Notes to the Consolidated Financial Statements

December 31, 2015 and December 31, 2014

(Expressed in thousands of United States dollars, except share and per share amounts)

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 25). The North American segment is comprised of the United States and Canada. The European segment is comprised of the United Kingdom, France, Italy, the Benelux, Germany, Austria, and Switzerland. The Rest of World segment is primarily comprised of Hong Kong, China, and Mexico, as well as all other areas of the world serviced by the Company's distribution network.

2 Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 30, 2016.

Basis of preparation and measurement

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

All financial information is presented in thousands of United States dollars, except as otherwise indicated.

Basis of consolidation

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

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

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

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

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

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

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

Business combinations

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

2 Significant accounting policies (continued)

Business combinations (continued)

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

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

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

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

Goodwill

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

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

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

Revenue recognition

Sale of Goods

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

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

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

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

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

These conditions are typically met at the time of shipment when title of the product passes to the customer.

2 Significant accounting policies (continued)

Revenue recognition (continued)

Television Distribution, Royalty & License Sales

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

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

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

Leases

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

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

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

Foreign currencies

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

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

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

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

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income attributable to owners of the Company by the weighted average number of shares outstanding during the period.

Income taxes

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

2 Significant accounting policies (continued)

Income taxes (continued)

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Cash

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

Property, plant and equipment

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

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

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

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

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

2 Significant accounting policies (continued)

Property, plant and equipment (continued)

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

Other long-term assets

Included within other long-term assets was an investment in preferred shares issued by a related party. These preferred shares allowed the Company to redeem the shares, at its option, at $1 Canadian Dollar (CAD) per share. The carrying value approximates fair value.

Intangible assets

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

Content development	5 years
Computer software	1 year

Intangible assets acquired separately

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

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

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

Intangible assets acquired in a business combination

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

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

Internally-generated intangible assets – research and development expenditures

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

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

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

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

2 Significant accounting policies (continued)

Intangible assets (continued)

Television production assets

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

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

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

Advances on royalties

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in-first-out basis, and includes the purchase price and other costs, such as import duties and taxes, transportation and handling costs. Trade discounts and rebates are deducted from the purchase price. Net realizable value represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

2 Significant accounting policies (continued)

Provisions (continued)

Future royalty obligations

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

Provision for defectives

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

Supplier obligations

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

Share-based compensation

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

Financial instruments

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

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

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

The Company has made the following classifications:

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

2 Significant accounting policies (continued)

Financial assets

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

Financial assets at FVTPL

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All of the Company's financial liabilities are classified as 'other financial liabilities'.

2 Significant accounting policies (continued)

Financial Liabilities (continued)

Other financial liabilities

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

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

Derivative financial instruments

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

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

Fair value

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

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

Fair value hierarchy and liquidity risk disclosure

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

Future changes in accounting policies

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, multiple-element arrangements and contract modifications). Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is available for early application with mandatory adoption required for fiscal years commencing on or after January 1, 2018 and is to be applied using the retrospective or the modified transition approach. The Company is currently assessing the impact of this standard on its consolidated financial statements.

In May 2014, the IASB issued an amendment to IFRS 11, “Joint Arrangements”. Previously, IFRS 11 did not give explicit guidance on the accounting for acquisitions of interests in joint operations. The objective of the amendments is to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, “Business Combinations”. Acquirers of such interests are to apply the relevant principles on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. The standard is available for early application with mandatory adoption required for fiscal years commencing on or after January 1, 2016 and is to be applied prospectively. The Company is currently assessing the impact of this standard on its consolidated financial statements.

In May 2014, the IASB issued amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”. In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors

2 Significant accounting policies (continued)

Future changes in accounting policies (continued)

other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption is for an intangible asset, however, can be rebutted in certain limited circumstances. The standards are available for early application with mandatory adoption required for fiscal years commencing on or after January 1, 2016 and is to be applied prospectively. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments" with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company is currently assessing the impact of this standard on its consolidated financial statements.

In September 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process, "Annual Improvements to IFRS (2012-2014)". The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. These amendments will apply prospectively for annual periods beginning on or after January 1, 2016 with earlier application permitted. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1 amendments") as part of its major initiative to improve presentation and disclosure in financial reports. The IAS 1 amendments relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation, and are designed to further encourage companies to apply professional judgment in determining what information to disclosure in their financial statement. The standard is available for early application with mandatory adoption required for fiscal years commencing on or after January 1, 2016. The Company is currently assessing the impact of the IAS 1 amendments on its consolidated financial statements.

In January 2016, the IASB issued final version of IFRS 16, "Leases" superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of this standard on its consolidated financial statements.

3 Application of critical accounting policies and estimates

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

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

Critical judgments in applying accounting policies

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

Determination of cash-generating units

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

3 Application of critical accounting policies and estimates (continued)

Critical judgments in applying accounting policies (continued)

Functional currency

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

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

Significant estimates and assumptions

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

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

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

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

Impairment testing of goodwill and indefinite life intangible assets

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

Provision for inventory

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

Sales allowance

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

Income and other taxes

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

3 Application of critical accounting policies and estimates (continued)

Significant estimates and assumptions (continued)

Income and other taxes (continued)

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

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

4 Revenue

The Company earns revenue from the following primary sources:

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

	2015	2014
Revenue from the sale of goods	**860,189**	706,872
Other revenue	**19,217**	8,778
	879,406	715,650

5 Other (income) expense

	2015	2014
Impairment of non-current assets (see notes 11, 12)	**1,718**	2,798
Revaluation of provisions	**(457)**	(687)
Service fees	**(5,051)**	–
Gain on transfer of non-business related assets	**(9,566)**	–
Other	**(73)**	(1,200)
	(13,429)	911

Service fees

Associated with the acquisition of Cardinal Industries, Inc. ("Cardinal") as described in Note 24, the Company received approximately $5,000 in service fees in connection with services provided to Cardinal prior to the acquisition date.

Gain on transfer of non-business related assets

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

6 Finance costs

	2015	2014
Interest on bank loans	**915**	700
Interest on loans from related parties	**–**	911
Interest related to tax	**2,992**	–
Bank fees	**1,476**	1,146
Accretion expense	**673**	–
Amortization of financing costs	**466**	
Other Interest	**17**	72
	6,539	2,829

7 Net income before income tax expense

Included within expenses are the following research and development costs and employee benefits expenses.

Research and development costs

	2015	2014
Research and development costs	**15,486**	13,183

Employee benefits expense

	2015	2014
Salaries, wages, and bonuses	**80,894**	80,623
Share-based compensation	**50,658**	–
Termination benefits	**3,528**	595
Other employee benefits	**9,816**	9,047
	144,896	90,265

8 Income taxes

Income tax recognized in profit or loss

	2015	2014
Current tax expense		
In respect of the current year	**32,862**	12,973
Deferred tax expense (recovery)		
In respect of the current year	**(190)**	8,942
(Recognition) derecognition of previously (unrecognized) recognized deferred tax assets	**(113)**	1,361
	(303)	10,303
	32,559	23,276

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

	2015	2014
Net income before income taxes	**79,633**	85,490
Statutory tax rate (26.5%)	**21,103**	22,655
Adjustments		
Effect of expenses that are not deductible in determining taxable profit	**2,236**	932
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	**1,015**	2,079
Effect of previously unrecognized unused tax losses and deductible temporary differences now recognized as deferred tax assets	**(113)**	(899)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,873)**	(2,021)
Effect of tax settlement with the Canada Revenue Agency on transfer pricing matter	**10,508**	–
Other	**(317)**	530
Income tax expense	**32,559**	**23,276**

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

8 Income taxes (continued)

Current tax assets and liabilities

	2015	2014
Current tax liabilities		
Income tax payable	**17,156**	15,091

Deferred tax balances

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

	2015	2014
Deferred tax assets	**26,363**	24,896
Deferred tax liabilities	**(1,192)**	(1,026)
	25,171	23,870

	2014	Recognized in profit or loss	Recognized in equity	2015
Deferred tax assets (liabilities) in relation to				
Property, plant and equipment	722	536	(86)	**1,172**
Intangible assets	(3,162)	(575)	4,229	**492**
Provisions	5,954	(88)	(708)	**5,158**
Allowance for doubtful accounts	32	122	(4)	**150**
	3,546	(5)	3,431	**6,972**
Tax losses	19,477	1,951	(2,318)	**19,110**
Other	847	(1,643)	(115)	**(911)**
	23,870	303	998	**25,171**

Unrecognized deductible temporary differences and unused tax losses

	2015	2014
Tax losses	**1,694**	5,509
Deductible temporary differences	**1,426**	–
	3,120	5,509

The unused tax losses will expire commencing in 2022.

Unrecognized taxable temporary differences associated with investments

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized as at December 31, 2015, is $120,142 (2014—$87,669).

9 Trade and other receivables

	2015	2014
Trade receivables	**190,271**	120,257
Sales allowances	**(66,123)**	(37,857)
Allowance for doubtful accounts	**(1,245)**	(914)
	122,903	81,486
Other receivables	**11,715**	6,029
	134,618	87,515

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

9 Trade and other receivables (continued)

Trade receivables past due but not impaired

	2015	2014
60-90 days	**6,391**	2,908
91-120 days	**2,335**	1,574
> 120 days	**19,575**	7,374
	28,301	11,856

Movement in the allowance for doubtful accounts

	2015	2014
Balance at the beginning of the year	**914**	1,774
Impairment losses recognized on receivables	**946**	223
Amounts written off during the year as uncollectible	**(548)**	(869)
Impairment losses reversed	**–**	(214)
Foreign exchange translation	**(67)**	–
	1,245	914

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

There have been no individually impaired trade receivables recognized in allowance for doubtful accounts during the year (2014 – $nil).

10 Inventories

	2015	2014
Raw materials	**1,774**	2,075
Finished goods	**47,366**	36,275
	49,140	38,350

The cost of inventories recognized as an expense in cost of sales during the year was $368,418 (2014 – $318,357).

During 2015, no inventory was written down to net realizable value during (2014 – $5,008). The charge is included within cost of sales in the consolidated statements of operations and comprehensive income.

11 Property, plant and equipment

	2015	2014
Carrying amount		
Land	**352**	365
Building	**785**	788
Moulds, dies and tools	**12,390**	7,539
Office equipment	**775**	787
Leasehold improvements	**345**	387
Computer hardware	**1,153**	1,205
Machinery and equipment	**296**	173
	16,096	11,244

11 Property, plant and equipment (continued)

	Land	Building	Moulds, dies and tools	Office equipment improvements	Leasehold	Computer hardware	Machinery and equipment	Total
Cost								
Balance, January 1, 2014	404	931	63,280	5,196	5,924	8,096	2,137	85,968
Additions	–	–	9,027	138	73	257	48	9,543
Asset retirements	–	–	(912)	–	(133)	–	–	(1,045)
Foreign currency translation	(39)	(87)	(187)	(275)	(256)	(433)	(42)	(1,319)
Balance, December 31, 2014	365	844	71,208	5,059	5,608	7,920	2,143	93,147
Additions	–	–	13,754	278	197	948	63	15,240
Asset retirements	–	–	(2,249)	(14)	–	(186)	(7)	(2,456)
Foreign currency translation	(13)	39	(2,552)	(497)	(633)	(791)	(246)	(4,693)
Other	–	–	–	10	13	2	–	25
Balance, December 31, 2015	**352**	**883**	**80,161**	**4,836**	**5,185**	**7,893**	**1,953**	**101,263**

	Land	Building	Moulds, dies and tools	Office equipment improvements	Leasehold	Computer hardware	Machinery and equipment	Total
Accumulated depreciation and impairment								
Balance, January 1, 2014	–	–	(59,311)	(4,127)	(5,311)	(6,600)	(1,697)	(77,046)
Asset retirements	–	–	912	–	133	–	–	1,045
Asset Impairments	–	–	(2,255)	(77)	(204)	(78)	(184)	(2,798)
Depreciation	–	(61)	(4,447)	(345)	(131)	(522)	(99)	(5,605)
Foreign currency translation	–	5	1,432	277	292	485	10	2,501
Balance, December 31, 2014	–	(56)	(63,669)	(4,272)	(5,221)	(6,715)	(1,970)	(81,903)
Asset retirements	–	–	2,249	14	–	186	7	2,456
Asset Impairments			(1,059)					(1,059)
Depreciation	–	–	(6,592)	(258)	(120)	(526)	(66)	(7,562)
Foreign currency translation	–	(46)	1,300	455	513	321	372	2,915
Other	–	4	–	–	(12)	(6)	–	(14)
Balance, December 31, 2015	**–**	**(98)**	**(67,771)**	**(4,061)**	**(4,840)**	**(6,740)**	**(1,657)**	**(85,167)**

Impairment losses

For the year ended December 31, 2015, the Company recorded $1,059 (2014 – $2,798) of impairment losses in respect of 13 cash-generating units ("CGUs") (2014 – 12). Impairment losses are recorded where the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use.

12 Intangible assets

	2015	2014
Carrying amount		
Brands and trademarks	**37,051**	27,258
Content development	**23,347**	8,271
Computer software	**1,972**	1,720
	62,370	37,249

12 Intangible assets (continued)

	Brands and trademarks Indefinite	Brands and trademarks Definite	Content development	Computer software	Total
Cost					
Balance, January 1, 2014	28,193	–	11,721	21,627	61,541
Additions	1,292	–	14,621	765	16,678
Foreign currency translation	(2,227)	–	–	(1,824)	(4,051)
Balance, December 31, 2014	27,258	–	26,342	20,568	74,168
Additions	2,658	3,100	21,791	1,461	29,010
Impairment losses	–	–	–	–	–
Asset acquisitions via business combination	8,100	10,400	–	–	18,500
Foreign currency translation	(4,065)	–	(5,411)	(3,546)	(13,022)
Balance, December 31, 2015	**33,951**	**13,500**	**42,722**	**18,483**	**108,656**
Accumulated amortization					
Balance, January 1, 2014	–	–	(9,282)	(17,965)	(27,247)
Amortization	–	–	(9,646)	(2,492)	(12,138)
Foreign currency translation	–	–	857	1,609	2,466
Balance, December 31, 2014	–	–	(18,071)	(18,848)	(36,919)
Impairment losses			(659)		(659)
Amortization	–	(402)	(14,334)	(579)	(15,314)
Foreign currency translation	–	–	3,376	3,230	6,606
Balance, December 31, 2015	**–**	**(402)**	**(29,688)**	**(16,197)**	**(46,286)**

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

- The ‘Wild Planet’ brand has been allocated to the ‘Spy Gear’ cash-generating unit;
- The ‘Meccano’ brand has been allocated to the ‘Meccano Brand’ cash-generating unit;
- The ‘Imagination Games’, ‘Head Bandz’, ‘Boom Boom Balloon’ and ‘Catch a Bubble’ brands have been allocated to the ‘Games and Puzzles’ cash-generating unit; and
- The ‘Cardinal’ brand has been allocated to the ‘Cardinal Games’ cash-generating unit.

Impairment losses

For the year ended December 31, 2015, the Company recorded $659 (2014 – $nil) of impairment losses in respect of 13 CGUs (2014 – 12). Impairment losses are recorded where the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount was based on the greater of the CGU’s fair value less costs to sell and its value in use.

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

	2015	2014
Spy Gear	**7,577**	9,109
Meccano Brand	**2,221**	2,171
Games and Puzzles	**16,053**	15,978
Cardinal Games	**8,100**	–
	33,951	27,258

13 Goodwill

	2015	2014
Balance, beginning of year	**3,847**	3,887
Additions during the period	**32,564**	–
Foreign currency translation	**(281)**	(40)
	36,130	3,847

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

- The 'Feva' business has been allocated to the 'Spin Master UK' cash-generating unit;
- The 'Meccano' business has been allocated to the 'Meccano Brand' cash-generating unit;
- The 'X Concepts (Tech Deck)' business has been allocated to the 'Tech Deck' cash-generating unit; and
- The 'Cardinal' business has been allocated to the 'Cardinal Games' cash-generating unit.

The carrying amount of goodwill was allocated to these cash-generating units as follows:

	2015	2014
Spin Master UK	**215**	240
Meccano Brand	**2,145**	2,247
Tech Deck	**1,206**	1,360
Cardinal Games	**32,564**	–
	36,130	3,847

There have been no impairment losses recognized with respect to goodwill during 2015 (2014 – $nil).

14 Trade payables and other liabilities

	2015	2014
Trade payables	**55,656**	61,505
Accrued liabilities	**79,021**	66,041
	134,677	127,546

15 Loans and borrowings

	2015	2014
Unsecured debt (at amortized cost)		
Loans from other entities (i)	**489**	839
	489	839
Secured debt (at amortized cost)		
Bank facilities (ii) and (iii)	**51,797**	–
	52,286	839
Less financing costs	**1,976**	–
	50,310	839
Current	**3,436**	–
Non-current	**46,874**	839
	50,310	839

(i) Fixed rate loans with Région Nord-Pas de Calais, Cap Calais and OSEO related to Meccano operations in France, with remaining maturity periods not exceeding 3 years (2014 – 3 years). The weighted average effective interest rate on the loans is 1.08% per annum (2014 – 1.3% 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 Company's assets and by a guarantee by the parent company of the Production Company.

As at December 31, 2015, the Company had utilized $2,797 (December 31, 2014 – $nil) of the facility.

15 Loans and borrowings (continued)

(iii) On February 26, 2015, the Company entered into a 5-year Senior Secured Facility with maximum borrowings up to $277,900. The Facility is comprised of an $80,000 Senior Secured Revolving Credit Facility and a $197,900 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.

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

As at December 31, 2015, the Company had utilized $nil (2014 – $nil) of its revolving loan facility and has drawn $1,136 (2014 – $2,705) in letters of credit issued under the facility.

As at December 31, 2015, the Company had utilized $49,000 (2014 – $nil) of its term loan facility.

16 Provisions and contingent liabilities

Provisions

	2015	2014
Defectives (i)	**6,038**	8,205
Royalties (ii)	**584**	1,298
Supplier liabilities (iii)	**3,493**	1,692
Cardinal earn-out (iv)	**8,458**	–
	18,573	11,195
Current	**10,115**	11,195
Non-current	**8,458**	–
	18,573	11,195

	Defectives	Royalties	Supplier liabilities	Cardinal earn-out	Total
Balance, December 31, 2013	6,504	2,360	4,520	–	13,384
Provisions recognized	8,204	–	333	–	8,537
Reductions arising from payments	(6,503)	(375)	(3,161)	–	(10,039)
Revaluation of provisions	–	(687)	–	–	(687)
Balance, December 31, 2014	8,205	1,298	1,692	–	11,195
Provisions recognized	6,038	–	4,193	7,785	18,016
Accretion recognized				673	673
Reductions arising from payments	(8,205)	(257)	(2,392)	–	(10,854)
Revaluation of provisions	–	(457)	–	–	(457)
Balance, December 31, 2015	**6,038**	**584**	**3,493**	**8,458**	**18,573**

16 Provisions and contingent liabilities (continued)

Provisions (continued)

(i) Defectives refer to when the end consumer returns defective goods to the Company's customers. Customers without a fixed allowance for defectives are eligible for a credit for the cost of the product if returned as defective by the end consumer. The estimate of defectives is made based on the class and nature or the product and reduces the net sales figure on the statements of operations and comprehensive income.
(ii) During 2012, the Company acquired a number of brands in an asset acquisition. As part of the purchase price, the Company is committed to pay royalties on sales of those brands until November 21, 2016. The future royalty obligation is estimated based on the Company's estimate of the related brands' future sales.
(iii) Supplier obligations represent the estimated compensation to be paid to suppliers for lower than expected volumes purchased, resulting in the supplier having excess raw material and finished goods inventory. While payments are not legally required, the Company will regularly compensate suppliers to maintain supplier relationships. The supplier obligation is based on the Company's estimate of the cost of the supplier's excess raw material and finished goods inventory. The provision for supplier obligations is recorded in Cost of Sales on the consolidated statements of operations and comprehensive income.
(iv) During the year, the Company acquired Cardinal as described in Note 24 which includes an earn- out payable over the next five calendar years. The fair value of the contingent consideration on December 31, 2015 was $8,458 and is based on the achievement of certain financial performance criteria. The accretion of the earn-out is recorded in other (income) expense on the consolidated statements of operations and comprehensive income.

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.

17 Issued capital

(a) Authorized as at December 31, 2014

Unlimited number of Class A common shares;

Unlimited number of Class B common shares;

Unlimited number of Class A1 common shares series I and series II;

Unlimited number of Class A1 and A2 and Class X1 and X2 preference shares, non-voting, with a non-cumulative dividend, redeemable and retractable by the holder;

Unlimited number of Class X preference shares, non-voting, with a non-cumulative dividend not to exceed 5% of the redemption amount, redeemable and retractable by the holder; and

Unlimited number of Class Y preference shares, non-voting, with a non-cumulative dividend not to exceed 0.5% of the redemption amount, redeemable and retractable by the holder;

(b) Authorized as at December 31, 2015

Unlimited number of Multiple voting shares;

Unlimited number of Subordinate voting shares; and

Unlimited number of Preferred shares issuable in series.

Issued and outstanding

	2015	2014
Class A1 common shares	–	1
Class A1 and A2 preference shares	–	214,962
Class X1 and X2 preference shares	–	5,259
Class Y preference shares	–	37,555
	–	257,776
Multiple voting shares	**406,595**	–
Subordinate voting shares	**182,668**	–
	589,263	

17 Issued capital (continued)

Issued and outstanding (continued)

	2015	2014
	#	#
Class A1 common shares	–	100
Class A1 and A2 preference shares	–	249,377,454
Class X1 and X2 preference shares	–	6,100,000
Class Y preference shares	–	43,568,000
	–	299,045,454
Multiple voting shares	79,680,812	–
Subordinate voting shares	19,612,423	–
	99,293,235	

During 2015, the Company completed an initial public offering (the "Offering"). As part of that Offering, 12,225,000 Subordinate voting shares were issued at a price of $18.00 CAD for gross proceeds, before expenses of $220 million CAD. As part of the Offering, the underwriters were granted an over-allotment option exercisable at their sole discretion at any time, in whole or in part, for a period of 30 days after the closing of the Offering, to purchase from the Company, at the Offering price, up to an additional 1,833,750 Subordinate voting shares. On August 26, 2015, the over-allotment option granted to the underwriters was exercised in full, generating additional gross proceeds to Spin Master of $33 million CAD.

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

(c) 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 are entitled to receive a cash payment and shares on the initial public offering of the Company. The Participation Arrangements served to reward the past service, and to encourage retention. The terms of the Participation Arrangements differ between participants with vesting participants being entitled to some or all their shares between 6 months and 6 years following the Offering.

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 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 offering, less the value of the cash settlement. The Company recognizes compensation expense over the vesting period of the Participation Arrangement, which is 6 years.

Restricted Share Units ("RSUs")

In connection with and immediately prior to the closing of the Offering, the Company established an RSU plan to all of its current employees (other than the participants under the "Participation Arrangements" and employees in China).

As the RSUs serve to reward past service of the employees and align the interests of the employees with those of the Company. The RSUs will be settled for Subordinate voting shares and will fully vest on the first anniversary of the closing of the Offering. Upon vesting of the RSUs, the Company will issue approximately 763,495 Subordinate Voting Shares. Only employees that are employed on the settlement date will receive Subordinate Voting Shares. Each RSU granted will reduce the quantity of Multiple Voting Shares issued to the principal shareholders in connection with the reorganization. The Company classifies the RSUs as equity instruments as the Company has 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 recognizes compensation expense over the vesting period of the RSU.

17 Issued capital (continued)

(d) Compensation expense

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

	2015	2014
Expense arising from equity-settled "Participation Agreement" transactions	**25,558**	–
Expense arising from cash-settled "Participation Agreement" transactions	**20,725**	–
Expense arising from equity-settled "RSU" transactions	**4,375**	–
Total	**50,658**	–

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

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

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

(e) Plan Activity

A summary of the Participation Arrangements and RSU activity since January 1, 2014 is shown below:

	Participation Agreement		RSUs	
	Number	Weighted Average Grant Date Fair Value	Number	Weighted Average Grant Date Fair Value
Balance at January 1, 2014	–		–	
Granted During the year	–		–	
Vested During the year	–		–	
Forfeited / cancelled during the year	–		–	
Balance at December 31, 2014	–		–	
Granted During the year	4,790,178	65,877	763,495	10,500
Vested During the year	–		–	
Forfeited / cancelled during the year	–		–	
Balance at December 31, 2015	4,790,178	65,877	763,495	10,500

The weighted average remaining contractual life for Participation Arrangements outstanding as at December 31, 2015 is 2.0 years and for the RSUs outstanding as at December 31, 2015 is 0.6 years.

18 Earnings per share

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

	2015		2014	
	Weighted average number of shares	**Per common share amount**	Weighted average number of shares	Per common share amount
		$		$
Basic	**90,939,485**	**0.48**	85,234,485	0.61
Diluted	**90,939,485**	**0.48**	85,234,485	0.61

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

19 Change in working capital, net

	2015	2014
(Increase) decrease in		
Trade and other receivables	**(37,614)**	(2,029)
Inventories	**(1,005)**	(8,910)
Prepaid expenses	**(11,856)**	(188)
Advances on royalties	**(1,695)**	787
Increase (decrease) in		
Trade payables and other liabilities	**(402)**	44,029
Advances from related parties	**15**	(3)
Deferred revenues	**3,593**	3,172
Provisions	**(1,080)**	(2,189)
Other	**–**	(448)
	(50,044)	34,221

20 Investments in subsidiaries

The table below provides a summary of the Company's subsidiaries as at December 31, 2015. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly or indirectly by the Company, and the proportion of ownership interests held is equal to the voting rights held by the shareholders of the Company. The country of incorporation corresponds to the below noted principal place of operations.

Entity	Country	**2015**	2014
		%	%
Spin Master Ltd.	Canada	**100.0**	83.5
SML Investments 2008 Inc.	Canada	**100.0**	83.5
Spin Master Film Productions Inc.	Canada	**100.0**	83.5
Spin Master Paw Productions Inc.	Canada	**100.0**	83.5
Spin Master Paw 2 Productions Inc.	Canada	**100.0**	83.5
Spin Master Paw 3 Productions Inc.	Canada	**100.0**	n/a
Spin Master Paw 4 Productions Inc.	Canada	**100.0**	n/a
Tenkai Knights Production Inc.	Canada	**100.0**	83.5
Spin Master Charming Productions Inc.	Canada	**100.0**	83.5
Spin Master Charming 2 Productions Inc.	Canada	**100.0**	n/a
Spin Master Dig It Productions Inc.	Canada	**100.0**	n/a
Spin Master Riveting Productions Inc.	Canada	**100.0**	83.5
Spin Master Hatching Productions Inc.	Canada	**100.0**	83.5
Spin Master Acquisition Inc.	Canada	**100.0**	83.5
Spin Master Mexico S.A. de C.V.	Mexico	**100.0**	83.5
Spin Master Mexico Services S.A. de C.V.	Mexico	**100.0**	83.5
Spin Master US Holdings Inc.	United States	**100.0**	83.5
Spin Master Inc.	United States	**100.0**	83.5
Spin Master Studios Inc.	United States	**100.0**	83.5
Bluesquare Innovations Inc.	United States	**100.0**	83.5
Cardinal Industries Inc.	United States	**100.0**	n/a
Red Bird HK Ltd.	Hong Kong	**100.0**	n/a
Spin Master Far East Services Ltd.	Hong Kong	**100.0**	83.5
Spin Master Toys Far East Limited	Hong Kong	**100.0**	83.5
Meccano (HK) Limited	Hong Kong	**100.0**	83.5
Spin Master Dongguan Technical Consultancy Servicing Co. Ltd.	China	**100.0**	83.5
Spin Master Japan Ltd.	Japan	**100.0**	83.5
Spin Master Europe Holdings SARL	Luxembourg	**100.0**	83.5
Spin Master International SARL	Luxembourg	**100.0**	83.5
Spin Master Toys UK Limited	United Kingdom	**100.0**	83.5
Spin Master France SAS	France	**100.0**	83.5
Meccano SA	France	**100.0**	83.5

21 Related party transactions

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

Immediately before the closing of the Company's' Initial Public Offering (the "Offering") on July 30,2015, a series of transactions were undertaken to distribute non-business assets and funds to Ronnen Harary, Anton Rabie and Ben Varadi (collectively, the "Principal Shareholders") and to create the Company's post-Offering share capital structure (the "Reorganization.") The following related party transactions are included in the consolidated financial statements of the Company as at December 31,2015:

(a) Transfer of Non-Business Related Assets

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

(b) Preferred Shares Redemption

The Company redeemed the outstanding Class X1 Preferred Shares and the Class X2 Preferred Shares in exchange for $4,683 in cash.

(c) Amalgamation

The Company will amalgamated with SML Investments 2008 Inc. and Varadi Bee Corp. The predecessor corporations were all non-active holding corporations indirectly-owned by the Principal Shareholders.

(d) Dividends to Principal Shareholders

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

The following related party balances were outstanding at the end of the reporting period:

	2015	2014
Loans to related parties		
Trumbanick Investments Ltd.	**–**	9
Marathon Investment Holdings Ltd.	**–**	172
Varadi Invest Corp.	**–**	321
Celia Holdings Inc.	**–**	12
Ceara Investment Holdings Inc.	**–**	60
Other payables to related parties	**–**	(169)
	–	405
Other long-term assets		
Varadi Bee Corp.	–	37,555

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

Compensation of key management personnel

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

	2015	2014
Salary and short-term benefits	**15,321**	4,328
Other long term benefits	**641**	–
Share based compensation	**5,040**	–
Total	**21,002**	4,328

22 Operating leases

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

Payments recognized as an expense

	2015	2014
Minimum lease payments	**5,390**	4,538

23 Commitments for expenditures

As at December 31, 2015, the Company had minimum guarantees to licensors of approximately $34,586 (2014—$7,250).

Non-cancellable operating lease commitments

	2015	2014
Not later than 1 year	**6,475**	3,881
Later than 1 year and not later than 5 years	**12,779**	11,483
Later than 5 years	**4,277**	2,965
	23,531	18,329

24 Business combinations

Acquisition of Cardinal Industries Inc. ('Cardinal')

On October 2, 2015, the Company acquired Cardinal, a privately-held U.S. company headquartered in Long Island City, New York, pursuant to a share purchase agreement. Cardinal is a toy company specializing in producing and selling games and puzzles. Pursuant to the terms set forth in the agreement, the Company acquired 100% of the issued and outstanding common shares of Cardinal for total cash consideration of $50 million, less an indemnity escrow of $1.25 million held for one-year after closing. In addition, the Company agreed to pay an earn-out of up to an aggregate amount of $19.5 million in cash over the five calendar years following the acquisition based on the achievement of certain EBITDA targets. The Cardinal acquisition was financed through the Company's existing Credit Facility.

Including the estimated fair value of future earn out payments, the total purchase consideration of $58.1 million was allocated to net tangible assets acquired based on their estimated fair values of $7.0 million, identifiable intangible assets (primarily related to the trademarks and customer lists) of $18.5 million, and $32.6 million of goodwill. The fair values of the identifiable intangible assets related to trade names were based on the relief from royalty method, using Level 3 inputs within the fair value hierarchy, which included forecasted future cash flows, long-term revenue growth rates, royalty rates, and discount rates.

Assets acquired and liabilities recognized on a preliminary basis at the date of acquisition

	Fair value as at October 2, 2015
Assets acquired	
Cash	**720**
Trade and other receivables	**14,928**
Inventories	**9,415**
Prepaid expenses	**446**
Intangible assets	**18,500**
	44,009
Liabilities assumed	
Trade payable and accrued liabilities	**18,485**
	18,485
Fair value of identifiable net assets acquired	**25,524**

The determination of the final vales of assets acquired and liabilities assumed may result in adjustments to the values presented and corresponding adjustments to goodwill.

24 Business combinations (continued)

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

Goodwill arising on acquisition

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

Goodwill arose on the acquisition of Cardinal Industries Inc. because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Cardinal. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition

	Total
Consideration paid in cash	50,000
Cash balances acquired	(720)
	49,280

Impact of acquisition on the results of the Company

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

25 Financial instruments and risk management

Capital management

Management includes the following items in its definition of capital:

	2015	2014
Capital components		
Short-term borrowings	**3,436**	–
Non-current borrowings	**46,874**	839
Total debt	**50,310**	839
Issued capital	**589,263**	1
Contributed surplus	**31,580**	1,647
Accumulated deficit	**(507,921)**	(118,782)
	163,232	(116,295)

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

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

25 Financial instruments and risk management (continued)

Capital management (continued)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended December 31, 2015.

The Company is subject to capital requirements under the credit facility agreement, as described in Note 15. As at December 31, 2015, the Company was in compliance with all financial covenants.

Financial risk management objectives

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

Market risk

Foreign currency risk

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

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

As at December 31, 2015, the Company is committed under outstanding foreign exchange contracts to purchase Canadian dollars in exchange for US dollars, representing total purchase commitments of approximately $41,692 (2014 – $5,685).

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

	2015	2014
Financial assets		
United States dollars	**121,579**	145,380
Canadian dollars	**8,306**	47,684
Euros	**31,026**	33,703
Pound	**5,154**	–
Peso	**14,266**	–
	180,331	226,767
Financial liabilities		
United States dollars	**164,795**	111,166
Canadian dollars	**6,945**	260,241
Euros	**12,260**	15,094
Pound	**1,524**	–
Peso	**2,715**	–
	188,239	386,501

Foreign currency risk – sensitivity analysis

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

25 Financial instruments and risk management (continued)

Market risk (continued)

Foreign currency risk – sensitivity analysis (continued)

The following sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities, and adjusts their translation at the reporting period for a 5% change in foreign currency rates. A positive number indicates an increase in profit or equity, where the Canadian dollar strengthens against the relevant currency. For a weakening of the United States dollar against the relevant currency, there would be a comparable negative impact on the profit or equity.

For the year ended December 31, 2015, a 5% strengthening of the Canadian dollar against the United States dollar and Euro would have resulted in a decrease to net income for the year of $1,853 (2014 – an increase to net income of $494).

Interest rate risk – management

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

Interest rate risk – sensitivity analysis

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

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

For the year ended December 31, 2015, with all other variables held constant, a 50 basis point increase in interest rates would have resulted in a decrease to net income for the year of $178 (2014 – a decrease to net income of $nil). This is mainly attributable to the Company's exposure to interest rate on its variable rate borrowings.

Credit risk

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

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

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

As at December 31, 2015, approximately 39% (2014 – 49%) of the Company's accounts receivable are from three major retail customers, and these three major customers represent approximately 57% of gross sales for the year ended December 31, 2015 (2014 – 63%). Substantially all of these customers were covered by credit insurance.

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

Liquidity risk

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

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

25 Financial instruments and risk management (continued)

Liquidity risk (continued)

				2015
	Less than 1 year	**1 year to 5 years**	**Greater than 5 years**	**Total**
Trade payables and other liabilities	**134,677**	**–**	**–**	**134,677**
Other long-term liabilities	**–**	**225**	**–**	**225**
Borrowings	**3,436**	**46,874**	**–**	**50,310**
Provisions	**10,115**	**8,458**	**–**	**18,573**
	148,228	**55,557**	**–**	**203,785**

				2014
	Less than 1 year	1 year to 5 years	Greater than 5 years	Total
Trade payables and other liabilities	127,546	–	–	127,546
Other financial liabilities	–	340	–	340
Borrowings	–	839	–	839
	127,546	1,179	–	128,725

Financing facilities

	2015	2014
Secured bank loan facilities		
Amount used	**50,136**	2,705
Amount unused	**227,764**	67,295
	277,900	70,000

Fair value measurements

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

The fair value of foreign exchange forward contracts represented a liability as at December 31, 2015 of $755 (2014 – $1). These fair values are categorized within Level 2 of the fair value hierarchy. The fair value of foreign exchange contracts is estimated based on forward exchange rates observable at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

26 Segment information

Spin Master's portfolio includes children's products, brands and entertainment properties which are grouped into four 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

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.

26 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.

	2015	2014
Revenue by segment		
North America	**692,242**	588,631
Europe	**183,786**	135,323
Rest of World	**106,665**	87,941
Gross product sales	**982,693**	811,895
Other revenue and sales allowances	**(103,287)**	(96,245)
Revenue	**879,406**	715,650
Segment income		
North America	**22,454**	36,322
Europe	**37,408**	13,026
Rest of World	**33,442**	28,263
Total segment income	**93,304**	77,611
Corporate and other	**(13,671)**	7,879
Net income (loss) before income taxes	**79,633**	85,490

Revenues for North America include revenues attributable to Canada of $54,154 and $56,839, for 2015 and 2014, respectively.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014 – $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. 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

	2015	2014
North America	**228,999**	210,805
Europe	**60,304**	57,894
Rest of World	**20,537**	17,913
Total segment assets	**309,840**	286,612
Corporate and other	**78,443**	64,173
Consolidated total assets	**388,283**	350,785

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

	2015	2014
Non-current assets		
North America	**54,939**	47,148
Europe	**4,490**	3,049
Rest of World	**4,529**	1,124
Total segment assets	**63,958**	51,321
Corporate and other	**78,524**	64,173
Consolidated non-current assets	**142,482**	115,494

Non-current assets for North America include non-current assets attributable to Canada of $50,744 and $67,485 for the years ending December 31, 2015 and December 31, 2014, respectively.

26 Segment information (continued)

Segment liabilities

	2015	2014
North America	**192,236**	130,783
Europe	**17,977**	20,288
Rest of World	**8,391**	6,980
Total segment liabilities	**218,604**	158,051
Corporate and other	**13,360**	258,959
Consolidated total liabilities	**231,964**	417,010

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

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

Depreciation and amortization by segment

	2015	2014
North America	**20,229**	16,000
Europe	**1,539**	1,115
Rest of World	**862**	628
Total segment depreciation and amortization	**22,630**	17,743
Corporate and other	**246**	–
Consolidated depreciation and amortization	**22,876**	17,743

In addition to the depreciation and amortization reported above, impairment losses of $1,718 (2014 – $2,798) were recognized in respect of property, plant and equipment and intangible assets. These impairment losses were attributable to the following reportable segments:

	2015	2014
Impairment losses recognized for the year in respect of property,plant and equipment		
North America	**1,406**	1,294
Europe	**205**	1,292
Rest of World	**107**	212
	1,718	2,798

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:

	2015	2014
Activities, games and puzzles and fun furniture	**231,433**	190,542
Remote control and interactive characters	**233,294**	268,612
Boys action and high-tech construction	**192,304**	191,821
Pre-school and girls	**325,662**	160,920
Gross product sales	**982,693**	811,895
Other revenue and sales allowances	**(103,287)**	(96,245)
Revenue	**879,406**	715,650

26 Segment information (continued)

Major customers

Sales to the Company's largest customers accounted for 57% and 63% of consolidated gross product sales for 2015 and 2014 respectively, as follows:

	2015	2014
Revenue		
Target	**157,684**	139,903
Toys "R" Us	**164,585**	143,736
Wal-Mart	**241,532**	225,839

In the first quarter of 2016, the Company signed an agreement to acquire the brands of Etch A Sketch and Doodle Sketch ("Etch A Sketch"). The acquisition includes all brand-related patents, trademarks, tooling and inventory related to Etch A Sketch.

27 Non-wholly owned subsidiaries

Income and net assets attributable to third parties is reported as non-controlling interests and comprehensive income attributable to non-controlling interests on the statements of financial position and statements of operations and comprehensive income respectively. Prior to July 2015, the Company held an indirect 83.5% interest in Spin Master Ltd., who in turn holds 100% interests in all of the other subsidiaries disclosed in Note 19. The information below includes the financial position and result of operations of Spin Master Ltd. and all of its 100% subsidiaries for the period and year end in which the Company was subject to non-controlling interests and 2014.

	2015	2014
Non-controlling interests percentage	**0.0%**	16.5%
Current assets	**–**	235,291
Non-current assets	**–**	115,494
Current liabilities	**–**	414,805
Non-current liabilities	**–**	2,205
Revenue	**512,987**	715,650
Net income	**27,460**	62,214
Comprehensive income	**36,871**	78,524
Net income attributable to non-controlling interests	**3,861**	10,318
Comprehensive income attributable to non-controlling interests	**3,010**	9,819

Continuity of non-controlling interests

	2015	2014
Balance, beginning of year	**24,496**	14,677
Comprehensive income attributableto non-controlling interests	**3,010**	9,819
Corporate reorganization	**(27,506)**	–
Balance, end of year	**–**	24,496

28 Events after the reporting period

In the first quarter of 2016, the Company signed an agreement to acquire the brands of Etch A Sketch and Doodle Sketch ("Etch A Sketch"). The acquisition includes all brand-related patents, trademarks, tooling and inventory related to Etch A Sketch.