Spin Master Corp.

Condensed consolidated interim financial statements (unaudited)

For the three and nine month periods ended September 30, 2016 and 2015

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Spin Master Corp.

Condensed consolidated interim statements of financial position

(Unaudited, in thousands of United States dollars)	Notes	September 30, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		49,527	45,713
Trade and other receivables	7	366,938	134,618
Inventories	8	99,371	49,140
Prepaid expenses		21,198	16,330
		537,034	**245,801**
Non-current assets			
Advance on royalties		4,506	1,523
Property, plant and equipment	9	24,730	16,096
Intangible assets	10	139,824	62,370
Goodwill	11	91,620	36,130
Deferred tax assets	6	17,398	26,363
		278,078	**142,482**
Total assets		**815,112**	**388,283**
Liabilities			
Current Liabilities			
Trade payables and other liabilities	12	281,048	134,717
Loans and borrowings	13	18,502	3,436
Deferred revenues		24	6,765
Provisions	14	7,046	10,115
Interest payable		27	3,026
Income tax payable	6	20,682	17,156
		327,329	**175,215**
Non-current liabilities			
Loans and borrowings	13	144,986	46,874
Provisions		14,115	8,458
Other long-term liabilities		1,812	225
Deferred tax liabilities	6	6,237	1,192
		167,150	**56,749**
Total liabilities		**494,479**	**231,964**
Shareholders' equity			
Issued capital	15	670,115	589,263
Accumulated deficit		(411,133)	(507,921)
Contributed surplus		19,290	31,580
Cumulative translation account		42,361	43,397
Total shareholders' equity		**320,633**	**156,319**
Total liabilities and shareholders' equity		**815,112**	**388,283**

Approved by the Board of Directors on November 8, 2016

On behalf of the Board:

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Director Director

The accompanying notes on pages 5 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of operations and comprehensive income

		Three months ended September 30		Nine months ended September 30	
	Notes	2016	2015	2016	2015
(Unaudited, in thousands of United States dollars, except share data)					
Revenue	3	**475,015**	386,829	**816,077**	620,998
Cost of sales		**227,283**	181,597	**391,339**	293,705
Gross profit		**247,732**	205,232	**424,738**	327,293
Expenses					
Selling, marketing, distribution & product development		**68,471**	49,440	**139,138**	95,559
Administrative expenses		**60,982**	86,089	**145,591**	147,433
Other (income)		**261**	(13,311)	**258**	(13,311)
Foreign exchange (gain) loss		**(129)**	4,396	**(1,104)**	5,948
Finance costs	4	**2,575**	1,120	**6,187**	1,614
Income before income tax expense		**115,572**	77,498	**134,668**	90,050
Income tax expense	6	**32,319**	26,407	**37,880**	29,716
Net income		**83,253**	51,091	**96,788**	60,334
Items that may be subsequently reclassified to net income or loss					
Foreign currency translation gain (loss)		**(2,949)**	8,052	**(1,036)**	17,162
Other comprehensive income		**(2,949)**	8,052	**(1,036)**	17,162
Comprehensive income		**80,304**	59,143	**95,752**	77,496
Comprehensive income attributable					
Owners of the Company		**80,304**	56,832	**95,752**	74,486
Non-controlling interests		**-**	2,311	**-**	3,010
		80,304	59,143	**95,752**	77,496
Net income attributable to:					
Owners of the Company		**83,253**	48,781	**96,788**	56,473
Non-controlling interests		**-**	2,310	**-**	3,861
		83,253	51,091	**96,788**	60,334
Earnings per share attributable to owners of the Company					
Basic	16	**0.82**	0.52	**0.96**	0.64
Diluted	16	**0.82**	0.52	**0.96**	0.64
Weighted average number of common shares					
Basic	16	**101,681,330**	93,995,735	**100,301,634**	88,154,902
Diluted	16	**101,747,878**	93,995,735	**100,334,562**	88,154,902

The accompanying notes on pages 5 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of changes in equity

(Unaudited, in thousands of United States dollars)	Note	Issued capital	Accumulated deficit	Contributed surplus	Cumulative translation account	Equity attributable to shareholders	Non-Controlling Interest	Total
Balance at January 1, 2015		**1**	**(118,782)**	**1,647**	**26,413**	**(90,721)**	**24,496**	**(66,225)**
Net income		-	56,473	-	-	56,473	3,861	60,334
Other comprehensive income		-	-	-	18,013	18,013	(851)	17,162
Dividends		-	(235,052)	-	-	(235,052)	-	(235,052)
Issuance of common stock		183,083	-	-	-	183,083	-	183,083
Corporate Reorganization		406,594	(197,299)	-	-	209,295	(27,506)	181,789
Stock-based Compensation		-	-	22,673	-	22,673	-	22,673
Balance at September 30, 2015		**589,678**	**(494,660)**	**24,320**	**44,426**	**163,764**	**-**	**163,764**
Balance at January 1, 2016		**589,263**	**(507,921)**	**31,580**	**43,397**	**156,319**	**-**	**156,319**
Net income		-	96,788	-	-	96,788	-	96,788
Other comprehensive income		-	-	-	(1,036)	(1,036)	-	(1,036)
Recognition of share-based payments	**15**	-	-	18,797	-	18,797	-	18,797
Issuance of subordinate shares*	**15**	48,394	-	-	-	48,394	-	48,394
Shares released from equity participation	**15**	32,458	-	(31,087)	-	1,371	-	1,371
Balance at September 30, 2016		**670,115**	**(411,133)**	**19,290**	**42,361**	**320,633**	**-**	**320,633**

* Net of transaction costs of $2,587.

The accompanying notes on pages 5 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of cash flows

For the nine months ended September 30 (Unaudited, in thousands of United States dollars)	Notes	2016	2015
Operating activities			
Net income		96,788	60,334
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Income tax expense	6	37,880	29,716
Interest expense	4	2,070	349
Depreciation and amortization of non-current assets	9,10	22,317	16,989
Accretion expense	4	2,078	-
Amortization of financing charges		467	328
Fixed Asset Impairment		-	1,306
Gain on transfer of business related assets		-	(9,566)
Share-based compensation expense	15	18,797	22,673
Changes in non-cash working capital, net	17	(148,857)	(112,531)
Net increase in contingent consideration from acquisitions		5,657	-
Income taxes paid	6	(22,366)	(18,778)
Interest paid		(4,103)	(304)
Cash provided by (used in) operating activities		**10,728**	**(9,484)**
Investing activities			
Acquisition of property, plant and equipment	9	(15,646)	(10,443)
Acquisition of intangible assets	10	(21,368)	(22,296)
Business acquisitions, net of cash acquired	19	(130,705)	-
Cash provided by (used in) investing activities		**(167,719)**	**(32,739)**
Financing activities			
Proceeds from borrowings	13	184,000	80,385
Repayment of borrowings	13	(70,982)	(26,369)
Issuance of shares, net of transaction costs		47,709	179,199
Repayments of loans to related parties		-	(25)
Settlement of loans to related parties		-	405
Dividends paid on common stock		-	(235,052)
Cash provided by (used in) financing activities		**160,727**	**(1,457)**
Effect of foreign currency exchange rate changes on cash		**78**	**(2,030)**
Net increase (decrease) in cash during the period		**3,814**	**(45,710)**
Cash, beginning of period		45,713	101,292
Cash and cash equivalents, end of period		**49,527**	**55,582**

The accompanying notes on pages 5 to 22 are an integral part of these unaudited 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 engaged in the design, marketing and sale of toys. The Company's principal place of business is 450 Front Street West, Toronto, Canada, M5V 1B6.

The Company has three reportable operating segments: North America, Europe and Rest of World (see Note 21). The North American segment is comprised of the United States and Canada. The European segment is comprised of the United Kingdom, France, Italy, the Benelux, Germany, Austria, and Switzerland. The Rest of World segment is primarily comprised of Hong Kong, China, and Mexico, as well as all other areas of the world serviced by the Company's distribution network.

2. Summary of significant accounting policies

(A) Statement of compliance

The condensed consolidated interim financial statements have been prepared according to International Financial Reporting Standards (IFRS) in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS" 34) as issued by the International Accounting Standards Board ("IASB"), and on a basis consistent with the accounting policies and methodologies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2015.

These interim consolidated financial statements and accompanying notes were approved and authorized for issuance by the Board of Directors on November 8, 2016.

(B) Basis of preparation

These condensed consolidated interim financial statements include the accounts of Spin Master Corp. and its subsidiaries. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2015.

(C) Functional and presentation currency

These condensed consolidated interim financial statements are presented in United States dollars, 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. All financial information presented in United States dollars has been rounded to the nearest thousand, except per share amounts and where otherwise indicated.

(D) Application of new and revised IFRSs

The Company implemented the amendments to IAS 1, "Presentation of Financial Statements", in the first quarter of 2016, with no significant impact on the Company's unaudited interim period condensed consolidated financial statements.

3. Revenue

The Company earns revenue from the following primary sources:

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

	Three months ended		Nine months ended	
Period ended September 30	**2016**	**2015**	**2016**	**2015**
Revenue from the sale of goods	**457,739**	382,253	**780,418**	609,829
Other revenue	**17,276**	4,576	**35,659**	11,169
Total revenue	**475,015**	**386,829**	**816,077**	**620,998**

3. Revenue (continued)

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 calendar 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

	Three months ended		Nine months ended	
Period ended September 30	**2016**	**2015**	**2016**	**2015**
Interest on bank loans	**1,016**	291	**2,070**	390
Interest on loans from related parties	**-**	33	**-**	57
Bank fees	**661**	493	**1,573**	938
Accretion expense	**723**	-	**2,078**	-
Other	**175**	303	**466**	229
Total finance costs	**2,575**	**1,120**	**6,187**	**1,614**

5. Costs included within expenses

Included within selling, marketing, distribution and product development expenses are the following research and development costs and employee benefits expenses.

Research and development costs

	Three months ended		Nine months ended	
Period ended September 30	**2016**	**2015**	**2016**	**2015**
Research and development costs	**6,346**	4,138	**14,870**	10,790
Total research and development costs	**6,346**	**4,138**	**14,870**	**10,790**

Employee benefits expense

	Three months ended		Nine months ended	
Period ended September 30	**2016**	**2015**	**2016**	**2015**
Salaries, wages, and bonuses	**35,442**	27,974	**73,477**	63,590
Share-based compensation	**4,996**	43,513	**18,797**	43,513
Termination benefits	**827**	1,716	**1.759**	2,637
Other employee benefits	**4,181**	2,496	**10,598**	7,517
Total employee benefits expenses	**45,446**	**75,699**	**104,631**	**117,257**

	Three months ended		Nine months ended	
Period ended September 30	**2016**	**2015**	**2016**	**2015**
Depreciation of property, plant and equipment	**4,360**	1,960	**10,013**	5,157
Amortization of intangible assets expenses	**5,059**	3,212	**12,304**	11,832
Total depreciation and amortization	**9,419**	**5,172**	**22,317**	**16,989**

6. Income taxes

Income tax recognized in profit or loss

	Three months ended		Nine months ended	
Period ended September 30	**2016**	**2015**	**2016**	**2015**
Current tax expense	**21,190**	25,050	**26,296**	27,505
Deferred tax expense	**11,129**	1,357	**11,584**	2,211
Total income tax expense	**32,319**	**26,407**	**37,880**	**29,716**

7. Trade and other receivables

As at	September 30, 2016	December 31, 2015
Trade receivables	429,671	190,271
Sales allowances	(86,420)	(66,123)
Allowance for doubtful accounts	(1,447)	(1,245)
	341,804	**122,903**
Other receivables	25,134	11,715
Total trade and other receivables	**366,938**	**134,618**

Trade receivables disclosed above include $178,809 (December 31,2015 – $28,301) amounts that are past due at the end of the reporting period for which the Company has not recognized an allowance because there has not been a significant change in credit quality and the amounts are considered recoverable.

8. Inventories

As at	September 30, 2016	December 31, 2015
Raw materials	623	1,774
Finished goods	98,748	47,366
Total inventories	**99,371**	**49,140**

The cost of inventories recognized as an expense in cost of sales for the three and nine months ended September 30, 2016 was $223,543 and $361,270 respectively (September 30, 2015 - $166,336 and $259,057 respectively).

9. Property, plant and equipment

	Moulds, dies and tools	Equipment *	Property **	Computer hardware	Total
Cost					
Balance, December 31, 2014	71,208	7,202	6,817	7,920	**93,147**
Additions	9,878	129	8	418	**10,433**
Asset retirements	(212)	(20)	-	(124)	**(356)**
Impairment of assets	(1,306)	-	-	-	**(1,306)**
Foreign currency translation	(1,389)	(574)	(458)	(678)	**(3,099)**
Balance at September 30, 2015	**78,179**	**6,737**	**6,367**	**7,536**	**98,819**
Balance at December 31, 2015	80,161	6,789	6,420	7,893	**101,263**
Additions	14,074	602	794	176	**15,646**
Asset retirements	(48)	-	-	-	**(48)**
Assets recognized upon acquisition	1,205	6,548	1,930	244	**9,927**
Foreign currency translation	(1,067)	159	89	203	**(616)**
Balance at September 30, 2016	**94,325**	**14,098**	**9,233**	**8,516**	**126,172**

	Moulds, dies and tools	Equipment *	Property **	Computer hardware	Total
Accumulated depreciation					
Balance, December 31, 2014	(63,669)	(6,242)	(5,277)	(6,715)	**(81,903)**
Depreciation	(4,273)	(364)	(209)	(311)	**(5,157)**
Asset retirements	212	12	-	100	**324**
Foreign currency translation	736	504	412	430	**2,082**
Balance at September 30, 2015	**(66,994)**	**(6,090)**	**(5,074)**	**(6,496)**	**(84,654)**
Balance at December 31, 2015	(67,771)	(5,718)	(4,938)	(6,740)	**(85,167)**
Depreciation	(8,655)	(828)	(214)	(316)	**(10,013)**
Asset retirements	43	-	-	-	**43**
Impairment Losses	(265)	-	-	-	**(265)**
Assets recognized upon acquisition	-	(4,117)	(1,351)	(48)	**(5,516)**
Foreign currency translation	314	(168)	(120)	(550)	**(524)**
Balance at September 30, 2016	**(76,334)**	**(10,831)**	**(6,623)**	**(7,654)**	(101,442)

Net carrying amount					
Balance at September 30, 2015	**11,185**	**647**	**1,293**	**1,040**	**14,165**
Balance at September 30, 2016	**17,991**	**3,267**	**2,610**	**862**	**24,730**

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

10. Intangible assets

	Brands Indefinite	Trademarks, Licenses & Customer Lists Definite	Content Development	Computer Software	Total
Cost					
Balance, December 31, 2014	27,258	-	26,342	20,568	**74,168**
Additions	-	3,100	18,560	636	**22,296**
Foreign currency translation	(3,370)	-	(4,114)	(2,894)	**(10,378)**
Balance at September 30, 2015	**23,888**	**3,100**	**40,788**	**18,310**	**86,086**
Balance, December 31, 2015	33,951	13,500	42,722	18,483	**108,656**
Additions	-	62	19,908	1,398	**21,368**
Asset acquisitions via business combinations	44,480	20,747	852	-	**66,079**
Foreign currency translation	2,114	195	2,923	743	**5,975**
Balance at September 30, 2016	**80.545**	**34,504**	**66,405**	**20,624**	**202,078**
Accumulated amortization					
Balance, December 31, 2014	-	-	(18,071)	(18,848)	**(36,919)**
Amortization	-	-	(11,158)	(674)	**(11,832)**
Foreign currency translation	-	-	2,011	2,647	**4,658**
Balance at September 30, 2015	**-**	**-**	**(27,218)**	**(16,875)**	**(44,093)**
Balance, December 31, 2015	-	(402)	(29,688)	(16,197)	**(46,287)**
Amortization	-	(943)	(10,129)	(1,232)	**(12,304)**
Foreign currency translation	(310)	(1)	(1,906)	(1,446)	**(3,663)**
Balance at September 30, 2016	**(310)**	**(1,346)**	**(41,723)**	**(18,875)**	**(62,254)**
Net carrying amount					
Balance at September 30, 2015	**23,888**	**3,100**	**13,570**	**1,435**	**41,993**
Balance at September 30, 2016	**80,235**	**33,158**	**24,682**	**1,749**	**139,824**

11. Goodwill

	September 30, 2016	December 31, 2015
Balance, beginning of year	36,130	3,847
Additions from business combinations (Note 19)	55,806	32,564
Foreign currency translation	(316)	(281)
Total goodwill	**91,620**	**36,130**

There have been no impairment losses recognized with respect to goodwill for the period ended September 30, 2016 (September 30, 2015 - $nil).

12. Trade payables and other liabilities

	September 30, 2016	December 31, 2015
Trade payables	178,347	55,656
Accrued Payroll	48,248	37,223
Accrued Selling & Advertising	19,927	15,252
Others	34,526	26,586
Total trade payables and other liabilities	**281,048**	**134,717**

13. Loans and borrowings

	September 30, 2016	December 31, 2015
Unsecured debt (at amortized cost)		
Loans from other entities (i)	298	489
	298	**489**
Secured debt (at amortized cost)		
Bank facilities (ii) and (iii)	165,060	51,797
	165,358	**52,286**
Less:		
Financing costs	**1,870**	**1,976**
Total loans and borrowings	**163,488**	**50,310**
Current	**18,502**	**3,436**
Non-current	**144,986**	**46,874**
Total loans and borrowings	**163,488**	**50,310**

(i) Fixed rate loans with Région Nord-Pas de Calais, Cap Calais and OSEO related to Meccano operations in France, with remaining maturity periods not exceeding 2 years (December 31, 2015 - 3 years). The weighted average effective interest rate on the loans is 1.08% per annum (December 31, 2015 - 1.08% per annum).

(ii) Variable rate secured facility with maximum borrowings of $3,073 to finance television production costs through one of the Company's production entities. The interest rate on amounts drawn under the facility bear interest at a variable rate referenced to the lending institution's Canadian dollar prime rate. Amounts outstanding are due prior to July 2017.

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

As at September 30, 2016, the Company had $870 outstanding (December 31, 2015 - $2,797) on the obligation.

(iii) On February 26, 2015, the Company entered into a 5-year Senior Secured Facility with maximum borrowings up to $272,090. The Facility is comprised of an $80,000 Senior Secured Revolving Credit Facility and a $192,090 Senior Secured Non-Revolving Term Loan. Advances under the Revolving Credit Facility may be used for general corporate purposes including refinancing existing Indebtedness, funding working capital requirements, Permitted Acquisitions and Permitted Distributions. Advances under the Term Credit Facility may be used for financing Permitted Acquisitions.

Available borrowing options under both the Revolving and Term Loan Facility are:

- CAD Prime Rate Loans;
- USD Base Rate Loans;
- Bankers' Acceptances from BA Lenders with a maturity of thirty (30) to one hundred and eighty (180) days (inclusive), subject to availability;
- BA Equivalent Loans from the Non-BA Lenders with a maturity of thirty (30) to one hundred and eighty (180) days (inclusive), subject to availability; or

LIBOR Loans with an Interest Period of one (1), two (2), three (3) or six (6) months, subject to availability.

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

- Total Leverage Ratio, defined as the ratio of (a) Total Debt at such time, to (b) EBITDA for the applicable twelve-month period, is calculated on a quarterly basis, of 3.00 to1.00 or less, provided that, in the event the Borrower used proceeds of a Borrowing under the Term Credit Facility to complete a single Permitted Acquisition with aggregate consideration greater than $65,000 during any two consecutive fiscal quarters falling within the twelve-month reporting period immediately following such Permitted Acquisition, the Borrower must only maintain the Total Leverage Ratio 3.50 to 1.00 or less; and
- Fixed Charge Coverage Ratio, calculated on a quarterly basis, at 1.10:1.00 or greater.

13. Loans and borrowings (continued)

As at September 30, 2016, the Company was in compliance with the Total Leverage and Fixed Charge Coverage Ratio covenants.

As at September 30, 2016, the Company had utilized $5,000 (December 31, 2015 - $nil) of its revolving loan facility and has drawn $916 (December 31, 2015 - $1,136) in letters of credit issued under the facility.

As at September 30, 2016, the Company had utilized $159,190 (December 31, 2015 - $49,000) of its term loan facility.

14. Provisions and contingent liabilities

Contingencies

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 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. Issued capital

(a) *Authorized as at September 30, 2016*

Unlimited number of Multiple voting shares;

Unlimited number of Subordinate voting shares; and

Unlimited number of Preferred shares issuable in series.

(b) *Issued and outstanding*

	September 30, 2016	**December 31, 2015**
Multiple voting shares	406,595	406,595
Subordinate voting shares	263,520	182,668
Total issued and outstanding	**670,115**	**589,263**

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

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 "Offering"). The 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, indirectly, beneficially owned by the founders of the Company for gross proceeds of $50,691. The Company incurred $2,587 of issuance costs, which is deducted from share capital in accordance with IAS 32, *Financial instruments: Presentation.*

(c) *Share-based plans*

Participation arrangements

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

15. Issued capital (continued)

(c) Share-based plans (continued)

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

As of September 30, 2016, 2,473,228 Subordinate voting shares have vested with a fair value of $58,912 (December 31, 2015 - $nil).

Restricted Share Units ("RSUs")

In connection with and immediately prior to the closing of the Initial Offering, the Company established an RSU plan for 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 the interests of the employees with those of the Company. The RSUs were settled with Subordinate voting shares that fully vested on the first anniversary of the closing of the Initial Offering. Upon vesting of the RSUs, the Company issued approximately 693,057 Subordinate voting shares. Only employees that were employed on the settlement date received Subordinate voting shares. Each RSU granted reduced the quantity of Multiple voting shares issued to the principal shareholders.

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

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

	Participation Agreement		RSUs	
	Number	**Weighted average grant date fair value**	**Number**	**Weighted average grant date fair value**
Granted during the year	4,790,178	65,877	763,495	10,500
Balance at December 31, 2015	**4,790,178**	**65,877**	**763,495**	**10,500**
Forfeited	(51,140)	(703)	(15,974)	(220)
Balance at September 30, 2016	**4,739,038**	**65,174**	**747,521**	**10,280**

The weighted average remaining contractual life for Participation Arrangements outstanding as at September 30, 2016 is twenty-two months and for the RSUs outstanding as at September 30, 2016 is one month.

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.

15. Issued capital (continued)

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

	Number of Options	Weighted Average Exercise price (CAD)
Balance at December 31, 2015	-	-
Granted during the period	346,148	$22.94
Balance at September 30, 2016	**346,148**	**$22.94**

(d) Compensation expense

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

	Three months ended September 30	
	2016	**2015**
Expense arising from equity-settled “Participation Agreement”	4,099	41,468
Expense arising from equity-settled “RSU” transactions	655	1,750
Expense Arising from share options	242	-
Total	**4,996**	**43,218**

	Nine months ended September 30	
	2016	**2015**
Expense arising from equity-settled “Participation Agreement” transactions	12,405	41,468
Expense arising from equity-settled “RSU” transactions	5,905	1,750
Expense arising from share options	487	-
Total	**18,797**	**43,218**

Compensation expense of $12,892 is recorded in administrative expenses within the consolidated statement of operations. A corresponding entry is booked to contributed surplus.

16. Earnings per share

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

	Three months ended September 30. 2016		Three months ended September 30, 2015	
	Weighted average number of shares	**Per common share amount ($)**	**Weighted average number of shares**	**Per common share amount ($)**
Basic	101,681,330	0.82	93,995,735	0.52
Diluted	101,747,878	0.82	93,995,735	0.52

	Nine months ended September 30. 2016		Nine months ended September 30, 2015	
	Weighted average number of shares	**Per common share amount ($)**	**Weighted average number of shares**	**Per common share amount ($)**
Basic	100,301,634	0.96	88,154,902	0.64
Diluted	100,334,562	0.96	88,154,902	0.64

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

17. Change in working capital, net

	Nine months ended September 30, 2016	2015
(Increase) decrease in:		
Trade and other receivables	(225,859)	(167,870)
Inventories	(47,171)	(20,630)
Prepaid expenses	(13,730)	(4,056)
Advances on royalties	(2,606)	3
	(289,366)	**(192,553)**
Increase (decrease) in:		
Trade payables and other liabilities	139,358	78,647
Deferred revenues	(6,741)	-
Provisions	7,706	2,721
Other	186	(1,346)
	140,509	**80,022**
Total net change in working capital	**(148,857)**	**(112,531)**

18. Commitments for expenditures

As at September 30, 2016, the Company had minimum guarantees to licensors of approximately $43,242 (December 31, 2015 - $34,586).

19. Business combinations

Acquisition of Swimways Corporation (“Swimways”)

On August 2, 2016, the Company acquired Swimways, a privately held Company headquartered in Virginia Beach, Virginia with offices in Guangzhou, China and a manufacturing and distribution facility in Tarboro North Carolina. Swimways has a diverse portfolio of toys, games, and sporting goods for the pool, beach and backyard. Pursuant to the terms set forth in the agreement, the Company acquired 100% of the shares of Swimways for a total cash consideration of $85 million in cash on closing, less an escrow for possible adjustments, plus up to $8.5 million payable over four years based on Swimways sales growth.

Including the estimated fair value of the estimated future payments, the total purchase consideration of $91,376 has been allocated to identifiable intangible assets based on their estimated fair values of $33,800 (related to brands and intellectual property), $37,452 of goodwill acquired and $20,124 of net tangible assets acquired. The Company is in the process of finalizing the valuation of the assets acquired and liabilities assumed which may result in adjustments to the values presented and a corresponding adjustment to goodwill. The Company incurred $800 in transaction related costs which have all been expensed in the statement of operations and comprehensive income.

Assets acquired and liabilities recognized at the date of acquisition

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

19. Business combinations (continued)

Acquisition of Swimways (continued)

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

Goodwill arising on acquisition

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

Goodwill arose on the acquisition of Swimways because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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 four year period.

Net cash outflow on acquisition

	Total
Consideration paid in cash	89,332
Less: cash balance acquired	(760)
Net cash outflow	**88,572**

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 apps for kids aged 2-9, focusing on the pre-school segment. Pursuant to the terms set forth in the agreement, the Company acquired 100% of the shares of Toca Boca for a total cash consideration of $30,839.

Including the estimated fair value of the estimated future payments, 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, $453 of net tangible assets acquired, $833 of deferred payments and $426 of working capital adjustments. The Company is in the process of finalizing the valuation of the assets acquired and liabilities assumed. 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 expensed on the statement of operations and comprehensive income.

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**

19. Business combinations (continued)

Acquisition of Toca Boca (continued)

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.

The consideration transferred includes $833 in deferred payments. The deferred payment is payable to the vendor upon the achievement of key performance indicators over a five year period.

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. Pursuant to the terms set forth in the agreement, the Company acquired 100% of the net assets of EG Games for a total cash consideration of $5,000, of which $2,900 was due on closing, less 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 6 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.

Including the estimated fair value of the estimated future payments, the total purchase consideration of $5,111 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 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.

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.

19. Business combinations (continued)

Acquisition of EG Games (continued)

Goodwill arising on acquisition

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

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

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 included all brand-related patents, trademarks, and inventory for the brands for a total cash consideration of $8,950, less 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.

Including the estimated fair value of the estimated future royalties, the total purchase consideration of $11,074 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 determination of the final values of the assets acquired 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 because they are not material.

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
Goodwill arising from transaction	**3,712**

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.

19. Business combinations (continued)

Net cash outflow on acquisition

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

20. Financial instruments and risk management

Fair value measurements

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

As at	September 30, 2016	December 31, 2015
Financial assets		
Cash	49,527	45,713
Trade and other receivables	356,964	134,618
Total	**406,491**	**180,331**
Financial liabilities		
Accounts payable and accrued liabilities	281,048	134,717
Loans and Borrowings	163,488	50,310
Other long-term liabilities	1,811	225
Total	**446,347**	**185,252**

The fair value of foreign exchange forward contracts represented an asset as at September 30, 2016 of $45 (December 31, 2015 – liability of $755). These fair values are categorized within Level 2 of the fair value hierarchy. The fair value of foreign exchange contracts is estimated based on forward exchange rates observable at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Market risk

Foreign currency risk

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

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

As at September 30, 2016, the Company is committed under outstanding foreign exchange contracts to purchase Canadian dollars in exchange for US dollars, representing total purchase commitments of approximately $19,853

20. Financial instruments and risk management (continued)

Market risk (continued)

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

As at	September 30, 2016	December 31, 2015
Financial assets		
United States dollars	254,162	115,136
Canadian dollars	1,482	8,306
Euros	90,393	31,026
Great Britain pound	33,060	11,597
Mexican peso	12,219	14,266
Yen	16	-
Total	**391,332**	**180,331**
Financial liabilities		
United States dollars	384,840	162,888
Canadian dollars	43,257	6,945
Euros	11,042	12,260
Great Britain pound	4,179	3,430
Mexican peso	2,739	2,715
Yen	(13)	-
Total	**446,044**	**188,238**

21. Segment information

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

(i) Activities, games & puzzles, and fun furniture

(ii) Remote control and interactive characters

(iii) Boys action and high-tech construction

(iv) Pre-school and girls

(v) Outdoor

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

21. Segment information (continued)

Segment revenue and results

The following is an analysis of the Company's revenue and results from continuing operations by reportable segment.

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenue by segment				
North America	**363,542**	323,595	**601,915**	491,042
Europe	**105,150**	71,409	**177,181**	124,834
Rest of world	**49,875**	44,494	**99,284**	79,322
Gross product sales	**518,567**	**439,498**	**878,380**	**695,198**
Other revenue and sales allowances	**(43,552)**	(52,669)	**(62,303)**	(74,200)
Total consolidated revenue	**475,015**	**386,829**	**816,077**	**620,998**
Segment income				
North America	**109,368**	88,055	**131,314**	88,675
Europe	**5,943**	4,325	**11,609**	10.268
Rest of world	**3,580**	(8,832)	**3,420**	1,300
Total segment income	**118,891**	**83,548**	**146,343**	**100,243**
Corporate and other	**(3,319)**	(6,050)	**(11,675)**	(10,193)
Net income before taxes	**115,572**	**77,498**	**134,668**	**90,050**

Revenues for North America include revenues attributable to Canada of $53,814 and $26,324, for the three month periods ended September 30, 2016 and 2015, respectively.

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

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 2 of the December 31, 2015 consolidated financial statements. Segment income represents the income before tax earned by each segment without allocation of other income and expenses, foreign exchange loss (gain), and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets

As at	September 30, 2016	December 31, 2015
Assets		
North America	612,128	228,999
Europe	102,492	60,304
Rest of world	53,283	20,537
Total segment assets	**767,903**	**309,840**
Corporate and other	47,209	78,443
Total consolidated assets	**815,112**	**388,283**

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

As at	September 30, 2016	December 31, 2015
Non-current assets		
North America	143,412	54,939
Europe	6,521	4,490
Rest of world	6,871	4,529
Total segment non-current assets	**156,804**	**63,958**
Corporate and other	131,247	78,524
Total consolidated non-current assets	**288,051**	**142,482**

21. Segment information (continued)

Segment assets (continued)

Non-current assets for North America include non-current assets attributable to Canada $53,679 and $50,744 for the periods ending September 30, 2016 and December 31, 2015, respectively.

Segment liabilities

As at	September 30, 2016	December 31, 2015
Liabilities		
North America	264,802	192,236
Europe	30,808	17,977
Rest of world	29,626	8,391
Total segment liabilities	**325,236**	**218,604**
Corporate and other	169,243	13,360
Total consolidated liabilities	**494,479**	**231,964**

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

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

Depreciation and amortization by segment

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Depreciation by segment				
North America	**7,894**	4,716	**18,347**	15,431
Europe	**846**	311	**1,939**	1,001
Rest of world	**448**	145	**1,351**	557
Total segment depreciation	**9,188**	**5,172**	**21,637**	**16,989**
Corporate and other	**231**	-	**680**	-
Total consolidated depreciation	**9,419**	**5,172**	**22,317**	**16,989**

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:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenue from product categories				
Activities, games & puzzles, & fun furniture	**125,029**	74,537	**228,256**	131,181
Remote control & interactive characters	**148,165**	137,751	**190,211**	183,257
Boys action & high-tech construction	**59,208**	95,264	**119,689**	144,236
Pre-school & girls	**181,292**	131,946	**335,351**	236,524
Outdoor	**4,873**	-	**4,873**	-
Gross product sales	**518,567**	**439,498**	**878,380**	**695,198**
Other revenues and sales allowances	**(43,552)**	(52,669)	**(62,303)**	(74,200)
Total revenues	**475,015**	**386,829**	**816,077**	**620,998**

21. Segment information (continued)

Major customers

Sales to the Company's largest customers accounted for 52.0% and 59.0% and 52.7% and 58.1% of consolidated gross product sales for the three and nine month periods ended September 30, 2016 and 2015 respectively, as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Revenue				
Wal-Mart	124,897	115,895	216,822	173,972
Toys "R" Us	90,358	85,099	143,823	124,968
Target	54,646	58,419	102,389	104,920
Total	**269,901**	**259,413**	**463,034**	**403,860**