Spin Master Corp.

Consolidated financial statements

For the years ended December 31, 2024 and December 31, 2023

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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, 2024 and 2023, and the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (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, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were 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 these matters.

Valuation of Intangible Assets Acquired in Business Acquisition ("Melissa & Doug") - Refer to Notes 2D, 3F and 27 to the financial statements

Key Audit Matter Description

On January 2, 2024, the Company, through its subsidiaries, completed the acquisition of all issued and outstanding capital stock of Melissa & Doug. The Company recognized the identifiable assets acquired and the liabilities assumed at fair value, which resulted in the recognition of a brand intangible asset.

While there are several estimates and assumptions that are required to determine the fair value of the brand intangible asset, the estimates and assumptions with the highest degree of subjectivity are the forecasted revenue growth and the discount rate. This required a high degree of auditor judgement and an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasted revenue growth and the discount rate used to determine the fair value of the brand intangible asset included the following, among others:

- Evaluated the reasonableness of forecasted revenue growth through consideration of the following:
  - Historical revenue results of the acquiree
  - Publicly available data
  - Actual revenue of the acquiree's post-acquisition
  - Underlying management analyses detailing growth plans;
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.

Provisions for sales allowances - Refer to Notes 2F, 3D and 12 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. Those arrangements can be contractual or discretionary. A sales allowance is established using the expected value method. 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 judgments 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 provision.
- Assessed management's historical ability to estimate the provision by comparing the prior year estimated amounts to actual allowances utilized in the current year.
- Evaluated the reasonableness of the assumptions used by management to develop the provision, including assessing the completeness and appropriateness of information considered by management.
- Tested the underlying inputs used in the determination of the provision.
- Evaluated the reasonableness of the provision 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 Accounting Standards as issued by the IASB, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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
Toronto, Ontario
February 24, 2025

Spin Master Corp.

Consolidated statements of financial position

(In US$ millions)	Notes	Dec 31, 2024	Dec 31, 2023
Assets			
Current assets			
Cash	**10**	233.5	705.7
Trade receivables, net	**11**	499.4	414.4
Other receivables	**11**	54.9	60.0
Inventories, net	**12**	184.7	98.0
Prepaid expenses and other assets	**13**	48.7	40.9
		1,021.2	**1,319.0**
Non-current assets			
Intangible assets	**15**	837.4	281.3
Goodwill	**16**	368.1	165.9
Right-of-use assets	**25**	149.5	53.6
Property, plant and equipment	**14**	60.2	32.6
Deferred income tax assets	**9**	167.1	110.8
Other assets	**13**	29.9	26.5
		1,612.2	**670.7**
Total assets		**2,633.4**	**1,989.7**
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	**17**	429.5	385.4
Loans and borrowings	**19**	389.1	—
Provisions	**20**	24.7	32.1
Lease liabilities	**25**	22.3	11.4
Deferred revenue	**18**	22.0	11.0
Income tax payable	**9**	—	6.6
		887.6	**446.5**
Non-current liabilities			
Deferred income tax liabilities	**9**	209.9	59.1
Lease liabilities	**25**	123.0	50.7
Provisions	**20**	10.5	14.3
		343.4	**124.1**
Total liabilities		**1,231.0**	**570.6**
Shareholders' equity			
Share capital	**21**	765.6	783.4
Retained earnings (Restated - Note 2(C))		640.1	623.1
Contributed surplus		45.5	27.4
Accumulated other comprehensive (loss) income (Restated - Note 2(C))		(48.8)	(14.8)
Total shareholders' equity		**1,402.4**	**1,419.1**
Total liabilities and shareholders' equity		**2,633.4**	**1,989.7**

Approved by the Board of Directors on February 24, 2025.

The accompanying notes on pages 5 to 49 are an integral part of these Consolidated financial statements.

Spin Master Corp.

Consolidated statements of earnings and comprehensive earnings

(in US$ millions, except earnings per share)	Notes	Year Ended Dec 31, 2024	2023
Revenue	**4**	2,263.0	1,904.9
Cost of sales	**7, 12**	1,072.1	866.5
Gross Profit		**1,190.9**	**1,038.4**
Expenses			
Selling, general and administrative	**7**	931.9	775.7
Depreciation and amortization	**7**	72.7	25.4
Other expense, net	**5**	22.3	33.7
Foreign exchange (gain) loss, net	**8**	(1.5)	14.7
Operating Income		**165.5**	**188.9**
Interest expense	**6**	50.5	15.1
Interest income		(4.0)	(27.4)
Income before income tax expense		**119.0**	**201.2**
Income tax expense	**9**	37.1	49.8
Net Income		**81.9**	**151.4**
Earnings per share			
Basic	**22**	0.79	1.46
Diluted	**22**	0.77	1.43
Weighted average number of shares (in millions)			
Basic	**22**	103.3	103.5
Diluted	**22**	105.8	105.7

(in US$ millions)	Year Ended Dec 31, 2024	2023
Net Income	81.9	151.4
Items that may be subsequently reclassified to Net Income		
Foreign currency translation (loss) gain	(34.0)	24.8
Other comprehensive (loss) income	**(34.0)**	**24.8**
Total comprehensive income	**47.9**	**176.2**

The accompanying notes on pages 5 to 49 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 (loss) income	Total
Balance at January 1, 2023 (restated)	**2(C)**	**754.7**	**496.0**	**40.7**	**(39.6)**	**1,251.8**
Net Income		—	151.4	—	—	**151.4**
Other comprehensive income		—	—	—	24.8	**24.8**
Share-based compensation	**21**	—	—	20.1	—	**20.1**
Dividends declared	**21**	—	(18.5)	—	—	**(18.5)**
Shares issued upon settlement of long-term incentive plan	**21**	33.4	—	(33.4)	—	**—**
Subordinate voting shares purchased and cancelled	**21**	(4.7)	(5.8)	—	—	**(10.5)**
Obligation for automatic share purchase plan	**21**					**—**
Balance at December 31, 2023 (restated)		**783.4**	**623.1**	**27.4**	**(14.8)**	**1,419.1**

(in US$ millions)	Note	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive (loss) income	Total
Balance at January 1, 2024 (restated)	**2(C)**	**783.4**	**623.1**	**27.4**	**(14.8)**	**1,419.1**
Net Income		—	81.9	—	—	**81.9**
Other comprehensive loss		—	—	—	(34.0)	**(34.0)**
Share-based compensation	**21**	—	—	29.3	—	**29.3**
Dividends declared	**21**	—	(31.9)	—	—	**(31.9)**
Shares issued upon settlement of long-term incentive plan	**21**	11.2	—	(11.2)	—	**—**
Subordinate voting shares purchased and cancelled[1]	**21**	(29.0)	(26.0)	—	—	**(55.0)**
Obligation for automatic share purchase plan	**21**	—	(7.0)	—	—	**(7.0)**
Balance at December 31, 2024		**765.6**	**640.1**	**45.5**	**(48.8)**	**1,402.4**

[1] Includes premium and tax on shares repurchased and cancelled of $25.5 million and $0.5 million, respectively, in retained earnings.

The accompanying notes on pages 5 to 49 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, 2024	2023
Operating activities			
Net Income		81.9	151.4
Adjustments to reconcile net income to cash provided by operating activities			
Income tax expense	**9**	37.1	49.8
Interest expense	**6**	38.4	—
Interest income		(4.0)	(27.4)
Depreciation and amortization	**7**	136.8	130.1
Loss on disposal of non-current assets	**14, 15, 25**	1.3	1.1
Accretion expense	**6**	10.6	5.1
Amortization of facility fee costs	**6**	1.2	0.5
Loss (gain) on portfolio investments, net	**13**	0.3	(0.4)
Impairment of non-current assets	**14, 15, 16**	20.7	35.8
Loss on minority interest investments	**13**	0.5	—
Unrealized foreign exchange (gain) loss, net	**8**	(8.4)	26.1
Share-based compensation expense	**21**	29.3	20.1
Net changes in non-cash working capital	**23**	24.9	(105.1)
Net change in non-cash provisions and other assets		(21.0)	(2.1)
Fair value adjustment on inventory sold	**12**	66.3	—
Income taxes paid		(66.7)	(93.6)
Income taxes received		4.3	7.8
Interest (paid) received		(25.5)	27.8
Cash provided by operating activities		**328.0**	**227.0**
Investing activities			
Investment in property, plant and equipment	**14**	(34.0)	(28.0)
Investment in intangible assets	**15**	(83.6)	(79.4)
Business acquisitions, net of cash acquired	**27**	(952.9)	(26.5)
Investment distribution income	**28**	—	0.3
Portfolio investments	**13**	(1.1)	—
Minority interest investments	**13**	—	(2.5)
Change in restricted cash		3.1	—
Proceeds from sale of non-current assets		—	0.8
Cash used in investing activities		**(1,068.5)**	**(135.3)**
Financing activities			
Proceeds from loans and borrowings	**19**	525.0	—
Repayment of loans and borrowings	**19**	(135.0)	—
Payment of lease liabilities	**25**	(37.8)	(14.9)
Dividends paid	**21**	(27.5)	(18.4)
Repurchase of subordinate voting shares	**21**	(54.5)	(10.5)
Payment of financing costs related to the facility	**13, 19**	—	(0.3)
Cash provided by (used in) financing activities		**270.2**	**(44.1)**
Effect of foreign currency exchange rate changes on cash		(1.9)	13.8
Net (decrease) increase in cash during the year		**(472.2)**	**61.4**
Cash, beginning of the year		705.7	644.3
Cash, end of the year		**233.5**	**705.7**

The accompanying notes on pages 5 to 49 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 29).

On January 2, 2024, the Company completed the acquisition of MND Holdings I Corp ("Melissa & Doug") by acquiring all issued and outstanding capital stock (see Note 27). Melissa & Doug is a leading brand in early childhood play with offerings of open-ended, creative, and developmental toys. The results from the operations of Melissa & Doug are included in the Company's results from operations and financial position commencing January 2, 2024.

2. Summary of material accounting policy information

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

The Consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards 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 February 24, 2025.

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® Accounting Standards

Amendment to IFRS 16 Leases — Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. Effective January 1, 2024, the Company adopted the changes to IFRS 16 and the adoption of these amendments did not have a material impact on these Consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements — Non-current Liabilities with Covenants

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments also clarify the definition of a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that a company will exercise its deferral right. In addition, a requirement has been introduced whereby a company must disclose when a liability arising from a loan agreement is classified as non-current and the company's right to defer settlement is contingent on future covenants within twelve months. Effective January 1, 2024, the Company adopted the changes to IAS 1 and the adoption of these amendments did not have a material impact on these Consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures — Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity’s exposure to concentration of liquidity risk. Effective January 1, 2024, the Company adopted the changes to IAS 7 and IFRS 7 and the adoption of these amendments did not have a material impact on these Consolidated financial statements.

2. Summary of material accounting policy information *(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 earnings 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.

Prior period adjustment recorded in the current period

During the current year, an immaterial error was identified relating to the historical translation of an intercompany loan that arose prior to January 1, 2023. As a result, the opening retained earnings and accumulated other comprehensive loss have been retrospectively adjusted as at January 1, 2023. There was no impact on the current or prior year's Consolidated statements of earnings and comprehensive earnings, earnings per share, or Consolidated statements of cash flows.

	Jan 1, 2023 As previously reported	Adjustment	Jan 1, 2023 As restated
Retained earnings	477.4	18.6	496.0
Accumulated other comprehensive loss	(21.0)	(18.6)	(39.6)

(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.

2. Summary of material accounting policy information *(continued)*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment, 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.

(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

2. Summary of material accounting policy information *(continued)*

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.

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, Infant & Toddler and Plush, (ii) Activities, Games & Puzzles and Dolls & Interactive, (iii) Wheels & Action and (iv) Outdoor.

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 29 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 material accounting policy information *(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 a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised incremental borrowing 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 incremental borrowing 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 incremental borrowing 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 impairment.

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 earnings.

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 US$. The functional currency of Spin Master Corp. is the Canadian dollar ("C$"). The functional currency of the Company's consolidated subsidiaries is typically the economic currency in the associated jurisdiction. At December 31, 2024 and 2023, 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 material accounting policy information *(continued)*

Effective January 1, 2024, the functional currency of Spin Master Ltd. ("SML"), a wholly owned subsidiary of Spin Master Corp., changed from the C$ to the US$. The US$ was determined to be the functional currency of the primary economic environment in which SML operates, as the majority of the operational and financing activities are now denominated in or influenced by the US$. Considering that the underlying transactions, events and conditions that justify the change in functional currency have developed gradually, and those of greater relevance took place towards the end of 2023 and beginning of 2024, the change was made prospectively as of January 1, 2024.

(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 shares outstanding, assuming the conversion of all dilutive securities were exercised during the period. Securities refer to all outstanding share options ("Options"), Restricted Share 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 earnings 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 impairment, if any.

2. Summary of material accounting policy information *(continued)*

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.

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	2-5 years
Office equipment	3-5 years
Leasehold improvements	Lesser of the lease term or the estimated useful life
Computer hardware	3-4 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	Lesser of trademark and license term or 5 years
Customer lists	5 - 15 years
Intellectual property ("IP")	10 years
Digital games and app 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 impairment, 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 impairment.

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

2. Summary of material accounting policy information *(continued)*

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 earnings. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized only if all of the following have been demonstrated:

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

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment, 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 amortized and charged to amortization expense. The consumption of entertainment content development assets is measured through amortization expense with rates ranging from 25% to 100% at the time of delivery for a full season. Entertainment content development assets which are not fully amortized upon delivery are amortized at rates ranging from 50% to 75% of the remaining balance annually thereafter depending on the expected future benefit attributed to the entertainment content development assets.

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 and app development

Digital games and app 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 definite life tangible and intangible assets

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.

2. Summary of material accounting policy information *(continued)*

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.

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 earnings.

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 and 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.

2. Summary of material accounting policy information *(continued)*

Under the LTIP, 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 Monte Carlo 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 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
Portfolio investments	FVTPL
Minority interest investments	FVTPL/FVTOCI
Trade payables and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost
Interest payable	Amortized cost
Foreign exchange forward contracts	FVTPL
Interest rate swaps	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 other comprehensive income ("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.

2. Summary of material accounting policy information *(continued)*

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.

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 - Portfolio investments and minority interest investments

The Company measures the portfolio investments and minority interest 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 impairment 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.

2. Summary of material accounting policy information *(continued)*

Equity instruments

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

Other financial liabilities

Other financial liabilities (including 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 completed 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, 2024 and have not been early adopted by the Company.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates — Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21, which clarify the definition of exchangeability and how to estimate an exchange rate when there is a lack of exchangeability. The amendments also introduce new disclosure requirements when using an estimated exchange rate on the financial statements. These amendments apply for annual reporting periods beginning on or after January 1, 2025, with earlier adoption permitted. The Company is assessing the impact on its Consolidated financial statements.

2. Summary of material accounting policy information *(continued)*

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss, requires disclosure of management-defined performance measures, and includes new requirements for the location, aggregation and disaggregation of financial information. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. IFRS 18 will apply retrospectively. The Company is currently assessing the impact of the standard on its Consolidated financial statements.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7. The amendments relate to derecognition of financial liabilities when settling through an electronic payment system and assessment of contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features. The amendments also require additional disclosures for financial instruments with contingent features and equity instruments classified at FVTOCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The Company is currently assessing the impact of the amendments on its Consolidated financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued narrow amendments to IFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the standards. The amended standards are:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash Flows.

The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. The Company is currently assessing the impact of the amendments on its Consolidated financial statements.

3. Significant accounting judgments and estimates

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 the Company and its subsidiaries (for purposes of this section, the "Group") 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.

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

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.

(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 earnings and may result in cash payments or

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

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 27 for further details on acquisitions.

4. Revenue

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

	Year Ended Dec 31,	
(US$ millions)	**2024**	**2023**
Toy revenue	1,939.9	1,540.9
Entertainment revenue	158.6	190.1
Digital Games revenue	164.5	173.9
Revenue	**2,263.0**	**1,904.9**

5. Other expense, net

		Year Ended Dec 31,	
(US$ millions)	**Notes**	**2024**	**2023**
Impairment on non-current assets	**14, 15, 16**	20.7	35.8
Acquisition related deferred incentive compensation		2.4	7.6
Acquisition related deferred consideration	**20**	0.9	(6.8)
Investment loss (income), net	**13, 28**	0.9	(0.2)
Legal settlement expense		0.4	0.6
Other		(3.0)	(3.3)
Other expense, net		**22.3**	**33.7**

Acquisition related deferred incentive compensation includes amounts that are contingent on the continued employment of key principals as well as the achievement of certain performance metrics, over their respective requisite service periods.

Investment loss (income), net includes unrealized and realized (income)/loss on portfolio investments and minority interest investments, and share of (income)/loss from an investment in associate.

6. Interest expense

		Year Ended Dec 31,	
(US$ millions)	**Notes**	**2024**	**2023**
Interest on loans and borrowings		29.3	—
Interest on lease liabilities and accretion expense		10.6	5.1
Bank fees and financing charges		8.8	9.5
Amortization of facility fee costs		1.2	0.5
Change in fair value of interest rate swaps	**28**	0.3	—
Other		0.3	—
Interest expense		**50.5**	**15.1**

7. Expenses

Selling, general and administrative expenses

(US$ millions)	Year Ended Dec 31, 2024	2023
Administrative	451.0	365.1
Marketing	225.8	181.4
Selling	131.0	132.1
Distribution	85.8	64.2
Product development	38.3	32.9
Selling, general and administrative	**931.9**	**775.7**

Administrative expenses include the following:

(US$ millions)	Year Ended Dec 31, 2024	2023
Employee compensation and benefits	312.5	256.6
Technology, property, travel and office costs	60.8	46.8
Professional services, recruiting and training	53.1	41.8
Other	24.6	19.9
Administrative expenses	**451.0**	**365.1**

Depreciation and amortization

(US$ millions)	Notes	Year Ended Dec 31, 2024	2023
Property, plant and equipment	**14**		
Moulds, dies and tools, included in cost of sales		21.8	19.9
Equipment		6.0	2.4
Computer hardware		6.3	1.0
Building and leasehold improvements		4.6	4.7
Equipment, included in cost of sales		1.4	1.9
		40.1	**29.9**
Intangible assets	**15**		
Entertainment content development, included in cost of sales		34.4	77.7
Trademarks, licenses, IP & customer lists - definite life		10.4	3.1
Digital games and app development, included in cost of sales		6.5	5.1
Computer software		2.1	2.6
		53.4	**88.5**
Right-of-use assets	**25**	**43.3**	**11.6**
Depreciation and amortization		**136.8**	**130.1**

(US$ millions)	Year Ended Dec 31, 2024	2023
Included in cost of sales	64.1	104.7
Included in expenses	72.7	25.4
Depreciation and amortization	**136.8**	**130.1**

8. Foreign exchange

(US$ millions)	Year Ended Dec 31, 2024	2023
Unrealized foreign exchange (gain) loss, net	(8.4)	26.1
Realized foreign exchange loss (gain), net	6.9	(11.4)
Foreign exchange (gain) loss, net	**(1.5)**	**14.7**

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 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 subsidiary entity are settled and includes gains and losses related to the Company's hedging programs. The Company periodically enters into derivative financial instruments such as foreign exchange forward contracts to manage foreign currency risk on cash flows denominated in currencies other than the US$ (see Note 28).

9. Income tax

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

(US$ millions)	Year Ended Dec 31, 2024	2023
Current income tax expense	55.9	61.6
Deferred income tax recovery	(18.8)	(11.8)
Income tax expense	**37.1**	**49.8**

The income tax expense is calculated as follows:

(US$ millions)	Year Ended Dec 31, 2024		2023	
Income before income tax expense	119.0		201.2	
Income tax expense at Canadian statutory tax rate of 26.5%	31.5	26.5 %	53.3	26.5 %
Effect of:				
Currency translation[1]	11.8	9.9 %	—	— %
Unused tax losses and tax attributes not recognized as deferred tax assets	0.6	0.5 %	0.7	0.3 %
Expense not deductible in determining taxable income	0.2	0.2 %	1.8	0.9 %
Recognition of previously unrecognized tax losses and other deferred tax assets	(1.6)	(1.3)%	(0.2)	(0.1)%
Different tax rates of subsidiaries operating in other jurisdictions	(6.5)	(5.5)%	(7.8)	(3.9)%
Other	1.1	0.9 %	2.0	1.1 %
Income tax expense	**37.1**	**31.2 %**	**49.8**	**24.8 %**

[1] Effective January 1, 2024, the functional currency of SML was changed from C$ to US$. Refer to Note 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.

9. Income tax *(continued)*

Current tax assets and liabilities

As at December 31, 2024, the Company had no income tax payable (2023 - $6.6 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)	2024	2023
Deferred income tax assets	167.1	110.8
Deferred income tax liabilities	(209.9)	(59.1)
Deferred income tax liabilities, net of deferred income tax assets	**(42.8)**	**51.7**

The sources of deferred income tax balances are as follows:

(US$ millions)	2022	Recognized in net income	Foreign currency translation	2023
Property, plant and equipment	1.0	5.5	—	6.5
Intangible assets	17.8	(3.5)	0.4	14.7
Provisions	18.8	5.4	0.5	24.7
Allowance for doubtful accounts	0.1	0.3	—	0.4
Benefits of tax loss carryforwards	1.4	(0.5)	—	0.9
Other temporary differences	(0.1)	4.6	—	4.5
Deferred income tax assets, net of deferred income tax liabilities	**39.0**	**11.8**	**0.9**	**51.7**

(US$ millions)	2023	Recognized in net income	Foreign currency translation	Recognized on business combination	2024
Property, plant and equipment	6.5	1.8	(0.3)	(4.4)	3.6
Intangible assets	14.7	(6.8)	(0.7)	(130.3)	(123.1)
Provisions	24.7	(1.9)	(0.8)	—	22.0
Allowance for doubtful accounts	0.4	—	(0.1)	1.3	1.6
Benefits of tax loss carryforwards	0.9	(3.6)	—	12.0	9.3
Other temporary differences	4.5	29.3	(0.3)	10.3	43.8
Deferred income tax liabilities, net of deferred income tax assets	**51.7**	**18.8**	**(2.2)**	**(111.1)**	**(42.8)**

Unused tax losses

As at December 31, 2024, the Company had unused tax losses of $7.8 million (2023 - $9.1 million). Unused tax losses of $0.5 million will expire between 2025 and 2034, $1.9 million will expire beyond 2034 and $5.4 million may be carried forward indefinitely. There were no unrecognized deductible temporary differences for the year ended December 31, 2024 (2023 - $nil).

Unrecognized taxable temporary differences associated with investments in subsidiaries

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized as at December 31, 2024 are $274.4 million (2023 - $310.0 million).

10. Cash

As at December 31, 2024, the Company held $7.7 million of cash in a geographic region which is subject to certain limitations.

11. Trade and other receivables, net

Trade receivables

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Trade receivables[1]	797.0	660.1
Provisions for sales allowances	(286.4)	(241.7)
Allowance for doubtful accounts	(11.2)	(4.0)
Trade receivables, net	**499.4**	**414.4**

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

Trade receivables past due but not impaired

(US$ millions)	Dec 31, 2024	Dec 31, 2023
61-90 days	12.6	6.4
91-120 days	4.4	0.7
> 120 days	26.8	9.0
Total trade receivables past due but not impaired	**43.8**	**16.1**

Movement in the allowance for doubtful accounts

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Balance, beginning of year	4.0	1.5
Acquired through business combinations	4.9	—
Net impairment recognized	7.0	3.7
Amounts written off during the year as uncollectible	(4.5)	(1.1)
Foreign currency translation	(0.2)	(0.1)
Balance, end of year	**11.2**	**4.0**

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, 2024	Dec 31, 2023
Investment tax credits receivables	46.2	48.9
Sales tax receivables	3.6	4.1
Other	5.1	7.0
Other receivables	**54.9**	**60.0**

12. Inventories, net

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Raw materials	1.5	2.7
Finished goods	183.2	95.3
Inventories, net	**184.7**	**98.0**

Inventories as at December 31, 2024 are net of $15.1 million for the provision of inventories to net realizable value (December 31, 2023 - $9.0 million).

The cost of inventories recognized as an expense in cost of sales during the year ended December 31, 2024 was $945.2 million (2023 - $705.2 million).

The Company acquired $179.6 million of inventories as part of the acquisition of Melissa & Doug, of which $66.3 million relates to the fair value adjustment, representing the difference between inventory cost and its fair value. The

12. Inventories, net *(continued)*

fair value adjustment is recognized as an expense in cost of sales as the related inventories are sold. For the year ended December 31, 2024, the Company recognized $66.3 million of the fair value adjustment in cost of sales, which reduced gross profit realized in the year.

During the year ended December 31, 2024, included within cost of sales in the Consolidated statements of earnings and comprehensive earnings was a cost of $8.1 million (2023 - $7.4 million) related to finished goods inventories written down to net realizable value.

13. Prepaid expenses and other assets

(US$ millions)	Notes	Dec 31, 2024	Dec 31, 2023
Prepaid expenses		25.4	35.2
Advances on royalties		16.8	1.6
Unrealized foreign exchange gain on financial instruments	**28**	6.5	4.1
Prepaid expenses and other assets		**48.7**	**40.9**

(US$ millions)	Notes	Dec 31, 2024	Dec 31, 2023
Minority interest investments		9.0	11.3
Investment tax credits - non-current portion		5.6	4.6
Portfolio investments	**28**	4.5	3.7
Advances on royalties		4.0	5.0
Trade receivables - non-current portion		3.4	—
Investment in associate		3.4	—
Unamortized facility fee costs	**19**	—	1.7
Other non-current assets		—	0.2
Other assets, non-current		**29.9**	**26.5**

Minority interest investments

Minority interest investments classified as FVTOCI is comprised 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.

During the year ended December 31, 2024, there were no new minority interest investments acquired. In 2023, the Company invested $2.5 million in existing minority interest investments classified as FVTPL.

The carrying value of the five minority interest investments held as at December 31, 2024 (December 31, 2023 - seven investments) were as follows:

	Carrying value at,	
(US$ millions)	Dec 31, 2024	Dec 31, 2023
Minority interest investments classified as FVTOCI	3.0	3.0
Minority interest investments classified as FVTPL	6.0	8.3
Minority interest investments	**9.0**	**11.3**

For the year ended December 31, 2024, the Company recognized $0.5 million loss (2023 - $nil) on the minority interest investments in the Consolidated statements of earnings and comprehensive earnings.

Investment in associate

During the year ended December 31, 2024, the Company invested an additional $2.0 million. Prior to December 31, 2024, the Company had an investment of $1.8 million, previously recognized as minority interest investment classified as FVTPL. Investment in associate is accounted for under the equity method and initially recognized at cost and the carrying amount is subsequently adjusted based on the Company's share of the associate's income or

13. Prepaid expenses and other assets *(continued)*

loss. For the year ended December 31, 2024, the Company recognized $0.1 million of loss from its associate and foreign currency translation of $0.3 million.

Portfolio investments

For the year ended December 31, 2024, the Company recognized $0.3 million net unrealized loss (2023 - net unrealized gain of $0.1 million). The Company did not recognize any distribution income for the year ended December 31, 2024 (2023 - $0.1 million).

From inception, the Company has paid $3.9 million (2023 - $2.8 million) for portfolio investments and is committed to paying the remaining $2.1 million (2023 - $0.2 million) upon receiving capital calls over the remaining term of the investment agreements. The portfolio investments are held for medium to long-term strategic purposes (see Note 28).

14. Property, plant and equipment

(US$ millions)	Note	Moulds, dies and tools	Equipment	Land, building and leasehold improvements	Computer hardware	Total
Cost						
Balance at Dec 31, 2022		176.1	30.2	39.7	12.6	258.6
Additions		20.6	1.9	3.7	1.8	28.0
Disposals		(38.3)	(5.5)	(3.0)	(0.6)	(47.4)
Impairment		(0.9)	—	—	—	(0.9)
Assets acquired through business combinations	**27**	0.4	—	—	—	0.4
Foreign currency translation		(2.2)	0.3	0.8	0.4	(0.7)
Balance at Dec 31, 2023		**155.7**	**26.9**	**41.2**	**14.2**	**238.0**
Additions		22.8	2.7	2.7	5.8	34.0
Disposals		(7.5)	(6.2)	(5.3)	(6.3)	(25.3)
Impairment		(0.5)	—	—	—	(0.5)
Assets acquired through business combination	**27**	5.0	12.2	13.4	6.5	37.1
Foreign currency translation		(5.4)	(0.4)	(0.5)	(0.2)	(6.5)
Balance at Dec 31, 2024		**170.1**	**35.2**	**51.5**	**20.0**	**276.8**
Accumulated depreciation and impairment						
Balance at Dec 31, 2022		(156.9)	(23.1)	(30.9)	(11.7)	(222.6)
Depreciation		(19.9)	(4.3)	(4.7)	(1.0)	(29.9)
Disposals		37.1	4.6	2.7	0.7	45.1
Foreign currency translation		3.2	(0.4)	(0.6)	(0.2)	2.0
Balance at Dec 31, 2023		**(136.5)**	**(23.2)**	**(33.5)**	**(12.2)**	**(205.4)**
Depreciation		(21.8)	(7.4)	(4.6)	(6.3)	(40.1)
Disposals		6.2	6.1	4.7	6.4	23.4
Foreign currency translation		4.7	0.4	0.2	0.2	5.5
Balance at Dec 31, 2024		**(147.4)**	**(24.1)**	**(33.2)**	**(11.9)**	**(216.6)**
Net carrying amount						
Balance at Dec 31, 2023		**19.2**	**3.7**	**7.7**	**2.0**	**32.6**
Balance at Dec 31, 2024		**22.7**	**11.1**	**18.3**	**8.1**	**60.2**

At December 31, 2024, the Company assessed tangible assets for any indication of impairment and noted no indicators with the exception of those related to certain tooling assets. Impairment is recorded when the carrying amount of the asset exceeds its recoverable amount. For the year ended December 31, 2024, the Company recorded impairment of $0.5 million (2023 - $0.9 million), related to tooling in Other expense, net within the Consolidated statements of earnings and comprehensive earnings.

15. 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 Dec 31, 2022		159.7	56.1	290.8	34.8	36.9	578.3
Additions[1]		3.3	—	54.0	19.1	3.0	79.4
Disposals		—	—	—	—	(0.1)	(0.1)
Impairment		—	—	(6.4)	(0.7)	(1.1)	(8.2)
Assets acquired through business combinations	**27**	12.5	3.7	—	—	—	16.2
Foreign currency translation		0.6	0.2	7.4	1.6	0.9	10.7
Balance at Dec 31, 2023		**176.1**	**60.0**	**345.8**	**54.8**	**39.6**	**676.3**
Additions		—	—	45.9	29.4	8.3	83.6
Impairment		—	—	(1.8)	(7.0)	—	(8.8)
Assets acquired through business combination	**27**	431.0	105.2	—	—	—	536.2
Foreign currency translation		(0.1)	(0.2)	0.1	(4.2)	—	(4.4)
Balance at Dec 31, 2024		**607.0**	**165.0**	**390.0**	**73.0**	**47.9**	**1,282.9**
Accumulated amortization							
Balance at Dec 31, 2022		—	(36.7)	(213.7)	(17.7)	(30.4)	(298.5)
Amortization		—	(3.1)	(77.7)	(5.1)	(2.6)	(88.5)
Disposal		—	—	—	—	0.1	0.1
Foreign currency translation		—	(0.8)	(6.1)	(0.5)	(0.7)	(8.1)
Balance at Dec 31, 2023		**—**	**(40.6)**	**(297.5)**	**(23.3)**	**(33.6)**	**(395.0)**
Amortization		—	(10.4)	(34.4)	(6.5)	(2.1)	(53.4)
Disposal		—	—	—	—	(0.1)	(0.1)
Asset impairments		—	—	—	1.5	—	1.5
Foreign currency translation		—	0.1	(0.2)	1.6	—	1.5
Balance at Dec 31, 2024		**—**	**(50.9)**	**(332.1)**	**(26.7)**	**(35.8)**	**(445.5)**
Net carrying amount							
Balance at Dec 31, 2023		**176.1**	**19.4**	**48.3**	**31.5**	**6.0**	**281.3**
Balance at Dec 31, 2024		**607.0**	**114.1**	**57.9**	**46.3**	**12.1**	**837.4**

[1] On April 14, 2023, the Company recorded an addition of $3.3 million in indefinite life brands as a result of the assets acquired from a games & puzzles company.

The Company's Entertainment content development and Digital games and app development assets are comprised primarily of internally generated intangible assets. As at December 31, 2024, the range of remaining useful life of these definite life intangible assets based on their net carrying amount is one to five years.

Intangible asset impairment - definite life assets

At December 31, 2024, the Company assessed intangible assets for any indication of impairment. For the year ended December 31, 2024, the Company recorded impairment of $5.5 million (2023 - $0.7 million) related to Digital games app development, $1.8 million (2023 - $6.4 million) related to entertainment content projects no longer in active development, and $nil (2023 - $1.1 million) related to computer software within Other expense, net in the Consolidated statements of earnings and comprehensive earnings.

15. Intangible assets (*continued*)

Indefinite life brands

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

(US$ millions)	Notes	Dec 31, 2024	Dec 31, 2023
Melissa & Doug	**27**	431.0	—
Games and Puzzles		43.4	43.5
Rubik's		40.6	40.7
Plush		33.9	33.9
Outdoor		28.5	28.5
Etch A Sketch		7.2	7.2
Wheels & Action		4.8	4.8
Meccano		2.3	2.3
Toys intangible assets		591.7	160.9
Digital Games intangible assets		15.3	15.3
Total		**607.0**	**176.2**

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. The recoverable amount of the CGUs for indefinite life brands have been determined on the same basis and assumptions as goodwill (see Note 16).

For the year ended December 31, 2024, the Company completed its annual impairment tests for indefinite life brands and did not recognize any impairment (2023 - $nil).

16. Goodwill

(US$ millions)	Notes	Dec 31, 2024	Dec 31, 2023
Balance, beginning of year		165.9	179.0
Additions during the year	**27**	215.4	12.4
Impairment recognized in the year		(12.9)	(26.7)
Foreign currency translation		(0.3)	1.2
Balance, end of year		**368.1**	**165.9**

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

(US$ millions)	Notes	Dec 31, 2024	Dec 31, 2023
Melissa & Doug	**27**	215.4	—
Games and Puzzles		61.5	61.5
Rubik's		23.0	23.0
Digital Games		19.7	22.6
Outdoor[1]		12.4	22.4
Plush		20.3	20.3
Toys		7.5	7.5
Wheels and Action		3.1	3.1
Other		5.2	5.5
Goodwill		**368.1**	**165.9**

[1] Outdoor CGU was previously referred to as SwimWays.

16. Goodwill *(continued)*

Intangible asset impairment - goodwill and indefinite life brands

In assessing goodwill and indefinite life intangible assets for impairment at December 31, 2024 and 2023, 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 8.6% to 12.8% (2023 - 11.3% to 19.6%).

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% (2023 - 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, 2024, there was $12.9 million (2023 - $26.7 million) impairment of goodwill recognized, comprised of $10.0 million for the Outdoor CGU and $2.9 million for a gaming studio within the Digital Games CGU, reflecting changes in management's strategies. The impairment was recognized within Other expense, net in the Consolidated statements of earnings and comprehensive earnings.

17. Trade payables and accrued liabilities

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Trade payables	224.2	189.2
Accrued liabilities	205.3	196.2
Trade payables and accrued liabilities	**429.5**	**385.4**

Accrued liabilities are comprised of payroll related liabilities, accrued royalties, commodity tax, dividends payable, and other liabilities. As at December 31, 2024, $8.5 million of dividends payable is included in accrued liabilities (December 31, 2023 - $4.6 million) (see Note 21).

As at December 31, 2024, accrued liabilities include a restructuring liability of $1.6 million, which is expected to be paid within the next 12 months (December 31, 2023 - $3.5 million), with a corresponding expense recorded in Selling, general and administrative expenses in the Consolidated statements of earnings and comprehensive earnings.

18. 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, 2024, the Company had deferred revenue of $22.0 million (December 31, 2023 - $11.0 million).

For the year ended December 31, 2024, the Company recognized revenue of $1.4 million (2023 - $11.9 million) relating to amounts previously deferred.

19. Loans and borrowings

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Unsecured debt (at amortized cost)		
Facility (i)	165.0	—
Acquisition Facility (ii)	225.0	—
	390.0	—
Less:		
Unamortized financing costs	(0.9)	—
Total unamortized financing costs	**(0.9)**	**—**
Current	389.1	—
Non-current	—	—
Total loans and borrowings	**389.1**	**—**

Unsecured Debt

Bank facilities

i. The Company has an unsecured 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. During the year ended December 31, 2024, the Company drew $300.0 million and repaid $135.0 million against the Facility.

Total financing costs of $1.8 million, which include Facility amendment fees and related legal fees, are offset in Loans and borrowings and are being amortized over the term of the amended and restated agreement. This facility is subject to the maintenance of certain financial covenants.

As at December 31, 2024, there was $4.8 million (December 31, 2023 - $1.5 million) in letters of credit outstanding under the Facility.

ii. On November 20, 2023, the Company entered into a non-revolving credit facility (the "Acquisition Facility") with a borrowing capacity of $225.0 million, which contains certain financial covenants. On November 15, 2024, the Company entered into an agreement to amend and restate its existing Acquisition Facility, which now matures on September 30, 2025. The Acquisition Facility was used to fund the acquisition of Melissa & Doug. Total financing costs of $0.9 million, which include facility arranger fees, agency fees and related legal fees, are offset in Loans and borrowings and are being amortized over the term of the Acquisition Facility. This facility is subject to the maintenance of certain financial covenants.

During the year ended December 31, 2024, the Company drew $225 million and made no repayment against the Acquisition Facility.

For the year ended December 31, 2024, the weighted average interest rates on the Facility and Acquisition Facility were both 6.5% (2023 - N/A).

As at December 31, 2023, unamortized financing costs of $1.7 million are included in Prepaid expenses and other assets in the Consolidated statements of financial position.

The Company was in compliance with all financial covenants as at December 31, 2024 and December 31, 2023.

Bank overdraft facility

The Company has an uncommitted overdraft facility agreement (the "European Facility") for $15.9 million (equivalent to €15.0 million). The European Facility will be used, if needed, to fund working capital requirements in Europe. As at December 31, 2024, the outstanding balance was $nil (December 31, 2023 - $nil).

Secured Debt

Bank facilities

The Company has an uncommitted revolving credit facility to finance television and film production (the "Production Facility"). The limit of the Production Facility is $7.4 million (equivalent to C$10.0 million). As at December 31, 2024, the outstanding balance of the Production Facility was $nil (December 31, 2023 - $nil).

20. Provisions

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Deferred Consideration[(i)]	19.2	26.7
Defectives[(ii)]	12.5	14.5
Supplier liabilities[(iii)]	3.5	5.2
Provisions	**35.2**	**46.4**
Current	24.7	32.1
Non-current	10.5	14.3
Provisions	**35.2**	**46.4**

(US$ millions)	Deferred consideration[(i)]	Defectives[(ii)]	Supplier liabilities[(iii)]	Total
Dec 31, 2022	**26.7**	**13.6**	**5.4**	**45.7**
Provisions recognized	14.2	9.7	1.5	**25.4**
Accretion recognized	1.2	—	—	**1.2**
Payments	(8.7)	(9.0)	(1.7)	**(19.4)**
Revaluation of provisions	(6.7)	0.2	—	**(6.5)**
Dec 31, 2023	**26.7**	**14.5**	**5.2**	**46.4**
Provisions recognized	4.1	10.7	—	**14.8**
Accretion recognized	1.6	—	—	**1.6**
Payments	(12.5)	(12.8)	(1.7)	**(27.0)**
Revaluation of provisions	(0.7)	0.1	—	**(0.6)**
Dec 31, 2024	**19.2**	**12.5**	**3.5**	**35.2**

(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 earnings. Accrued deferred incentive compensation is recorded in Other expense, net in the Consolidated statements of earnings and comprehensive earnings. 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 earnings.

(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 earnings.

(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 earnings.

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, considering 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.

21. Share capital

(a) Authorized as at December 31, 2024 and December 31, 2023

- 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 the proceeds of liquidation, dissolution or winding up of the Company.

	Year Ended Dec 31, 2024		Year Ended Dec 31, 2023	
	Shares (millions)	**Amount (US$ millions)**	**Shares (millions)**	**Amount (US$ millions)**
Multiple voting shares:				
Outstanding, beginning of period	68.7	350.5	68.7	350.5
Conversion to subordinate voting shares	(0.2)	—	—	—
Outstanding, end of period	**68.5**	**350.5**	**68.7**	**350.5**
Subordinate voting shares:				
Outstanding, beginning of year	35.0	432.9	34.2	404.2
Issuance of subordinate voting shares	1.1	11.2	1.2	33.4
Subordinate voting shares purchased and cancelled	(2.4)	(29.0)	(0.4)	(4.7)
Conversion from multiple voting shares	0.2	—	—	—
Outstanding, end of year	**33.9**	**415.1**	**35.0**	**432.9**
Shares issued and outstanding, end of year	**102.4**	**765.6**	**103.7**	**783.4**

On February 28, 2024, 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 repurchases its subordinate voting shares on the open market at its discretion and subject to compliance with applicable securities laws and the rules of the TSX. The NCIB period commenced on March 4, 2024, and will end on the earlier of March 3, 2025, and the completion of purchases under the NCIB, of up to 2,984,559 subordinate voting shares, which represented approximately 10% of the "public float" (within the meaning of the rules of the TSX) upon launch of the NCIB.

During the year ended December 31, 2024, the Company repurchased and cancelled 2,370,960 (2023 - 397,700) subordinate voting shares for $54.5 million (2023 - $10.5 million).

On December 16, 2024, the Company entered into an automatic share purchase plan ("ASPP") to purchase the subordinate voting shares under the NCIB for a period up to February 26, 2025. As at December 31, 2024, an obligation for the outstanding repurchase commitments in the amount of $7.0 million has been recognized in trade payables and accrued liabilities. Subsequent to December 31, 2024, the Company repurchased and cancelled 30,100 subordinate voting shares for $0.6 million.

21. Share capital *(continued)*

The following table summarizes the Company's activities under the NCIB for the years ended December 31, 2024 and 2023:

	Year Ended Dec 31,	
(US$ millions, unless otherwise noted)	**2024**	**2023**
Subordinate voting shares repurchased for cancellation (number of shares)	2,370,960	397,700
Consideration	54.5	10.5
Reduction in share capital	29.0	4.7
Premium on repurchased and cancelled shares recorded in retained earnings	25.5	5.8

The Company paid and declared its first quarterly dividend in the third quarter of 2022. The following table provides a summary of dividends declared and paid in 2024 and 2023.

Declaration Date	Record Date	Payment Date	Dividend per Share (C$)	Dividends declared and paid (in US$ millions)[1]
Feb 24, 2025	Mar 28, 2025	Apr 11, 2025	0.12	—
Oct 30, 2024	Dec 27, 2024	Jan 10, 2025	0.12	9.1
Jul 30, 2024	Sep 27, 2024	Oct 11, 2024	0.12	9.1
May 7, 2024	Jun 28, 2024	Jul 12, 2024	0.12	9.1
Feb 28, 2024	Mar 29, 2024	Apr 12, 2024	0.06	4.6
Nov 1, 2023	Dec 29, 2023	Jan 12, 2024	0.06	4.6
Aug 2, 2023	Sep 29, 2023	Oct 13, 2023	0.06	4.6
May 3, 2023	Jun 30, 2023	Jul 14, 2023	0.06	4.7
Mar 8, 2023	Mar 31, 2023	Apr 14, 2023	0.06	4.6
Nov 2, 2022	Dec 30, 2022	Jan 13, 2023	0.06	4.6

[1] Dividends declared on Feb 24, 2025 will be accrued on record date of Mar 28, 2025.

During the year ended December 31, 2024, dividends of $27.5 million (2023 - $18.4 million) were paid.

In 2023, the Company implemented a Dividend Reinvestment Plan (the "DRIP"). The DRIP provides the Company's eligible shareholders with the opportunity to have all or a portion of the cash dividends declared on their subordinate voting shares or multiple voting shares automatically reinvested into additional subordinate voting shares of the Company on an ongoing basis.

(b) Share-based plans

The total expense recognized for employee services received during the years ended for December 31, 2024 and 2023 for equity-settled transactions is shown in the following table:

	Year Ended Dec 31,	
(US$ millions)	**2024**	**2023**
Equity-settled RSUs and PSUs	29.3	20.1

Share-based compensation expense is recorded in administrative expenses in the Consolidated statements of earnings and comprehensive earnings 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 subordinate voting shares from treasury. Under the LTIP, the Board of Directors 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, 2024, 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, 2023 - 9,669,599). As at December 31, 2024, 1,664,257 (December 31, 2023 - 2,952,265) subordinate voting shares remained reserved for issuance under the LTIP.

The Company settled vested LTIP grants through the issuance of shares. For the year ended December 31, 2024, $11.2 million (2023 - $33.4 million) was transferred from contributed surplus to share capital, which is net of $12.0 million related to a reclassification between share capital and contributed surplus for historical LTIP settlements.

21. Share capital *(continued)*

Restricted Share Units and Performance Share Units

RSUs and PSUs are granted to eligible persons by the Company's Board of Directors. The Board of Directors determines the grant value and valuation date for each grant. RSUs and PSUs vest from the date of grant in accordance with the vesting schedule determined by the Board of Directors and set out in the applicable grant agreement for each Eligible Person.

Below is a summary of the activity related to RSUs outstanding as at December 31, 2024 and December 31, 2023.

(number of units)	Dec 31, 2024	Dec 31, 2023
Outstanding, beginning of year	1,146,027	1,082,423
Granted	895,671	676,978
Exercised	(617,330)	(562,775)
Forfeited	(93,637)	(50,599)
Outstanding, end of year	**1,330,731**	**1,146,027**

Below is a summary of the activity related to PSUs outstanding as at December 31, 2024 and December 31, 2023.

(number of units)	Dec 31, 2024	Dec 31, 2023
Outstanding, beginning of year	722,624	1,006,332
Granted	494,721	404,009
Exercised	(424,113)	(665,519)
Forfeited	(29,568)	(22,198)
Outstanding, end of year	**763,664**	**722,624**

Share Options ("Options")

Under the LTIP, the Company may issue Options. 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 2024 and 2023. As at December 31, 2024, 476,224 (December 31, 2023 - 476,224) Options are outstanding with a weighted average exercise price of C$34.78 (December 31, 2023 - C$34.78).

	Dec 31, 2024		Dec 31, 2023	
	Number of share options	Weighted average exercise price (CAD)	Number of share options	Weighted average exercise price (CAD)
Outstanding, beginning of year	476,224	34.78	483,426	34.97
Exercised	—	—	—	—
Forfeited and/or expired	—	—	(7,202)	47.52
Outstanding, end of year	**476,224**	**34.78**	**476,224**	**34.78**
Exercisable options	**476,224**	**34.78**	**476,224**	**34.78**

		Dec 31, 2024		Dec 31, 2023
Exercise price	Number of Share Options Outstanding	Weighted average remaining contractual life (years)	Number of Share Options Outstanding	Weighted average remaining contractual life (years)
$22.94	179,069	1.3	179,069	2.3
$37.64	125,516	2.2	125,516	3.2
$37.96	86,185	4.1	86,185	5.1
$52.20	85,454	3.2	85,454	4.2
Total	**476,224**	**2.4**	**476,224**	**3.4**

21. Share capital *(continued)*

Deferred Share Unit Plan

Deferred Share Units ("DSUs") are designed to promote greater alignment of long-term interests between members of the Board of Directors and shareholders, by allowing Board of Directors members to elect to receive cash remuneration in the form of DSUs, cash or combination thereof. The DSUs vest immediately upon grant but are not redeemed until the Board of Directors member ceases to serve on the Company's Board of Directors.

Below is a summary of the activity related to the DSUs outstanding as at December 31, 2024 and December 31, 2023.

(number of units)	Dec 31, 2024	Dec 31, 2023
Outstanding, beginning of year	256,680	187,864
Granted	81,102	72,506
Exercised	(60,744)	(3,690)
Outstanding, end of year	**277,038**	**256,680**

The fair value of the DSUs is determined to be the share price on the grant date. Share based compensation expense of $1.9 million (2023 - $1.9 million) was recorded for the year ended December 31, 2024.

There was $0.2 million mark to market gain on DSUs outstanding (2023 - loss of $0.1 million) for the year ended December 31, 2024.

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

For the year ended December 31, 2024, the total share-based compensation expense of $29.3 million (2023 - $20.1 million) includes the equity-settled RSU and PSU share based compensation of $29.5 million (2023 - $20.1 million) and the mark to market gain on DSUs of $0.2 million (2023 - loss of $0.1 million).

22. Earnings per share

(US$ millions, except per share amounts)	Year Ended Dec 31, 2024	2023
Net Income	81.9	151.4
Weighted average number of shares (in millions)	103.3	103.5
Dilutive effect of equity[1]	2.5	2.2
Diluted weighted average number of shares (in millions)	105.8	105.7
Basic earnings per share	**0.79**	**1.46**
Diluted earnings per share	**0.77**	**1.43**

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

23. Net changes in non-cash working capital

(US$ millions)	Year Ended Dec 31, 2024	2023
(Increase) decrease in assets:		
Trade receivables, net[1]	19.8	(111.9)
Other receivables	5.0	(13.0)
Inventories, net	26.6	8.0
Prepaid expenses and other assets	(0.8)	(18.8)
	50.6	**(135.7)**
Increase (decrease) in liabilities:		
Trade payables and accrued liabilities	(39.3)	36.3
Deferred revenue	11.0	(0.5)
Provisions	2.6	(5.5)
Other	—	0.3
	(25.7)	**30.6**
Net changes in non-cash working capital	**24.9**	**(105.1)**

[1] Includes a change in presentation from trade receivables to non-current other assets of $11.4 million in 2024.

24. 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 on terms equivalent to those that prevail in arm's length transactions.

For the year ended December 31, 2024, related party transactions were included in administrative expenses in the Consolidated statements of earnings and comprehensive earnings of the Company in the amount of $1.0 million (2023 - $2.0 million). As at December 31, 2024, amounts payable to the director's law firm were $0.2 million (December 31, 2023 - $0.4 million).

For the year ended December 31, 2024, the Company paid incentive compensation related liabilities of $1.5 million on behalf of three members of the Company's Board of Directors (2023 - $3.7 million). These amounts were repaid by all three directors to the Company in the second quarter of 2024.

Compensation of key management personnel

The compensation of directors and other key management personnel for the years ended December 31, 2024 and December 31, 2023 was as follows:

(US$ millions)	Year Ended Dec 31, 2024	2023
Salaries, wages and bonuses	5.4	5.8
Share-based compensation	5.5	8.6
Employee benefits	0.2	0.3
Total compensation of key management personnel	**11.1**	**14.7**

25. Leases

Amounts recognized in the Consolidated statements of financial position

Leased distribution centres represented approximately 53% of the right-of-use assets with the remainder comprised of leases of office buildings, 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 as "Equipment". The weighted average lease term for both classes is 8 years (2023 - 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
Jan 1, 2023	62.1	0.8	62.9
Additions	0.6	0.5	1.1
Disposals	(3.0)	(0.3)	(3.3)
Modifications	3.5	0.1	3.6
Depreciation	(11.1)	(0.5)	(11.6)
Foreign currency translation	0.9	—	0.9
Dec 31, 2023	**53.0**	**0.6**	**53.6**
Additions	52.9	0.4	53.3
Disposals	(1.1)	—	(1.1)
Assets acquired through business combinations (Note 27)	85.7	0.3	86.0
Modifications	2.5	0.1	2.6
Depreciation	(42.7)	(0.6)	(43.3)
Foreign currency translation	(1.5)	(0.1)	(1.6)
Dec 31, 2024	**148.8**	**0.7**	**149.5**

(US$ millions)	Lease liabilities
Jan 1, 2023	71.2
Additions	1.0
Disposals	(3.6)
Modifications	3.5
Interest expense	3.9
Lease payments	(14.9)
Foreign currency translation	1.0
Dec 31, 2023	**62.1**
Additions	53.0
Disposals	(1.2)
Liabilities assumed upon acquisition (Note 27)	61.2
Modifications	1.7
Interest expense	9.2
Lease payments	(37.8)
Foreign currency translation	(2.8)
Dec 31, 2024	**145.3**

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Lease liabilities, current	22.3	11.4
Lease liabilities, non-current	123.0	50.7
Total lease liabilities	**145.3**	**62.1**

Extension and termination options are included in a number of building and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts.

25. Leases *(continued)*

Amounts recognized in the Consolidated statements of earnings and comprehensive earnings

(US$ millions)	2024	2023
Depreciation expense on right-of-use assets	43.3	11.6
Interest expense on lease liabilities	9.2	3.9
Loss on disposal of right-of-use assets	1.0	0.4
Expense relating to leases of short term and low value assets	1.3	1.6
Expense relating to variable lease payments not included in measurement of lease liability	9.1	8.0
Total	**63.9**	**25.5**

26. Commitments for expenditures

Licensing and similar agreements in effect at December 31, 2024 that contain provisions for future minimum payments, include the following:

As at December 31, 2024	Less than 1 year to greater than 5 years			
(US$ millions)	< 1 Year	1-5 Years	> 5 Years	Total
Lease liabilities - undiscounted	37.5	98.6	36.7	172.8
Guaranteed payments due to licensors	17.9	31.6	—	49.5
Purchase commitments	25.6	20.8	—	46.5
Other	0.1	—	—	0.1
Total commitments	**81.1**	**151.0**	**36.7**	**268.9**

27. Business acquisitions

Acquisition of MND Holdings I Corp

On January 2, 2024, the Company, through its subsidiaries, completed the acquisition of all issued and outstanding capital stock of MND Holdings I Corp. Melissa & Doug is a leading brand in early childhood play with offerings of open-ended, creative, and developmental toys. Management performed an analysis under IFRS 3, Business Combinations (“IFRS 3”) and has determined that the assets and processes acquired comprised a business and accounted for the transaction as a business combination using the acquisition method of accounting. The addition of Melissa & Doug complements the Company's existing offering by adding complementary early childhood products and further diversifies its portfolio across new channels and formats. This acquisition has been reported in the Toys segment within the Preschool, Infant & Toddler and Plush product category and included in the Melissa & Doug CGU beginning from the date of acquisition.

On January 2, 2024, cash consideration paid was $991.7 million, which includes $36.2 million in cash acquired, resulting in net purchase consideration of $955.5 million. During the year ended December 31, 2024, the purchase consideration was reduced by $2.6 million for working capital adjustments, resulting in purchase consideration of $989.1 million. The purchase consideration was allocated to the identifiable intangible assets based on their estimated fair values of $536.2 million (related to brands and customer relationships), tangible assets of $501.4 million and assumed liabilities of $263.9 million with the remaining $215.4 million allocated to goodwill. The Company funded the acquisition with $466.7 million cash and $525.0 million of debt. The debt was sourced through a drawdown of $300.0 million from the Facility and $225.0 million from the Acquisition Facility (see Note 19).

The Company incurred $9.1 million in transaction related costs which were included in administrative expenses in the Consolidated statements of earnings and comprehensive earnings.

The purchase price allocation is based on management's best estimates of fair value. The tables below summarize the purchase price allocation of the purchase consideration of $989.1 million:

27. Business acquisitions *(continued)*

Assets acquired and liabilities assumed at the date of acquisition

(US$ millions)	Fair value as at Jan 2, 2024
Assets acquired	
Cash	36.2
Restricted Cash	3.1
Inventories, net	179.6
Prepaid expenses and other assets	3.0
Trade receivables, net	104.7
Deferred income tax assets	50.5
Intangible assets	536.2
Other assets	1.2
Property, plant and equipment	37.1
Right-of-use assets	86.0
	1,037.6
Liabilities assumed	
Trade payables and accrued liabilities	39.6
Deferred income tax liabilities	161.6
Lease liabilities	61.2
Income tax payable	0.7
Provisions	0.8
	263.9
Fair value of identifiable net assets acquired	**773.7**

Goodwill arising on acquisition

Purchase consideration	989.1
Fair value of identifiable net assets acquired	773.7
Goodwill arising from transaction	**215.4**

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. In finalizing the purchase price allocation for the year ended December 31, 2024, deferred tax assets was reduced by $2.6 million, lease liabilities was increased by $0.5 million from lease liabilities and right of use assets was increased by $1.4 million, resulting in an increase of goodwill by $1.7 million. As at December 31, 2024, $215.4 million of goodwill is not expected to be deductible for income tax purposes.

Net cash outflow on acquisition

Cash consideration	991.7
Less: cash balance acquired	36.2
Net cash outflow on acquisition	**955.5**

Impact of acquisition on the results of the Company

Included in the Company's financial results for the year ended December 31, 2024 is $374.7 million in revenue and $35.4 million in operating income attributable to the acquisition.

27. Business acquisitions *(continued)*

Summary of prior year acquisitions

Acquisition of certain assets from 4D Brands International Inc

On January 17, 2023, the Company acquired certain assets from 4D Brands International Inc. and 4D Cityscape Worldwide Limited, (collectively, the “Vendors”) creators of puzzle games. Management performed an analysis under IFRS 3 and has determined that the assets and processes acquired comprised a business and accounted for the transaction as a business combination using the acquisition method of accounting. This acquisition complements the Company’s existing games and puzzles 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 total purchase consideration of $18.9 million is comprised of $14.6 million cash consideration and $4.1 million contingent consideration related to the estimated fair value of future royalties as well as certain performance metrics. The contingent consideration is recorded in provisions and contingent liabilities in the Consolidated statements of financial position.

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, $9.3 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 $4.1 million in deferred payments for future royalties recorded in provisions in the Consolidated statements of financial position. 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 $7.4 million.

Acquisition of certain assets from Innovation First International, Inc.

On February 2, 2023, the Company acquired certain assets from Innovation First, Inc., Innovation First International Inc., Innovation First Labs, Inc., Innovation First Logistics., Inc. Management performed an analysis under 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 an opportunity for Spin Master to enter the niche market of robotic toys and grow the *HEXBUG* brand. The acquired business has been reported in the Toys segment within the Wheels & Action product category and included in the Wheels & Action CGU beginning from the date of acquisition.

The total purchase consideration of $14.6 million is comprised of $12.9 million cash consideration and $1.4 million contingent consideration related to the estimated fair value of future royalties. The contingent consideration is recorded in provisions and contingent liabilities in the Consolidated statements of financial position.

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, $3.1 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 $1.4 million in deferred payments for future royalties. The contingent consideration is recorded in provisions in the Consolidated statements of financial position. The future royalties are payable to the vendor upon the achievement of key performance indicators over a seven-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 $3.7 million.

27. Business acquisitions *(continued)*

Assets acquired and liabilities recognized at the date of acquisition

(US$ millions)	4D Brands International Inc Fair value as at Jan 17, 2023	Innovation First International, Inc. Fair value as at Feb 2, 2023
Assets acquired		
Inventories	0.7	2.9
Prepaid expenses and other assets	0.4	0.5
Property, plant and equipment	—	0.4
Intangible assets	8.5	7.7
Fair value of identifiable net assets acquired	**9.6**	**11.5**

Goodwill arising on acquisition

	4D Brands International Inc	Innovation First International, Inc.
Cash consideration	14.6	12.9
Purchase price adjustment	0.2	0.3
Present value of future royalties	4.1	1.4
Total purchase consideration	18.9	14.6
Fair value of identifiable net assets acquired	9.6	11.5
Goodwill arising from transaction	**9.3**	**3.1**

Net cash outflow on acquisition

	4D Brands International Inc	Innovation First International, Inc.
Cash consideration	14.6	12.9
Less: advance paid in 2022	0.5	0.5
Net cash outflow on acquisition	**14.1**	**12.4**

28. Financial instruments and risk management

Capital management

Management includes the following items in its definition of capital:

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Share capital	765.6	783.4
Retained earnings (Restated - Note 2(C))	640.4	604.5
Contributed surplus	45.5	27.4
Capital	**1,451.5**	**1,415.3**

The Company adjusts 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 adjust it in light of changes in economic conditions. 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 the Company launched a NCIB in the first quarter of 2024, as described in Note 21.

The Facility and Acquisition Facility require the Company to comply with certain financial covenants. As at December 31, 2024, the Company was in compliance with such financial covenants.

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

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.

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$ denominated financial statements of the Company's subsidiaries may vary on translation into the US$ presentation currency. 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$.

As at December 31, 2024, the Company was committed under outstanding foreign exchange contracts representing a total net sell commitment notional value of $110.1 million (December 31, 2023 - net sell commitment of $74.7 million). These foreign exchange contracts have maturity dates varying from January 2025 to June 2026. For the year ended December 31, 2024, net realized gains on the Company's matured foreign exchange contracts were $3.1 million (2023 - realized losses of $8.7 million) and are included in the Consolidated statements of earnings and comprehensive earnings.

As at Dec 31, 2024 (in millions)		Notional value: foreign currency (Sell)/Buy	Notional value: US$	Unrealized (loss) gain: US$
Foreign exchange contracts				
Buy US$	GBP	(10.8)	(13.9)	0.4
Buy US$	EUR	(37.9)	(42.1)	2.1
Buy US$	MXN	(587.7)	(30.9)	3.6
Buy US$	AUD	(8.9)	(5.9)	0.4
Sell US$	CAD	276.9	202.9	(8.7)
Total			**110.1**	**(2.2)**

As at Dec 31, 2023 (in millions)		Notional value: foreign currency (Sell)/Buy	Notional value: US$	Unrealized (loss) gain: US$
Foreign exchange contracts				
Buy US$	GBP	(14.5)	(17.6)	(0.8)
Buy US$	EUR	(46.5)	(50.9)	(0.7)
Buy US$	MXN	(311.5)	(15.7)	(2.0)
Buy US$	AUD	(5.5)	(3.7)	(0.1)
Sell US$	CAD	212.9	157.1	4.0
Sell US$	JPY	320.7	2.2	0.1
Sell US$	HKD	25.7	3.3	—
Total			**74.7**	**0.5**

Foreign currency risk - sensitivity analysis

The Company is mainly exposed to the C$, the Great Britain pound sterling, the Mexican peso, the Euro, Swedish krona and Australian dollar. The following table details the Company's sensitivity to a 5.0% change in currency units against the US$. 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 changes 5.0% against US$.

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

	Currency unit strengthens by 5%		Currency unit weakens by 5%	
(US$ millions)	**Dec 31, 2024**	**Dec 31, 2023**	**Dec 31, 2024**	**Dec 31, 2023**
Canadian dollar	1.0	(6.6)	(0.9)	5.9
Great Britain pound sterling	(0.9)	0.8	0.8	(0.7)
Mexican peso	(1.6)	1.7	1.4	(1.6)
Euro	(4.5)	2.6	4.0	(2.3)
Swedish krona	(0.8)	(0.5)	0.7	0.4
Australian dollar	(0.2)	0.5	0.2	(0.4)

Interest rate risk

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 Facility and the Acquisition Facility bear interest at variable rates. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in lenders' base rates. The Company manages its interest rate risk by using a variable to fixed interest rate swap, where the Company pays the fixed interest rate.

On March 27, 2024, the Company entered into interest rate swap agreements with an aggregate notional of $140.0 million, effective on April 1, 2024, maturing in four tranches until December 31, 2025. The interest rate swap is a derivative financial instrument. The Company’s swap agreement is measured at fair value with gains and losses in fair value presented in interest expense in the Company’s Consolidated statements of earnings and comprehensive earnings.

The following interest rate swaps were outstanding as at December 31, 2024 (December 31, 2023: $nil):

(US$ millions)		**Dec 31, 2024**	
Effective date	**Contract expiry**	**Notional value**	**Unrealized loss**
Apr 01, 2024	Sep 30, 2025	35.0	(0.1)
Apr 01, 2024	Dec 31, 2025	35.0	(0.2)
Total		**70.0**	**(0.3)**

Interest rate risk - sensitivity analysis

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

For the year ended December 31, 2024, with all other variables held constant, a 50-basis point decrease in interest rates would have resulted in a decrease to interest expense of $1.3 million and interest income of $0.3 million for the year (2023 - a decrease of interest expense of $nil and interest income of $3.2 million). A 50-basis point increase in interest rates would have resulted in an increase to interest expense of $1.3 million and interest income of $0.3 million for the year (2023 - an increase to interest expense of $nil and interest income of $3.9 million). These amounts are determined by considering the impact of the interest rates on the Company’s loans and borrowings and cash balances as at December 31, 2024.

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, 2024, approximately 53.9% (2023 - 44.9%) of the Company’s trade receivables are due from three major retail customers which represent approximately 56.0% of Toy gross product sales for the year ended December 31, 2024 (2023 - 51.7%).

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.

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

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, 2024 (US$ millions)	< 1 year	1-5 years	Total
Derivative financial liabilities			
Foreign exchange forward contracts	170.3	32.6	202.9
Interest rate swap	70.0	—	70.0
Non-derivative financial liabilities			
Trade payables and accrued liabilities	429.5		429.5
Loans and borrowings	389.1	—	389.1
	1,058.9	**32.6**	**1,091.5**

Financing facilities

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Bank loan facilities		
Amount used	390.0	—
Amount undrawn	345.0	733.5
Bank loan facilities	**735.0**	**733.5**

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 except for foreign exchange forward contracts, portfolio investments and minority interest investments, which are recorded at fair value.

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Financial assets		
Cash	233.5	705.7
Trade receivables, net	499.4	414.4
Other receivables	54.9	60.0
Other assets:		
Trade receivables - non-current portion	3.4	—
minority interest investments other investments	9.0	11.3
Portfolio investments	4.5	3.7
Investment tax credits - non-current portion	5.6	4.6
Unrealized foreign exchange gain	6.5	4.1
Financial assets	**816.8**	**1,203.8**
Financial liabilities		
Trade payables and accrued liabilities	429.5	385.4
Loans and borrowings	389.1	—
Financial liabilities	**818.6**	**385.4**

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

Except for foreign exchange forward contracts, interest rate swaps, portfolio investments and minority interest investments 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, 2024 resulted in an unrealized gain of $6.5 million, which is recorded in Other assets (December 31, 2023 - $4.1 million) and an unrealized loss of $8.7 million recorded in accrued liabilities (December 31, 2023 - $2.3 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 interest rate swaps at December 31, 2024 resulted in an unrealized loss of $0.3 million, which is recorded in accrued liabilities and provisions (December 31, 2023 - $nil). These fair values are categorized within Level 2 of the fair value hierarchy. The fair value of the interest rate swaps is estimated based on the present value of the estimated future cash flows based on observable yield curves. 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 portfolio investments as at December 31, 2024 is recorded in other assets at $4.5 million (December 31, 2023 - $3.7 million) and there was $0.3 million of net unrealized loss (2023 - net unrealized gain of $0.1 million) recognized in Other expense, net in the Consolidated statements of earnings and comprehensive earnings for the year ended December 31, 2024. For the year ended December 31, 2024 and 2023, the Company did not recognize any distribution income in Other expense, net.

This fair value is categorized within Level 3 of the fair value hierarchy. The fair value of the portfolio investments is estimated using various valuations techniques based on the type of investment held by the funds. The unobservable quantitative 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.

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

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Minority interest investments classified as FVTOCI	3.0	3.0
Minority interest investments classified as FVTPL	6.0	8.3
Minority interest investments	9.0	11.3

For the year ended December 31, 2024, the Company recognized $0.5 million loss (2023 - $nil) on the minority interest investments in the Consolidated statements of earnings and comprehensive earnings. 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 unobservable quantitative 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.

There were no transfers in either direction between levels for financial instruments remaining at the end of the reporting period in 2024 or 2023.

29. 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.

29. Segment information *(continued)*

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 investments.

The Chief Operating Decision Maker measures total segment performance based on Adjusted EBITDA, as reported internally to management.

The Company's results from operations by reportable operating segment for the year ended December 31, 2024 and December 31, 2023 are as follows:

(US$ millions)	Year Ended Dec 31, 2024				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	**1,939.9**	**158.6**	**164.5**	**—**	**2,263.0**
Operating Income (Loss)	**89.5**	**86.0**	**22.1**	**(32.1)**	**165.5**
Adjustments:					
Fair value adjustment for inventories acquired[1]	66.3	—	—	—	66.3
Transaction and integration costs[2]	15.8	—	—	16.1	31.9
Share based compensation	21.4	1.8	3.4	2.6	29.2
Impairment of goodwill	10.0	—	2.9	—	12.9
Restructuring and other related costs	6.6	0.3	3.2	—	10.1
Impairment of intangible assets	—	1.8	5.5	—	7.3
Amortization of intangible assets acquired	7.0	—	—	—	7.0
Acquisition related deferred incentive compensation	1.8	—	0.6	—	2.4
Acquisition related deferred consideration	(1.3)	—	2.2	—	0.9
Investment loss, net	—	—	—	0.9	0.9
Legal settlement expense	—	0.4	—	—	0.4
Impairment of property, plant and equipment	0.5	—	—	—	0.5
Foreign exchange gain	—	—	—	(1.5)	(1.5)
Total Adjustments	**128.1**	**4.3**	**17.8**	**18.1**	**168.3**
Depreciation and amortization[3]	89.2	30.8	9.8	—	129.8
Adjusted EBITDA	**306.8**	**121.1**	**49.7**	**(14.0)**	**463.6**

[1] Relates to the fair value adjustment to Melissa & Doug's inventory recorded as part of the acquisition on January 2, 2024.

[2] Professional fees and integration costs incurred relating to acquisitions (including Melissa & Doug), including $9.1 million of transaction costs.

[3] Depreciation and amortization excludes $7.0 million of amortization of intangible assets acquired with Melissa & Doug.

(US$ millions)	Year Ended Dec 31, 2024				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	45.6	39.5	32.5	—	**117.6**

29. Segment information *(continued)*

(US$ millions)	Year Ended Dec 31, 2023				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	**1,540.9**	**190.1**	**173.9**	**—**	**1,904.9**
Operating (Loss) Income	**101.0**	**78.0**	**49.1**	**(39.2)**	**188.9**
Adjustments:					
Impairment of goodwill	26.7	—	—	—	26.7
Share based compensation	14.1	1.4	2.9	1.7	20.1
Restructuring and other related costs	16.3	0.3	1.5	—	18.1
Foreign exchange loss	—	—	—	14.7	14.7
Transaction and integration costs	—	—	—	11.1	11.1
Impairment of intangible assets	5.4	1.0	0.7	1.1	8.2
Acquisition related deferred incentive compensation	2.7	—	4.9	—	7.6
Impairment of property, plant and equipment	0.9	—	—	—	0.9
Investment income, net	—	—	—	(0.2)	(0.2)
Legal settlement recovery	—	—	—	(0.6)	(0.6)
Acquisition related deferred consideration	(5.6)	—	(1.0)	(0.2)	(6.8)
Total Adjustments	**60.5**	**2.7**	**9.0**	**27.4**	**99.6**
Depreciation and amortization	50.9	70.8	8.2	0.2	130.1
Adjusted EBITDA	**212.4**	**151.5**	**66.3**	**(11.4)**	**418.8**

(US$ millions)	Year Ended Dec 31, 2023				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	34.6	52.1	20.7	—	**107.4**

29. Segment information *(continued)*

Revenue reported by segment above represents revenue generated from external customers. There was 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 year ended December 31, 2024 and December 31, 2023:

	Year Ended Dec 31	
(US$ millions)	**2024**	**2023**
Revenue from reportable segments	**2,263.0**	**1,904.9**
Adjusted EBITDA	**463.6**	**418.8**
Adjusting Items:		
Depreciation and amortization[1]	(136.8)	(130.1)
Fair value adjustment for inventories acquired[2]	(66.3)	—
Transaction and integration costs[3]	(31.9)	(11.1)
Share based compensation	(29.2)	(20.1)
Impairment of goodwill	(12.9)	(26.7)
Restructuring and other related costs	(10.1)	(18.1)
Impairment of intangible assets	(7.3)	(8.2)
Acquisition related deferred incentive compensation	(2.4)	(7.6)
Investment (loss) income, net	(0.9)	0.2
Acquisition related contingent consideration	(0.9)	6.8
Impairment of property, plant and equipment	(0.5)	(0.9)
Legal settlement (expense) recovery	(0.4)	0.6
Foreign exchange gain (loss)	1.5	(14.7)
Operating Income	**165.5**	**188.9**
Add (Deduct):		
Interest income	4.0	27.4
Interest expense	(50.5)	(15.1)
Income before income tax expense	**119.0**	**201.2**

[1] Depreciation and amortization for the calculation of Adjusted EBITDA includes $7.0 million for the year ended December 31, 2024 (2023 - $nil) of amortization of intangible assets acquired with Melissa & Doug.

[2] Relates to the fair value adjustment to Melissa & Doug's inventory recorded as part of the acquisition on January 2, 2024.

[3] Professional fees and integration costs incurred relating to acquisitions (including Melissa & Doug), including $9.1 million of transaction costs for year ended December 31, 2024 (2023 - $10.1 million).

29. Segment information *(continued)*

Revenue from major product categories

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

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

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

	Year Ended Dec 31,	
(US$ millions)	**2024**	**2023**
Preschool, Infant & Toddler and Plush[1]	1,103.1	718.2
Activities, Games & Puzzles and Dolls & Interactive	710.5	587.0
Wheels & Action	361.0	409.3
Outdoor	56.9	72.7
Toy Gross Product Sales[2]	**2,231.5**	**1,787.2**
Sales Allowances	(299.1)	(246.3)
Toy Net Sales	**1,932.4**	**1,540.9**
Toy - Other Revenue	7.5	—
Toy Revenue	**1,939.9**	**1,540.9**
Entertainment Revenue	158.6	190.1
Digital Games Revenue	164.5	173.9
Revenue	**2,263.0**	**1,904.9**

[1] Melissa & Doug is included within the Preschool, Infant & Toddler and Plush product categories beginning from the date of acquisition.

[2] Toy Gross Product Sales represent sales of the Company's products to customers, excluding sales allowances.

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, Greece, Portugal and Spain. The Rest of World is 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)	**2024**	**2023**
North America	1,324.8	1,012.1
Europe	560.9	505.9
Rest of World	345.8	269.2
Toy Gross Product Sales	**2,231.5**	**1,787.2**
Sales Allowances	(299.1)	(246.3)
Toy Net Sales	**1,932.4**	**1,540.9**
Toy - Other Revenue	7.5	—
Toy Revenue	**1,939.9**	**1,540.9**
Entertainment Revenue	158.6	190.1
Digital Games Revenue	164.5	173.9
Revenue	**2,263.0**	**1,904.9**

Toy gross product sales for North America include amounts attributable to the United States of $1,250.6 million (2023 - $943.4 million) and Canada of $74.3 million (2023 - $68.7 million) for the year ended December 31, 2024.

29. Segment information *(continued)*

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

(US$ millions)	Dec 31, 2024	Dec 31, 2023
Non-current assets		
North America	1,327.6	422.8
Europe	107.2	85.6
Rest of World	28.9	26.7
Non-current assets	**1,463.7**	**535.1**
Other	148.5	135.6
Total non-current assets	**1,612.2**	**670.7**

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 $176.7 million as at December 31, 2024 (December 31, 2023 - $157.5 million).

Major customers

Sales to the Company's three largest customers accounted for 56.0% (2023 - 51.7%) of Toy gross product sales for the year ended December 31, 2024. 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 years ended December 31, 2024 and 2023.

	Year Ended Dec 31,	
(US$ millions)	2024	2023
Toy Gross Product Sales		
Customer 1	523.9	307.1
Customer 2	417.4	356.9
Customer 3	307.3	260.6
Total	**1,248.6**	**924.6**

30. Prior year comparatives

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