Spin Master Corp.

Consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

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Independent Auditor's Report

To the Shareholders and the Board of Directors of Spin Master Corp.

Opinion

We have audited the consolidated financial statements of Spin Master Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of earnings and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Provisions for sales allowances - Refer to Notes 2F, 3D and 11 to the Financial Statements

Key Audit Matter Description

The Company routinely enters into arrangements with its customers to provide sales incentives, support customer promotional activities and provide compensation for defective merchandise. Such arrangements are considered variable consideration for revenue recognition purposes, and the Company uses the expected value method to quantify the variable consideration. A sales allowance is established to reflect amounts for programs which can be contractual or discretionary by nature. Contractual allowances are fixed and determinable at the time of sale, which do not require management to make significant judgments. The determination of the provisions for discretionary sales allowances is impacted by various current and forward-looking factors including customer sales volumes, channel inventory positions, product performance at retail, historical performance, market conditions and other considerations.

Given the significant judgements made by management to estimate the provisions for discretionary sales allowances, performing audit procedures to evaluate their reasonableness required a high degree of auditor judgment and an increased extent of audit effort.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the determination of the provisions for discretionary sales allowances included the following procedures, among others:

- Evaluated management's methods regarding the development of the provisions for discretionary sales allowances.
- Evaluated the reasonableness of the assumptions used by management to develop the provisions for discretionary sales allowances, including assessing the completeness and appropriateness of information considered by management.
- Tested the underlying inputs used in the determination of the provisions for discretionary sales allowances.
- Assessed management's historical ability to estimate the provisions for discretionary sales allowances by comparing the prior year estimated amounts to actual allowances utilized in the current year.
- Evaluated the reasonableness of the provisions for discretionary sales allowances by comparing a sample to the actual results of transactions occurring after year end.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bernardi.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 8, 2023

Spin Master Corp.

Consolidated statements of financial position

(in US$ millions)	Notes	Dec 31, 2022	Dec 31, 2021
Assets			
Current assets			
Cash and cash equivalents	**10**	644.3	562.7
Trade receivables, net	**11**	311.0	352.4
Other receivables	**11**	49.5	38.8
Inventories, net	**12**	105.1	137.4
Prepaid expenses and other assets	**13**	22.3	19.5
Assets held for sale	**14**	—	8.9
		1,132.2	**1,119.7**
Non-current assets			
Intangible assets	**16**	267.2	227.2
Goodwill	**17**	179.0	173.1
Right-of-use assets	**26**	62.9	65.2
Property, plant and equipment	**15**	36.0	39.8
Deferred income tax assets	**9**	94.7	97.0
Other assets	**13**	20.5	14.7
		660.3	**617.0**
Total assets		**1,792.5**	**1,736.7**
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	**18**	339.4	476.4
Deferred revenue	**19**	11.5	10.9
Provisions	**21**	30.7	25.1
Income tax payable	**9**	26.4	36.2
Lease liabilities	**26**	16.3	13.3
		424.3	**561.9**
Non-current liabilities			
Provisions	**21**	15.1	14.0
Deferred income tax liabilities	**9**	55.7	48.7
Lease liabilities	**26**	54.9	59.7
		125.7	**122.4**
Total liabilities		**550.0**	**684.3**
Shareholders' equity			
Share capital	**22**	754.7	736.9
Retained earnings		468.1	216.0
Contributed surplus		40.7	40.8
Accumulated other comprehensive (loss) income		(21.0)	58.7
Total shareholders' equity		**1,242.5**	**1,052.4**
Total liabilities and shareholders' equity		**1,792.5**	**1,736.7**

Approved by the Board of Directors on March 8, 2023.

The accompanying notes on pages 8 to 54 are an integral part of these Consolidated financial statements.

Spin Master Corp.

Consolidated statements of earnings and comprehensive income

(in US$ millions, except earnings per share)	Notes	Year Ended Dec 31, 2022	2021
Revenue	**4**	2,020.3	2,042.4
Cost of sales		916.5	985.8
Gross profit		**1,103.8**	**1,056.6**
Expenses			
Selling, general and administrative	**7**	782.1	742.5
Depreciation and amortization	**7**	28.9	33.5
Other expense, net	**5**	10.9	11.3
Foreign exchange gain	**8**	(61.4)	(2.9)
Operating Income		**343.3**	**272.2**
Interest income	**6**	(10.7)	(1.1)
Interest expense	**6**	13.6	11.3
Income before income tax expense		**340.4**	**262.0**
Income tax expense	**9**	79.1	63.4
Net Income		**261.3**	**198.6**
Earnings per share			
Basic	**23**	2.54	1.94
Diluted	**23**	2.45	1.89
Weighted average number of shares (in millions)			
Basic	**23**	102.9	102.3
Diluted	**23**	106.4	105.3

(in US$ millions)		Year Ended Dec 31, 2022	2021
Net Income		261.3	198.6
Items that may be subsequently reclassified to Net Income			
Foreign currency translation loss		(79.8)	(5.4)
Items that are not subsequently reclassified to Net Income			
Gain on Minority interest and other investments	**13, 29**	0.1	—
Other comprehensive loss		**(79.7)**	**(5.4)**
Total comprehensive income		**181.6**	**193.2**

The accompanying notes on pages 8 to 54 are an integral part of these Consolidated financial statements.

Spin Master Corp.

Consolidated statements of changes in shareholders' equity

(in US$ millions)	Note	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2021		**724.8**	**17.4**	**36.6**	**64.1**	**842.9**
Net Income		—	198.6	—	—	**198.6**
Other comprehensive loss - foreign currency translation		—	—	—	(5.4)	**(5.4)**
Share-based compensation	**22**	—	—	15.3	—	**15.3**
Shares released from equity participation	**22**	2.2	—	(2.2)	—	**—**
Share options exercised and common shares issued	**22**	1.3	—	(0.3)	—	**1.0**
Shares issued upon settlement of long-term incentive plan	**22**	8.6	—	(8.6)	—	**—**
Balance at December 31, 2021		**736.9**	**216.0**	**40.8**	**58.7**	**1,052.4**

(in US$ millions)	Note	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2022		**736.9**	**216.0**	**40.8**	**58.7**	**1,052.4**
Net Income		—	261.3	—	—	**261.3**
Other comprehensive loss - foreign currency translation		—	—	—	(79.8)	**(79.8)**
Other comprehensive income - other		—	—	—	0.1	**0.1**
Share-based compensation	**22**	—	—	17.6	—	**17.6**
Dividends declared	**22**	—	(9.2)	—	—	**(9.2)**
Share options exercised and common shares issued	**22**	0.2	—	(0.1)	—	**0.1**
Shares issued upon settlement of long-term incentive plan	**22**	17.6	—	(17.6)	—	**—**
Balance at December 31, 2022		**754.7**	**468.1**	**40.7**	**(21.0)**	**1,242.5**

The accompanying notes on pages 8 to 54 are an integral part of these Consolidated financial statements.

Spin Master Corp.

Consolidated statements of cash flows

(in US$ millions)	Notes	Year Ended Dec 31, 2022	2021
Operating activities			
Net Income		261.3	198.6
Adjustments to reconcile Net Income to cash provided by operating activities			
Income tax expense	**9**	79.1	63.4
Interest income	**6**	(10.7)	(1.1)
Depreciation and amortization	**7**	68.2	111.9
Loss on disposal of non-current assets	**14, 15**	1.5	0.2
Accretion expense	**6**	5.5	6.0
Amortization of Facility fee costs	**6**	0.4	0.4
Gain on investment in limited partnership, net of distribution income	**29**	—	(1.5)
Impairment of non-current assets	**15, 16**	3.0	4.5
Loss on Minority interest and other investments	**5**	0.5	—
Unrealized foreign exchange gain, net	**8**	(40.3)	(0.4)
Share-based compensation expense	**22**	17.6	15.3
Net changes in non-cash working capital	**24**	(67.7)	49.9
Net change in provisions and other assets		1.0	9.2
Income taxes paid		(83.6)	(42.0)
Income taxes received		4.5	3.7
Interest received		9.0	1.0
Cash provided by operating activities		**249.3**	**419.1**
Investing activities			
Investment in property, plant and equipment	**15**	(30.4)	(26.4)
Investment in intangible assets	**16**	(69.0)	(53.1)
Business acquisitions, net of cash acquired	**28**	(10.6)	(70.9)
Advance paid for business acquisitions		(1.0)	—
Investment distribution income	**5**	0.1	0.6
Investment in limited partnership	**13**	—	(1.0)
Minority interest and other investments	**13, 29**	(7.5)	(2.4)
Proceeds from sale of manufacturing operations	**14**	9.2	—
Cash used in investing activities		**(109.2)**	**(153.2)**
Financing activities			
Payment of lease liabilities	**26**	(15.8)	(17.6)
Dividends paid	**22**	(4.6)	—
Proceeds from issuance of common shares from exercise of share options	**22**	0.1	1.0
Payment of financing costs related to Facility	**13, 20**	—	(1.7)
Cash used in financing activities		**(20.3)**	**(18.3)**
Effect of foreign currency exchange rate changes on cash and cash equivalents		(38.2)	(5.5)
Net increase in cash and cash equivalents during the year		**81.6**	**242.1**
Cash and cash equivalents, beginning of year		562.7	320.6
Cash and cash equivalents, end of year		**644.3**	**562.7**

The accompanying notes on pages 8 to 54 are an integral part of these Consolidated financial statements.

1. Description of business

Spin Master Corp. was formed by the amalgamation of Spin Master Corp. (formerly SML Investments Inc. which was incorporated on June 9, 2004 under the *Business Corporations Act* (Ontario)), SML Investments 2008 Inc. and Varadi Bee Corp. pursuant to the filing of articles of amalgamation under the *Business Corporations Act* (Ontario) on July 29, 2015. The Company is a leading global children's entertainment company, creating exceptional play experiences through its three creative centres: Toys, Entertainment and Digital Games. Its head and registered office is located at 225 King Street West, Suite 200, Toronto, Canada, M5V 3M2. Spin Master Corp. and its subsidiaries are together referred to, in these Consolidated financial statements, as the “Company” or “Spin Master”.

The Company has three reportable operating segments: Toys, Entertainment and Digital Games (see Note 30).

2. Summary of significant accounting policies

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

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB").

All financial information is presented in millions of United States dollars ("US$") and has been rounded to the nearest hundred thousand, except as otherwise indicated.

These Consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 8, 2023.

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

(B) Application of new and revised IFRS

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 has been amended to specify the costs to be included in the cost of fulfilling a contract. This amendment is applicable to annual reporting periods beginning on or after January 1, 2022. The Company has assessed this change and has determined that the impact is immaterial.

Annual Improvements to IFRS Standards 2018–2020

Changes have been made to the following standards:

Standard	Description
IFRS 1 - Amendment	First Time Adoption of IFRS
IFRS 9 - Amendment	Financial Instruments
IFRS 16 - Amendment	Leases
IAS 41 - Amendment	Agriculture

These changes are applicable to annual reporting periods beginning on or after January 1, 2022. The Company has assessed these changes and has determined that the impact is immaterial.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

IAS 16 has been amended to prohibit certain treatment of proceeds from the cost of property, plant and equipment (“PPE”) being sold. The amendment is applicable beginning on or after January 1, 2022. The Company has assessed these changes and has determined that the impact is immaterial.

Reference to the Conceptual Framework (Amendments to IFRS 3)

Certain outdated references to the Conceptual Framework in IFRS 3 have been updated without significantly changing the requirements in the standard. These updates are applicable beginning on or after January 1, 2022. The Company has assessed these changes and has determined that the impact is immaterial.

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

(C) Basis of preparation

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

- has power over the investee;
- 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 statements of earnings and comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

Segment information

Effective January 1, 2022, the Company revised its reportable operating segments to align with its current business structure and how the Company's new Chief Operating Decision Maker ("CODM") reviews operations and makes decisions. The revision of the reportable operating segments did not change the Company's previously reported consolidated revenue, net income or earnings per share. See Note 30 for more information on the Company's 2022 segment information.

The Company has three reportable operating segments: Toys, Entertainment and Digital Games.

(D) Business combinations

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

When the consideration transferred by the Company in a business combination includes 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 a liability are accounted for in accordance with the relevant policy. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

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

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

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

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

(E) Goodwill

A CGU to which goodwill has been allocated is tested for impairment annually, or quarterly when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment 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 for goodwill is recognized directly in profit or loss, and an impairment recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant CGU, the attributed amount of goodwill is included in the determination of the profit or loss on disposal.

(F) Revenue recognition

Toy revenue

The Company's Toy revenue is derived from the sale of toys and related products to customers who are retailers or distributors in domestic and international markets. Toy revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company recognizes revenue when control of the goods has transferred, which is determined by respective shipping terms and certain additional considerations. Invoices are generally issued at the time of delivery (which is when the Company has satisfied its performance obligations under the arrangement). As such, a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due. The Company does not have performance obligations subsequent to delivery of the sale of goods to customers and revenues from sale of goods are recognized upon the passing of control to the customer.

The Company routinely enters into arrangements to provide sales allowances requested by customers relating to cooperative advertising, contractual and negotiated discounts, volume rebates, and costs incurred by customers to sell the Company's products. Such programs are based primarily on the customer inventory position, purchase levels, customer performance of specified promotional activities and other specified factors, as agreed to with customers as well as the nature of the product.

Toy gross product sales represent sales of the Company's products to customers, excluding the impact of sales allowances. Toy revenue represents the amount of consideration to which the Company expects to be entitled through the sale of goods excluding sales tax and after the application of the variable consideration constraint. Variable consideration includes estimates for sales allowances, defective products, and returns by customers made based on certain judgments, contractual terms and conditions and historical data. The Company uses the expected value method to quantify the variable consideration. The Company monitors periodic results against historical data and makes any adjustments to both sales allowances and returns accruals as required. Note 3 - Significant accounting judgments and estimates outlines additional details on sales allowances.

Entertainment revenue

Entertainment revenues are comprised of distribution revenues and licensing and merchandising revenues.

Distribution revenues are primarily generated through the sale of entertainment content produced by the Company, in accordance with the relevant agreements. Such agreements are assessed as either providing the customer with a 'right-to-use' or 'right-to-access'. Applicable revenues are recognized at a point-in-time or over time based on the classification determined. Judgment is required in determining the appropriate classification. Licenses to distribute entertainment content grants licensees a right to use the Company's brands and other intellectual property. Licensees pay a fixed fee for licenses of the produced content. Revenue is recognized upon delivery of the entertainment programming and is measured based on the consideration to which the Company expects to be entitled upon delivery. There are no future performance obligations associated with the delivery of the entertainment content.

Licensing and merchandising revenues are generated through licensing the Company's brands and other intellectual property. The license agreements relating to the Company's brands provide access to the intellectual property over the term of the licenses and are considered right-to-access licenses of intellectual property. The Company records sales-based or usage-based royalty revenues for right-to-access licenses upon occurrence of the licensees' subsequent sale or usage.

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

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

(F) Revenue recognition *(continued)*

Digital Games revenue

The Company develops digital games which are distributed via third-party platform providers. The Company controls most aspects of the digital games delivered to the end user. The third-party platform providers are providing the service of distributing digital games via their online store/marketplace and administrating payment receipt from the end users. The Company has determined that it is the principal in the arrangement and accordingly, Digital Games revenues are recorded on a gross basis. The fees charged by the third-party platform providers are recorded within cost of sales. Revenue associated with the sale of digital games is recognized when control is transferred. This condition is typically met when the end-user purchases and downloads the digital games from the third-party. The end users can make in-app purchases and the Company recognizes revenue at the time of sale as there are no additional performance obligations other than the delivery of digital games to the third-party platform providers or the delivery of the item purchased within the digital games.

The Company also generates recurring subscription revenue from certain digital games. Revenue is recognized ratably over the contractual subscription term, beginning on the date that the subscription is made available to the end user.

Disaggregation of revenue

The Company disaggregates its revenues into Toys, Entertainment and Digital Games. The Company also disaggregates components of Toy revenues by geographic segment: North America, Europe and Rest of World as well as into four major product categories as follows: (i) Preschool and Dolls & Interactive, (ii) Activities, Games & Puzzles and Plush, (iii) Wheels & Action and (iv) Outdoor. In the fourth quarter of 2021, the "Preschool and Girls" product category was renamed "Preschool and Dolls & Interactive" and the "Boys" product category was renamed "Wheels & Action".

The Company believes the disaggregation of revenue described above collectively depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See Note 30 Segment information for further information.

(G) Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the leases as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are assumed.

The Company considers the lease term to be the noncancellable period of the lease, including any extension options where the Company is reasonably certain to exercise the option, and any termination options where the Company is reasonably certain not to exercise the option.

Lease liability

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

(G) Leases *(continued)*

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use asset

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairments.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in administrative expenses in the Consolidated statements of earnings and comprehensive income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Company has elected to use this practical expedient.

(H) Foreign currencies

The Company reports its financial results in United States dollars. The functional currency of Spin Master Corp. is the Canadian dollar ("CAD"). The functional currency of the Company's consolidated subsidiaries is typically the economic currency in the associated jurisdiction. At December 31, 2022 and 2021, the functional currencies of the Company's subsidiaries included the US dollar, the Canadian dollar, the Euro, the Great Britain pound sterling, the Hong Kong dollar, the Mexican peso, the Chinese yuan, the Vietnamese dong, the Japanese yen, the Swedish krona, the Australian dollar, the Indian rupee, the Polish zloty, and the Russian ruble.

For the purposes of presenting these Consolidated financial statements, the Company's monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the balance sheet date. Non-monetary items carried at fair value that are denominated in a foreign currency are translated at the rate prevailing when the fair value was determined. Non-monetary items denominated in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency exchange gains or losses are recognized in profit or loss.

Assets and liabilities of the Company’s consolidated subsidiaries whose functional currency is other than the presentation currency are translated into US$ using the closing exchange rate at the balance sheet date. Income and expenses are translated using the average exchange rate for the period. The resulting foreign exchange gains and losses are recognized in the foreign currency translation adjustment as part of other comprehensive income. Realized gains and losses are recognized in profit or loss at the time of settlement.

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

(I) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding, assuming the conversion of all dilutive securities were exercised during the period. Securities refer to all outstanding share options, Restricted Stock Units ("RSUs") and Performance Share Units ("PSUs").

(J) Income taxes

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

Current tax

For each entity in the Group, the tax currently payable is based on taxable income for the year. Taxable income differs from “income before income tax expense (recovery)” as reported on the Consolidated statements of earnings 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 expense or recovery is calculated using income tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

Deferred tax liabilities and assets are measured at the income 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 income tax rates (and income 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 expense or recovery 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 expenses are also recognized in other comprehensive income or directly in equity, respectively. Where current deferred taxes arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(K) Cash and cash equivalents

Cash and cash equivalents is net of outstanding bank overdrafts, if applicable. Cash equivalents consist of highly liquid marketable investments with a maturity date of 90 days or less.

(L) Property, plant and equipment

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

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

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.

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

(L) Property, plant and equipment *(continued)*

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

Classes	Estimated Useful Life
Land	Indefinite
Buildings	30 years
Moulds, dies and tools	2 years
Office equipment	3 years
Leasehold improvements	Lesser of lease term or 5 years
Computer hardware	3 years
Machinery and equipment	30% declining balance

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

(M) Intangible assets

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

Classes	Estimated Useful Life
Brands	Indefinite
Trademarks and licenses	5 years
Customer lists	5 years
Intellectual property ("IP")	10 years
Digital Games development	1-5 years
Entertainment content development	1-5 years
Computer software	30% declining balance
Computer software - other	1-5 years

Intangible assets acquired separately in an asset acquisition

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairments, 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 that are acquired separately are carried at cost less accumulated impairments.

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 values at the acquisition date (which is regarded as their initial cost).

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

Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as incurred and recorded as Product development expenses within Selling, general and administrative in the Consolidated statements of earnings and comprehensive income. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized only if all of the following have been demonstrated:

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

(M) Intangible assets *(continued)*

- 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 impairments, on the same basis as intangible assets that are acquired separately.

Entertainment content development

Entertainment content development includes film and television production assets. The Company has access to government programs, including tax credits that are designed to aid in the film and television production and distribution in Canada. 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. Capitalized costs net of expected 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 for television programming. These costs for film and television productions are charged to amortization expense once the content is delivered.

Deferred revenue related to entertainment content development assets arises as a result of consideration received in advance of the Company fulfilling its obligations.

Digital Games development

Digital Games development includes digital games related applications. The Company has access to government programs, including tax credits that are designed to aid in the development of interactive digital media in Canada. These 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. These capitalized costs, net of expected provincial tax credits, are charged to amortization expense based on the useful life of the related digital game.

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 of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives or that are 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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(M) Intangible assets *(continued)*

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

(N) Advances on royalties

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

(O) Inventories

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

(P) Provisions

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

Deferred consideration

Where the Company is committed to pay royalties on sales of acquired brands, the future royalty obligation is based on the Company's estimate of the related brands future sales, discounted for the timing of expected payments.

Provision for defectives

Defectives refer to when the end consumer returns defective goods to the Company's customers. Customers without a fixed allowance for defectives are eligible for a credit for the cost of the product if returned as defective by the end consumer. The estimate of defectives is made based on the class and nature of the product and is recorded as a reduction to revenue in the Consolidated statements of earnings 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 inventories. While payments are not contractually required, the Company regularly compensates suppliers to maintain supplier relationships, which represents a constructive obligation due to past practices. The supplier obligation is based on an estimate of the cost of the supplier's excess consigned parts and finished goods inventory.

(Q) Share-based payments

The Company has a Long-Term Incentive Plan ("LTIP") which provides for the issuance of securities under which grants may be made by the Company to employees. The Company, at the discretion of the Board of Directors, grants options to purchase subordinate voting shares, share units (in the form of RSUs and PSUs), stock appreciation rights, shares of restricted stock and any other equity based awards. These awards may be settled in cash or issued shares, or a combination of both at the discretion of the Board of Directors. LTIP liabilities are recorded in shareholders equity and not marked to market.

Under the plan, the exercise price of each option equals the market price of the Company's shares on the date of grant and the options have a maximum term of ten years. Options vest between zero and four years.

The costs of equity-settled awards are measured using the Black-Scholes valuation model using management's inputs and assumptions. Share-based compensation expense for equity-settled awards is recognized in administrative expenses over the vesting period of each award, with a corresponding increase to contributed

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

(Q) Share-based payments *(continued)*

surplus, based on the vesting period that has elapsed and the Company's best estimate of the number of equity instruments that will vest.

(R) Dividends

The Company has a policy of declaring dividends at the discretion of the Board of Directors. Dividends declared are payable to the Company's shareholders and recognized as a liability in the Consolidated statements of financial position in the period in which the dividends are approved by the Company's Board of Directors.

(S) Financial instruments

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

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

Fair value estimates are made at the Consolidated statements of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost.

The Company has made the following classifications:

Cash and cash equivalents	Amortized cost
Trade receivables	Amortized cost
Other receivables	Amortized cost
Other assets	Amortized cost
Investment in a limited partnership	FVTPL
Minority interest and other investments	FVTPL/FVTOCI
Trade payables and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost
Interest payable	Amortized cost
Foreign exchange forward contracts	FVTPL

The Company classifies its financial assets in the following measurement categories:

- those to be measured at amortized cost; and
- those to be measured subsequently at fair value (either through OCI or through profit or loss)

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 amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

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

(S) Financial assets *(continued)*

Financial assets at fair value

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

- it has been acquired principally for the purpose of selling it in the near term;
- 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.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss (within Other expense, net) or OCI.

Financial assets at fair value - Investment in a limited partnership and Minority interest and other investments

The Company measures the Investment in a limited partnership and Minority interest and other investments (collectively, "investments") at fair value.

For investments in equity instruments that are not held for trading, FVTPL or FVTOCI designation will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI. If the irrevocable election is made, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Distribution income from investments are recognized in profit or loss within Other expense, net when the Company's right to receive payments is established, irrespective of fair value designation.

Impairment of financial assets

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

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

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. Loss allowances are based on the lifetime expected credit losses that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

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

(T) Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

(T) Financial liabilities and equity instruments *(continued)*

Other financial liabilities

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

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

(U) Derivative financial instruments

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

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

(V) Fair value hierarchy and liquidity risk disclosure

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

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

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

(W) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a competed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

(X) Future changes in accounting standards

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not yet effective for periods beginning on or after January 1, 2022 and have not been early adopted by the Company.

The Company is currently assessing the impact, if any, on the Consolidated financial statements.

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

3. Significant accounting judgments and estimates

In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. As these estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, actual results may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments are recognized in the period in which the estimate is modified if the change affects only that period, or in the period the estimate is modified and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

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

(A) Determination of CGUs

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

(B) Functional currency

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

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

Significant estimates and assumptions

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

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

The Company employs significant estimates to determine 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 useful lives, which require 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, if necessary, its depreciation methods and assumptions prospectively.

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

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

Goodwill and indefinite life intangible assets are assessed for impairment at least annually, and whenever there is an indication of impairment. The Company determines the fair value of its CGU groupings and indefinite life intangible assets using discounted cash flow models corroborated by other valuation techniques.

The process of determining these fair values requires the Company to make estimates and assumptions of a long-term nature regarding discount rates, projected revenues, royalty rates and margins derived from past experience, actual operating results and budgets. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies.

(C) Provision for inventories

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

(D) Sales allowances

A sales allowance is established to reflect amounts for programs which can be contractual or discretionary by nature, and can include negotiated discounts, customer audits, defective products and refund of costs incurred by customers to sell the Company’s products. Contractual allowances are fixed and determinable at the time of sale and are recorded at the time of sale as a reduction to revenue. Discretionary allowances can vary depending on future outcomes such as nature of the product, customer sales volume, inventory position, product performance at retail, historical performance, market conditions and other considerations. The Company may adjust its estimate of sales allowances when facts and circumstances used in the estimation process change.

(E) Income and other taxes

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

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the Consolidated statements of financial position, a charge or credit to income tax expense in the Consolidated statements of earnings 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 reliably estimated.

(F) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The Company determines the fair value of the identifiable assets acquired and the liabilities assumed 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 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. Refer to note 28 for further details on acquisitions.

4. Revenue

The Company earns revenue from the following primary sources: Toy, Entertainment and Digital Games revenue.

	Year Ended Dec 31,	
(US$ millions)	**2022**	**2021**
Toy revenue	1,737.6	1,731.8
Entertainment revenue	118.8	135.8
Digital Games revenue	163.9	174.8
Revenue	**2,020.3**	**2,042.4**

5. Other expense, net

		Year Ended Dec 31,	
(US$ millions)	**Notes**	**2022**	**2021**
Acquisition related deferred incentive compensation	**28**	10.3	6.8
Acquisition related deferred consideration expense	**21**	2.6	2.7
Impairment of non-current assets	**16**	3.0	4.5
Loss on Minority interest and other investments	**13**	0.5	—
Investment distribution income	**29**	(0.1)	(0.6)
Net unrealized gain on investment	**29**	—	(0.9)
Legal settlement		(0.5)	—
Other		(4.9)	(1.2)
Other expense, net		**10.9**	**11.3**

Acquisition related deferred incentive compensation includes amounts related to the acquisition of certain assets of SolidRoots LLC and Nørdlight Games AB, both in August 2022, the acquisition of Originator Inc. in June 2021, and to the acquisition of certain assets from a product invention and development company in April 2021. These amounts are contingent on the continued employment of key principals as well as the achievement of certain performance metrics, over their respective requisite service periods (see Note 28).

6. Interest expense and Interest income

	Year Ended Dec 31,	
(US$ millions)	**2022**	**2021**
Bank fees and financing charges	7.7	4.9
Accretion expense	5.5	6.0
Amortization of Facility fee costs	0.4	0.4
Interest expense	**13.6**	**11.3**
Interest income	**(10.7)**	**(1.1)**

7. Expenses

Expenses include selling, general and administrative expenses and depreciation and amortization.

Selling, general and administrative expenses

(US$ millions)	Year Ended Dec 31, 2022	2021
Administrative	353.8	330.3
Selling	144.2	133.8
Marketing	185.1	179.7
Distribution	67.9	71.3
Product development	31.1	27.4
Selling, general and administrative	**782.1**	**742.5**

Administrative expenses include the following:

(US$ millions)	Year Ended Dec 31, 2022	2021
Employee compensation and benefits	250.6	239.0
Professional services, recruiting and training	43.8	42.6
Technology, property, travel and office costs	44.8	32.3
Other	14.6	16.4
Administrative expenses	**353.8**	**330.3**

Employee compensation and benefits

(US$ millions)	Year Ended Dec 31, 2022	2021
Salaries, wages and bonuses	3.0	5.5
Employee benefits	0.9	1.1
Employee compensation and benefits expenses in cost of sales	**3.9**	**6.6**
Salaries, wages and bonuses	194.8	192.3
Employee benefits	33.4	28.9
Share-based compensation	17.6	15.3
Restructuring expense	4.8	2.5
Employee compensation and benefits in administrative expenses	**250.6**	**239.0**
Employee compensation and benefits	**254.5**	**245.6**

7. Expenses *(continued)*

Depreciation and amortization

(US$ millions)	Year Ended Dec 31, 2022	2021
Property, plant and equipment		
Moulds, dies and tools, included in cost of sales	20.5	24.5
Equipment, included in cost of sales	0.1	0.4
Equipment	1.7	2.9
Building and leasehold improvements	5.6	6.2
Computer hardware	0.8	1.2
	28.7	**35.2**
Intangible assets		
Entertainment content development, included in cost of sales	14.4	47.7
Trademarks, licenses, IP & customer lists - definite	5.1	6.1
Digital Games development, included in cost of sales	4.3	5.8
Computer software	3.5	3.9
	27.3	**63.5**
Right-of-use assets	**12.2**	**13.2**
Depreciation and amortization	**68.2**	**111.9**

(US$ millions)	Year Ended Dec 31, 2022	2021
Included in cost of sales	39.2	78.4
Included in expenses	29.0	33.5
Depreciation and amortization	**68.2**	**111.9**

During the year ended December 31, 2021, the Company delivered *PAW Patrol: The Movie*, and accordingly, amortized Entertainment content development costs in the amount of $23.0 million.

8. Foreign exchange

(US$ millions)	Year Ended Dec 31, 2022	2021
Unrealized foreign exchange gain, net	(40.3)	(0.4)
Realized foreign exchange gain, net	(21.1)	(2.5)
Foreign exchange gain, net	**(61.4)**	**(2.9)**

Unrealized foreign exchange gains and losses are generated by the translation of monetary assets and liabilities denominated in a currency other than the functional currency and also includes gains and losses related to the Company's hedging programs. Realized foreign exchange gains and losses are recognized when monetary assets and liabilities denominated in a currency other than the functional currency of the applicable entity are settled. The Company uses derivative financial instruments such as foreign exchange forward contracts to manage foreign currency risk (see Note 29).

9. Income tax

The income tax expense recognized in the Consolidated statements of earnings and comprehensive income comprises of the following:

	Year Ended Dec 31,	
(US$ millions)	**2022**	**2021**
Current income tax expense	69.8	52.3
Deferred income tax expense	9.3	11.1
Income tax expense	**79.1**	**63.4**

The income tax expense is calculated as follows:

	Year Ended Dec 31,			
(US$ millions)	**2022**		**2021**	
Income before income tax expense	340.4		262.0	
Income tax expense at Canadian statutory tax rate of 26.5% (2021 - 26.5%)	90.2	26.5 %	69.4	26.5 %
Effect of:				
Different tax rates of subsidiaries operating in other jurisdictions	(9.8)	(2.9)%	(9.0)	(3.4)%
Unused tax losses and tax attributes not recognized as deferred tax assets	1.1	0.3 %	3.5	1.3 %
Expenses not deductible in determining taxable income	0.8	0.2 %	0.2	0.1 %
Other	(3.2)	(0.9)%	(0.7)	(0.3)%
Income tax expense	**79.1**	**23.2 %**	**63.4**	**24.2 %**

The tax rates used for the reconciliations above are the Canadian statutory tax rates of Spin Master Corp., payable by corporate entities in the Company, on taxable profits under tax laws in the respective jurisdictions in which the Company operates.

Current tax assets and liabilities

As at December 31, 2022, the Company had income tax payable of $26.4 million (2021 - $36.2 million).

Deferred income tax balances

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

(US$ millions)	**2022**	**2021**
Deferred income tax assets	94.7	97.0
Deferred income tax liabilities	(55.7)	(48.7)
Deferred income tax assets, net of deferred income tax liabilities	**39.0**	**48.3**

The sources of deferred income tax balances are as follows:

(US$ millions)	**2020**	**Recognized in net income**	**Recognized on business combination**	**2021**
Property, plant and equipment	7.0	(3.7)	—	3.3
Intangible assets	42.2	(8.3)	(9.7)	24.2
Provisions	16.1	(0.5)	—	15.6
Allowance for doubtful accounts	(0.3)	0.4	—	0.1
Benefits of tax loss carryforwards	7.6	(3.2)	—	4.4
Other temporary differences	(3.5)	4.2	—	0.7
Deferred income tax assets, net of deferred income tax liabilities	**69.1**	**(11.1)**	**(9.7)**	**48.3**

9. Income tax *(continued)*

(US$ millions)	2021	Recognized in net income	2022
Property, plant and equipment	3.3	(2.3)	1.0
Intangible assets	24.2	(6.4)	17.8
Provisions	15.6	3.2	18.8
Allowance for doubtful accounts	0.1	—	0.1
Benefits of tax loss carryforwards	4.4	(3.0)	1.4
Other temporary differences	0.7	(0.8)	(0.1)
Deferred income tax assets, net of income tax liabilities	**48.3**	**(9.3)**	**39.0**

Unused tax losses

As at December 31, 2022, the Company had unused tax losses of $8.7 million (2021 - $8.4 million). Unused tax losses of $0.4 million will expire between 2023 and 2032, $3.7 million will expire beyond 2032 and $4.6 million may be carried forward indefinitely. There were no unrecognized deductible temporary differences for the year ended December 31, 2022 (2021 - $nil).

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, 2022 are $338.2 million (2021 - $315.0 million).

10. Cash and cash equivalents

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Cash	544.3	562.7
Cash equivalents	100.0	—
Cash and cash equivalents	**644.3**	**562.7**

As at December 31, 2022, the Company held $100.0 million (2021 - $nil) in short term investments with a maturity date of 90 days or less.

11. Trade and other receivables, net

Trade receivables

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Trade receivables[1]	514.7	517.6
Provisions for sales allowances	(202.2)	(164.5)
Allowance for doubtful accounts	(1.5)	(0.7)
Trade receivables, net	**311.0**	**352.4**

[1] Certain Entertainment receivables totaling $24.5 million from the prior year have been reclassified from Other receivables to Trade receivables to conform with current year presentation as a result of the Company's revised reportable operating segments.

11. Trade and other receivables, net *(continued)*

Trade receivables disclosed above include amounts that are past due as at the end of the reporting period.

Trade receivables past due but not impaired

(US$ millions)	Dec 31, 2022	Dec 31, 2021
61-90 days	8.0	7.3
91-120 days	3.7	2.6
> 120 days	11.1	5.5
Total trade receivables past due but not impaired	**22.8**	**15.4**

Movement in the allowance for doubtful accounts

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Balance, beginning of year	0.7	3.2
Net impairments (net recoveries) recognized	0.8	(0.5)
Amounts written off during the year as uncollectible	(0.1)	(2.1)
Foreign currency translation	0.1	0.1
Balance, end of year	**1.5**	**0.7**

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.

Other receivables

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Investment tax credits receivables	37.3	27.3
Sales tax receivables	3.9	6.3
Digital Games receivables	0.6	0.2
Entertainment receivables[1]	0.2	0.1
Other[1]	7.5	4.9
Other receivables	**49.5**	**38.8**

[1] Certain Entertainment receivables totaling $24.5 million from the prior year have been reclassified from Other receivables to Trade receivables to conform with current year presentation as a result of the Company's revised reportable operating segments.

12. Inventories, net

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Raw materials	7.7	6.8
Finished goods	97.4	130.6
Inventories, net	**105.1**	**137.4**

Inventories recorded as at December 31, 2022 are net of $8.8 million that was recorded for the write-down of finished goods inventories to net realizable value (December 31, 2021 - $6.6 million).

The cost of inventories recognized as an expense in cost of sales during the year ended December 31, 2022 was $819.2 million (2021 - $845.3 million).

During the year ended December 31, 2022, included within cost of sales in the Consolidated statements of earnings and comprehensive income was a cost of $5.8 million (2021 - $0.9 million) related to finished goods inventories written down to net realizable value.

13. Prepaid expenses and other assets

(US$ millions)	Notes	Dec 31, 2022	Dec 31, 2021
Prepaid expenses		13.9	9.0
Advances on royalties		6.7	7.1
Unrealized foreign exchange gain		1.7	3.4
Prepaid expenses and other assets		**22.3**	**19.5**

(US$ millions)	Notes	Dec 31, 2022	Dec 31, 2021
Advances on royalties		2.9	4.1
Investment in a limited partnership	29	3.9	3.9
Investment tax credits - non-current portion		3.6	2.7
Minority interest and other investments		8.8	2.4
Other		1.3	1.6
Other assets, non-current		**20.5**	**14.7**

Minority interest and other investments

In 2022, the Company acquired minority interests in privately-held entities for a total of $7.5 million. The investments are held for medium to long term strategic purposes. Four investments are classified as fair value through profit or loss ("FVTPL") and one classified as fair value through other comprehensive income ("FVTOCI").

Minority interest and other investments classified as FVTOCI comprise of equity instruments that the Company has irrevocably elected to recognize in this category. These are strategic investments and the Company considers this classification to be more relevant.

In the third quarter of 2022, the Company acquired the remaining ownership interest and control of a Minority interest investment classified as FVTOCI. As part of the step acquisition to 100% ownership of the entity, the existing investment was deemed to be disposed and reacquired at fair value of $0.7 million (see Note 28).

The carrying value of the five Minority interest and other investments held as at December 31, 2022 (December 31, 2021 - two investments) were as follows:

(US$ millions)	Initial investment	Carrying value at, Dec 31, 2022	Dec 31, 2021
Minority interest and other investments classified as FVTOCI	3.6	3.0	0.6
Minority interest and other investments classified as FVTPL	6.3	5.8	1.8
Minority interest and other investments	**9.9**	**8.8**	**2.4**

For the year ended December 31, 2022, there were losses of $0.5 million (2021 - $nil) recognized for Minority interest and other investments classified as FVTPL in the Consolidated statements of earnings and comprehensive income within Other expense, net.

For the year ended December 31, 2022, there were gains of $0.1 million (2021 - $nil) recognized for Minority interest and other investments classified as FVTOCI in the Consolidated statements of earnings and comprehensive income within Other comprehensive loss.

14. Assets held for sale

On February 7, 2022, the Company divested manufacturing assets located in Tarboro, North Carolina and certain related brands associated with its Outdoor business for proceeds of $9.2 million. Upon closing of the sale, a loss on disposal of $0.1 million was recognized in Other expense, net in the Consolidated statements of earnings and comprehensive income. As at December 31, 2021, these assets, which included inventories of $5.7 million, property, plant and equipment of $2.1 million and goodwill of $1.1 million were classified as "Assets held for sale" and were presented separately in the Consolidated statements of financial position.

15. Property, plant and equipment

(US$ millions)	Note	Moulds, dies and tools	Equipment	Land, building and leasehold improvements	Computer hardware	Total
Cost						
Balance at December 31, 2020		152.5	31.2	40.1	15.0	238.8
Additions		22.8	2.0	0.3	1.3	26.4
Disposals		(4.3)	(0.2)	(0.4)	(0.7)	(5.6)
Assets acquired through business combinations		0.1	0.3	—	—	0.4
Foreign currency translation		2.6	(0.6)	(0.2)	(1.0)	0.8
Transfer to intangible assets		—	—	—	(2.2)	(2.2)
Assets reclassified as held for sale	**14**	(1.1)	(4.6)	(0.2)	—	(5.9)
Balance at December 31, 2021		**172.6**	**28.1**	**39.6**	**12.4**	**252.7**
Additions		23.0	3.6	2.7	1.1	30.4
Disposals		(7.0)	(0.4)	(0.8)	(0.5)	(8.7)
Asset impairments		(1.6)	—	—	—	(1.6)
Foreign currency translation		(10.9)	(1.1)	(1.8)	(0.4)	(14.2)
Balance at December 31, 2022		**176.1**	**30.2**	**39.7**	**12.6**	**258.6**
Accumulated depreciation						
Balance at December 31, 2020		(130.6)	(21.5)	(21.8)	(11.5)	(185.4)
Depreciation		(24.5)	(3.3)	(6.2)	(1.2)	(35.2)
Disposals		4.3	0.2	0.4	0.7	5.6
Foreign currency translation		(1.6)	(0.4)	0.1	0.2	(1.7)
Assets reclassified as held for sale	**14**	1.0	2.7	0.1	—	3.8
Balance at December 31, 2021		**(151.4)**	**(22.3)**	**(27.4)**	**(11.8)**	**(212.9)**
Depreciation		(20.5)	(1.8)	(5.6)	(0.8)	(28.7)
Disposals		5.8	0.4	0.7	0.4	7.3
Asset Impairments		(0.3)	—	—	—	(0.3)
Foreign currency translation		9.5	0.6	1.4	0.5	12.0
Balance at December 31, 2022		**(156.9)**	**(23.1)**	**(30.9)**	**(11.7)**	**(222.6)**
Net carrying amount						
Balance at December 31, 2021		**21.2**	**5.8**	**12.2**	**0.6**	**39.8**
Balance at December 31, 2022		**19.2**	**7.1**	**8.8**	**0.9**	**36.0**

At December 31, 2022, the Company assessed tangible assets for any indication of impairment and noted no indicators with the exception of those related to certain tooling assets. Impairments are recorded when the carrying amount of the asset exceeds its recoverable amount. For the year ended December 31, 2022, the Company recorded impairments of $1.9 million (2021 - $nil) related to tooling in the Consolidated statements of earnings and comprehensive income

16. Intangible assets

(US$ millions)	Note	Brands - indefinite	Trademarks, licenses, IP & customer lists - definite	Entertainment content development	Digital game and app development	Computer software	Total
Cost							
Balance at December 31, 2020		117.5	54.8	211.1	13.1	32.7	429.2
Additions		—	1.0	43.9	5.6	1.8	52.3
Asset impairments		—	—	(2.1)	(0.5)	—	(2.6)
Assets acquired through business combinations	**28**	39.7	0.8	—	6.7	—	47.2
Foreign currency translation		0.1	(0.2)	0.1	0.5	0.1	0.6
Transfer from property, plant and equipment		—	—	—	2.2	—	2.2
Balance at December 31, 2021		**157.3**	**56.4**	**253.0**	**27.6**	**34.6**	**528.9**
Additions		—	0.5	54.6	9.1	4.8	69.0
Asset impairments		—	—	(1.1)	—	—	(1.1)
Assets acquired through business combinations	**28**	4.4	—	—	—	—	4.4
Foreign currency translation		(2.0)	(0.8)	(15.7)	(1.9)	(2.5)	(22.9)
Balance at December 31, 2022		**159.7**	**56.1**	**290.8**	**34.8**	**36.9**	**578.3**
Accumulated amortization							
Balance at December 31, 2020		—	(26.2)	(176.4)	(9.2)	(25.4)	(237.2)
Amortization		—	(6.1)	(47.7)	(5.8)	(3.9)	(63.5)
Foreign currency translation		—	0.2	(1.5)	0.2	0.1	(1.0)
Balance at December 31, 2021		**—**	**(32.1)**	**(225.6)**	**(14.8)**	**(29.2)**	**(301.7)**
Amortization		—	(5.1)	(14.4)	(4.3)	(3.5)	(27.3)
Foreign currency translation		—	0.5	13.7	1.4	2.3	17.9
Balance at December 31, 2022		**—**	**(36.7)**	**(226.3)**	**(17.7)**	**(30.4)**	**(311.1)**
Net carrying amount							
Balance at December 31, 2021		**157.3**	**24.3**	**27.4**	**12.8**	**5.4**	**227.2**
Balance at December 31, 2022		**159.7**	**19.4**	**64.5**	**17.1**	**6.5**	**267.2**

The Company's Entertainment content development and Digital Games development assets are comprised primarily of internally generated intangible assets.

As at December 31, 2022, the weighted-average remaining useful lives of definite life intangible assets based on their net carrying amount was one to five years.

During the year ended December 31, 2021, the Company delivered *PAW Patrol: The Movie*, and accordingly, amortized Entertainment content development costs in the amount of $23.0 million.

16. Intangible assets *(continued)*

The carrying amount of indefinite life brands by CGU is as follows:

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Rubik's	37.4	37.4
Games and Puzzles	35.6	33.5
GUND	33.9	33.9
SwimWays	28.0	27.8
Etch A Sketch	7.1	7.2
Meccano	2.4	2.2
Toys intangible assets	144.4	142.0
Digital Games[1] intangible assets	15.3	15.3
Total	**159.7**	**157.3**

[1] In the fourth quarter of 2021, the "Toca Boca" CGU was renamed "Digital Games".

Intangible asset impairment - indefinite life brands

The Company has assessed these intangible assets to have indefinite useful lives as they will generate economic benefit with no foreseeable limit. Therefore, the Company does not amortize these intangible assets, but tests for impairment in accordance with the Company's policy.

In assessing indefinite life intangible assets for impairment at December 31, 2022 and 2021, the Company compared the aggregate recoverable amount of the assets included in CGUs to their respective carrying amounts.

The recoverable amount of a CGU is determined based on a value in use calculation which uses cash flow projections based on financial forecasts covering a five-year period and a terminal value. The terminal value is the value attributed to the CGU's cash flows beyond the five-year period. The key assumptions used in the value in use calculation are discount rates, projected revenues and margins.

The discount rate applied to each CGU to determine the value in use is a pre-tax discount rate that reflects current market assessments of the time value of money and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each CGU's cash flow projections. The pre-tax discount rates used by the Company for the purpose of its value in use calculations ranged from 14.8% to 23.0% (2021 -12.0% to 29.5%).

Revenue growth rates are based on management's best estimates considering historical and expected future operating and plans, economic considerations and the general outlook for the industry and markets in which the CGU operates. Cash flow projections during the forecast period are determined using expected gross margins and raw materials price inflation throughout the forecast period. The projections are prepared separately for each of the Company's CGUs and are based on the most recent financial budgets approved by management. The terminal value is projected using a 1.0% (2021 - 1.0%) per annum growth rate in perpetuity which is the projected long-term average growth rate.

The Company has conducted a sensitivity analysis on the key assumptions used to determine the recoverable amount for each of the CGUs. Management believes that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

For the year ended December 31, 2022, the Company completed its annual impairment tests for indefinite life intangible assets and concluded there was no impairment (2021 - $nil).

Intangible asset impairment - definite life assets

For the year ended December 31, 2022, the Company recorded impairments of $1.1 million (2021 - $2.1 million) related to entertainment content projects no longer in active development and $nil (2021 - $0.5 million) related to Digital Games app development within Other expense, net in the Consolidated statements of earnings and comprehensive income.

17. Goodwill

(US$ millions)	Notes	Dec 31, 2022	Dec 31, 2021
Balance, beginning of year		173.1	138.0
Additions during the year	28	7.2	38.3
Assets reclassified as held for sale	14	—	(1.1)
Impairments recognized in the year		—	(1.9)
Foreign currency translation		(1.3)	(0.2)
Balance, end of year		**179.0**	**173.1**

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

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Games and Puzzles	51.3	48.3
SwimWays	40.1	40.1
Rubik's	23.0	22.6
Digital Games[1]	22.6	19.7
GUND	20.3	20.3
Orbeez	8.0	8.0
Toys	7.5	7.5
Other	6.2	6.6
Goodwill	**179.0**	**173.1**

[1] In the fourth quarter of 2021, the "Toca Boca" CGU was renamed "Digital Games".

The company tests goodwill for impairment in accordance with the Company's policy. In assessing goodwill for impairment at December 31, 2022 and 2021, the Company compared the aggregate recoverable amount of the assets included in CGUs to their respective carrying amounts. The recoverable amount of the CGUs for goodwill have been determined on the same basis and assumptions as the indefinite lived intangible assets (see Note 16) with the exception of the goodwill associated with the disposal group noted in Note 14.

For the year ended December 31, 2022, there were $nil (2021 - $1.9 million in respect of assets held for sale (see Note 14) and one other CGU) of impairments recognized with respect to goodwill, within Other expense, net in the Consolidated statements of earnings and comprehensive income.

18. Trade payables and accrued liabilities

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Trade payables	153.0	274.7
Accrued liabilities	186.4	201.7
Trade payables and accrued liabilities	**339.4**	**476.4**

Accrued liabilities are comprised of payroll related liabilities, accrued royalties, commodity tax, dividends payable and other. As at December 31, 2022, $4.6 million of dividends payable is included in accrued liabilities (December 31, 2021 - $nil) (see Note 22 (a)).

As at December 31, 2022, a restructuring liability of $0.4 million (December 31, 2021 - $1.4 million) is included in accrued liabilities.

19. Deferred revenue

Deferred revenue is comprised of advances on contracts relating to Entertainment revenue and subscriptions relating to Digital Games revenue. These amounts represent consideration received in advance of the Company fulfilling its performance obligations. As at December 31, 2022, the Company had deferred revenue of $11.5 million (December 31, 2021 - $10.9 million).

For the year ended December 31, 2022, the Company recognized revenue of $8.3 million (2021 - $22.9 million) relating to amounts previously deferred.

20. Loans and borrowings

Unsecured Debt

Bank Facilities

The Company has an unsecured five-year revolving credit facility (the "Facility") with a borrowing capacity of $510.0 million which matures on September 28, 2026, and contains certain financial covenants. The Facility also has an option which permits the Company to increase the total capital available by an additional $200.0 million. Total financing costs of $1.7 million, which include Facility amendment fees and related legal fees, are recognized in Other assets and are being amortized over the term of the amended and restated agreement.

As at December 31, 2022, there were $1.4 million (December 31, 2021 - $0.4 million) in letters of credit outstanding under the Facility. As at December 31, 2022, there was $nil drawn (December 31, 2021 - $nil) under the Facility. As at December 31, 2022, Unamortized Facility fee costs in the amount of $1.2 million (December 31, 2021 - $1.6 million) recognized in the Consolidated statements of financial position.

This Facility is subject to the maintenance of certain financial covenants. The Company was in compliance with all financial covenants as at December 31, 2022 and December 31, 2021.

Bank Overdraft Facility

The Company has an uncommitted Overdraft Facility Agreement (the "European Facility") for €15.0 million (US$16.1 million). The European Facility will be used to fund working capital requirements in Europe. As at December 31, 2022, the outstanding balance was $nil (December 31, 2021 - $nil).

Secured Debt

Bank Facilities

The Company has an uncommitted Revolving Credit Facility to finance television and film production. The limit of the credit facility (the "Production Facility") is 10.0 million CAD (US$7.4 million). As at December 31, 2022, the outstanding balance of the Production Facility was $nil (December 31, 2021 - $nil).

21. Provisions

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Deferred Consideration(i)	26.7	23.3
Defectives(ii)	13.6	9.9
Supplier liabilities(iii)	5.5	5.9
Provisions	**45.8**	**39.1**
Current	30.7	25.1
Non-current	15.1	14.0
Provisions	**45.8**	**39.1**

(US$ millions)	Deferred consideration(i)	Defectives(ii)	Supplier liabilities(iii)	Total
December 31, 2020	**15.8**	**13.0**	**5.6**	**34.4**
Provisions recognized	10.6	7.9	1.9	**20.4**
Accretion recognized	1.6	—	—	**1.6**
Payments	(7.4)	(11.0)	(1.6)	**(20.0)**
Revaluation of provisions	2.7	—	—	**2.7**
December 31, 2021	**23.3**	**9.9**	**5.9**	**39.1**
Provisions recognized	12.5	11.4	2.0	**25.9**
Accretion recognized	1.3	—	—	**1.3**
Payments	(12.6)	(7.6)	(2.4)	**(22.6)**
Revaluation of provisions	2.2	(0.1)	—	**2.1**
December 31, 2022	**26.7**	**13.6**	**5.5**	**45.8**

(i) Certain business combinations include agreement terms associated with royalty payables or deferred incentive compensation and are based on the achievement of certain financial performance criteria and/or continued employment. The accretion of the royalties is recorded in Interest expense in the Consolidated statements of earnings and comprehensive income. Accrued deferred incentive compensation is recorded in Other expense, net in the Consolidated statements of earnings and comprehensive income. Subsequent reviews of financial performance may result in the recording of additional considerations or reductions of the existing provision and are recorded in Other expense, net in the Consolidated statements of earnings and comprehensive income.

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

(iii) Supplier liabilities represent the estimated amounts to be paid to suppliers for lower than expected volumes purchased, resulting in the supplier having excess raw material and/or finished goods inventory. While such payments are not legally required, the Company may 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/or finished goods inventory. The provision for supplier obligations is recorded in cost of sales in the Consolidated statements of earnings and comprehensive income.

The Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is not probable 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.

22. Share capital

(a) Authorized as at December 31, 2022 and December 31, 2021

- Unlimited number of multiple voting shares with no par value;
- Unlimited number of subordinate voting shares with no par value; and
- Unlimited number of preferred shares issuable in series with no par value.

Multiple voting shares and subordinate voting shares entitle the holder to receive dividends, and to receive the proceeds of liquidation, dissolution or winding up the Company in proportion to the number of shares held. These rights are subject to the prior rights of the holders of any shares ranking prior to the multiple voting shares and the subordinate voting shares.

The holders of the multiple voting shares are entitled to 10 votes for each share held and the holders of the subordinate voting shares are entitled to 1 vote for each share held.

Multiple voting shares are convertible at any time into an equivalent number of subordinate voting shares. Subordinate voting shares do not have any redemption or conversion rights.

Preferred shares of each series will be entitled to preference over the multiple voting shares and subordinate voting shares with respect to the payment of dividends and to receive the proceeds of liquidation, dissolution or winding up of the Company.

	Year Ended Dec 31, 2022		**Year Ended Dec 31, 2021**	
	Shares (millions)	**Amount (US$ millions)**	**Shares (millions)**	**Amount (US$ millions)**
Multiple voting shares:				
Outstanding, beginning of year	**70.6**	**360.2**	**70.6**	**360.5**
Conversion to subordinate voting shares	(1.9)	(9.7)	—	(0.3)
Outstanding, end of year	**68.7**	**350.5**	**70.6**	**360.2**
Subordinate voting shares:				
Outstanding, beginning of year	31.8	376.7	31.4	364.3
Issuance of subordinate voting shares	0.5	17.8	0.4	12.1
Conversion from multiple voting shares	1.9	9.7	—	0.3
Outstanding, end of year	**34.2**	**404.2**	**31.8**	**376.7**
Shares issued and outstanding, end of period	**102.9**	**754.7**	**102.4**	**736.9**

As at December 31, 2022, the Company does not hold any of its outstanding shares (December 31, 2021 - $nil).

On November 10, 2022, the Company announced a secondary offering (the “Secondary Offering”) on a bought deal basis of its subordinate voting shares through a secondary sale of shares by an entity owned and or controlled by a Director of the Company (the “Selling Shareholder”). The Secondary Offering of 1,900,000 subordinate voting shares raised gross proceeds of approximately 61.0 million CAD for the Selling Shareholder, at a price of 32.10 CAD per subordinate voting share and was completed on November 17, 2022. The Company did not receive any proceeds from the Secondary Offering, and the underwriting fees and other expenses related to the Secondary Offering were paid by the Selling Shareholder. To satisfy the sale under the Secondary Offering, the Selling Shareholder converted 1,900,000 multiple voting shares into subordinate voting shares on a one-for-one basis.

On January 5, 2023, the Company launched, and the Toronto Stock Exchange ("TSX") accepted the notice to launch a Normal Course Issuer Bid (the "NCIB"). Under the NCIB, the Company may repurchase its subordinate voting shares on the open market at its discretion and subject to compliance with applicable securities laws. The NCIB period commenced on January 9, 2023, and will end on the earlier of January 8, 2024 and the completion of purchases under the NCIB, up to 2,845,904 subordinate voting shares, which represents approximately 10% of the "public float" (within the meaning of the rules of the TSX). Under the TSX rules, daily purchases on the TSX pursuant to the NCIB will be limited to 20,814 subordinate voting shares, other than purchases made pursuant to the block purchase exception. As at March 8, 2023, no shares have been purchased under the NCIB.

22. Share capital *(continued)*

As at December 31, 2022, the Company had dividends declared of $9.2 million at a rate of 0.06 CAD per outstanding subordinate voting share and multiple voting share of Spin Master. Dividends in the amount of $4.6 million were paid on October 14, 2022 to shareholders of record at the close of business on September 30, 2022. Dividends in the amount of $4.6 million were accrued on December 31, 2022 and paid on January 13, 2023 to shareholders of record at the close of business on December 30, 2022.

On March 8, 2023, the Company's Board of Directors declared a dividend of 0.06 CAD per outstanding subordinate voting share and multiple voting share, payable on April 14, 2023 to shareholders of record at the close of business on March 31, 2023.

(b) Share-based plans

The total expense recognized for employee services received during the year ended for December 31, 2022 equity-settled transactions is shown in the following table:

	Year Ended Dec 31,	
(US$ millions)	**2022**	**2021**
Equity-settled RSUs and PSUs	17.5	14.6
Equity-settled Participation Arrangement transactions	—	0.2
Share purchase options	0.1	0.5
Share based compensation expense	**17.6**	**15.3**

Share based compensation expense is recorded in administrative expenses in the Consolidated statements of earnings and comprehensive income with a corresponding amount recorded in contributed surplus.

Long-Term Incentive Plan

The Company has an equity based compensation plan providing for the issuance of securities from treasury under which the grants will be made by the Company. Under the Long-Term Incentive Plan ("LTIP"), the Board may at its discretion from time to time, grant share options, share units, in the form of RSUs and PSUs, stock appreciation rights, restricted stock and any other equity based awards. As at December 31, 2022, the aggregate number of subordinate voting shares that may be issued pursuant to grants under the LTIP may not exceed 9,669,599 (December 31, 2021 - 9,669,599). As at December 31, 2022, 3,656,929 (December 31, 2021 - 4,142,665) subordinate voting shares remained reserved for issuance under the LTIP.

The Company settled vested LTIP grants during the year ended December 31, 2022 through the issuance of shares. The settlements resulted in a transfer of $17.8 million (2021 - $8.6 million) from contributed surplus to share capital.

Restricted Stock Units ("RSUs")

Below is a summary of the activity related to RSUs outstanding as at December 31, 2022 and December 31, 2021.

(number of units)	**Dec 31, 2022**	**Dec 31, 2021**
Outstanding, beginning of year	942,931	826,116
Granted	412,676	388,693
Exercised	(214,456)	(252,763)
Forfeited	(58,728)	(19,115)
Outstanding, end of year	**1,082,423**	**942,931**

22. Share capital *(continued)*

Performance Share Units ("PSUs")

Below is a summary of the activity related to PSUs outstanding as at December 31, 2022 and December 31, 2021.

(number of units)	Dec 31, 2022	Dec 31, 2021
Outstanding, beginning of year	1,091,862	918,929
Granted	276,410	285,463
Exercised	(318,179)	(62,815)
Forfeited	(43,761)	(49,715)
Outstanding, end of year	**1,006,332**	**1,091,862**

Deferred Share Units ("DSUs")

Below is a summary of the activity related to the DSUs outstanding as at December 31, 2022 and December 31, 2021.

(number of units)	Dec 31, 2022	Dec 31, 2021
Outstanding, beginning of year	157,293	121,771
Granted	55,479	35,522
Exercised	(24,908)	—
Outstanding, end of year	**187,864**	**157,293**

Share based compensation expense of $1.7 million (2021 - $1.2 million) was recorded for the year ended December 31, 2022.

A mark to market gain of $1.7 million on DSUs outstanding (2021 - loss of $2.0 million) was recorded for the year ended December 31, 2022, respectively.

The share based compensation and mark to market gain related to DSUs are reflected in administrative expenses in the Consolidated statements of earnings and comprehensive income. A corresponding amount was recorded in accrued liabilities.

Share Purchase Options (“Options”)

The Company has one share option plan for key employees, which forms part of their LTIP. Under this plan, the exercise price of each option equals the market price of the Company’s shares on the date of grant and the Options have a maximum term of ten years. The Options vest ratably over a four-year vesting period.

The Company did not issue any Options in 2022 and 2021. As at December 31, 2022, 483,426 (December 31, 2021 - 497,733) Options were outstanding with a weighted average exercise price of 34.97 CAD (December 31, 2021 - 35.22 CAD).

	Dec 31, 2022		Dec 31, 2021	
	Number of share options	Weighted average exercise price (CAD)	Number of share options	Weighted average exercise price (CAD)
Outstanding, beginning of year	497,733	35.22	545,322	34.42
Exercised	(4,157)	37.96	(46,924)	25.87
Forfeited and/or expired	(10,150)	46.02	(665)	37.96
Outstanding, end of year	**483,426**	**34.97**	**497,733**	**35.22**
Exercisable options	**460,496**	**34.82**	**425,749**	**33.96**

22. Share capital *(continued)*

	Dec 31, 2022		Dec 31, 2021	
Exercise price	**Number of Share Options Outstanding**	**Weighted average remaining contractual life (years)**	**Number outstanding**	**Weighted average remaining contractual life (years)**
$22.94	179,069	3.3	179,069	4.2
$37.64	125,516	4.2	125,516	5.2
$37.96	87,570	6.1	96,129	6.9
$49.80	5,817	0.3	5,817	1.3
$52.20	85,454	5.2	91,202	5.9
Total	**483,426**	**4.3**	**497,733**	**5.3**

23. Earnings per share

(US$ millions, except per share amounts)	**Year Ended Dec 31, 2022**	**2021**
Net Income	261.3	198.6
Weighted average number of shares (in millions)	102.9	102.3
Dilutive effect of equity[1]	3.5	3.0
Diluted weighted average number of shares (in millions)	106.4	105.3
Basic earnings per share	**2.54**	**1.94**
Diluted earnings per share	**2.45**	**1.89**

[1] The dilutive effect of equity includes equity instruments which comprise of employee stock options.

24. Net changes in non-cash working capital

(US$ millions)	**Year Ended Dec 31, 2022**	**2021**
Decrease (increase) in:		
Trade receivables	61.4	(48.7)
Other receivables	0.6	8.3
Inventories	37.4	(31.7)
Prepaid expenses and other assets	(11.4)	4.7
Assets reclassified as held for sale	—	(5.7)
	88.0	**(73.1)**
(Decrease) increase in:		
Trade payables and accrued liabilities	(157.3)	147.4
Deferred revenue	0.6	(14.5)
Provisions	1.0	(9.9)
	(155.7)	**123.0**
Net changes in non-cash working capital	**(67.7)**	**49.9**

25. Related party transactions

In the normal course of operations, the Company engaged the services of a law firm whose managing partner is also a member of the Company's Board of Directors, which have been made on terms equivalent to those that prevail in arm's length transactions.

For the year ended December 31, 2022, related party transactions were included in administrative expenses in the Consolidated statements of earnings and comprehensive income of the Company in the amount of $1.3 million (2021 - $1.3 million). As at December 31, 2022, amounts payable to the director's law firm were $0.4 million (December 31, 2021 - $0.2 million).

Compensation of key management personnel

The compensation of directors and other key management personnel during the years were as follows:

(US$ millions)	**2022**	**2021**
Salaries, wages and bonuses	5.7	6.7
Share-based compensation	3.3	3.3
Employee benefits	0.3	0.1
Total compensation of key management personnel	**9.3**	**10.1**

26. Leases

Amounts recognized in the Consolidated statements of financial position

Leased office buildings represented approximately 90% of the right-of-use assets with the remainder comprised of leases of distribution centres, information technology ("IT") equipment, and vehicles.

The Company has categorized classes of assets for leases of office buildings and distribution centres as "Building" and IT equipment and vehicles are as "Equipment". The weighted average lease term is 11 years (2021 - 11 years). The carrying value of right-of-use assets and depreciation by class of underlying assets are as follows:

(US$ millions)	Building	Equipment	Right-of-use assets
January 1, 2021	65.0	2.0	67.0
Additions	0.5	0.5	1.0
Assets recognized upon acquisition (Note 28)	0.6	—	0.6
Modifications	10.9	—	10.9
Depreciation and amortization	(12.1)	(1.1)	(13.2)
Foreign currency translation	(1.0)	(0.1)	(1.1)
December 31, 2021	**63.9**	**1.3**	**65.2**

(US$ millions)	Building	Equipment	Right-of-use assets
Additions	12.0	0.3	12.3
Modifications	0.5	0.1	0.6
Depreciation and amortization	(11.5)	(0.7)	(12.2)
Foreign currency translation	(2.8)	(0.2)	(3.0)
December 31, 2022	**62.1**	**0.8**	**62.9**

(US$ millions)	Lease liabilities
January 1, 2021	74.4
Additions	1.0
Liabilities recognized upon acquisition (Note 28)	0.7
Modifications	10.9
Accretion	4.4
Lease payments	(17.6)
Foreign currency translation	(0.8)
December 31, 2021	**73.0**

(US$ millions)	Lease liabilities
Additions	12.3
Modifications	0.6
Accretion	4.2
Lease payments	(15.8)
Foreign currency translation	(3.1)
December 31, 2022	**71.2**

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Lease liabilities, current	16.3	13.3
Lease liabilities, non-current	54.9	59.7
Total lease liabilities	**71.2**	**73.0**

Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. Extension and termination options are exercisable only by the Company and not by the respective lessor.

26. Leases *(continued)*

Amounts recognized in the Consolidated statements of earnings and comprehensive income

(US$ millions)	2022	2021
Depreciation expense on right-of-use assets	12.2	13.2
Accretion expense on lease liabilities	4.2	4.4
Expense relating to leases of short term and low value assets	1.9	1.1
Expense relating to variable lease payments not included in measurement of lease liability	4.6	5.9
Total	**22.9**	**24.6**

The total cash outflows for leases for the year ended December 31, 2022 was $22.9 million (2021 - $24.6 million).

27. Commitments for expenditures

Licensing and similar agreements in effect at December 31, 2022 that contain provisions for future minimum payments, include the following:

As at December 31, 2022	Less than 1 year to greater than 5 years			
(US$ millions)	< 1 Year	1-5 Years	> 5 Years	Total
Lease liabilities - undiscounted	14.8	39.6	39.2	93.6
Guaranteed payments due to licensors	21.0	27.6	—	48.6
Other	6.2	13.9	—	20.1
Total commitments	**42.0**	**81.1**	**39.2**	**162.3**

28. Business acquisitions

Acquisition of certain assets from SolidRoots, LLC

On August 2, 2022, the Company acquired certain assets from SolidRoots, LLC (“SolidRoots”), a creator of family board games. Management performed an analysis under IFRS 3, *Business Combinations* ("IFRS 3") and has determined that the assets and processes acquired comprised a business and therefore, accounted for the transaction as a business combination using the acquisition method of accounting. This acquisition is expected to complement the Company's existing board games offering and has been reported in the Toys segment within the Activities, Games & Puzzles and Plush product category and included in the Games and Puzzles CGU beginning from the date of acquisition.

The purchase consideration of $10.7 million is comprised of $8.5 million of cash consideration and $2.2 million of contingent consideration related to the estimated fair value of future royalties. The purchase agreement also included total deferred incentive compensation of $1.0 million, which is contingent on the continued employment of key principals as well as certain performance metrics, over a five-year period. These payments are considered a remuneration expense and are accrued over the related service period. Deferred incentive compensation of less than $0.1 million is included in Other expense, net in the Consolidated statements of earnings and comprehensive income for the year ended December 31, 2022. The contingent consideration and deferred incentive compensation are recorded in provisions in the Consolidated statements of financial position.

Purchase consideration of $10.7 million has been allocated as follows: $4.4 million to intangible assets (related to the brand), $2.0 million to inventories and $0.1 million to prepaid expenses and other assets, with the remainder of $4.2 million allocated to goodwill.

The Company incurred $0.2 million in transaction related costs which were included in administrative expenses in the Consolidated statements of earnings and comprehensive income for the year ended December 31, 2022.

28. Business acquisitions *(continued)*

Assets acquired and liabilities recognized at the date of acquisition

(US$ millions)	Fair value as at August 2, 2022
Assets acquired	
Intangible assets	4.4
Inventories	2.0
Prepaid expenses and other assets	0.1
Fair value of identifiable net assets acquired	**6.5**

Goodwill arising on acquisition

Cash consideration	8.5
Present value of contingent consideration	2.2
Total purchase consideration	10.7
Fair value of identifiable net assets acquired	6.5
Goodwill arising from transaction	**4.2**

Net cash outflow on acquisition

Cash consideration	8.5
Net cash outflow on acquisition	**8.5**

Goodwill arose on the acquisition as the consideration paid effectively included amounts for the benefit of expected revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, $4.2 million of goodwill is expected to be deductible for income tax purposes and is being amortized for tax purposes over 15 years.

The total purchase consideration includes $2.2 million in deferred payments for future royalties. The future royalties are payable to the vendor upon the achievement of key performance indicators over a five-year period. The potential undiscounted amount of all future payments that the Company could be required to make under this contingent consideration arrangement is between $nil and $3.1 million.

Impact of acquisition on the results of the Company

Included in the Company's financial results for the year ended December 31, 2022 is $1.6 million in revenue attributable to the acquisition.

28. Business acquisitions *(continued)*

Acquisition of the remaining shares of Nørdlight Games AB

On August 24, 2021, the Company acquired 18.53% of the shares in Nørdlight Games AB ("Nørdlight"), a company that creates and develops digital games, based in Sweden. On August 8, 2022, the Company acquired the remaining 81.47% of the shares of Nørdlight, resulting in ownership and control of 100% of the voting shares in Nørdlight. This investment was classified in 2021 as an equity instrument measured at FVTOCI. Management performed an analysis under IFRS 3 and determined that the assets and processes acquired comprised a business and therefore, accounted for the transaction as a business combination using the acquisition method of accounting. The acquisition has been reported under the Digital Games segment and CGU beginning from the date of acquisition.

The Company paid cash consideration of $2.5 million. The total purchase consideration has been allocated to the identifiable assets of $0.5 million, and liabilities of $0.2 million, with the remainder $2.9 million allocated to goodwill.

The purchase agreement also includes contingent consideration of $4.9 million which is payable on achieving certain performance metrics and has been allocated a fair value of $nil in the total purchase consideration.

The Company incurred $0.1 million in transaction related costs which were included in administrative expenses in the Consolidated statements of earnings and comprehensive income for the year ended December 31, 2022.

Assets acquired and liabilities recognized at the date of acquisition

(US$ millions)	**Fair value as at August 8, 2022**
Assets acquired	
Cash	0.4
Other receivables	0.1
	0.5
Liabilities assumed	
Trade payables and accrued liabilities	0.2
	0.2
Fair value of identifiable net assets acquired	**0.3**

Goodwill arising on acquisition

Cash consideration	2.5
Fair value of previously held equity interest	0.7
Total purchase consideration	3.2
Fair value of identifiable net assets acquired	0.3
Goodwill arising from transaction	**2.9**

Net cash outflow on acquisition

Cash consideration	2.5
Less: Cash balance acquired	0.4
Net cash outflow on acquisition	**2.1**

28. Business acquisitions *(continued)*

Goodwill arose on the acquisition as the consideration paid effectively included amounts for the benefit of expected revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. Goodwill recognized is not expected to be deductible for income tax purposes.

The purchase agreement includes total deferred incentive compensation of $7.8 million, which is contingent on the continued employment of key principals as well as certain performance metrics, over a five-year period. These payments are considered an incentive-related remuneration expense and are accrued over the related service period. Deferred incentive compensation of $1.4 million is included in Other expense, net in the Consolidated statements of earnings and comprehensive income for the year ended December 31, 2022. The deferred incentive compensation is recorded in provisions in the Consolidated statements of financial position.

Summary of prior year acquisitions

Acquisition of Rubik's Brand Limited

On January 4, 2021, the Company completed the acquisition of Rubik's Brand Limited by acquiring 100% of the shares of its holding company, Rubiks Malta Holding Company Limited (“Rubik’s”). Rubik’s is a licensor and distributor of various editions of the Rubik’s product lines and qualifies as a business under IFRS 3. The Company secured the global intellectual property for the Rubik’s portfolio and the ability to sell, market and license for further penetration directly to wholesale customers or continue to sell indirectly through distributors into markets as well as expansion into new territories. The brand has been reported in the Toys segment within the Activities, Games & Puzzles and Plush product category and included in the Rubik's CGU beginning from the date of acquisition.

Total purchase consideration of $55.2 million was comprised of $51.4 million of cash consideration plus $3.8 million related to the estimated fair value of future royalties. The total purchase consideration has been allocated to the identifiable intangible assets based on their estimated fair values of $38.1 million (related to brands and customer relationships), tangible assets of $6.5 million and assumed liabilities of $12.0 million with the remainder allocated to goodwill.

Acquisition of certain assets from a product invention and development company

On April 16, 2021, the Company acquired assets and assumed liabilities of a product invention and development company which constitutes a business under IFRS 3. Included in the acquisition is an assembled workforce to complement the Company's toy innovation and development capabilities. The acquisition has been reported in the Toys segment and CGU from the date of acquisition.

Total purchase consideration was comprised of $7.5 million of cash consideration and has been allocated as $0.7 million of tangible assets and $0.7 million of assumed liabilities with the remainder allocated to goodwill.

The purchase agreement also included deferred incentive compensation of $14.5 million, which is contingent on continued employment of key principals over a five-year period. These payments are considered an incentive-remuneration expense and are accrued over the five-year period.

***Acquisition of Originator Inc*.**

On June 14, 2021, the Company acquired 100% of the shares of Originator Inc., which qualifies as a business under IFRS 3. Originator Inc. is a developer and publisher of education focused mobile digital games for kids and families and was acquired to complement Sago Mini's edutainment digital games offering. The acquisition has been reported in the Digital Games segment and CGU and its revenue is included within Digital Games revenue from the date of acquisition.

Total purchase consideration was comprised of $15.0 million of cash consideration. The total purchase consideration has been allocated to identifiable intangible assets based on their estimated fair values of $9.1 million (related to brands, customer relationships and Digital Games development), tangible assets of $0.6 million and assumed liabilities of $2.9 million with the remainder allocated to goodwill.

28. Business acquisitions *(continued)*

The purchase agreement also included total deferred incentive compensation of $10.0 million, which is contingent on the continued employment of key principals as well as certain performance metrics, over a five-year period. These payments are considered an incentive-related remuneration expense and are accrued over the five-year period.

Assets acquired and liabilities recognized at the date of acquisition

	Rubik's Brand Limited	Product invention and development company	Originator Inc.
(US$ millions)	**Fair value as at January 4, 2021**	**Fair value as at April 16, 2021**	**Fair value as at June 14, 2021**
Assets acquired			
Cash	1.1	—	0.2
Trade receivables	4.0	—	0.4
Inventories	0.7	—	—
Prepaid expenses and other assets	0.5	—	—
Property, plant and equipment	0.2	0.1	—
Right-of-use assets	—	0.6	—
Intangible assets	38.1	—	9.1
	44.6	0.7	9.7
Liabilities assumed			
Trade payables and accrued liabilities	4.4	—	0.4
Lease liabilities	—	0.7	—
Deferred income tax liabilities	7.2	—	2.5
Income tax payable	0.4	—	—
	12.0	0.7	2.9
Fair value of identifiable net assets acquired	**32.6**	**—**	**6.8**

Goodwill arising on acquisition

	Rubik's Brand Limited	Product invention and development company	Originator Inc.
Cash consideration	52.6	7.5	15.0
Purchase price adjustment	(1.2)	—	—
Present value of future royalties	3.8	—	—
Total purchase consideration	55.2	7.5	15.0
Fair value of identifiable net assets acquired	32.6	—	6.8
Goodwill arising from transaction	**22.6**	**7.5**	**8.2**

Net cash outflow on acquisition

	Rubik's Brand Limited	Product invention and development company	Originator Inc.
Cash consideration	52.6	7.5	15.0
Less: cash balance acquired	1.1	—	0.2
Total net cash outflow	**51.5**	**7.5**	**14.8**
Less: advance paid in 2020	3.0	—	—
Net cash outflow on acquisition	**48.5**	**7.5**	**14.8**

29. Financial instruments and risk management

Capital management

Management includes the following items in its definition of capital:

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Share capital	754.7	736.9
Contributed surplus	40.7	40.8
Retained earnings	468.1	216.0
Capital	**1,263.5**	**993.7**

The Company makes adjustments to its capital structure based on the funds available to the Company in supporting the operations of the business and to ensure that the subsidiaries of the Company will be able to continue on a going concern basis.

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

Management reviews its capital management strategy for reasonability on an ongoing basis and believes that this approach is reasonable. The Company declared a quarterly dividend beginning with the third quarter of 2022 and subsequent to year-end, the Company launched a NCIB, as described in Note 22.

The Facility requires the Company to comply with certain financial covenants. As at December 31, 2022, the Company was in compliance with such 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 or 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 structure of the Company's international operations, it is exposed to foreign currency risk driven by fluctuations in exchange rates. Risk arises because the value of monetary assets, liabilities, revenues and expenditures arising from transactions denominated in foreign currencies may vary due to changes in exchange rates ("transaction exposures") and because the non-US dollar denominated financial statements of the Company's subsidiaries may vary on translation into the US dollar presentation currency ("translation exposures"). These exposures could impact the Company's earnings and cash flows.

The Company periodically enters into derivative financial instruments such as foreign exchange forward contracts to manage its foreign currency risk on cash flows denominated in currencies other than the US dollar.

As at December 31, 2022, the Company is committed under outstanding foreign exchange contracts representing a total net sell commitment of $20.3 million (December 31, 2021 - net purchase commitment of $11.6 million). These foreign exchange contracts have maturity dates varying from January 2023 to April 2024. For the year ended December 31, 2022, realized gains on the Company's matured hedges were $3.1 million (2021 - realized gain of $0.8 million) and are included in the Consolidated statements of earnings and comprehensive income.

As at December 31, 2022 (in millions)	Notional value: foreign currency	Notional value: US$	Unrealized gain (loss): US$
Foreign exchange contracts			
Buy US$	60.5 EUR	(66.2)	0.9
Buy US$	17.5 GBP	(22.0)	0.9
Buy US$	655.0 MXN	(31.1)	(1.9)
Sell US$	(186.6) CAD	142.6	(4.4)
Buy US$	4.5 AUD	(3.0)	(0.1)
Total		**20.3**	**(4.6)**

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

As at December 31, 2021 (in millions)	Notional value: foreign currency	Notional value: US$	Unrealized (loss) gain: US$
Foreign exchange contracts			
Buy US$	40.4 EUR	(48.5)	2.5
Buy US$	20.1 GBP	(28.0)	0.8
Buy US$	515.0 MXN	(24.5)	(0.2)
Sell US$	(109.5) CAD	87.3	(0.8)
Sell US$	(242.0) JPY	2.1	—
Total		**(11.6)**	**2.3**

Foreign currency risk - sensitivity analysis
The Company is mainly exposed to the Canadian dollar, the Great Britain pound sterling, the Mexican peso and the Euro. The following table details the Company's sensitivity to a 5.0% change in currency units against the US$. The sensitivity analysis includes all outstanding foreign currency denominated current monetary assets and liabilities and adjusts their translation as at the end of the reporting period for a 5.0% change in foreign currency rates. A positive number below indicates an increase in a foreign exchange gain where the currency unit strengthens 5.0% against US$.

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Canadian dollar	(6.4)	(7.6)
Great Britain pound sterling	0.5	0.4
Mexican peso	2.0	1.4
Euro	1.0	(0.2)
Australian dollar	0.5	0.4

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 may be exposed to interest rate risk should it borrow under its credit facilities at a variable rate.

Interest rate risk - sensitivity analysis

The Company is exposed to interest rate risk mainly relating to interest income on its cash and cash equivalents balances and interest expense on loans and borrowings.

For the year ended December 31, 2022, with all other variables held constant, a 50-basis point decrease in interest rates would have resulted in a decrease to interest income of $2.8 million for the year (2021 - a decrease to interest income of $1.0 million). A 50-basis point increase in interest rates would have resulted in an increase to interest income of $2.8 million for the year (2021 - an increase to interest income of $2.2 million). These amounts are determined by considering the impact of the interest rates on the Company’s loans and borrowings and cash and cash equivalents balances as at December 31, 2022.

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

Credit risk

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

This risk is mitigated through financial arrangements such as cash in advance of shipment, letters of credit or bank or parental guarantees. In addition, the Company purchases Accounts Receivables insurance for our global customer base, who are not covered by other financial arrangements. This process, in conjunction with an established credit limit and payment term, mitigates the Company's risk of loss. The financial arrangements, insurance policies and customer credit limits are reviewed annually.

As at December 31, 2022, approximately 48.6% (2021 - 52.0%) of the Company's trade receivables are due from three major retail customers which represent approximately 52.2% of Toy gross product sales for the year ended December 31, 2022 (2021 - 52.6%).

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

Liquidity risk

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

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

The Company's contractual maturities are as follows:

As at December 31, 2022 (US$ millions)	< 1 year	1-5 years	> 5 years	Total
Derivative financial liabilities				
Foreign exchange forward contracts	254.7	14.0	—	268.7
Non-derivative financial liabilities				
Trade payables and accrued liabilities	339.4	—	—	339.4
	594.1	**14.0**	**—**	**608.1**

Financing facilities

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Bank loan facilities		
Amount undrawn	533.5	534.9
Bank loan facilities	**533.5**	**534.9**

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

Fair value measurements

The following table presents the fair value of financial assets and financial liabilities. The carrying values of the Company's financial instruments approximate their fair values with the exception of foreign exchange forward contracts, Investment in a limited partnership and Minority interest and other investments which are recorded at fair value.

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Financial assets		
Cash and cash equivalents	644.3	562.7
Trade receivables	311.0	352.4
Other receivables	49.5	38.8
Other assets:		
Minority interest and other investments	8.8	2.4
Investment in a limited partnership	3.9	3.9
Investment tax credits - non-current portion	3.6	2.7
Unrealized foreign exchange gain	1.7	3.4
Financial assets	**1,022.8**	**966.3**
Financial liabilities		
Trade payables and accrued liabilities	339.4	476.4
Financial liabilities	**339.4**	**476.4**

With the exception of foreign exchange forward contracts, Investment in a limited partnership and Minority interest and other investments described below, all other financial instruments are categorized within Level 1 of the fair value hierarchy.

The fair value of foreign exchange forward contracts at December 31, 2022 resulted in an unrealized gain of $1.7 million, which is recorded in Other assets (December 31, 2021 - $3.4 million) and an unrealized loss of $6.3 million recorded in accrued liabilities (December 31, 2021 - $1.0 million). These fair values are categorized within Level 2 of the fair value hierarchy. The fair values of over-the-counter derivative financial instruments are based on broker or observable market rates. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest and exchange rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument for the Company and counterparty when appropriate. 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. Realized and unrealized gains and losses on derivative financial instruments may be offset by realized and unrealized losses and gains on the underlying exposures being hedged and are recorded in earnings as they occur.

The fair value of the investment in a limited partnership as at December 31, 2022 is recorded in Other assets at $3.9 million (December 31, 2021 - $3.9 million) with $nil of net unrealized losses (2021 - net unrealized gain of $0.9 million) recognized in Other expense, net in the Consolidated statements of earnings and comprehensive income for the year ended December 31, 2022. For the year ended December 31, 2022, the Company recognized $0.1 million (2021 - $0.6 million) of distribution income in Other expense, net, respectively.

This fair value is categorized within Level 3 of the fair value hierarchy. The fair value of the investment in a limited partnership is estimated using various valuations techniques through the partnership based on the type of investment held by the fund. The quantitative unobservable inputs used in the fair value measurement are not developed by the Company and include assumptions regarding long-term revenue growth rates and discount rates, among others.

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

From inception, the Company has paid $2.9 million and is obligated to pay the remaining $0.1 million upon receiving capital calls over the remaining term of the limited partnership agreement. The investment in a limited partnership is held for medium to long-term strategic purposes.

The fair value of the Minority interest and other investments recorded in other assets are as follows:

(US$ millions)	Dec 31, 2022	Dec 31, 2021
Minority interest and other investments classified as FVTOCI	3.0	0.6
Minority interest and other investments classified as FVTPL	5.8	1.8
Minority interest and other investments	8.8	2.4

For the year ended December 31, 2022, a fair value loss of $0.5 million (2021 - $nil), was recognized for Minority interest and other investments classified as FVTPL in Other expense, net in the Consolidated statements of earnings and comprehensive income.

For the year ended December 31, 2022, there were gains of $0.1 million, respectively (2021 - $nil) recognized for Minority interest and other investments classified as FVTOCI in the Consolidated statements of earnings and comprehensive income within Other comprehensive loss.

These investments are categorized within Level 3 of the fair value hierarchy. The fair value of these investments is estimated using various valuation techniques. The quantitative unobservable inputs used in the fair value measurement are not developed by the Company and include assumptions regarding long-term revenue growth rates and discount rates, among others.

30. Segment information

Spin Master is a global children's entertainment company with a portfolio that includes children’s products, brands, and entertainment content spanning toys, games, licensed products, film and television programming and digital games.

Effective January 2021, the Company appointed a new Global President, who also assumed the role of Chief Executive Officer ("CEO") in April 2021, and identifying the role as CODM. A President was appointed to each of the three creative centres who report directly to the Global President & CEO. As a result of Spin Master’s reorganization, financial reporting, performance management, approval of allocations for capital and growth strategies and opportunities were aligned to this new organizational structure effective January 1, 2022.

The Company has three reportable operating segments, which are as follows:

(i) Toys
(ii) Entertainment
(iii) Digital Games

The Toys segment engages in the creation, design, manufacturing, licensing, and marketing of toys, games, and products around the world. The Entertainment segment engages in the creation and production of multi-platform content, stories and characters in original shows, short-form series and films. The Digital Games segment engages in the creation of digital games which include subscription services. The Company also presents Corporate & Other which includes certain corporate costs, foreign exchange and merger and acquisition-related costs, as well as fair value gains and losses and distribution income on Minority interest and other investments.

The CODM measures total segment performance based on Adjusted EBITDA, as reported internally to management. The accounting policies of the reportable segments are the same as the Company’s accounting policies described in Note 2. Reclassifications of certain prior year segment results and account balances have been made to conform to the current-year presentation. None of the segment changes impact the Company's previously reported consolidated revenue, net income or earnings per share.

30. Segment information *(continued)*

The Company's results from operations for Toys, Entertainment, and Digital Games reportable operating segments and Corporate & Other segment for the years end December 31, 2022 and December 31, 2021 are as follows:

(US$ millions)	Year Ended Dec 31, 2022				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	**1,737.6**	**118.8**	**163.9**	**—**	**2,020.3**
Operating Income	**170.1**	**76.7**	**46.5**	**50.0**	**343.3**
Restructuring and other related costs	4.6	0.1	0.2	—	4.9
Foreign exchange gain	—	—	—	(61.4)	(61.4)
Share based compensation	12.4	1.2	2.3	1.7	17.6
Impairment of property, plant and equipment	1.9	—	—	—	1.9
Impairment of intangible assets	—	1.1	—	—	1.1
Legal settlement	—	—	—	(0.5)	(0.5)
Acquisition related deferred incentive compensation	5.4	—	4.9	—	10.3
Investment distribution income	—	—	—	(0.1)	(0.1)
Loss on Minority interest and other investments	—	—	—	0.5	0.5
Acquisition related deferred consideration	3.5	—	—	(0.9)	2.6
Transaction costs	—	—	—	1.0	1.0
Depreciation and amortization	46.7	14.8	6.6	0.1	68.2
Adjusted EBITDA	**244.6**	**93.9**	**60.5**	**(9.6)**	**389.4**

(US$ millions)	Year Ended Dec 31, 2022				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	32.4	54.9	12.1	—	**99.4**

(US$ millions)	Year Ended Dec 31, 2021				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	**1,731.8**	**135.8**	**174.8**	**—**	**2,042.4**
Operating Income	**159.0**	**53.4**	**67.5**	**(7.7)**	**272.2**
Restructuring and other related costs	2.3	—	0.2	—	2.5
Foreign exchange gain	—	—	—	(2.9)	(2.9)
Share based compensation	13.4	0.4	1.5	—	15.3
Impairment of goodwill	1.9	—	—	—	1.9
Impairment of intangible assets	—	2.1	0.5	—	2.6
Acquisition related deferred incentive compensation	4.3	—	2.5	—	6.8
Net unrealized gain on investment	—	—	—	(0.9)	(0.9)
Investment distribution income	—	—	—	(0.6)	(0.6)
Acquisition related deferred consideration	2.7	—	—	—	2.7
Transaction costs	—	—	—	2.8	2.8
Gain on disposal of asset	(0.2)	—	—	—	(0.2)
Depreciation and amortization	56.3	48.2	7.4	—	111.9
Adjusted EBITDA	**239.7**	**104.1**	**79.6**	**(9.3)**	**414.1**

(US$ millions)	Year Ended Dec 31, 2021				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	26.8	44.0	8.7	—	**79.5**

30. Segment information *(continued)*

Revenue reported by segment above represents revenue generated from external customers. There were no inter-segment revenue in any year.

The following table provides a reconciliation of the Company's consolidated Adjusted EBITDA to Income before income tax expense for the years end December 31, 2022 and December 31, 2021:

	Year Ended Dec 31,	
(US$ millions)	**2022**	**2021**
Adjusted EBITDA	**389.4**	**414.1**
Adjusting Items:		
Depreciation and amortization	(68.2)	(111.9)
Restructuring and other related costs	(4.9)	(2.5)
Foreign exchange gain	61.4	2.9
Share based compensation	(17.6)	(15.3)
Impairment of goodwill	—	(1.9)
Impairment of property, plant and equipment	(1.9)	—
Impairment of intangible assets	(1.1)	(2.6)
Legal settlement	0.5	—
Acquisition related deferred incentive compensation	(10.3)	(6.8)
Net unrealized gain on investment	—	0.9
Investment distribution income	0.1	0.6
Loss on Minority interest and other investments	(0.5)	—
Acquisition related contingent consideration	(2.6)	(2.7)
Transaction costs	(1.0)	(2.8)
Gain on disposal of asset	—	0.2
Operating Income	**343.3**	**272.2**
Add (Deduct):		
Interest income	10.7	1.1
Interest expense	(13.6)	(11.3)
Income before income tax expense	**340.4**	**262.0**

Revenue from major product categories

Spin Master's Toys segment is organized into four major product categories as follows:

(i) Preschool and Dolls & Interactive
(ii) Activities, Games & Puzzles and Plush
(iii) Wheels & Action
(iv) Outdoor

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

	Year Ended Dec 31,	
(US$ millions)	**2022**	**2021**
Preschool and Dolls & Interactive	867.0	809.6
Activities, Games & Puzzles and Plush	561.7	587.8
Wheels & Action	450.8	445.6
Outdoor	99.3	119.4
Toy gross product sales[1]	**1,978.8**	**1,962.4**
Sales allowances	(241.2)	(230.6)
Toy revenue	**1,737.6**	**1,731.8**
Entertainment revenue	118.8	135.8
Digital Games revenue	163.9	174.8
Revenue	**2,020.3**	**2,042.4**

[1]Toy gross product sales represent sales of the Company's products to customers, excluding sales allowances.

30. Segment information *(continued)*

Geographical information

Revenue by geographical area is based on the location of the customers and non-current assets are based on geographic location of the entity which holds the assets. The North American geographic area is comprised of the United States and Canada. The European geographic area is comprised of the United Kingdom, France, Italy, the Netherlands, Germany, Austria, Switzerland, Belgium, Luxembourg, Slovakia, Hungary, Romania, Czech Republic, Poland, Turkey, Russia, Greece and Spain. The Rest of World is primarily comprised of Hong Kong, China, Vietnam, India, Australia, New Zealand, Japan and Mexico, and all other areas of the world serviced by the Company's third party distribution network. Entertainment and Digital Games revenue are tracked on a global basis and are presented as such in the table below.

The Company's revenues are derived from the following geographical areas:

	Year Ended Dec 31,	
(US$ millions)	**2022**	**2021**
North America	1,189.8	1,197.3
Europe	525.0	530.7
Rest of World	264.0	234.4
Toy gross product sales	**1,978.8**	**1,962.4**
Sales allowances	(241.2)	(230.6)
Toy revenue	**1,737.6**	**1,731.8**
Entertainment revenue	118.8	135.8
Digital Games revenue	163.9	174.8
Revenue	**2,020.3**	**2,042.4**

Toy gross product sales for North America include amounts attributable to the United States of $1,093.3 million (2021 - $1,105.6 million) and Canada of $96.5 million (2021 - $91.7 million) for the year ended December 31, 2022.

Non-current assets by major geographic region are detailed as follows:

(US$ millions)	**Dec 31, 2022**	**Dec 31, 2021**
Non-current assets		
North America	404.1	388.9
Europe	79.0	83.2
Rest of World	18.7	18.6
Non-current assets	**501.8**	**490.7**
Other	158.5	126.3
Total non-current assets	**660.3**	**617.0**

Other includes non-current assets not directly attributable to a specific geographic area.

Non-current assets for North America include assets attributable to Canada of $164.5 million as at December 31, 2022 (December 31, 2021 - $134.5 million).

30. Segment information *(continued)*

Major customers

Sales to the Company's three largest customers accounted for 52.2% (2021 - 52.6%) of Toy gross product sales for the year ended December 31, 2022. The Toys segment sells products to each of the Company's three largest customers. Other than the top three customers, which have remained the same as compared to the comparative period, no other single customer contributed 10% or more to Toy gross product sales for the year ended December 31, 2022 and 2021.

	Year Ended Dec 31,	
(US$ millions)	**2022**	**2021**
Toy gross product sales		
Customer 1	422.0	423.9
Customer 2	333.3	346.6
Customer 3	277.5	261.2
Total	**1,032.8**	**1,031.7**

31. Subsequent events

Acquisition of certain assets from 4D Brands International Inc

On November 8, 2022, the Company entered into an agreement with 4D Brands International Inc., and 4D Cityscape Worldwide Limited, (collectively, the "Vendors") to acquire certain assets of the Vendors. The transaction closed on January 17, 2023. The acquisition will be reported in the Activities, Games & Puzzles and Plush product category.

Given the proximity of the transaction to the reporting date, the Company is in the process of determining the fair values of the assets acquired and liabilities assumed. The estimated purchase allocation will be disclosed in the Company's first quarter of 2023 condensed consolidated interim financial statements.

Acquisition of certain assets from Innovation First, Inc

On December 21, 2022, the Company entered into an agreement with Innovation First, Inc., Innovation First International, Inc., Innovation First Labs, Inc. and Innovation First Logistics, Inc. (collectively, the "Vendors") to acquire certain assets of the Vendors (including the *HEXBUG* brand). The transaction closed on February 1, 2023. The acquisition will be reported in the Activities, Games & Puzzles and Plush product category.

Given the proximity of the transaction to the reporting date, the Company is in the process of determining the fair values of the assets acquired. The estimated purchase allocation will be disclosed in the Company's first quarter of 2023 condensed consolidated interim financial statements.

32. Prior year comparatives

Certain prior year comparatives have been reclassified to conform with current year presentation.