively depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See Note 20 Segment information for further information.

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 adopted the amendments to IFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018, using the full retrospective method, with no significant impact on the Company's condensed consolidated interim financial statements. Accordingly, the information presented for 2017 has not been restated and is presented as previously reported under IAS 18, IAS 11 and related interpretations.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

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 irrespective of whether there has been an actual loss event.

The Company adopted the amendments to IFRS 9, *Financial Instruments* effective January 1, 2018 using the full retrospective method, with no significant impact on the Company's condensed consolidated interim financial statements.

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 Company adopted the amendments to IFRS 2, *Share Based Payments*, effective January 1, 2018, using the full retrospective method, with no significant impact on the Company's condensed consolidated interim 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

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

each payment or receipt. The Company evaluated the amendments to IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, and has adopted the amendments effective January 1, 2018, with no significant impact on the Company's condensed consolidated interim financial statements.

3. 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")

Period ended March 31	2018	2017
Revenue from sale of goods	255,832	207,200
Other revenue	29,839	20,511
Total revenue	**285,671**	**227,711**

Sales of toys and other children's products are seasonal. The majority of Spin Master's sales occur in the third and fourth quarters of the fiscal year. Generally, the first and second quarters are the periods with the lowest shipments and revenues in the toy industry and therefore are the least profitable quarters for the Company.

4. Finance costs

Period ended March 31	2018	2017
Interest on bank loans	66	1,133
Bank fees	719	682
Accretion expense	596	772
Amortization of financing costs	219	234
Other	—	43
Total finance costs	**1,600**	**2,864**

5. Expenses

Included within expenses are the following: research and development expense, depreciation and amortization expense, employee benefit expenses, selling, marketing, distribution and product development expenses, and administrative expenses.

Research and development expense

Period ended March 31	2018	2017
Research and development expense	5,679	6,388
Total research and development expense	**5,679**	**6,388**

Depreciation and amortization expense

Period ended March 31	2018	2017
Depreciation and amortization included in cost of sales	9,101	6,567
Depreciation and amortization included in administrative expenses	2,337	2,647
Total depreciation and amortization expense	**11,438**	**9,214**

5. Expenses *(continued)*

Employee benefits expenses

Period ended March 31	2018	2017
Salaries, wages and bonuses	920	1,005
Other employee benefits	216	198
Total employee benefits expenses in cost of sales	**1,136**	**1,203**
Salaries, wages and bonuses	30,995	28,589
Share-based compensation	2,027	2,724
Termination benefits	1,215	752
Other employee benefits	5,404	4,260
Total employee benefits expenses in administrative expenses	**39,641**	**36,325**
Total employee benefits expenses	**40,777**	**37,528**

Selling, marketing, distribution and product development

Period ended March 31	2018	2017
Selling	15,688	14,906
Marketing	25,563	11,837
Distribution	11,494	10,391
Product development	5,679	6,388
Total selling, marketing, distribution and product development	**58,424**	**43,522**

Administrative expenses

Period ended March 31	Note	2018	2017
Staff costs		39,641	36,325
Technology		2,055	1,886
Professional services		6,498	4,179
Property and operations		7,621	6,639
Depreciation of property, plant and equipment (excluding tooling)		2,337	2,647
Other	**7**	18,799	2,251
Total administrative expenses		**76,951**	**53,927**

6. Income taxes

Income tax recognized in net income

Period ended March 31	2018	2017
Current tax expense	3,108	3,415
Deferred tax expense	20	441
Total income tax expense	**3,128**	**3,856**

7. Trade and other receivables

As at	March 31, 2018	December 31, 2017
Trade receivables	287,782	393,617
Provisions for sales allowances	(97,058)	(120,547)
Allowance for doubtful accounts	(22,397)	(2,789)
	168,327	**270,281**
Other receivables	104,608	99,438
Total trade and other receivables	**272,935**	**369,719**

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

The Company recorded a bad debt expense in administrative expenses of $15,152, during the three months ended March 31, 2018, related to the legal motion filed by Toys R Us Inc. on March 15, 2018, to wind down and liquidate certain of Toys R Us Inc.'s businesses.

8. Inventories

As at	March 31, 2018	December 31, 2017
Raw materials	11,278	10,931
Finished goods	101,716	109,398
Total inventories	**112,994**	**120,329**

The cost of inventories recognized as an expense in cost of sales for the three months ended March 31, 2018 was $120,909 (March 31, 2017 - $95,423).

9. Property, plant and equipment

	Moulds, dies and tools	Equipment	Land and building	Computer hardware	Total
Cost					
Balance 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**
Additions	4,302	685	11,475	557	**17,019**
Asset impairments	(412)	—	—	—	**(412)**
Foreign currency translation	2,287	(5)	3	(135)	**2,150**
Total at March 31, 2018	**118,481**	**18,794**	**24,348**	**10,185**	**171,808**

	Moulds, dies and tools	Equipment	Land and building	Computer hardware	Total
Accumulated depreciation					
Balance 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)**
Depreciation	(4,961)	(389)	(393)	(163)	**(5,906)**
Foreign currency translation	(1,748)	(25)	(4)	8	**(1,769)**
Total at March 31, 2018	**(97,463)**	**(13,679)**	**(8,190)**	**(8,416)**	**(127,748)**
Net carrying amount					
Total at December 31, 2017	**21,550**	**4,849**	**5,077**	**1,502**	**32,978**
Total at March 31, 2018	**21,018**	**5,115**	**16,158**	**1,769**	**44,060**

10. Intangible assets

	Brands - indefinite	Trademarks, licenses & customer lists - definite	Content development	Computer software	Total
Cost					
Balance, 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**
Additions	—	—	9,033	45	**9,078**
Asset acquisitions via business combinations	—	1,000	—	—	**1,000**
Foreign currency translation	(847)	(128)	(2,162)	(608)	**(3,745)**
Total at March 31, 2018	**82,155**	**36,855**	**101,551**	**17,584**	**238,145**
Accumulated amortization					
Balance, December 31, 2016	—	(3,392)	(43,886)	(18,515)	**(65,793)**
Amortization	—	(3,180)	(19,173)	(1,820)	**(24,173)**
Asset impairments	—	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)**
Amortization	—	(1,165)	(4,128)	(239)	**(5,532)**
Foreign currency translation	—	84	1,352	551	**1,987**
Total at March 31, 2018	**—**	**(6,899)**	**(66,684)**	**(16,609)**	**(90,192)**
Net carrying amount					
Balance at December 31, 2017	**83,002**	**30,165**	**30,772**	**1,226**	**145,165**
Balance at March 31, 2018	**82,155**	**29,956**	**34,867**	**975**	**147,953**

On January 1, 2018, pursuant to the terms set forth in the agreement, the Company acquired control of Fuggler through the acquisition of certain assets, for total purchase consideration of $1,000. The total purchase consideration has been allocated to the identifiable intangible asset based on its estimated fair value of $1,000 related to the trade name. The asset is included in the Boys action and high-tech construction product category, belonging to the North America segment effective January 1, 2018.

11. Goodwill

As at	March 31, 2018	December 31, 2017
Balance, beginning of year	105,487	91,707
Additions during the period	—	13,123
Foreign currency translation	(168)	657
Total goodwill	**105,319**	**105,487**

There have been no impairment losses recognized with respect to goodwill for the three months period ended March 31, 2018 (March 31, 2017 - $nil).

12. Trade payables and other liabilities

As at	March 31, 2018	December 31, 2017
Trade payables	80,400	155,519
Accrued liabilities	182,434	195,238
Total trade payables and other liabilities	**262,834**	**350,757**

13. Loans and borrowings

As at	March 31, 2018	December 31, 2017
Unsecured debt (at amortized cost)		
Loans from third parties (i)	25	44
	25	**44**
Secured debt (at amortized cost)		
Bank facilities (ii) and (iii)	30,523	532
	30,548	**576**
Less:		
Financing costs	2,138	45
Total loans and borrowings	**28,410**	**531**
Current	28,410	531
Non-current	—	—
Total loans and borrowings	**28,410**	**531**

(i) Fixed rate loans with Cap Calais related to Meccano operations in France, with remaining maturity periods not exceeding 1 year (2017 - 2 years). The weighted average effective interest rate on the loans is 0% per annum (2017 - 1.27% per annum).

(ii) Variable rate secured facility with maximum borrowings of $886 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 March 31, 2018, the Company had $523 outstanding (December 31, 2017 - $532) 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 March 31, 2018, 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, sixty, ninety or one hundred and eighty days, subject to availability;

13. Loans and borrowings *(continued)*

- BA Equivalent Loans from the Non-BA Lenders with a maturity of thirty, sixty, ninety or one hundred and eighty days, subject to availability;
- LIBOR Loans with an interest period of one, two, three or six 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 March 31, 2018 and December 31, 2017.

As at March 31, 2018, the Company had utilized $30,545 (December 31, 2017 - $545) of its Facility: $30,000 (December 31, 2017 - nil) drawn in LIBOR Loans, and $545 (December 31, 2017 - $545) drawn in letters of credit.

14. Provisions and contingent liabilities

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.

15. Share capital

(a) *Authorized as at March 31, 2018 and December 31, 2017*

Unlimited number of multiple voting shares;

Unlimited number of subordinate voting shares; and

Unlimited number of preferred shares issuable in series.

As at	**March 31, 2018**	**December 31, 2017**
Multiple voting shares	375,115	375,115
Subordinate voting shares	306,283	306,195
Total share capital issued and outstanding	**681,398**	**681,310**

	Number of shares	**Number of shares**
Multiple voting shares	73,549,812	73,549,812
Subordinate voting shares	28,129,939	28,126,094
Total share capital issued and outstanding	**101,679,751**	**101,675,906**

15. 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.

(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 March 31, 2018, 2,473,228 subordinate voting shares have vested with a fair value of $101,704 (December 31, 2017 - $106,439).

As at March 31, 2018, 4,739,038 (December 31, 2017 - 4,739,038) subordinate voting shares were outstanding relating to the Participation Arrangement with a weighted average grant date fair value of $65,174 (December 31, 2017 - $65,174).

The weighted average remaining contractual life for Participation Arrangements outstanding as at March 31, 2018 is 21 months.

Long-Term Incentive Plan ("LTIP")

The Company has an equity based compensation plan providing for the issuance of securities from treasury under which the grants will be made by the Company. Under the LTIP, the Board may at its discretion from time to time, grant share options, share units (in the form of Restricted Share Units ("RSUs") and Performance Share Units ("PSUs")), Stock Appreciation Rights ("SARs"), restricted stock and any other equity based awards.

RSUs and PSUs

Below is a summary of the activity related to RSUs and PSUs outstanding for the three month period ended March 31, 2018.

15. Share capital *(continued)*

(in number of units)	March 31, 2018	December 31, 2017
Outstanding, beginning of period	807,217	597,343
Granted	160,734	294,119
Exercised	(19,946)	(67,550)
Forfeited	(31,750)	(16,695)
Outstanding, end of period	**916,255**	**807,217**

Included in the above table are grants of 101,970 PSUs to certain key employees during the three month period ended March 31, 2018. Compensation expense of $169 (March 31, 2017 - $2,807) is recorded in administrative expenses in the condensed consolidated interim statement of operations and comprehensive income. A corresponding amount was recorded in accrued liabilities.

Deferred Share Units ("DSUs")

Below is a summary of the activity related to DSUs outstanding for the three month period ended March 31, 2018.

(in number of units)	March 31, 2018	December 31, 2017
Outstanding, beginning of period	67,644	53,952
Granted	2,830	13,692
Outstanding, end of period	**70,474**	**67,644**

Compensation expense of $138 (March 31, 2017 - $332) is recorded in administrative expenses in the condensed consolidated interim statement of operations and comprehensive income. A corresponding amount was recorded in accrued liabilities.

Share Purchase Options (“Options”)

The Company has one share option plan for key employees, which forms part of their LTIP. 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.

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, 2017	552,699	$28.43
Granted	135,312	$52.20
Exercised	(3,845)	$22.94
Balance as at March 31, 2018	**684,166**	**$33.16**

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

	Three months ended March 31, 2018	2017
Expense arising from equity-settled “Participation Arrangement” transactions	1,664	2,494
Expense arising from options	363	230
Total share based compensation expense	**2,027**	**2,724**

Compensation expense of $2,027 (2017 - $2,724) is recorded in administrative expenses in the condensed consolidated interim statement of operations and comprehensive income. A corresponding amount was recorded in contributed surplus.

16. Earnings per share

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

	Three months ended March 31, 2018		Three months ended March 31, 2017	
	Weighted average number of shares	**Per common share amount ($)**	**Weighted average number of shares**	**Per common share amount ($)**
Basic	101,676,120	0.09	101,676,121	0.10
Diluted	101,934,826	0.09	101,789,132	0.10

The Participation Arrangements issued to employees upon the Initial Offering 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.

17. Changes in net working capital

Three months ended March 31	**2018**	**2017**
(Increase) decrease in:		
Trade and other receivables	144,500	72,067
Inventories	6,584	2,173
Prepaid expenses	(3,511)	(4,216)
Advances on royalties	5,404	(846)
	152,977	**69,178**
Increase (decrease) in:		
Trade payables and other liabilities	(137,258)	(59,713)
Deferred revenues	736	488
Provisions	(990)	(6,515)
Other	(2,129)	—
	(139,641)	**(65,740)**
Total changes in net working capital	**13,336**	**3,438**

18. Commitments for expenditures

As at March 31, 2018, the Company had minimum guarantees to licensors of $48,526 (December 31, 2017 - $47,331).

19. Financial instruments and risk management

Fair value measurements

With the exception of foreign exchange forward contracts which are recorded at fair value, the carrying amounts of all other financial assets or liabilities of the Company approximate their fair values as follows:

As at	**March 31, 2018**	**December 31, 2017**
Financial assets		
Cash	132,910	117,262
Trade and other receivables	272,935	369,719
Total	**405,845**	**486,981**
Financial liabilities		
Trade payable and other liabilities	262,834	350,757
Loans and borrowings	28,410	531
Total	**291,244**	**351,288**

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

The fair value of foreign exchange forward contracts represented a liability of $1,278 as at March 31, 2018, (December 31, 2017 - asset of $971). 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.

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 non-US dollar denominated financial statements of the Company's subsidiaries may vary on revaluation into the US dollar presentation currency ("translation exposures") and 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"). These exposures could impact the Company's earnings and cash flows.

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

As at March 31, 2018, the Company is committed under outstanding foreign exchange forward contracts, representing total purchase commitments of $39,237 (December 31, 2017 - $48,060).

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

As at	March 31, 2018	December 31, 2017
Financial assets		
United States dollars	300,481	335,123
Canadian dollars	11,292	19,248
Euros	45,494	56,173
Pound	17,288	25,881
Peso	27,189	40,392
Yen	71	19
Australian dollar	4,037	9,634
Total financial assets	**405,852**	**486,470**
Financial liabilities		
United States dollars	171,924	85,569
Canadian dollars	122,082	145,330
Euros	38,100	38,863
Pound	7,565	9,402
Peso	13,112	14,750
Yen	89	99
Australian dollar	2,788	3,365
Total financial liabilities	**355,660**	**297,378**

20. 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

20. Segment information *(continued)*

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 Company's revenue and results from operations by reportable segment are as follows:

For the three month periods ended March 31	2018	2017
Revenue by segment		
North America	184,644	154,578
Europe	66,793	50,060
Rest of world	36,608	24,445
Gross product sales	**288,045**	**229,083**
Sales allowances	32,213	21,883
Total net sales	**255,832**	**207,200**
Other revenue	29,839	20,511
Total revenue	**285,671**	**227,711**
Segment income		
North America	13,542	15,274
Europe	1,459	1,150
Rest of world	1,366	173
Total segment income	**16,367**	**16,597**
Corporate and other	(4,540)	(2,654)
Income before income tax expense	**11,827**	**13,943**

Revenues for North America include revenues attributable to Canada of $37,972 (2017 - $32,426) for the three month period ended March 31, 2018.

Revenue reported by segment above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017 - $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").

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 prior to any allocation of other expenses, foreign exchange (gain) loss and finance costs. This measure is reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets

As at	March 31 2018	December 31 2017
Assets		
North America	577,275	489,390
Europe	138,207	99,819
Rest of world	62,801	138,087
Total segment assets	**778,283**	**727,296**
Corporate and other	84,192	211,089
Total consolidated assets	**862,475**	**938,385**

20. Segment information *(continued)*

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

As at	March 31 2018	December 31 2017
Non-current assets		
North America	215,059	204,136
Europe	12,295	12,741
Rest of world	8,845	9,665
Total segment non-current assets	**236,199**	**226,542**
Corporate and other	83,335	84,033
Total consolidated non-current assets	**319,534**	**310,575**

Non-current assets for North America include non-current assets attributable to Canada of $90,842 as at March 31, 2018 (December 31, 2017 - $82,862).

Segment liabilities

As at	March 31 2018	December 31 2017
Liabilities		
North America	236,258	295,313
Europe	54,649	60,619
Rest of world	33,914	55,335
Total segment liabilities	**324,821**	**411,267**
Corporate and other	27,439	27,036
Total consolidated liabilities	**352,260**	**438,303**

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

- all assets are allocated to reportable segments other than deferred tax assets, other long-term assets and computer software. Goodwill is allocated to cash generating units. 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.

Depreciation and amortization by segment

For the three month periods ended March 31	2018	2017
Depreciation and amortization by segment		
North America	8,525	7,040
Europe	1,522	1,055
Rest of world	694	601
Total segment depreciation and amortization	**10,741**	**8,696**
Corporate and other	697	518
Total consolidated depreciation and amortization	**11,438**	**9,214**

20. Segment information *(continued)*

In addition to the depreciation and amortization reported above, impairment losses of $412 (2017 - $774) were recognized in respect of property, plant and equipment and intangible assets, for the three month periods ended March 31, 2018 and March 31, 2017. These impairment losses were attributable to the following reportable segments:

For the three month periods ended March 31	2018	2017
Impairment losses		
North America	—	386
Rest of world	412	388
Total impairment losses	**412**	**774**

Revenue from major product categories

The Company's worldwide revenues based on its major product categories are as follows:

For the three month periods ended March 31	2018	2017
Revenue from product categories		
Activities, games and puzzles, and fun furniture	57,591	47,982
Remote control and interactive characters	91,156	46,532
Boys action and high-tech construction	16,725	13,158
Pre-school and girls	82,573	84,676
Outdoor	40,000	36,735
Gross product sales	**288,045**	**229,083**
Sales allowances	32,213	21,883
Total net sales	**255,832**	**207,200**
Other revenue	29,839	20,511
Total revenue	**285,671**	**227,711**

Major customers

Sales to the Company's largest customers accounted for 36.9% and 36.1% of consolidated gross product sales for the three months period ended March 31, 2018 and 2017 respectively. Sales to single customers of the Company that contributed 10% or more to gross product sales include two customers. The largest customer contributed $65,869 (2017 - $53,090) while the second largest customer contributed $40,543 (2017 - $29,551). No other single customer contributed 10% or more to gross product sales of the Company for 2018.

21. Events after the reporting period

On April 2, 2018, the Company closed the previously announced acquisition of certain assets relating to the Gund line of business from Enesco LLC. The total purchase consideration transferred, after net working capital adjustments was $76,029. Gund will be included in the Activities, Games and Puzzles and Fun Furniture product category, belonging to the North America business segment.