

**ANNUAL REPORT**

**2016**

Year ended March 31, 2016  
Stingray Digital Group Inc.

**ALL  
GOOD  
VIBES**



**STINGRAY**

## TABLE OF CONTENT

- 01 Word from the CEO
- 05 Management Discussion and Analysis
- 06 Company Profile
- 08 Business Strategy
- 14 Competitive Strength
- 18 Key Business Risks
- 44 Consolidated Financial Statements



Eric Boyko, President,  
Co-founder and Chief Executive Officer

# WORD FROM THE CEO

Dear shareholders, customers, partners, and colleagues,

What a year it's been for Stingray since our initial public offering in June 2015; a year when we succeeded in meeting the key objectives laid out in our prospectus, executed four (4) complex acquisitions – delivering on our ambitious business plan – focused on growth, seized strategic opportunities, and expanded our product offering to meet the needs of an evolving marketplace. Stingray's executive team, board of directors, and employees are dedicated to delivering shareholders with value through thoughtful and sustained growth strategies. As always, this year we executed all operations with strict financial discipline. We increased our revenue by 26.7% to \$89.9 million leading to a 22.1% increase of our recurring revenue. A predictable and sustained long-term growth of recurring revenues is one of Stingray's key success indicators.

With the benefit of international expansions via recent acquisitions such as the Brava Group in Netherlands, iConcerts in Europe and Asia, and Digital Music Distribution PTY (DMD) in Australia and organic growth, we continue to deliver strong results. We show growth in our operating results with an Adjusted EBITDA of \$31.0 million, 13.7% above last year. Net income reached \$13.9 million (\$0.29 per share), an increase of 110.1% over last year.

Our ability to generate cash flow remained an area of strength. Adjusted free cash flow reached \$24.0 million representing an increase of 40.8% over last year. Cash flow from operating activities generated \$19.0 million this year, an increase of 91.4% over last year. We are well positioned to capture growth opportunities and continue to generate strong value to shareholders.

Over the past twelve months, our global subscriber reach across all products and services jumped from 110 million in 111 countries to 400 million in 152 countries. Our most impressive strides occurred in the Asia-Pacific region where, thanks to strategic acquisitions (iConcerts, DMD) and partnerships (Multichannels Asia), we gained important footholds in Singapore, South Korea, China, and Australia.

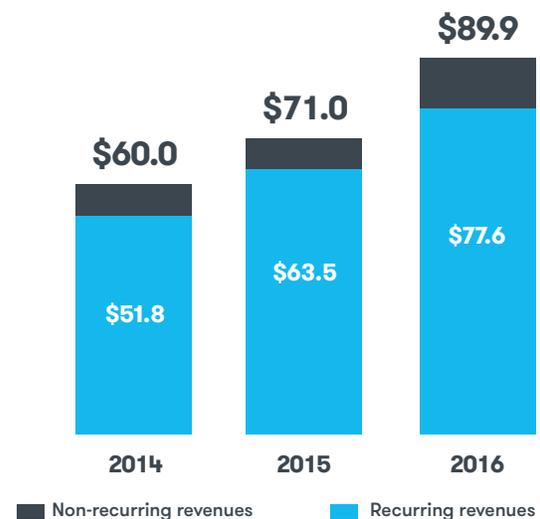
High-quality, curated content continues to propel us to industry-leading positions. This year alone, we introduced Stingray Ambiance 4K, the first 4K UHD television channel in North America, and launched Vibes channels, a new and exciting feature of our Stingray Music mobile app. The 2,000 Vibes channels – currently available in Canada, Latin American, and the Netherlands – have been crucial in driving Stingray's popularity with younger consumers. The proportion of Stingray Music listeners aged 18-34 reached a record 36% in 2015.

Additionally, our product portfolio also experienced exceptional growth. In recent months we added two

long-form television channels, Stingray Brava (classical music, opera, and ballet) and Stingray DJazz (jazz and jazz related genres) to our already diverse offering.

The renewal and expansion of distribution agreements with some of the industry's most important Pay-TV providers, amongst them Comcast and AT&T (United States), Telus (Canada), duTV (United Arab Emirates), and Telefonica (Latin America), underscore the trust clients have in Stingray's offering and its capacity to engage subscribers with the highest quality music products and services. We've also inked agreements with Vidéotron Mobile, Sonos and Sonify, thus diversifying our distribution platforms.

## Revenues & Recurring Revenues

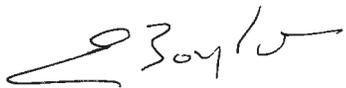


With the acquisition of Nümedia and the integration of Groupe Viva, we continue to ensure the development of Stingray Business, our commercial services division. Stingray Business had a banner year, completing pioneering digital experience projects for Sports Experts, signing in-store music deals with the Liquor Control Board of Ontario and The Second Cup, and winning numerous awards.

We are also incredibly proud to have been awarded “Best IR for an IPO” at the 2016 IR Magazine Awards – Canada and to have obtained a five-year renewal of our broadcasting license by the Canadian Radio-television and Telecommunications Commission (CRTC), enabling us to build our future on solid foundations.

Looking to the future, I am confident Stingray will consolidate its gains and pursue its global expansion. By 2020, we expect that international revenue will make up 70% of total revenue.

I wish to take this opportunity to thank our clients and investors for their indefectible confidence, and every member of the Stingray team for their enthusiasm, loyalty and vision. Together we can rise to any challenge and will reach Stingray’s goal of becoming the world-leading provider of curated music content, products, and services.



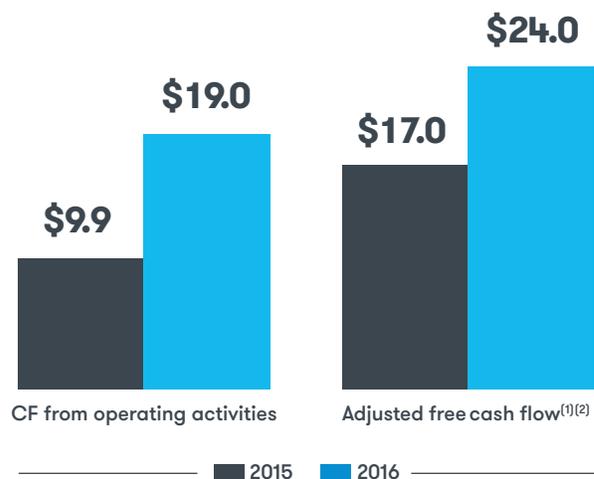
Eric Boyko

## Net Income & Adjusted EBITDA



2014 2015 2016

## Cash Flow



Notes:  
 (1) In millions of Canadian dollars.  
 (2) Refer to “Supplemental information on Non-IFRS measures” on page 21 and 25.



Stephanie Johnston | Marketing Manager  
Sasha Omer | Content Coordinator

“Over the past twelve months, our global subscribers reach across all products and services jumped from 110 million in 111 countries to 400 million in 152 countries.”

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is the annual financial report and Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray Digital Group Inc., ("Stingray" or "the Corporation"), and should be read in conjunction with the Corporation's audited consolidated financial statements and accompanying notes for the years ended March 31, 2016 and 2015. This MD&A reflects information available to the Corporation as at June 15, 2016. Additional information relating to the Corporation is also available on SEDAR at [www.sedar.com](http://www.sedar.com).



# COMPANY PROFILE

Stingray is the leading B2B music products, services, and content provider operating on a global scale, reaching an estimated 400 million Pay-TV subscribers (or households) in 152 countries. Stingray is headquartered in Montreal and currently has close to 300 employees worldwide, including a team of expert music programmers.

With its extensive product portfolio, Stingray is the one-stop-shop for Pay-TV providers looking for a diverse, high-quality, and expertly curated music offering; on TV, mobile and the web. Stingray offers its client a selection of multiplatform products (Stingray Music and Stingray Karaoke), long-form television channels (iConcerts, Stingray Brava, Stingray Djazz, and Stingray Ambiance), and music video television channels (Stingray LiteTV).

## Company Highlights



### HEADQUARTERS

Montreal, Canada

### OFFICES

United States, United Kingdom, Netherlands, Switzerland, France, Israel, Australia and South Korea



Zac Monson | Music Programmer & Host of PausePlay  
Phil Séguin | Programming Assistant  
Simon Tremblay | IT Technician  
Valérie Lamarche | Human Resources Advisor  
Rowan Bovaird | Administrative Assistant R&D and Marketing  
Sarah Després-Kaba | Associate, Sales and Affiliate Relations

# COMPANY HIGHLIGHTS

 **\$180**  
million raised  
from June 3, 2015, IPO

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Over 1/3 of our listeners are between

**18 – 34**

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subscribers reach of

**400** millions  
across all services in

**152** countries

More than  
**10**  
million  
Canadians  
listen to Stingray  
every day

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**300**

  
employees  
worldwide

# BUSINESS STRATEGY

Our long-term objective is to aggressively continue growing Stingray's business and create value to investors. We believe that we can achieve our goal by expanding and diversifying our client base, by developing new products, technologies, and digital platforms, and by continuing to pursue strategic acquisitions.

## 1

### Expand and diversify our client and partner base

Stingray's continued global success is due in great part to leveraging our clients' trust and providing them with the highest level of service. This year, we continued to grow and strengthen our customer base and the distribution of our services.

#### New Clients

SKY LATIN AMERICA  
TELEFONICA LATIN AMERICA  
DU TV (UAE)  
LCBO  
SPORTS EXPERTS  
VIDEOTRON MOBILE

#### Renewed and Expanded Contracts Agreements

TELUS  
COGECO  
AT&T



# 2

## Develop new products, technologies and digital platforms

Stingray has invested over \$40 M in research and development. To maintain our position as world-leading multiplatform music products and services provider, we strive to constantly be at the cutting-edge of technology.

### Highlights

**Launch of Stingray Ambiance, the first 100% 4K Ultra High Definition channel in North America**

**Launch of Stingray Music on Sonos**

**Launch of Stingray Music mobile app on tablet**

**In Canada, the Stingray Music mobile app reaches an 8% penetration rate**

**Release of 2,000 Vibes channels in the Stingray Music mobile app**

**Introduction of Stingray Pass, a proprietary audio-watermarking technology**



Steven Chan | Software Developer  
Stéphanie Ip | IT Project Manager  
Sébastien Dion | Software Developer  
Daniel Lajoie | QA Manager

# 3

## Continue to pursue strategic acquisitions

Stingray has a track record of acquiring established, dynamic, and creative companies and partnering with industry leaders to achieve its aggressive global expansion plan.

### Highlights

Expanded foothold  
in Asia-Pacific

Subscribers  
reach jumps from  
110 million to  
400 million  
households

Stingray now  
distributed in  
152 countries

## Acquisitions

### Stingray Now the World's Largest Digital Live Music Concerts TV Broadcaster

Acquisition of iConcerts, a TV channel dedicated solely to live music (distribution in 85 countries to an estimated 250 M households)

### Stingray Enters the Australian Market

Acquisition of Digital Music Distribution Pty Ltd., Australia's most important digital music services provider.

### Stingray Diversifies its Product Offering and Expands its European Distribution

Acquisition of Brava NL, Brava HD and Djazz, distributors of three successful thematic channels dedicated to high-end music and cultural content (distribution in 50 countries to an estimated 35 M households)

## New Partnership

### Stingray Enters into Strategic Partnership in Asia

Strategic relationship with Multi Channels Asia (MCA), a Singapore-based media company, which owns, represents and distributes a number of thematic Pay-TV networks serving Asia and the Pacific.

New Markets since July 2015



● 2015

● 2016



# COMPETITIVE STRENGTHS

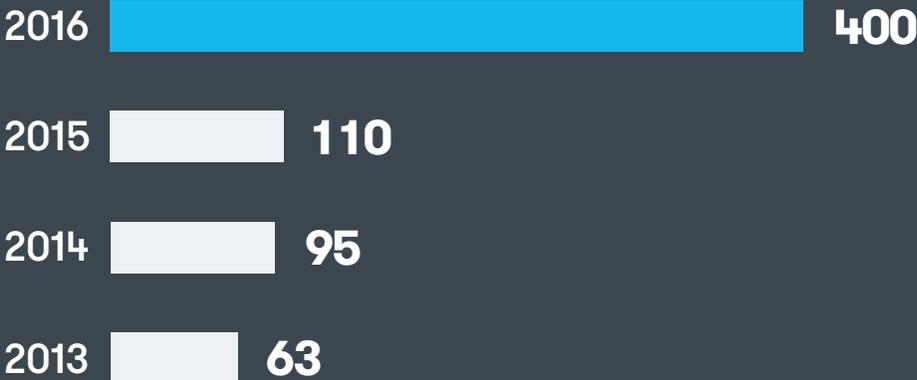
We believe that the following competitive strengths will contribute to our ongoing commercial success and future performance:

1

## Leading B2B multi-platform music and in-store media solutions provider

With 400 million subscribers in 152 countries, our total reach is one of the largest relative to our peers. Our products and services are distributed through numerous platforms including digital TV, satellite TV, IPTV, the Internet, mobile devices, Wi-Fi systems, and game consoles.

Total Reach (millions')



We count Bell, AT&T, Rogers, Shaw, Vidéotron, Comcast, Cogeco, ALDO, and Sobeys amongst our blue-chip clients.

We continue to build brand awareness through digital marketing, social media, television/media advertising, and trade marketing across Canada, the United States, Latin America, Europe and the rest of the world.

## 2

### **Strong and predictable cash flows from long-term contracts and client relationships**

Our business model is based on subscription revenues and long-term agreements with Pay-TV providers, which gives us significant predictability of future cash flows, reduces cyclicity of earnings, and increases customer retention. As a result, we have established deeply integrated relationships with many of our customers, providing recurring annual revenues of \$86 million at the end of Fiscal 2016 (89% of our total revenue).

We have implemented a non-interactive, linear business model that results in an advantageous rights structure (compared to service providers operating on an interactive and B2C business model). The lower cost of rights, our operational leverage and our value proposition help contribute to and support our margins.

As a result, our revenue and cash flows are strong, predictable and growing, permitting us to pursue our proven track record of successful acquisitions and invest in product development.

## 3

### **Proprietary innovative technologies**

We are a leader and innovator in the digital music space, and as such have developed a unique set of proprietary technologies that provide us with an important competitive advantage.

We have extensive experience in developing technologies to distribute digital music on multiple platforms such as TV, mobile devices and the web. This expertise enables us to continuously build our customer base and expand our service offering to new customers. For instance, the Stingray Music mobile app is an innovative product that uses audio watermarking technology (Stingray Pass) to instantly authenticate Pay-TV subscribers who have access to Stingray Music audio channels on TV.

# 4

## **Track record of successful acquisitions and integrations**

Since Stingray's inception in 2007, we have completed 24 acquisitions representing outlays of approximately \$181 million, which brought new clients, new products and new geographical markets to our business. In Fiscal 2016, we have completed four acquisitions on four continents for an aggregate purchase value of \$33.1 million.

Stingray's proven track record of successfully integrating these acquisitions is a result of our experienced management team's rigorous and disciplined acquisition strategy. The versatility, portability and flexibility of Stingray's products and technologies permit us to efficiently integrate and support the complementary products and technologies of the businesses we acquire.

# 5

## **Leading content curation expertise**

Our business strategy is based on a lean-back, rather than lean-forward, music consumption model. Stingray provides some of the world's most comprehensive music libraries and channels, all programmed by 100 expert programmers around the world. Our music products and services are adapted to local tastes and trends to create the ultimate user experience, all without advertisements or interruptions.

Music that has been curated by humans provides a true, emotional connection. Stingray therefore offers a more enjoyable and tailored listening experience. As a result, our content curation expertise leads to stronger relationships with listeners who become increasingly engaged with our product offering.

# 6

## **High employee retention rate and low turnover**

As an entrepreneurial and growing Canadian company, we attract and retain talented professionals. Our team of 300 dedicated individuals is comprised of experienced and knowledgeable operations, financial, technology, marketing and communications, sales, and legal and regulatory experts who, prior to joining Stingray, garnered extensive experience with other industry leaders.

# PROVEN ACQUISITION STRATEGY

# \$181

million spent  
on acquisitions  
since inception

Became a leading player in Mexico and Latin America through 2 acquisitions in less than 12 months in 2014

Successfully delivered acquisition plan for Fiscal 2016 with entry in AsiaPacific

## 2007

Slep-Tone Entert. Corp/SoundChoice  
(Karaoke Channel)

## 2009

Canadian Broadcast Corp. (Galaxie)  
MaxTrax Music Ltd.  
Chum Satellites Services (CTV)

## 2010

Marketing Senscity Inc.  
Concert TV Inc.

## 2011

Music Choice Int'l

## 2012

Musicoola Ltd.  
Zoe Interactive Ltd.

## 2013

Executive Communication  
Emedia Networks Inc.  
Stage One Innovations Ltd.  
Intertain Media Inc

## 2014

DMX LATAM (Mood Media)  
Archibald Media Group  
DMX Canada (Mood Media)  
Telefonica - On the Spot

## 2015

Les Réseaux Urbains Viva Inc.  
Brava Group  
Digital Music Distribution  
iConcerts

## 2016

Nümedia

# KEY BUSINESS RISKS

The key risks and uncertainties of our business drive our operating strategies. Additional risks and uncertainties not presently known to us, or that we currently consider immaterial, may also affect us. If any of the events identified in these risks and uncertainties were to occur, Stingray's business, financial condition and results of operations could be materially harmed. For further discussion of the significant risks we face, refer to the Annual Information Form (AIF) for the year ended March 31, 2016 on page 18 available on SEDAR at [sedar.com](http://sedar.com).

Our key risks are displayed as follows:

# 1

## **Public performance and mechanical rights and royalties**

We pay public performance and mechanical royalties to songwriters and publishers through contracts negotiated with labels and music rights collection societies in various parts of the world. If public performance or mechanical royalty rates for digital music are increased, our results of operations and financial performance and condition may be adversely affected. We mitigate this risk by operating, whenever possible, under statutory licensing regimes and structures applicable to a non-interactive music services. The royalty rates to be paid pursuant to statutory licenses can be established by either negotiation or through a rate proceeding conducted by the Copyright Board; such royalty rates are generally stable and are not likely to fluctuate from year to year.

# 2

## **Integrating business acquisitions**

The Corporation has made or entered into, and will continue to pursue, various acquisitions, business combinations and joint ventures intended to complement or expand our business. The Corporation may encounter difficulties in integrating acquired assets with our operations. Furthermore, the Corporation may not realize the benefits, economies of scale and synergies we anticipated when we entered into these transactions. To mitigate this risk, the Corporation has committed to develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel, all of which will enable the Corporation to properly leverage our services into new markets, platforms and technologies.

# 3

## **Long-term plan to expand into international markets**

A key element of our growth strategy is to continue to expand our operations into international markets. For Fiscal 2016, approximately 41% of our revenue is derived from customers outside of Canada. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that are different from those in Canada. To mitigate this risk, the Corporation has committed to develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel, all of which will enable the Corporation to continue to expand into international markets.

# 4

## **Pay-TV providers dependence**

The majority of the Stingray Music Pay-TV subscriber base is reached through a small number of significant Pay-TV providers who are all under long-term contracts. Packaging decisions made by Pay-TV providers in respect of service offerings can impact the subscriber base. Moreover, the contractual obligations of Pay-TV providers in Canada to distribute Stingray Music are subject to changes in CRTC rules, including the CRTC's new policy framework set forth in Broadcasting Regulatory Policy CRTC 2015-96. See "Recent Developments in the 2016 AIF". We mitigate this risk by understanding the business needs of Pay-TV providers and offering compelling services, distributed across multiple platforms and proprietary technologies, with a demonstrable value proposition. Based on our strong relationships and our interpretation of the long-term contracts with Pay-TV providers, Stingray expects that all Canadian Pay-TV providers will continue to carry Stingray's pay-audio service on the most widely distributed unregulated first-tier package (where available).

# 5

## **Rapid growth in evolving market**

The audio and video entertainment industry is rapidly evolving. The market for online digital music and videos has undergone rapid and dramatic changes in our relatively short history and is subject to significant challenges. In addition, our growth in certain markets could be impeded by existing contractual undertakings with competitors which forbid us to solicit customers in such markets. To mitigate this risk, our skilled and experienced sales personnel have placed a greater emphasis on cross-selling our growing suite of products and our capable engineers continue to innovate and develop new products and proprietary technologies to distribute digital music, which in turn allows us to attract and retain customers and expand our service offering on multiple digital platforms beyond the TV. To manage the growth of our operations and personnel, we continue to improve our operational, financial and management controls and our reporting systems and procedures.

# 6

## **Competition from other content providers**

The market for acquiring exclusive digital rights from content owners is competitive. Many of the more desirable music recordings are already subject to digital distribution agreements or have been directly placed with digital entertainment services. We face increasing competition for listeners and/or viewers from a growing variety of businesses that deliver audio and/or video media content through mobile phones and other wireless devices. The growth of social media could facilitate other forms of new entry that will compete with the Corporation. To mitigate this risk, the Corporation continues to rely upon human programming and content curation by award-winning music experts from around the world, each of whom adapt to the tastes and trends of listeners in order to create the ultimate user experience. In addition, the Corporation remains determined to create and acquire original long-form content in order to grow its proprietary catalogue.

# EXECUTIVE OFFICERS



**Eric Boyko**  
President, CEO, Co-founder  
and Director



**Mario Dubois**  
Senior Vice-President and  
Chief Technology Officer



**Lloyd Feldman**  
Senior Vice-President and  
General Counsel



**Ratha Khuong**  
General Manager,  
Stingray Business Inc.



**Mathieu Péroquin**  
Senior Vice-President,  
Marketing and  
Communications



**Stephen Tapp**  
Senior Vice President,  
Business Development



**Jean-Pierre Trahan**  
Chief Financial Officer



**Tom Pentefountas**  
Senior Vice-President,  
International Sales, EMEA  
and Asia

## BASIS OF PREPARATION AND FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This forward-looking information includes, but is not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of the Corporation. This forward-looking information relates to, among other things, our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimations and intentions, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Statements with the words "could", "expect", "may", "will", "anticipate", "assume", "intend", "plan", "believes", "estimates", "guidance", "foresee", "continue" and similar expressions are intended to identify statements containing forward looking information, although not all forward-looking statements included such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to the following risk factors : increases in royalties or restricted access to music rights; our dependence on Pay-TV providers; the rapidly evolving audio and video entertainment industry; competition from other content providers; the expansion of our operations into international markets; our rapid growth and our growth strategy; our acquisitions, business combinations and joint ventures; our dependence on key personnel; exchange rate fluctuations; economic and political instability in emerging countries; royalty calculation methods; rapid technological and industry changes; unavailability of additional funding; failure to generate cash revenues; reliance on our credit facilities; costly and protracted litigation in defence of copyrighted content; our inability to protect our proprietary technology; our reliance on third party hardware, software and related services; our inability to maintain our corporate culture; unfavourable economic conditions; our exposure to foreign privacy and data security laws; unauthorized and pirated music and video content; natural catastrophic events and interruption by man-made problems; additional income tax liabilities; maintaining our reputation; litigation and other claims; credit risk; liquidity risk; failure to comply with CRTC requirements; failure to maintain or renew our CRTC licences; the increase in broadcasting licence fees payable by us; unfavourable changes in government regulation affecting our industry.

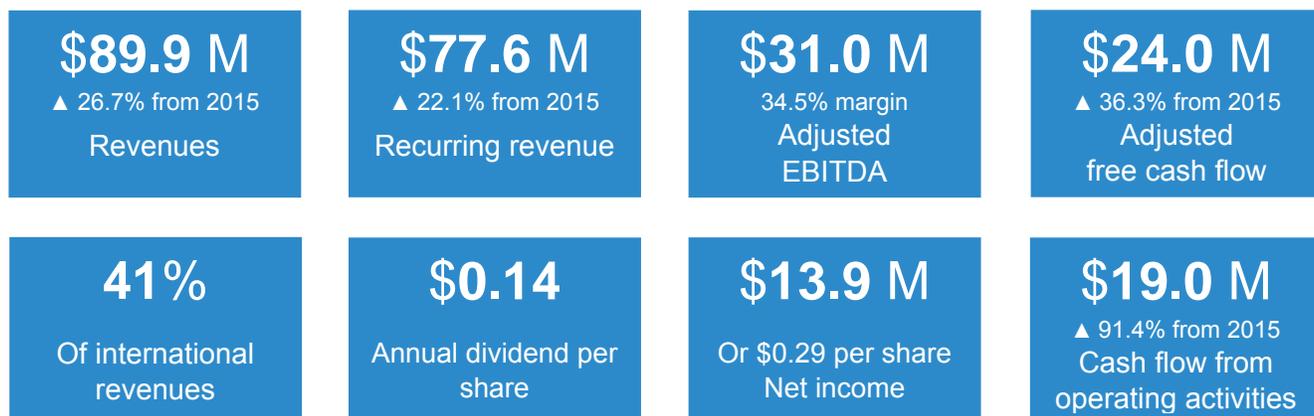
In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such assumptions include, but are not limited to, the following: our ability to generate sufficient revenue while controlling our costs and expenses; our ability to manage our growth effectively; the absence of material adverse changes in our industry or the global economy; trends in our industry and markets; the absence of any changes in law, administrative policy or regulatory requirements applicable to our business, including any change to our licences with the CRTC; minimal changes to the distribution of the pay audio services by Pay-TV providers in light of recent CRTC policy decisions; our ability to manage risks related to international expansion; our ability to maintain good business relationships with our clients, agents and partners; our ability to expand our sales and distribution infrastructure and our marketing; our ability to develop products and technologies that keep pace with the continuing changes in technology, evolving industry standards, new product introductions by competitors and changing client preferences and requirements; our ability to protect our technology and intellectual property rights; our ability to manage and integrate acquisitions; our ability to retain key personnel; and our ability to raise sufficient debt or equity financing to support our business growth. Accordingly, prospective purchasers are cautioned not to place undue reliance on such statements. All of the forward-looking information in this MD&A is qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of this MD&A. The Corporation expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumption underlying them, whether as a result of new information, future events or otherwise, except as required by law.

## SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The Corporation believes that Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Net debt including and excluding contingent considerations and Net debt to Adjusted EBITDA are important measures in evaluating our performance. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

## KEY PERFORMANCE INDICATORS<sup>(1)</sup>

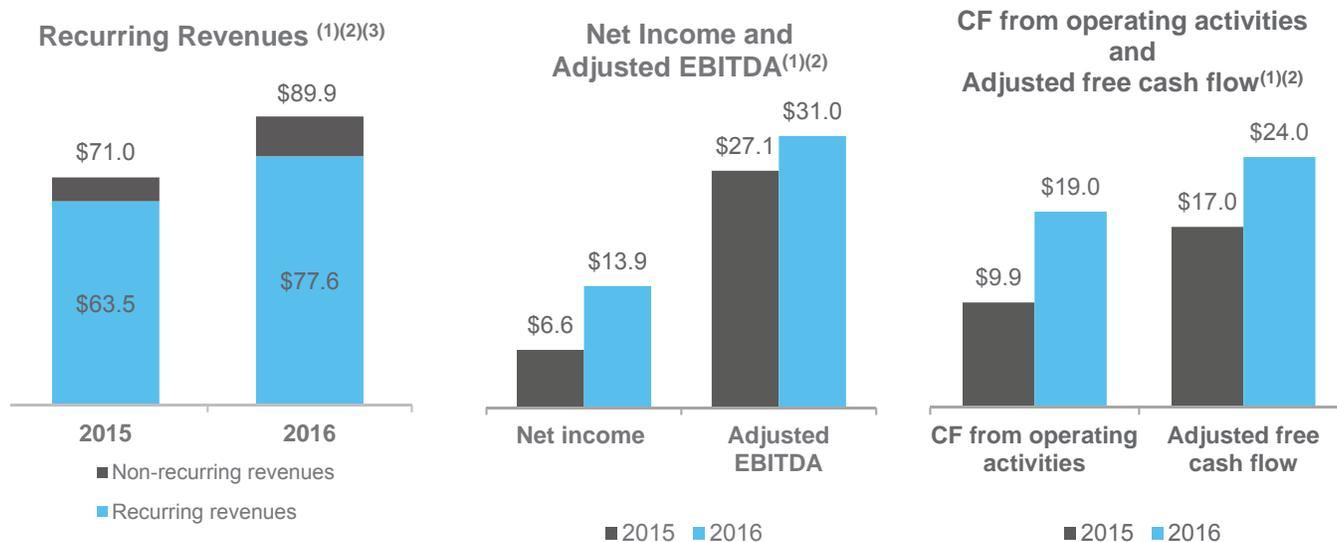
For the year ended March 31, 2016:



Note:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 21 and 25.

For the years ended March 31, 2016 and 2015:



Notes:

(1) In millions of Canadian dollars.

(2) Refer to “Supplemental information on Non-IFRS measures” on page 21 and 25.

(3) Recurring revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include support, installation, equipment and one-time fees.

## FINANCIAL AND BUSINESS HIGHLIGHTS

### Highlights of the year ended March 31, 2016

Compared to the year ended March 31, 2015 (“Fiscal 2015”):

- Revenues increased 26.7% to \$89.9 million from \$71.0 million for Fiscal 2015;
- Recurring revenues of \$77.6 million (86% of total revenues), an increase of 22.1%;
- The contribution of International revenues increased to 40.5% from 32.8%;
- Adjusted EBITDA increased 13.7% to \$31.0 million from \$27.3 million for Fiscal 2015;
- Adjusted EBITDA margin was 34.5% compared with 38.4% for Fiscal 2015;
- Net income increased 110.1% to \$13.9 million (\$0.29 per share diluted) compared to \$6.6 million (\$0.19 per share diluted) for Fiscal 2015;
- Adjusted Net income increased 36.3% to \$24.3 million (\$0.50 per share diluted) compared to \$17.8 million (\$0.52 per share diluted) for Fiscal 2015;
- Cash flow from operating activities increased 91.4% to \$19.0 million compared to \$9.9 million for Fiscal 2015; and
- Adjusted free cash flow increased 40.8% to \$24.0 million compared to \$17.0 million for Fiscal 2015.

### Highlights of the fourth quarter ended March 31, 2016

Compared to the fourth quarter ended March 31, 2015 (“Q4 2015”):

- Revenues increased 30.6% to \$25.7 million from \$19.6 million for Q4 2015;
- Recurring revenues of \$21.9 million (85% of total revenues), an increase of 27.6%;
- The contribution of International revenues increased to 47.4% from 32.9%;
- Adjusted EBITDA increased 6.3% to \$8.2 million from \$7.7 million for Q4 2015;
- Adjusted EBITDA margin was 32.0% compared with 39.3% for Q4 2015;
- Net income increased 68.9% to \$3.2 million (\$0.06 per share diluted) compared to \$1.9 million (\$0.06 per share diluted) for Q4 2015;
- Adjusted Net income increased 35.6% to \$7.1 million (\$0.14 per share diluted) compared to \$5.3 million (\$0.15 per share diluted) for Q4 2015;
- Cash flow from operating activities increased 476.6% to \$7.7 million compared to \$1.3 million for Q4 2015; and
- Adjusted free cash flow increased 17.4% to \$6.3 million compared to \$5.4 million for Q4 2015.

### Additional business highlights for the fourth quarter and subsequent events:

- On May 2, 2016, the Corporation, announced the expansion of its distribution deal with Comcast to bring thousands of new music selections to Xfinity On Demand platforms.
- On April 18, 2016, the Corporation announced that it has signed a contract to provide custom in-store music to more than 650 LCBO locations.
- On March 15, 2016, the Corporation announced that its DJAZZ.tv television channel is now available as part of the “Grand Angle” package of French Pay-TV provider Bouygues Telecom.
- On February 29, 2016, the Corporation announced a strategic agreement with du. As a result of the agreement, Stingray Music and Stingray Concerts will now be available to du home customers across the UAE.
- On February 24, 2016 the Corporation announced that it has acquired Nümedia, which provides intelligent media solutions to its client by enabling in-venue music, experiences, communication, engagement, and activation. The transaction is valued at \$1.9 million.
- On January 15, 2016, the Corporation introduced in the Latin American and Caribbean markets the new feature of the Stingray Music mobile app; the Vibes Channels.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars)	Quarters ended March 31				Years ended March 31					
	2016		2015		2016		2015		2014	
	Q4 2016		Q4 2015		Fiscal 2016		Fiscal 2015		Fiscal 2014	
<b>Revenues</b>	25,658	100.0 %	19,648	100.0 %	89,944	100.0 %	70,989	100.0 %	60,022	100.0 %
Recurring Revenues	21,860	85 %	17,127	87 %	77,587	86 %	63,535	89 %	51,778	86 %
<b>Revenues</b>	25,658	100.0 %	19,648	100.0 %	89,944	100.0 %	70,989	100.0 %	60,022	100.0 %
Music programming, cost of services and content	8,973	35.0 %	7,101	36.1 %	31,162	34.6 %	23,283	32.8 %	19,168	31.9 %
Selling and marketing	3,467	13.5 %	2,251	11.5 %	10,680	11.9 %	8,010	11.3 %	6,126	10.2 %
Research and development, support and information technology	2,254	8.8 %	1,592	8.1 %	7,613	8.5 %	5,973	8.4 %	4,908	8.2 %
General and administrative	3,957	15.4 %	2,281	11.6 %	13,247	14.7 %	10,089	14.2 %	7,893	13.2 %
IPO expenses and CRTC tangible benefits	21	0.1 %	–	– %	5,821	6.5 %	–	– %	–	– %
Depreciation and amortization and write-off	3,218	12.5 %	4,250	21.6 %	15,028	16.7 %	14,979	21.1 %	9,733	16.2 %
Net finance expenses (income) <sup>(3)</sup>	836	3.3 %	942	4.8 %	(418)	(0.5) %	4,686	6.6 %	3,481	5.8 %
Change on fair value of investments	1,113	4.3 %	(451)	(2.3) %	(7,345)	(8.2) %	(1,801)	(2.5) %	(3,937)	(6.6) %
<b>Income before income taxes</b>	1,819	7.1 %	1,682	8.6 %	14,156	15.7 %	5,770	8.1 %	12,650	21.1 %
Income taxes	(1,428)	(5.6) %	(241)	(1.2) %	275	0.3 %	(837)	(1.2) %	3,959	6.6 %
<b>Net income</b>	3,247	14.1 %	1,923	9.8 %	13,881	15.4 %	6,607	9.3 %	8,691	14.5 %
<b>Adjusted EBITDA<sup>(1)</sup></b>	8,219	32.0 %	7,731	39.3 %	31,004	34.5 %	27,275	38.4 %	24,151	40.2 %
<b>Adjusted Net income<sup>(1)</sup></b>	7,135	27.8 %	5,260	26.8 %	24,309	27.0 %	17,834	25.1 %	14,389	24.0 %
<b>Adjusted free cash flow<sup>(1)</sup></b>	6,280	24.5 %	5,351	27.2 %	23,994	26.7 %	17,037	24.0 %	13,853	23.1 %
<b>Cash flow from operating activities</b>	7,709	30.0 %	1,337	6.8 %	18,968	21.1 %	9,908	14.0 %	12,853	21.4 %
Net income per share basic	0.06		0.06		0.29		0.20		0.27	
Net income per share diluted	0.06		0.06		0.29		0.19		0.25	
Adjusted Net income per share basic <sup>(1)</sup>	0.14		0.15		0.51		0.54		0.44	
Adjusted Net income per share diluted <sup>(1)</sup>	0.14		0.15		0.50		0.53		0.42	
<b>Revenue by category</b>										
Music Broadcasting	19,425	75.7 %	14,075	71.6 %	66,172	73.6 %	53,499	75.4 %	46,598	77.6 %
Commercial Music	6,233	24.3 %	5,573	28.4 %	23,772	26.4 %	17,490	24.6 %	13,424	22.4 %
<b>Revenues</b>	25,658	100.0 %	19,648	100.0 %	89,944	100.0 %	70,989	100.0 %	60,022	100.0 %
<b>Revenues by geography</b>										
Canada	13,500	52.6 %	13,192	67.1 %	53,536	59.5 %	47,738	67.2 %	44,166	73.6 %
International <sup>(4)</sup>	12,158	47.4 %	6,456	32.9 %	36,408	40.5 %	23,251	32.8 %	15,856	26.4 %
<b>Revenues</b>	25,658	100.0 %	19,648	100.0 %	89,944	100.0 %	70,989	100.0 %	60,022	100.0 %
<b>Financial position</b>										
Total assets					176,109		125,170		98,085	
Total non-current financial liabilities					43,730		75,549		60,259	
<b>Net debt excluding contingent considerations<sup>(1)</sup></b>					31,834		107,423		72,584	
<b>Net debt including contingent considerations<sup>(1)</sup></b>					44,181		119,832		78,818	
<b>Net debt to Adjusted EBITDA<sup>(1)(2)</sup></b>					1.43x		4.39x		3.26x	
Cash dividends and distributions declared per share					0.13		0.59		0.45	

### Notes:

- (1) Refer to "Forward looking statements" and "Supplemental information on Non-IFRS measures" on page 21 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 25.
- (2) Net debt to Adjusted EBITDA consists of Net debt including contingent considerations divided by Adjusted EBITDA.
- (3) Interest paid during the Q4 2016 was \$244 (Q4 2015; \$993) and \$1,426 for the year ended March 31, 2016 (2015 - \$3,845)
- (4) International means all jurisdictions except Canada.

## SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Net debt including contingent considerations, Net debt excluding contingent considerations and Net debt to Adjusted EBITDA are non-IFRS measures that the Corporation uses to assess its operating performance. See “Supplemental information on Non-IFRS Measures” on page 21.

The following tables show the reconciliation of Net income to Adjusted EBITDA:

(in thousands of Canadian dollars)	Quarters ended March 31		Years ended March 31	
	2016	2015	2016	2015
	Q4 2016	Q4 2015	Fiscal 2016	Fiscal 2015
<b>Net income</b>	<b>3,247</b>	<b>1,923</b>	<b>13,881</b>	<b>6,607</b>
Net finance expenses (income)	836	942	(418)	4,686
Change in fair value of investments	1,113	(451)	(7,345)	(1,801)
Income taxes	(1,428)	(241)	275	(837)
Depreciation of property and equipment and write-off	594	597	2,146	2,125
Amortization of intangibles	2,624	3,653	12,882	12,854
Stock-based compensation	390	376	1,351	800
Restricted and deferred share unit expenses	319	221	963	221
IPO expenses and CRTC tangible benefits	21	–	5,821	–
Acquisition, restructuring and other various costs	503	711	1,448	2,620
<b>Adjusted EBITDA</b>	<b>8,219</b>	<b>7,731</b>	<b>31,004</b>	<b>27,275</b>
Net finance expenses (income)	(836)	(942)	418	(4,686)
Income taxes	1,428	241	(275)	837
Depreciation of property and equipment and write-off	(594)	(597)	(2,146)	(2,125)
Income taxes related to change in fair value of investment, share-based compensation, restricted and deferred share unit expenses, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, restructuring and other various costs	(1,082)	(1,173)	(4,692)	(3,467)
<b>Adjusted Net income</b>	<b>7,135</b>	<b>5,260</b>	<b>24,309</b>	<b>17,834</b>

The following table shows the reconciliation of Cash flow from operating activities to Adjusted free cash flow:

(in thousands of Canadian dollars)	Quarters ended March 31		Years ended March 31	
	2016	2015	2016	2015
	Q4 2016	Q4 2015	Q4 2016	Q4 2015
<b>Cash flow from operating activities</b>	<b>7,709</b>	<b>1,337</b>	<b>18,968</b>	<b>9,908</b>
<i>Add / Less :</i>				
Capital expenditures	(1,100)	(528)	(3,429)	(2,439)
Net change in non-cash operating working capital items	(718)	4,164	1,576	8,018
Acquisition, restructuring and other various costs <sup>(1)</sup>	368	378	1,058	1,550
IPO expenses and CRTC tangible benefits <sup>(1)</sup>	21	–	5,821	–
<b>Adjusted free cash flow</b>	<b>6,280</b>	<b>5,351</b>	<b>23,994</b>	<b>17,037</b>

(1) Net of income taxes, except for IPO expenses and CRTC tangible benefits as only deferred income tax has been recognized on those items, thus having a non-cash impact.

The following table shows the calculation of Net debt including and excluding contingent considerations:

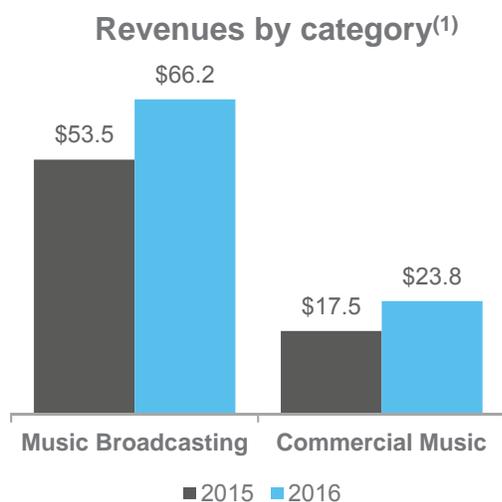
(in thousands of Canadian dollars)	March 31, 2016	March 31, 2015
Term loan, including current portion	–	80,835
Contingent considerations, including current portion	12,347	12,409
Bridge loan	–	20,000
Revolving facility	35,035	7,902
(Cash and cash equivalents) bank overdraft	(3,201)	(1,314)
<b>Net debt including contingent considerations (“Net Debt”)</b>	<b>44,181</b>	<b>119,832</b>
Contingent considerations, including current portion	(12,347)	(12,409)
<b>Net debt excluding contingent considerations</b>	<b>31,834</b>	<b>107,423</b>

## RESULTS OF OPERATIONS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

### Revenues

Revenues in Fiscal 2016 increased 26.7% to \$89.9 million, from \$71.0 million for Fiscal 2015. The increase in revenues was primarily due to the acquisitions combined with growth in international markets and non-recurring revenues related to installation and equipment sales. In addition, revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Trends by Revenue Categories were as follow:



Note:

(1) In millions of Canadian dollars.

### Music Broadcasting

The most significant contributors to the increase of 23.7% or \$12.7 million from Fiscal 2015 in Music Broadcasting revenues were as follows (arrows reflect the impact):

- ▲ Acquisition of Brava Group, Digital Media Distribution Pty Ltd. (“DMD”), Transmedia Communications SA (“iConcert”) and Telefonica – On The Spot.
- ▲ Organic growth in international markets (i.e. United States, Europe and Latin America).

### Commercial Music

The most significant contributors to the increase of 35.9% or \$6.3 million from Fiscal 2015 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Acquisition of *Les réseaux Urbains Viva Inc.* was included in full in Fiscal 2016
- ▲ Non-recurring revenues from installations and equipment sales related to new and existing customers.

Trends by Revenues by Geographic Region:



Note:

(1) In millions of Canadian dollars.

### Canada

The most significant contributors to the increase of 12.1% or \$5.8 million from Fiscal 2015 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ As described above in Commercial Music, acquisition of *Les Réseaux Urbains Viva* is include in full in Fiscal 2016 and non-recurring revenues related to installation and equipment sales.

### International

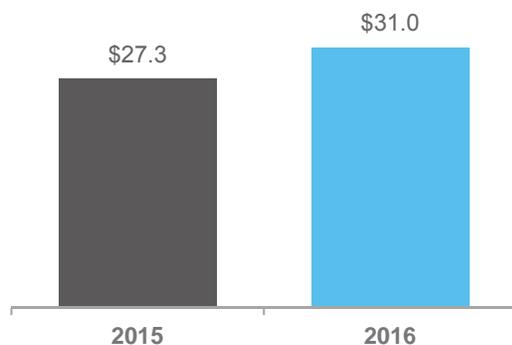
The most significant contributors to the increase of 56.6% or \$13.1 million from Fiscal 2015 in International revenues were as follows (arrows reflect the impact):

- ▲ The contribution of acquisitions as mentioned above and organic growth related to music services and additional music products such as music videos and karaoke.
- ▲ Revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

## Operating Expenses

(in thousands of Canadian dollars)	Fiscal 2016 % of revenues	Fiscal 2015 % of revenues	Variance	Significant contributions to variance :
Music programming, cost of services and content	\$31,162 34.6%	\$23,283 32.8%	\$7,879 33.8%	Primarily due to recent acquisitions, to the hiring of additional staff and content costs to support our international growth. In addition, increase in costs related to additional installation and equipment sales. These increases were partially offset by the favorable impact on the calculation of rights on revenues and royalties.
Selling and marketing	\$10,680 11.9%	\$8,010 11.3%	\$2,670 33.3%	Primarily due to costs to support revenue growth in international markets.
Information Technology and Research and development	\$7,613 8.5%	\$5,973 8.4%	\$1,640 27.5%	Increase related to additional hiring due to the international expansion and new internally developed products.
General and administrative	\$13,247 14.7%	\$10,089 14.2%	\$3,158 31.3%	Primarily due to increase in acquisition costs, public company obligations related costs, additional employees to support growth, restricted share unit and deferred share unit plan for employees and directors.
Depreciation, amortization and write-off	\$15,028 16.7%	\$14,979 21.1%	\$49 0.3%	Remained relatively stable.

## Adjusted EBITDA<sup>(1)(2)</sup>



Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to "Supplemental information on Non-IFRS measures" on page 21 and 25

**Adjusted EBITDA** in Fiscal 2016 increased 13.7% to \$31.0 million, from \$27.3 million in Fiscal 2015. Adjusted EBITDA margin was 34.5% in Fiscal 2016 compared to 38.4% in Fiscal 2015. The increase in Adjusted EBITDA was primarily due to the recent acquisitions of Brava, DMD and iConcert, from which future synergies are expected and to organic growth in international market. The decrease in EBITDA margin was mainly related to costs to support revenue growth in international markets, additional sales of non-recurring revenues from installation and equipment sales which tend to have lower margins and to additional general and administrative costs for public company obligations.

**Acquisition, restructuring and other various costs** mainly included costs related to consultants for acquisitions and costs to support our acquisition pipeline.

### **Initial public offering expenses and CRTC tangible benefits**

Initial public offering (“IPO”) expenses for Fiscal 2016 amounted to \$1.6 million and were related to the secondary offering costs. The secondary offering consisted of the sale by Novacap and Télésystème of the aggregate of 9,112,900 shares to the public. IPO expenses for the treasury offering by the Corporation were recognized in the statement of financial position under share capital.

The CRTC approved the change in ownership and effective control of the Corporation on April 22, 2015. Pursuant to the decision, the CRTC requires the Corporation to pay tangible benefits corresponding to an amount of \$5.5 million over a seven-year period in equal annual payments. Since this expense does not meet capitalization criteria under IFRS, the Corporation recognized an expense of \$4.2 million in Q1 2016, which reflects the fair value of the payment stream using a discount rate of 7.0%, which is the Corporation estimated effective interest rate plus a risk premium.

### **Net Finance Expenses**

Finance expenses represented a net finance income of \$0.4 million compared to a net finance expense of \$4.7 million in Fiscal 2015. The decrease was related to fair value revaluations of contingent considerations and a lower interest expense. The Corporation repaid approximately \$101 million of debt in June 2015 with the proceeds of the IPO and has increased its credit facility by \$19.2 million, for a net decrease in debt excluding contingent considerations of \$81.8 million.

### **Change in fair value of investments**

In Fiscal 2016, a gain of \$7.3 million was recorded on the investment’s fair value compared to a gain of \$1.8 million in Fiscal 2015. On September 21, 2015, the Corporation invested an additional \$0.3 million (US\$ 0.3 million) in AppDirect, a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services. As at March 31, 2016, the Corporation held a 1.76% interest in AppDirect and the fair value was estimated at \$15.6 million.

### **Income Taxes**

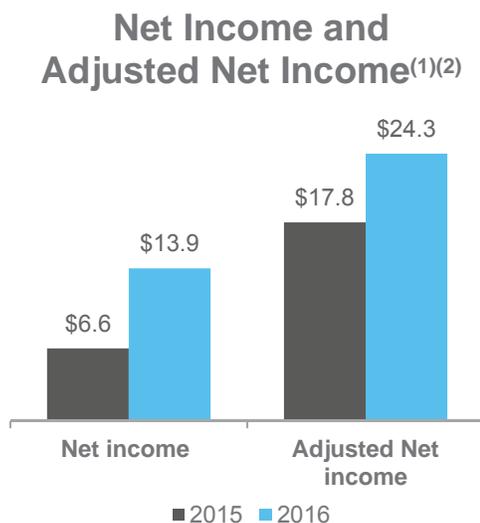
Income taxes expenses represented an expense of \$0.3 million in Fiscal 2016 compared to a recovery of \$0.8 million for Fiscal 2015. The increase in income taxes was mainly related to the change in fair value of investment, improved operating results, offset by lower financing costs. This increase was largely offset by the change in recognised tax losses of foreign subsidiaries of \$3.4 million in Fiscal 2016 and \$2.7 million in Fiscal 2015.

### **Net income and net income per share**

Net income increased to \$13.9 million (\$0.29 per share diluted) in Fiscal 2016 from \$6.6 million (\$0.19 per share diluted) in Fiscal 2015. The increase was mainly attributable to higher operating results, change in fair value of investments, lower net finance expenses and, offset by IPO expenses and CRTC tangible benefits expenses and higher income taxes.

### **Adjusted Net income and Adjusted Net income per share**

Adjusted Net Income in Fiscal 2016 increased to \$24.3 million (\$0.50 per share diluted) from \$17.8 million (\$0.52 per share diluted) in Fiscal 2015. The increase was primarily due to higher Adjusted EBITDA resulting from recent acquisitions combined with international growth, additional sales for installation and equipment and lower net finance expenses, offset by higher income tax expenses.



Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to “Supplemental information on Non-IFRS measures” on page 21 and 25.

## Quarterly results

Our revenues increased steadily over the last eight quarters from \$15.6 million in the first quarter of Fiscal 2015 to \$25.7 million in the fourth quarter of Fiscal 2016. The increase was mainly attributable to the successful integration of acquisitions and new contracts in Canada and in international markets. Over the past eight quarters, recurring revenues represented approximately 88% of total revenues.

Adjusted EBITDA increased from \$5.8 million in the first quarter of Fiscal 2015 to \$8.2 million in the fourth quarter of Fiscal 2016. The increase was mainly attributable to the successful integration of acquisitions and organic growth in Canada and in international markets.

### Summary of Consolidated Quarterly Results

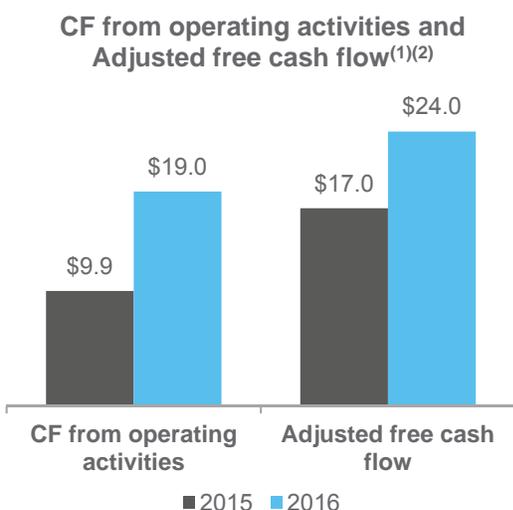
(in thousands of Canadian dollars, except per share amounts)	Quarters ended							
	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2015
<b>Revenue by category</b>								
Music Broadcasting	19,425	17,013	15,614	14,120	14,075	13,896	13,064	12,464
Commercial Music	6,233	6,076	5,688	5,775	5,573	4,633	4,115	3,169
<b>Total revenues</b>	<b>25,658</b>	<b>23,089</b>	<b>21,302</b>	<b>19,895</b>	<b>19,648</b>	<b>18,529</b>	<b>17,179</b>	<b>15,633</b>
<b>Revenues by geography</b>								
Canada	13,500	13,759	13,094	13,183	13,192	12,144	11,714	10,688
International	12,158	9,330	8,208	6,712	6,456	6,385	5,465	4,945
<b>Total revenues</b>	<b>25,658</b>	<b>23,089</b>	<b>21,302</b>	<b>19,895</b>	<b>19,648</b>	<b>18,529</b>	<b>17,179</b>	<b>15,633</b>
Recurring revenues	21,860	19,699	18,785	17,243	17,127	16,416	15,618	14,374
Recurring revenues as a percentage of total revenues	85%	85%	88%	87%	87%	89%	91%	92%
<b>Adjusted EBITDA</b>	<b>8,219</b>	<b>8,009</b>	<b>7,625</b>	<b>7,151</b>	<b>7,731</b>	<b>6,986</b>	<b>6,734</b>	<b>5,824</b>
<b>Net income (loss)</b>	<b>3,247</b>	<b>3,169</b>	<b>9,242</b>	<b>(1,777)</b>	<b>1,923</b>	<b>1,499</b>	<b>2,167</b>	<b>1,018</b>
Net income (loss) per share basic	0.06	0.06	0.18	(0.05)	0.06	0.04	0.06	0.04
Net income (loss) per share diluted	0.06	0.06	0.18	(0.05)	0.06	0.04	0.06	0.03
<b>Adjusted Net income</b>	<b>7,135</b>	<b>6,194</b>	<b>6,198</b>	<b>4,783</b>	<b>5,260</b>	<b>4,376</b>	<b>4,607</b>	<b>3,591</b>
Adjusted Net income per share basic	0.14	0.12	0.12	0.12	0.15	0.13	0.14	0.11
Adjusted Net income per share diluted	0.14	0.12	0.12	0.12	0.15	0.13	0.13	0.10

## Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	Quarters ended							
	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2015
<b>Net income (loss)</b>	<b>3,247</b>	<b>3,169</b>	<b>9,242</b>	<b>(1,777)</b>	<b>1,923</b>	<b>1,499</b>	<b>2,167</b>	<b>1,018</b>
Net finance expenses (income)	836	(810)	(1,310)	866	942	1,310	1,202	1,232
Change in fair value of investment	1,113	(646)	(7,549)	(263)	(451)	(450)	(450)	(450)
Income taxes	(1,428)	920	2,117	(1,334)	(241)	(114)	(348)	(134)
Depreciation of property and equipment and write-off	594	609	488	455	597	586	541	401
Amortization of intangibles	2,624	3,443	3,592	3,223	3,653	3,583	3,288	2,330
Stock-based compensation	390	369	371	221	376	112	80	232
Restricted and deferred share unit expenses	319	227	242	175	221	-	-	-
IPO expenses and CRTC tangible benefits	21	-	305	5,495	-	-	-	-
Acquisition, restructuring and other various costs	503	728	127	90	711	460	254	1,195
<b>Adjusted EBITDA</b>	<b>8,219</b>	<b>8,009</b>	<b>7,625</b>	<b>7,151</b>	<b>7,731</b>	<b>6,986</b>	<b>6,734</b>	<b>5,824</b>
Net finance expenses (income)	(836)	810	1,310	(866)	(942)	(1,310)	(1,202)	(1,232)
Income taxes	1,428	(920)	(2,117)	1,334	241	114	348	134
Depreciation of property and equipment and write-off	(594)	(609)	(488)	(455)	(597)	(586)	(541)	(401)
Income taxes related to change in fair value of investment, share-based compensation, restricted and deferred share unit expenses, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, restructuring and other various costs	(1,082)	(1,096)	(132)	(2,381)	(1,173)	(828)	(732)	(734)
<b>Adjusted Net income</b>	<b>7,135</b>	<b>6,194</b>	<b>6,198</b>	<b>4,783</b>	<b>5,260</b>	<b>4,376</b>	<b>4,607</b>	<b>3,591</b>

## LIQUIDITY AND CAPITAL RESOURCES FOR THE YEAR ENDED MARCH 31, 2016

The Corporation's primary sources of cash consist of operating activities and available borrowings under the Revolving Facility. The Corporation's primary uses of cash are to fund operations, working capital requirements, business acquisitions, capital expenditures and distributions to shareholders of the Corporation. The fluctuation of working capital requirements are primarily due to the non-recurring services and products, which revenues tend to peak in the third quarter of our financial year. Cash flows from recurring services and products are stable and predictable over the year and are our main source of cash inflows. The Corporation has a working capital deficiency as at March 31, 2016. The Corporation met its obligations with its strong cash flow from operations and its ability to access financing from banks or existing shareholders. In Fiscal 2016, the Corporation reduced significantly certain current and non-current liabilities. The Corporation expects to continue distributing dividends to the shareholders of the Corporation, and such dividends are expected to be funded by the cash flow generated from operating activities.



Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to "Supplemental information on Non-IFRS measures" on page 21 and 25.

### ***Cash flow from operating activities***

Cash flow generated from operating activities increased to \$19.0 million in Fiscal 2016 from \$9.9 million in Fiscal 2015. The increase was mainly due to acquisitions, international growth and lower net variation in non-cash working operating items.

### ***Adjusted free cash flow***

Adjusted free cash flow increased to \$24.0 million in Fiscal 2016 from \$17.0 million in Fiscal 2015. The increase was mainly related to higher operating results, lower interest paid and lower income tax paid partially offset by higher capital expenditures.

### ***Investing Activities***

Net cash flow used in investing activities amounted to \$29.7 million in Fiscal 2016 compared to \$23.0 million in Fiscal 2015. The increase of cash flow used of \$6.7 million was primarily related to an aggregate cash disbursements related to the acquisitions in Fiscal 2016 compared to Fiscal 2015, capital expenditures and acquisition of investments in Fiscal 2016.

### ***Financing Activities***

Net cash flow generated from financing activities amounted to \$12.7 million in Fiscal 2016 compared to \$14.8 million in Fiscal 2015. The decrease of \$2.1 million was attributable to several elements, such as the net repayment of term loan and bridge loan, proceeds from the issuance of share related to the IPO, higher repayment of other payables and lower payments of dividend.

## Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of office space, financial obligations under our credit agreement, broadcast licence and commitments for copyright royalties. The following table summarizes the Corporation's significant contractual obligations as at March 31, 2016, including its estimated payments and commitments related to leasing contracts:

(in thousands of Canadian dollars)	Less than 1 year	1–5 years	More than 5 years	Total amount
<b>Commitments</b>				
Operating lease agreements	2,692	3,155	–	5,847
<b>Financial obligations</b>				
Revolving facility	–	35,035	–	35,035
Accounts payables and accrued liabilities	25,819	–	–	25,819
Other payables	8,006	6,443	2,252	16,701
<b>Total obligations</b>	<b>36,517</b>	<b>44,633</b>	<b>2,252</b>	<b>83,402</b>

### Broadcast licence

The CRTC requires Canadian pay audio services to draw certain proportions of their programming from Canadian content and, in most cases, to spend a portion of their revenues on Canadian content development. The Corporation must ensure that (i) a maximum of one non-Canadian pay audio channel is packaged or linked with each Canadian-produced pay audio channel and in no case may subscribers of the pay audio service be offered a package of pay audio channels in which foreign-produced channels dominate; (ii) 25% of all Canadian channels, other than those consisting entirely of instrumental music or of music entirely in languages other than English or French, devote a minimum of 65% of vocal music selections in the French language each broadcast week; and (iii) a minimum of 35% of the musical selections broadcast each broadcast week on our Canadian-produced pay audio channels, considered together, are Canadian.

Pursuant to the conditions of our National Pay Audio Service Licence, the Corporation is required to contribute each year a minimum of 4% of our annual Canadian regulated broadcast revenues to encourage Canadian content development in the following manner: (i) 1% of gross revenues to be devoted to the Foundation Assisting Canadian Talent On Recordings (FACTOR), a non-profit organization dedicated to providing assistance toward the growth and development of the Canadian music industry; (ii) 1% of gross revenues to be devoted to Musicaction, a non-profit organization dedicated to the development of local francophone music by offering financial support to projects by independent record labels and Canadian artists; and (iii) 2% of gross revenues to be devoted to our Stingray Rising Star Program, a program which was created to discover, encourage, promote and champion new Canadian artists.

The CRTC approved the change in ownership and effective control of the Corporation on April 22, 2015. Pursuant to the decision, the CRTC requires the Corporation to pay tangible benefits corresponding to an amount of \$5.5 million over a seven-year period in equal annual payments. The Corporation recognized an expense of \$4.2 million, which reflects the fair value of the payment stream using a discount rate of 7.0%, which is the Corporation effective interest rate plus a risk premium. On August 18, 2015, the Canadian Radio-television and Telecommunications Commission (CRTC) issued a decision renewing until August 31, 2020 the broadcasting licence.

During Fiscal 2016, an amount of \$0.4 million (\$0.8 million – 2015) was recognized as an expense in the music programming, cost of services and content.

### Copyright royalties

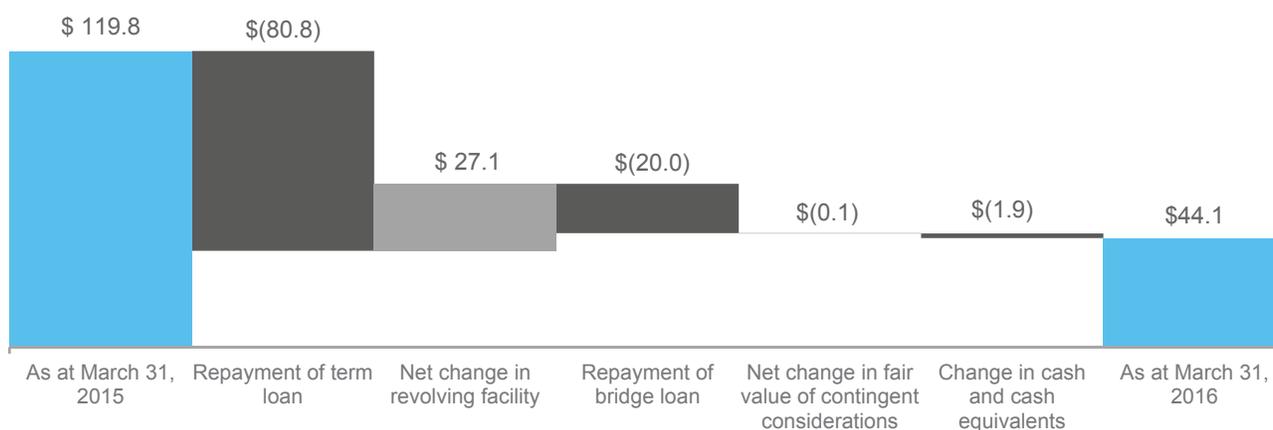
The Corporation must pay royalties for the use of music for the majority of its music services. Through copyright collective societies, the Corporation pays royalties to two sets of rights holders: (i) rights holders in music works, which are the music and the lyrics, and (ii) rights holders in artists' performances and sounds recordings, which are the actual performances and recordings of the musical works.

## Capital resources

On June 11, 2015, the Corporation renegotiated its credit agreement in order to merge the outstanding balance of the term loan into the amended revolving credit facility (“revolving facility”), to provide for the repayment of the bridge loan, to increase its borrowing capacity to \$100.0 million and to make modifications in relation to interest, maturity, security and covenants. The revolving facility matures in June 2019, bears interest at an annual rate equal to the banker’s acceptance rate plus between 1.38% and 3.00% and is secured by guarantees from subsidiaries and first ranking lien on universality of all its assets, tangible and intangible, present and future. In addition, the Corporation incurs standby fees between 0.28% and 0.60% on the unused portion of the revolving facility. The Corporation is required to comply with financial covenants. As at March 31, 2016, the Corporation was in compliance with all the requirements of its credit agreement.

The following table summarizes the impact on the Net debt including contingent considerations that occurred in the year ended March 31, 2016 including related ratios:

### Movement in Net debt<sup>(1)(2)</sup>



27.3	Adjusted EBITDA <sup>(1)(2)</sup>	31.0
4.4	Net debt to Adjusted EBITDA <sup>(1)(2)</sup>	1.4

Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to “Supplemental information on Non-IFRS measures” on page 21 and 25.

## Off Balance-Sheet Arrangements

The Corporation had no off-balance sheet arrangements, other than operating leases (which have been disclosed under “Contractual Obligations”), that have, or are reasonably likely to have, a current or future material effect on its consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

## CONSOLIDATED FINANCIAL POSITION AS AT MARCH 31, 2016 AND 2015

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the year ended March 31, 2016:

(in thousands of Canadian dollars)	March 31, 2016	March 31, 2015	Variance	Significant contributions
<i>Trade and other receivables</i>	\$27,761	\$17,370	\$10,391	▲ Attributable to longer payment cycles related to international revenues including acquisitions, longer days outstanding commercial and broadcast receivables in Canada, and favorable impact on exchange rate between the Canadian dollar and the U.S. dollar.
<i>Intangibles assets</i>	\$47,901	\$45,441	\$2,460	▲ Mainly attributable to the recognition of intangible assets for the acquisitions that occurred in Fiscal 2016, net of amortization.
<i>Goodwill</i>	\$62,022	\$39,129	\$22,893	▲ Mainly related to the recognition of goodwill for the acquisitions that occurred in Fiscal 2016.
<i>Accounts payable and accrued liabilities</i>	\$25,819	\$16,923	\$8,896	▲ Mainly attributable to payables assumed on the opening balance sheet of the acquisitions that occurred in Fiscal 2016 and increase in operating expenses.
<i>Contingent considerations, including current portion</i>	\$12,347	\$12,409	\$(62)	▼ Mainly related to the recognition of contingent considerations for the Brava and DMD acquisitions net of payments for the DMX Canada and DMX Latin America acquisitions and change in the fair value of remaining contingent considerations.
<i>CRTC Tangible Benefits</i>	\$4,230	\$340	\$3,890	▲ Attributable to the change in ownership and effective control clause following the IPO.
<i>Revolving Facility</i>	\$35,035	\$7,902	\$27,133	▲ Attributable to the cash consideration for acquisitions that occurred in Fiscal 2016 and contingent consideration payments.
<i>Bridge Loan</i>	\$-	\$20,000	\$(20,000)	▼ Attributable to repayment of debt with the net proceeds from the IPO.
<i>Term loan, including current portion</i>	\$-	\$80,835	\$(80,835)	▼ Attributable to repayment of debt with the net proceeds from the IPO.

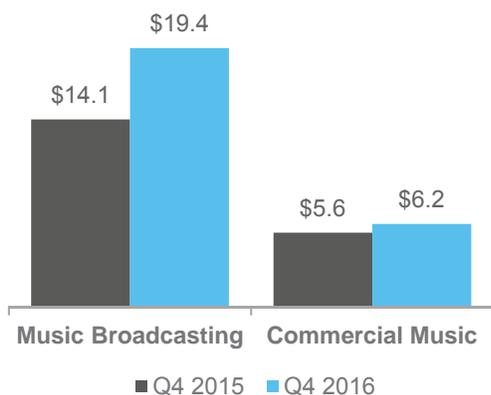
## RESULTS OF OPERATIONS FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015

### Revenues

Revenues for the quarter ended March 31, 2016 (“Q4 2016”) increased 30.6% to \$25.7 million, from \$19.6 million for the Q4 2015. The increase in revenues was primarily due to acquisitions combined with significant growth in international markets as well as the launch of new products. In addition, revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Trends by Revenue Categories were as follow:

#### Revenues by category<sup>(1)</sup>



Note:

(1) In millions of Canadian dollars.

#### Music Broadcasting

The most significant contributors to the increase of 38.0% or \$5.4 million from Q4 2015 in Music Broadcasting revenues were as follows (arrows reflect the impact):

- ▲ Acquisitions in Fiscal 2016 of Brava, DMD and iConcert.
- ▲ New customer contracts mainly in the United States, Europe and Middle East.

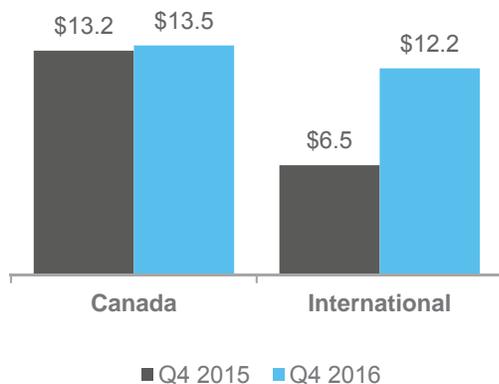
#### Commercial Music

The most significant contributors to the increase of 11.8% or \$0.7 million from Q4 2015 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Non-recurring revenues from installation and equipment sales to new and existing customers.

Trends by Revenues by Geographic Region:

#### Revenues by geography<sup>(1)</sup>



Note:

(1) In millions of Canadian dollars.

#### Canada

The most significant contributors to the increase of 2.3% or \$0.3 million from Q4 2015 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ Non-recurring revenues related to installation and equipment sales to new and existing customers.

#### International

The most significant contributors to the increase of 88.3% or \$5.7 million from Q4 2015 in international revenues were as follows (arrows reflect the impact):

- ▲ As described above in Broadcast, acquisitions are included in full for Q4 2016 and international organic growth.
- ▲ In addition, revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

## Operating Expenses

(in thousands of Canadian dollars)	Q4 2016 % of revenues	Q4 2015 % of revenues	Variance	Significant contributions to variance :
Music programming, cost of services and content	\$8,973 35.0%	\$7,101 36.1%	\$1,872 26.4%	▲ Primarily due to acquisitions and to the hiring of additional staff and content costs to support international growth. In addition, increase in costs related to installation and equipment sales. These increases were partially offset by the favorable impact on the calculation of rights on revenues and royalties.
Selling and marketing	\$3,467 13.5%	\$2,251 11.5%	\$1,216 54.0%	▲ Primarily due to increase costs to support revenue growth in international markets.
Information Technology and Research and development	\$2,254 8.8%	\$1,592 8.1%	\$662 41.6%	▲ Increase related to additional hiring due to the international expansion and new products developed.
General and administrative	\$3,957 15.4%	\$2,281 11.6%	\$1,676 73.5%	▲ Primarily due to hiring of additional employees to support growth, administrative expenses included in recent acquisitions, increase in acquisition costs, public company obligations related costs, restricted share unit and deferred share unit plan for employees and directors.
Depreciation, amortization and write-off	\$3,218 12.5%	\$4,250 21.6%	\$(1,032) (24.3)%	▼ Primarily due to prior acquisitions intangible assets being fully amortized.

## Adjusted EBITDA<sup>(1)(2)</sup>



Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to "Supplemental information on Non-IFRS measures" on page 21 and 25.

**Adjusted EBITDA** for Q4 2016 increased 6.3% to \$8.2 million, from \$7.7 million for Q4 2015. Adjusted EBITDA margin was 32.0% for Q4 2016 compared to 39.3% for Q4 2015. The increase in Adjusted EBITDA was primarily due to recent acquisitions of Brava, DMD and iConcert, from which future synergies are expected. The increase was also related to organic growth in international market. The decrease in EBITDA margin was mainly related to administrative expenses included in recent acquisitions, hiring of additional staff, content costs to support recent acquisitions and additional general and administrative costs for public company obligations.

**Acquisition, restructuring and other various costs** mainly included costs related to consultant for acquisitions and costs to support our acquisition pipeline.

### Net Finance Expenses

Finance expenses decreased to \$0.8 million from \$0.9 million for Q4 2015. The decrease was related to lower gain on fair value revaluations of contingent considerations and lower interest expenses. The Corporation repaid approximately \$101 million of debt in June 2015 with the proceeds of the IPO and has increased its credit facility by \$27.1 million.

### Change in fair value of investments

For Q4 2016, a loss of \$1.1 million was recorded on AppDirect compared to a gain of \$0.5 million for Q4 2015. The loss in Q4 2016 represented the translation in US\$ considering a weaker exchange rate. On September 21, 2015, the Corporation invested an additional \$0.3 million (US\$ 0.3 million) in AppDirect, a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services. As at March 31, 2016, the Corporation held, on a fully diluted basis, a 1.76% interest in AppDirect and the fair value was estimated at \$15.6 million.

### Income Taxes

Recovery of income taxes increased to \$1.4 million for Q4 2016 from \$0.2 million for Q4 2015. The increase in income taxes was mainly related to the recognition of prior unrecognized tax losses of a foreign subsidiary.

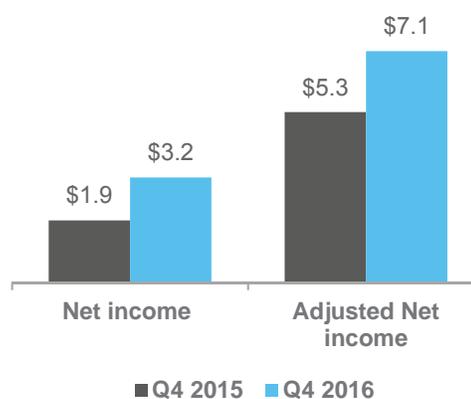
### Net income and net income per share

Net income increased to \$3.2 million (\$0.06 per share diluted) for Q4 2016 compared to \$1.9 million (\$0.06 per share diluted) for Q4 2015. The increase was primarily due to higher operating results, higher income taxes recovery related to the recognition of prior unrecognized tax losses, lower amortization of intangibles, offset by the change in fair value of investment.

### Adjusted Net income and Adjusted Net income per share

Adjusted net income for Q4 2016 increased to \$7.1 million (\$0.14 per share diluted) from \$5.3 million (\$0.15 per share diluted) for Q4 2015. The increase was primarily due to higher Adjusted EBITDA related to acquisitions combined with the signing of new international contracts and higher income tax recovery.

### Net Income and Adjusted Net Income<sup>(1)(2)</sup>



Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to "Supplemental information on Non-IFRS measures" on page 21 and 25.

LIQUIDITY  
FOR THE QUARTER ENDED MARCH 31, 2016

**CF from operating activities and  
Adjusted free cash flow<sup>(1)(2)</sup>**



Notes:  
 (1) In millions of Canadian dollars.  
 (2) Refer to "Supplemental information on Non-IFRS measures" on page 21 and 25.

**Cash flow from operating activities**

Cash flow generated from operating activities increased to \$7.7 million for Q4 2016 from \$1.3 million for Q4 2015. The increase was mainly due to higher operating results and lower net change in non-cash operating items.

**Adjusted free cash flow**

Adjusted free cash flow for Q4 2016 increased to \$6.2 million from \$5.4 million for Q4 2015. The increase was primarily related to higher operating results and lower financing costs, partially offset by higher capital expenditures.

Increase in capital expenditures of \$0.6 million compared to Q4 2015 was mainly due to the upgrade of subscriber music boxes for commercial customers.

**Investing Activities**

Net cash flow used in investing activities amounted to \$2.4 million for Q4 2016 compared to \$2.0 million for Q4 2015. The increase of \$0.4 million was mainly related to the increase in capital expenditures.

**Financing Activities**

Net cash flow used in financing activities amounted to \$4.6 million for Q4 2016 compared to net cash flow generated from financing activities amounted to \$1.5 million for Q4 2015. The decrease of \$6.1 million was mainly attributable to the repayment of the credit facility, the payment of the quarterly dividend and payment of other payables.

## Transactions Between Related Parties

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and certain other key employees of the Corporation.

Key management personnel compensation and directors fees include the following:

(in thousands of Canadian dollars)	2016	2015
Short-term employee benefits	\$ 2,927	\$ 1,918
Management fees	–	315
Share-based compensation	976	423
Restricted share unit	178	50
Deferred share unit	371	
	\$ 4,452	\$ 2,706

## Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	June 15, 2016	March 31, 2016
<i>Issued and outstanding shares:</i>		
Subordinate voting shares	34,340,171	34,178,371
Variable Subordinate voting shares	498,519	635,319
Multiple voting shares	16,294,285	16,294,285
	51,132,975	51,107,975
<i>Outstanding stock options:</i>		
Stock options	1,229,722	1,288,757

Furthermore, as part of the Offering, the Corporation has established a new stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 2,500,000 subordinate voting shares have been reserved for issuance. In the year ended March 31, 2016, 479,787 options were exercised, 14,035 were forfeited and 512,880 options were granted to eligible employee, subject to service vesting periods which range from 3 to 4 years.

### Financial risks

#### *Currency risk:*

The Corporation is exposed to currency risk on sales and expenses that are denominated in currencies other than the functional currency of the Corporation subsidiaries, primarily the US dollar, the Australian dollar and the euro. Also, additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of the Corporation subsidiaries at the rate of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain or loss in the consolidated statements of comprehensive income.

The Corporation's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows, by transacting with third parties in the above currencies to the maximum extent possible and practical, given that this will act as natural economic hedges for each of these currencies.

#### *Liquidity risk:*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation also manages liquidity risk by continuously monitoring actual and budgeted cash flows under both normal and stressed conditions. Also, the Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures.

#### *Interest rate risk:*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's interest rate risk is primarily related to the Corporation's operating revolving facility bearing interest at variable rate.

#### *Credit risk:*

Credit risk is the risk of an unexpected financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet contractual obligations, and it arises primarily from the Corporation's trade and other receivables. The Corporation's credit risk is principally attributable to its trade receivables. The amounts presented in the consolidated statements of financial position are net of an allowance for doubtful accounts, estimated by the Corporation's management and based, in part, on the age of the specific receivable balance and the current and expected collection trends. The Corporation's exposure to credit risk is mainly influenced by the characteristics of each customer. The demographics of the Corporation's customer base, including the default risk of the industry and country in which the customer operates, have less of an influence on the credit risk. Generally, the Corporation does not require collateral or other security from customers for trade account receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Corporation performs ongoing credit reviews of its customers and establishes an allowance for doubtful accounts when the likelihood of collecting the account has significantly diminished. The Corporation believes that the credit risk of trade accounts receivable is limited.

### **Critical accounting estimates**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by these revisions.

The areas involving significant estimates or judgments are:

#### *Estimation of current tax payable and current tax expense*

In the calculation of current tax, the Company is required to make significant estimates due to the fact that it is subject to tax laws of the many jurisdictions in which it operates. Recorded income taxes and tax credits are subject to review and approval by tax authorities and therefore, could be different from the amounts recorded.

#### *Recognition of deferred tax asset for carried forward tax losses*

In the calculation of deferred tax, estimates must be used to determine the appropriate rates and amounts and to take into account the probability of their occurrence. Deferred income tax assets also reflect the benefit of unutilized tax losses than can be carried forward to reduce income taxes in future years. The deferred tax assets include an amount which relates to carried forward tax losses of some European and Australian subsidiaries. The subsidiaries have incurred the losses over the last financial years before the acquisition by the Corporation. The subsidiaries now generate taxable income. The Corporation has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries.

#### *Estimated fair value of certain financial assets (investments)*

The fair value of investments that are not traded in an active market is determined using valuation techniques. The Corporation uses judgement to select a valuation method and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

#### *Estimation of fair values of contingent consideration in business combinations*

The contingent consideration related to business combinations are payable based on the achievement of targets for growth in revenues for a period from the date of the acquisition and upon renewal of client contract. The fair value of the contingent consideration was estimated by calculating the present value of the future expected cash flows.

## *Business Combinations*

Under the acquisition method, on the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired business are measured at their fair values. Depending on the complexity of determining the valuation for certain assets, the Company uses appropriate valuation techniques in arriving at the estimated fair value at the acquisition date for these assets. These valuations are generally based on a forecast of the total expected future net discounted cash flows and relate closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

## **Future Accounting Changes**

### *IFRS 9 - Financial instruments*

In July 2014, the International Accounting Standards Board (“IASB”) released the final version of IFRS 9 - Financial Instruments (IFRS 2014). IFRS 9 (2014) presents a few differences with IFRS 9 (2009) and IFRS (2010), early adopted by the Corporation on April 1, 2012, with respect to the classification and measurement of financial assets and accounting of financial liabilities. IFRS 9 (2014) also includes a new expected credit loss model for calculating impairment on financial assets, and a new general hedge accounting requirements. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation does not intend to early adopt IFRS 9 (2014). The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

### *IFRS 15 - Revenue recognition*

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - Revenue, and related interpretations such as IFRIC 13 - Customer Loyalty Programs. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation is currently evaluating the impact that this standard will have on its consolidated financial statements. The Corporation does not intend to early adopt the standard.

### *IAS 1 - Presentation of financial statements*

On December 18, 2014, the IASB issued amendments to IAS 1 - Presentation of financial statements as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on April 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

### *IAS 16 – Property, Plant and Equipment*

On May 12, 2014, the IASB issued amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue. The amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Corporation intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the annual period beginning on April 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

### *IAS 7 – Disclosure Initiative*

On January 7, 2016, the IASB issued amendments to IAS 7 – Disclosure Initiative. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Corporation intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on April 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

## IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 Leases. This new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on April 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

### Evaluation of disclosure controls and procedures, and internal control over financial reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. The Corporation's internal control framework is based on the criteria published in the updated version released in May 2013 of the report Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Framework").

At March 31, 2016, it is the first reporting year ending after the completion of the IPO resulting in the Corporation's Subordinate Voting Shares and Variable Subordinate Voting Shares being listed on the Toronto Stock Exchange. Consequently, the Corporation's management, under the supervision of the CEO and CFO, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and based on 2013 COSO Framework. The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As at March 31, 2016, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Company's DC&P. Based on this evaluation, the CEO and the CFO concluded that the Company's DC&P were appropriately designed and were operating effectively as at March 31, 2016.

As at March 31, 2016, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the ICFR based on the 2013 COSO Framework. Based on this evaluation, they have concluded that the Corporation's ICFR were effective as at March 31, 2016.

There have been no changes in the Corporation's internal control over financial reporting that occurred during the period that have materially affected, or are likely to materially affect, the Corporation's ICFR.

Management's assessment of and conclusion on the design and the effectiveness of the Corporation's ICFR as at June 16, 2016, did not include the controls or procedures of the operations of 9076-3392 Québec Inc. (doing business as Nümedia), Transmedia Communications SA, Digital Music Distribution Pty Ltd., Brava HDTV B.V., Brava NL B.V. and Djazz TV B.V. and, which were acquired in Fiscal 2016. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of these acquisitions in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

The following table summarizes the financial information for 9076-3392 Québec Inc. (doing business as Nümedia), Transmedia Communications SA (iConcerts), Digital Music Distribution Pty Ltd.(DMD), Brava HDTV B.V., Brava NL B.V. and Djazz TV B.V. (altogether, Brava Group) :

(in thousand of Canadian dollars)	Nümedia		iConcerts		DMD		Brava group	
<b>Results of operations</b>								
Revenues	\$	233	\$	1,794	\$	1,364	\$	3,555
Net income		14		101		326		78
<b>Financial Position</b>								
Current assets	\$	394	\$	2,093	\$	728	\$	2,841
Non-current assets		1,776		9,531		12,987		12,451
Current liabilities		276		3,473		661		1,830
Non-currents liabilities		306		462		1,733		1,072

## Subsequent events

### Acquisition

On June 15, 2016, 2Connect Media BV, a wholly-owned subsidiary of the Corporation, acquired the Festival 4k television channel, the leading Ultra HD Channel with an international customer base, for a total consideration of \$3,126 (EUR2,174) including contingent consideration.

### New lease

On May 9, 2016, the Corporation signed a letter of intent for the renewal of its lease and to add additional space in the building under construction located at 99 Prince, Montréal, with a commencement date of July 1 2017. The renewal of the lease is for a period of five years with an option to extend for an additional term of five years. The estimated commitment under the terms of the operating lease for the premises amounts to \$5,810.

### Notice of complaint

On June 6, 2016, the Corporation received notice of a complaint for patent infringement brought by Music Choice in the United States District Court for the Eastern District of Texas, Marshall Division, alleging infringement of certain claims under U.S. Patent no. 8,769,602; no. 9,357,245; no. 7,320,025; and no. 9,351,045. The Corporation believes that Music Choice's complaint is without merit and it intends to vigorously defend itself against this action.

## Additional information

Additional information about the Corporation is available on our website at [www.stingray.com](http://www.stingray.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Stingray Digital Group Inc.

We have audited the accompanying consolidated financial statements of Stingray Digital Group Inc., which comprise the consolidated statements of financial position as at March 31, 2016 and March 31, 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Stingray Digital Group Inc. as at March 31, 2016 and March 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

June 15, 2016

Montréal, Canada

\*CPA auditor, CA, public accountancy permit No. A115894

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

## Consolidated Statements of Comprehensive Income

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars)	Note	2016	2015
<b>Revenues</b>		\$ 89,944	\$ 70,989
Music programming, cost of services and content		31,162	23,283
Selling and marketing		10,680	8,010
Research and development, support and information technology, net of tax credit of \$850 (2015 - \$518)		7,613	5,973
General and administrative		13,247	10,089
Initial public offering expenses and CRTC tangible benefits	5, 18, 19	5,821	–
Depreciation, amortization and write-off	5	15,028	14,979
Net finance (income) expense	6	(418)	4,686
Change in fair value of investments	15	(7,345)	(1,801)
<b>Income before income taxes</b>		14,156	5,770
Income taxes (recovery)	7	275	(837)
<b>Net income</b>		\$ 13,881	\$ 6,607
Net income per share – Basic	8	0.29	0.20
Net income per share – Diluted	8	0.29	0.19
Weighted average number of shares – Basic	8	47,822,515	33,642,546
Weighted average number of shares – Diluted	8	48,380,253	34,393,243

### Comprehensive income

Net income		\$ 13,881	\$ 6,607
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations		804	–
<i>Items that will not be reclassified to profit and loss</i>			
Remeasurements of post-employment benefit obligations		(67)	(79)
Total other comprehensive income (loss)		737	(79)
<b>Total comprehensive income</b>		\$ 14,618	\$ 6,528

Net income is entirely attributable to Shareholders.

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Financial Position

March 31, 2016 and March 31, 2015

(In thousands of Canadian dollars)	Note	March 31, 2016	March 31, 2015 (recasted, see note 3)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 3,201	\$ 1,314
Trade and other receivables	9	27,761	17,494
Research and development tax credits	10	236	334
Inventories	11	910	876
Prepaid expenses and other current assets		3,487	2,667
		35,595	22,685
<b>Non-current assets</b>			
Property and equipment	12	4,628	4,330
Intangible assets	13	47,901	45,441
Goodwill	14	62,022	39,129
Investments	15	16,943	7,933
Investment in joint venture		815	858
Other assets		1,088	919
Deferred tax assets	7	7,117	3,875
<b>Total assets</b>		<b>\$ 176,109</b>	<b>\$ 125,170</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Revolving facility	17	\$ –	\$ 7,902
Accounts payable and accrued liabilities	16	25,819	16,743
Dividends payable	19	1,789	–
Deferred revenues		915	714
Current portion of other payables	18	8,006	8,463
Income taxes payable		1,711	393
Bridge loan	17	–	20,000
Current portion of term loan	17	–	9,830
		38,240	64,045
<b>Non-current liabilities</b>			
Revolving facility	17	35,035	–
Term loan	17	–	71,005
Derivative financial instruments		–	110
Other payables	18	8,695	4,434
Deferred tax liabilities	7	3,745	3,418
<b>Total liabilities</b>		<b>85,715</b>	<b>143,012</b>
<b>Shareholders' equity</b>			
Share capital	19	102,040	2,240
Contributed surplus		2,196	1,759
Deficit		(14,646)	(21,841)
Accumulated other comprehensive income		804	–
<b>Total equity</b>		<b>90,394</b>	<b>(17,842)</b>
Commitments (note 22)			
Subsequent events (note 2)			
<b>Total liabilities and equity</b>		<b>\$ 176,109</b>	<b>\$ 125,170</b>

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors,

(Signed) Eric Boyko, Director

(Signed) L. Jacques Ménard, Director

## Consolidated Statements of Changes in Equity

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, except number of share capital)	Share Capital		Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
	Number	Amount				
<b>Balance at March 31, 2014</b>	32,670,254	\$ 1,006	\$ 2,500	\$ (8,721)	\$ –	\$ (5,215)
Issuance of shares upon exercise of options (note 19)	1,310,834	1,682	(1,472)	–	–	210
Dividends and reduction of stated capital on common shares (note 19)	–	(448)	–	(19,601)	–	(20,049)
Share-based compensation (note 21)	–	–	800	–	–	800
Repurchase of stock options (note 19)	–	–	(69)	(47)	–	(116)
Net income	–	–	–	6,607	–	6,607
Other comprehensive loss	–	–	–	(79)	–	(79)
<b>Balance at March 31, 2015</b>	33,981,088	\$ 2,240	\$ 1,759	\$ (21,841)	\$ –	\$ (17,842)
Issuance of shares upon exercise of options (note 19)	479,787	1,298	(914)	–	–	384
Dividends (note 19)	–	–	–	(6,619)	–	(6,619)
Issuance of subordinate voting shares and variable subordinate voting shares (note 19)	16,647,100	104,044	–	–	–	104,044
Share issuance costs – net of income taxes of \$1,993 (note 19)	–	(5,542)	–	–	–	(5,542)
Share-based compensation (note 21)	–	–	1,351	–	–	1,351
Net income	–	–	–	13,881	–	13,881
Other comprehensive income	–	–	–	(67)	804	737
<b>Balance at March 31, 2016</b>	51,107,975	\$ 102,040	\$ 2,196	\$ (14,646)	\$ 804	\$ 90,394

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Cash Flows

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars)	Note	2016	2015
<b>Operating activities:</b>			
Net income		\$ 13,881	\$ 6,607
Adjustments for:			
Share-based compensation	21	1,351	800
Restricted share unit expense	21	592	211
Deferred share unit expense	21	371	–
Depreciation and write-off of property and equipment	12	2,146	2,057
Amortization of intangible assets	13	12,882	12,854
Amortization and write-off of financing fees		263	369
Other interest expense		1,627	3,961
Change in fair value of derivative		(110)	(72)
Change in fair value of investments		(7,345)	(1,801)
Change in fair value of contingent considerations		(2,064)	485
Write-off of other assets		–	(200)
Accretion expense of CRTC tangible benefits		248	–
Share of results of joint venture		43	(128)
Income taxes expense		275	(837)
Other		–	11
Interest paid		(1,426)	(3,845)
Income taxes paid		(2,190)	(2,546)
		20,544	17,926
Net change in non-cash operating items	20	(1,576)	(8,018)
		18,968	9,908
<b>Financing activities:</b>			
Increase in the revolving facility		26,948	2,704
Issuance of term loan	17	–	20,000
Issuance of bridge loan	17	–	20,000
Repayment of term loan and bridge loan	17	(100,960)	(6,564)
Payment of dividend and stated capital of common shares	19	(4,830)	(20,049)
Repurchase of stock options	19	–	(116)
Proceeds from the exercise of stock options	19	384	210
Issuance of shares	19	104,044	–
Share capital issuance costs	19	(7,535)	–
Deferred financing costs		(431)	(161)
Repayment of other payables		(4,851)	(1,154)
Other		(91)	(108)
		12,678	14,762
<b>Investing activities:</b>			
Business and assets acquisitions, net of cash acquired	3	(24,665)	(20,572)
Acquisition of investments	15	(1,665)	–
Acquisition of property and equipment		(2,300)	(1,688)
Acquisition of intangible assets		(1,129)	(751)
		(29,759)	(23,011)
Increase in cash and cash equivalents		1,887	1,659
Cash and cash equivalents (bank overdraft), beginning of year		1,314	(345)
Cash and cash equivalents, end of year		\$ 3,201	\$ 1,314

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

## 1. Significant changes and highlights:

The consolidated financial position and performance of the Stingray Digital Group Inc. (the "Corporation") was particularly affected by the following events and transactions during the year ended March 31, 2016:

- The completion of its Initial public offering ("IPO") in June 2015, which resulted in an increase in the share capital (note 19), recognition of IPO expenses related to the secondary offering (note 19) and in the repayment of the term loan and bridge loan (note 17).
- The acquisitions of the Brava Group based in Netherlands in July 2015, iConcerts based in Geneva in December 2015, Digital Media Distribution based in Australia in December 2015 and Nümédia based in Canada in February 2016 (note 3). It resulted in the recognition of goodwill (note 3 and 14), intangibles assets (note 3 and 13), contingent considerations (note 3 and 18) and additional operating profit related to those acquisitions (note 3). The Corporation financed those acquisition using its amended revolving facility.
- The approval by the CRTC of the change in ownership and effective control of the Corporation in April 2015, which resulted in the recognition of a tangible benefits payable (note 18) and CTRC tangible benefits expenses.
- The additional investment in AppDirect Inc. and following fair value valuation, which resulted in an increase in investments (note 15) and the recognition of a gain on fair value revaluation (note 24).

## 2. Subsequent events:

### Acquisition

On June 15, 2016, 2Connect Media BV, a wholly-owned subsidiary of the Corporation, acquired the Festival 4k television channel, the leading Ultra HD Channel with an international customer base, for a total consideration of \$3,126 (EUR2,174) including contingent consideration.

### New lease

On May 9, 2016, the Corporation signed a letter of intent for the renewal of its lease and to add additional space in the building under construction located at 99 Prince, Montréal, with a commencement date of July 1 2017. The renewal of the lease is for a period of five years with an option to extend for an additional term of five years. The estimated commitment under the terms of the operating lease for the premises amounts to \$5,810.

### Notice of complaint

On June 6, 2016, the Corporation received a notice of a complaint for patent infringement brought by Music Choice in the United States District Court for the Eastern District of Texas, Marshall Division, alleging infringement of certain claims under U.S. Patent no. 8,769,602; no. 9,357,245; no. 7,320,025; and no. 9,351,045. The Corporation believes that Music Choice's complaint is without merit and it intends to vigorously defend itself against this action.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 3. Business acquisitions:

#### Year ended March 31, 2016

##### *Nümédia*

On February 15, 2016, the Corporation purchased all of the outstanding shares of 9076-3392 Québec Inc. (“Nümédia”) for a total consideration of \$1,851. This acquisition will enable the Corporation to strengthen its Canadian operations. As a result of the acquisition, a goodwill of \$775 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was \$260 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the revenues for 12 months and other conditions, of up to \$300 and would be payable on February 15, 2017. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows.

The results of the business acquisition of Nümédia for the year ended March 31, 2016 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2016 were \$233 and net income of \$14. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately \$1,397 and net income of \$83.

	Nümédia
<b>Assets acquired :</b>	
Cash and cash equivalents	\$ 257
Accounts receivable	260
Prepaid expense and other current assets	33
Property and equipment	185
Intangible assets	841
Goodwill	775
	2,351
<b>Liabilities assumed :</b>	
Accounts payable and accrued liabilities	289
Long-term debt	185
Deferred tax liabilities	26
	500
<b>Net assets acquired at fair value</b>	<b>\$ 1,851</b>
<b>Consideration given :</b>	
Cash	1,700
Contingent consideration	151
	<b>\$ 1,851</b>

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### *iConcerts*

On December 17, 2015, the Corporation purchased all of the outstanding shares of Transmedia Communications SA (“iConcerts”) for a total consideration of CHF5,600 (CA\$7,810). This acquisition will enable the Corporation to strengthen its international operations within Europe. As a result of the acquisition, a goodwill of \$6,979 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing worldwide assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was \$912. The gross contractual amount for trade receivables due is \$1,587, of which \$675 is expected to be uncollectible. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the revenues for 12 months and other conditions, of up to CHF2,100 (CA\$2,929) and would be payable on November 30, 2016. Based on management estimates, it has been determined that the fair value of the contingent consideration was nil.

The results of the business acquisition of iConcerts for the year ended March 31, 2016 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2016 were \$1,794 and net income of \$101. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately \$5,382 and net income of \$303.

	Preliminary	Adjustments	Adjusted
<b>Assets acquired :</b>			
Cash and cash equivalents	\$ 505	\$	\$ 505
Accounts receivable	1,966	(1,054)	912
Prepaid expense and other current assets	997	(546)	451
Property and equipment	51		51
Intangible assets	2,334	116	2,450
Goodwill	6,921	58	6,979
	12,774	(1,426)	11,348
<b>Liabilities assumed :</b>			
Accounts payable and accrued liabilities	4,410	(977)	3,433
Income taxes payable	209	(209)	–
Deferred tax liabilities	345	(240)	105
	4,964	(1,426)	3,538
<b>Net assets acquired at fair value</b>	<b>\$ 7,810</b>	<b>\$ –</b>	<b>\$ 7,810</b>
<b>Consideration given :</b>			
Cash	7,810		7,810
	<b>\$ 7,810</b>	<b>\$ –</b>	<b>\$ 7,810</b>

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### Digital Media Distribution

On December 14, 2015, the Corporation purchased all of the outstanding shares of Digital Music Distribution Pty Ltd. ("DMD") for a total consideration of AUD11,990 (CA\$11,853). This acquisition will enable the Corporation to strengthen its international operations within Asia-Pacific. As a result of the acquisition, a goodwill of \$7,326 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing worldwide assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was \$98 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, AUD4,002 (CA\$3,956) upon renewal of clients' contract before December 2017.

The results of the business acquisition of DMD for the year ended March 31, 2016 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2016 were \$1,364 and net income of \$326. Had the acquisitions occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately \$4,093 and net income of \$979.

	Preliminary	Adjustments	Adjusted
<b>Assets acquired :</b>			
Cash and cash equivalents	\$ 210	\$ (5)	\$ 205
Accounts receivable	123	(25)	98
Prepaid expense and other current assets	292	5	297
Intangible assets	2,924	2,576	5,500
Goodwill	9,166	(1,840)	7,326
	12,715	711	13,426
<b>Liabilities assumed :</b>			
Accounts payable and accrued liabilities	306	(19)	287
Deferred tax liabilities	497	789	1,286
	803	770	1,573
<b>Net assets acquired at fair value</b>	<b>\$ 11,912</b>	<b>\$ (59)</b>	<b>\$ 11,853</b>
<b>Consideration given :</b>			
Cash	7,862	(183)	7,679
Working capital adjustment	—	218	218
Contingent consideration	4,050	(94)	3,956
	\$ 11,912	\$ (59)	\$ 11,853

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### Brava Group

In July 2015, the Corporation purchased all of the outstanding shares of Brava HDTV B.V., Brava NL B.V. and DjazzTV B.V. ("Brava Group") for a total consideration of EUR8,334 (CA\$11,548). This acquisition will enable the Corporation to strengthen its international operations within Europe. As a result of the acquisition, a goodwill of \$7,428 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing worldwide assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was \$1,594, which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the revenues for 36 months, of up to EUR2,971 (CA\$4,117) and will be paid out on each anniversary date for the next three years, ending in June 2018. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows and discounted for time value.

The results of the business acquisitions of Brava Group for the year ended March 31, 2016 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2016 were \$3,555 and net income of \$78. Had the acquisitions occurred at the beginning of the fiscal year, revenues related to these acquired businesses would have been approximately \$4,740 and net income of \$104.

	Preliminary	Adjustments	Adjusted
<b>Assets acquired :</b>			
Cash and cash equivalents	\$ 282	\$	\$ 282
Accounts receivable	1,576	18	1,594
Prepaid expense and other current assets	164		164
Property and equipment	61		61
Intangible assets	4,795		4,795
Goodwill	7,153	275	7,428
	14,031	293	14,324
<b>Liabilities assumed :</b>			
Accounts payable and accrued liabilities	1,186		1,186
Income taxes payable	391		391
Deferred tax liabilities	1,199		1,199
	2,776		2,776
<b>Net assets acquired at fair value</b>	<b>\$ 11,255</b>	<b>\$ 293</b>	<b>\$ 11,548</b>
<b>Consideration given :</b>			
Cash	8,502		8,502
Working capital adjustment	25	275	300
Contingent consideration	2,728	18	2,746
	\$ 11,255	\$ 293	\$ 11,548

As of the reporting date, the Corporation has not completed all purchase price allocation of the year over the identifiable net assets and goodwill as information to confirm working capital items is still to be obtained.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### Year ended March 31, 2015

*Les Réseaux Urbains Viva Inc.*

On February 10, 2015, the Corporation purchased all of the outstanding shares of *Les Réseaux Urbains Viva Inc.* for a total consideration of \$4,420. This acquisition will enable the Corporation to strengthen its Canadian position for in-store media solutions and digital signage solutions. As a result of the acquisition, a goodwill of \$2,621 has been recognized and is related to the strategic expertise from the former owner and employees and operating synergies expected to be achieved from integrating the acquired business into the Corporation existing business and the leverage of the Corporation expertise in music and digital signage. The goodwill will not be deductible for tax purposes. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the annualized revenues for 24 months, of up to \$3,881 and will be paid out in March 2018. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows and discounted for time value.

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and adjustments to the preliminary assessment has been recorded in the statement of financial position as show below. The comparative figures have been adjusted to reflect these changes.

	Preliminary	Adjustments	Final
<b>Assets acquired :</b>			
Cash and cash equivalents	\$ 495	\$ –	\$ 495
Accounts receivable	973	124	1,097
Inventories	531	(283)	248
Property and equipment	108	–	108
Intangible assets	2,160	–	2,160
Goodwill	2,235	386	2,621
	6,502	227	6,729
<b>Liabilities assumed :</b>			
Accounts payable and accrued liabilities	1,019	227	1,246
Deferred revenues	333	–	333
Long-term debt	150	–	150
Deferred income tax liabilities	580	–	580
	2,082	227	2,309
<b>Net assets acquired at fair value</b>	<b>\$ 4,420</b>	<b>\$ –</b>	<b>\$ 4,420</b>
<b>Consideration given :</b>			
Cash	2,000	–	2,000
Contingent consideration	2,420	–	2,420
	<b>\$ 4,420</b>	<b>\$ –</b>	<b>\$ 4,420</b>

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### *Telefonica – On The Spot*

On October 10, 2014, the Corporation purchased the music division of Telefonica On The Spot Services S.A.U. (“On The Spot”) for a total consideration of US\$3,490 (CA\$3,906). This acquisition will enable the Corporation to strengthen its international operations within Latin America. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the revenues for 24 months, of up to \$US887 (CA\$1,110) and will be paid out in November 2016. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows and discounted for time value.

### *DMX Canada*

On June 27, 2014, the Corporation purchased the Canadian assets from the Commercial division of Mood Media Entertainment LTD (“DMX Canada”) for a total consideration of \$11,770. This acquisition will enable the Corporation to reinforce its status of largest commercial music provider in Canada and it is expected to reduce costs through economies of scale. As a result of the acquisition, a goodwill of \$4,260 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing business and the leverage of the Corporation expertise in Canada. A portion of the goodwill amounted to \$2,816 is expected to be deductible for income tax purposes. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain percentage of the revenues for 12 months, of up to \$1,803 and has been paid out during the year ended March 31, 2016. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows and discounted for time value.

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to these acquisitions and no adjustments to the preliminary assessment were recorded in the statement of financial position.

	Telefonica	DMX Canada
<b>Assets acquired :</b>		
Property and equipment	\$ –	\$ 511
Intangible assets	3,906	7,504
Goodwill	–	4,260
	3,906	12,275
<b>Liabilities assumed :</b>		
Deferred income tax liabilities	–	505
		505
<b>Net assets acquired at fair value</b>	<b>\$ 3,906</b>	<b>\$ 11,770</b>
<b>Consideration given :</b>		
Cash	2,978	10,217
Contingent consideration	928	1,553
	<b>\$ 3,906</b>	<b>\$ 11,770</b>

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### Archibald Media Group

On June 12, 2014, the Corporation purchased all of the outstanding shares of Archibald Media Group B.V. for a total consideration of EUR5,319 (CA\$7,824). This acquisition will enable the Corporation to strengthen its international operations within Europe. As a result of the acquisition, a goodwill of \$3,918 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing worldwide assets and the leverage of the Corporation expertise in Europe. The goodwill will not be deductible for tax purposes. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the revenues for 24 months, of up to EUR1,378 (CA\$1,880) and will be paid out in July 2016. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows and discounted for time value.

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition, and adjustments to the preliminary assessment has been recorded in the statement of financial position as show below. The comparative figures have been adjusted to reflect these changes.

	Preliminary	Adjustments	Final
<b>Assets acquired :</b>			
Cash and cash equivalents	\$ 207	\$ –	\$ 207
Accounts receivable	511	–	511
Property and equipment	111	–	111
Intangible assets	4,070	(303)	3,767
Investment in joint venture	–	730	730
Goodwill	4,255	(337)	3,918
	9,154	90	9,244
<b>Liabilities assumed :</b>			
Accounts payable and accrued liabilities	486	–	486
Deferred income tax liabilities	844	90	934
	1,330	90	1,420
<b>Net assets acquired at fair value</b>	<b>\$ 7,824</b>	<b>\$ –</b>	<b>\$ 7,824</b>
<b>Consideration given :</b>			
Cash	6,079	–	6,079
Contingent consideration	1,745	–	1,745
	<b>\$ 7,824</b>	<b>\$ –</b>	<b>\$ 7,824</b>

The results of the business acquisitions of DMX Canada, On The Spot, Archibald Media Group B.V. and Les Réseaux Urbains Viva Inc. for the year ended March 31, 2015 have been included in results since the date of the respective acquisitions. Revenues recorded from the acquisition date to March 31, 2015 were \$6,300 and net income related to these acquired businesses is impracticable to determine. Had the acquisitions occurred at the beginning of the fiscal year, revenues related to these acquired businesses would have been approximately \$12,000 and net income is impracticable to determine. The Corporation fully integrated those acquisitions within its operations and consequently it is impractical to adequately separate costs.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### *Other*

The Corporation also amended the purchase price allocation of the acquisition of Pay Audio Services Limited Partnership by reducing goodwill and deferred tax liabilities by \$3,321.

### *Significant estimate*

Under the acquisition method, on the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired business are measured at their fair values (financial instrument level 3). Depending on the complexity of determining the valuation for certain assets, the Corporation uses appropriate valuation techniques in arriving at the estimated fair value at the acquisition date for these assets. These valuations are generally based on a forecast of the total expected future net discounted cash flows and relate closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

## 4. Segment information:

### *Business description*

The Corporation is incorporated under the *Canada Business Corporations Act*. The Corporation is domiciled in Canada and its registered office is located at 730 Wellington, Montréal, Québec, H3C 1T4. The Corporation is a provider of multi-platform music services. It broadcasts high quality music and video content on a number of platforms including digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles.

### *Operating segments*

Under IFRS 8, *Operating Segments*, the Corporation determined that it operated in a single operating segment for the years ended March 31, 2016 and 2015 since operations, resources and assets are mainly centralized, optimized and managed in Canada. International operations are leveraged from Canadian expertise.

The following tables provide geographic information on Corporation's revenues, property and equipment, intangibles assets and goodwill.

Revenue is derived from the following geographic areas based on selling locations.

	2016	2015
<b>Revenues</b>		
Canada	\$ 53,535	\$ 47,738
Other countries	36,409	23,251
	\$ 89,944	\$ 70,989

Long-term assets are derived from the following geographic areas based on subsidiaries locations.

	2016	2015
<b>Property and equipment, intangible assets and goodwill</b>		
Canada	\$ 53,524	\$ 56,681
Netherlands	18,811	7,597
United Kingdom	16,857	20,847
Australia	12,620	–
Other countries	12,739	3,775
	\$ 114,551	\$ 88,900

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 5. Other information:

Expenses by nature are as follows:

	2016		2015
Salaries and other short-term employee benefits	\$ 19,780	\$	16,480
Research and development	5,725		4,966
Equipment costs	4,505		1,760
Share-based compensation	1,351		800
Restricted share units	592		211
Deferred share units	371		–

The following table shows the depreciation and amortization and IPO expenses and CRTC tangible benefits distributed by function:

	2016		2015
<i>Depreciation, amortization and write-off :</i>			
Music programming, cost of services and content	\$ 13,749	\$	13,237
General and administrative	1,279		1,742
	\$ 15,028	\$	14,979
<i>IPO expenses and CRTC tangible benefits :</i>			
Music programming, cost of services and content	\$ 4,158	\$	–
General and administrative	1,663		–
	\$ 5,821	\$	–

The music programming, cost of services and content and the general and administrative expense would have been respectively \$49,069 (2015 – \$36,520) and \$16,189 (2015 – \$11,831), if the presentation by function of the depreciation, amortization and write-off expense, IPO expenses and CRTC tangible benefits would have been adopted in the statements of comprehensive income.

Transaction costs related to business acquisitions amounting to \$691 (2015 – \$233) have been recognized in general and administrative in the statements of comprehensive income.

Share of the profit of a joint venture of \$105 has been presented in general and administrative in the statements of comprehensive income (2015 – \$200). Dividend received from the joint venture amounted to \$148 (2015 - \$72).

### 6. Net finance (income) expense:

	2016		2015
Interest expense and standby fees	\$ 1,627	\$	3,961
Change in fair value of contingent considerations	(2,064)		485
Change in fair value of derivative	(107)		(72)
Accretion expenses of CRTC tangible benefits payable	248		–
Amortization and write-off of financing fees	263		369
Write-off of other assets	–		200
Foreign exchange gain	(385)		(257)
	\$ (418)	\$	4,686

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 7. Income taxes:

The income taxes expense consists of the following:

	2016	2015
Current income tax:		
Current year	\$ 4,160	\$ 2,780
Adjustment for prior years	70	111
	4,230	2,891
Deferred income tax :		
Origination and reversal of temporary differences	(447)	(1,052)
Adjustment for prior years	(67)	30
Change in recognized tax losses and deductible temporary differences	(3,441)	(2,706)
	(3,955)	(3,728)
<b>Total income tax expense</b>	<b>\$ 275</b>	<b>\$ (837)</b>

The following table reconciles income taxes computed at the Canadian statutory rate of 26.9% (2015 – 26.9%) and the total income tax expense for the years ended March 31:

	2016	2015
Income before income taxes	\$ 14,156	\$ 5,770
Income tax at the combined Canadian statutory rate	3,808	1,552
(Decrease) increase resulting from:		
Impact of foreign tax rate differences	(599)	(240)
Permanent differences	1,009	404
Non-taxable portion of capital gain	(993)	(242)
Change in recognized tax losses and deductible temporary differences	(3,441)	(2,706)
Withholdings taxes	1,170	543
Change in future tax rate applicable to investments	(687)	–
Other	8	(148)
<b>Total income tax expense</b>	<b>\$ 275</b>	<b>\$ (837)</b>

#### *Significant estimate*

Recorded income taxes and tax credits are subject to review and approval by tax authorities and therefore could be different from the amounts recorded.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

Recognized deferred tax assets and liabilities:

The tax effects of significant components of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	\$ 339	\$ 22	\$ 266	\$ 42
Intangible assets and goodwill	114	5,177	121	6,762
Financing fees	2,016	–	157	–
Tax losses carried forward	6,666	–	4,446	–
Investments	–	1,930	–	1,624
CRTC tangible benefits	1,138	–	–	–
Others	273	45	385	28
Tax assets and liabilities	10,546	7,174	5,375	8,456
Offsetting of assets and liabilities	(3,429)	(3,429)	(1,500)	(5,038)
Net tax assets and liabilities	\$ 7,117	\$ 3,745	\$ 3,875	\$ 3,418

### Unrecognized deferred tax assets

The Corporation has operating tax losses carried forward of \$115,379 and unrecognized deductible temporary differences of \$5,217 that are available to reduce future taxable income. A tax benefit was not recognized for \$79,862 of these tax losses carried forward. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits therefrom. As at March 31, 2016 and 2015, the amounts and expiry dates of the tax losses carried forward and other unrecognized deductible temporary differences without time limitation were as follows:

	2016				2015	
	Canada	Australia	Switzerland	United Kingdom	Canada	United Kingdom
Tax losses carried forward:						
2017	\$ –	\$ –	\$ 8,040	\$ –	\$ –	\$ –
2018	–	–	4,613	–	–	–
2019	–	–	5,116	–	–	–
2020	–	–	4,844	–	–	–
2021	–	–	3,474	–	–	–
2026	23	–	–	–	–	–
2027	373	–	–	–	262	–
2028	84	–	–	–	324	–
2029	49	–	–	–	28	–
2030	7	–	–	–	–	–
2034	–	–	–	–	175	–
Indefinite	–	684	–	88,072	–	91,481
Other deductible temporary difference without time limitation	–	–	–	5,217	–	6,258
	\$ 536	\$ 684	26,087	\$ 93,289	\$ 789	\$ 97,739

### Unrecognized deferred tax liabilities

The Corporation has not recognized a deferred tax liability for the undistributed earnings of its subsidiaries in the current and prior years because the Corporation does not currently expect those undistributed earnings to reverse and become taxable in the foreseeable future. A deferred income tax liability will be recognized when the Corporation expects that it will recover those undistributed earnings in a taxable manner, such as the sale of the investment or through the receipt of dividends.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### *Significant estimate*

The deferred tax assets include an amount of \$6,666 which relates to carried forward tax losses of some Canadian, European and Australian subsidiaries. The subsidiaries have incurred the losses over the last financial years before the acquisition by the Corporation. The subsidiaries now generate taxable income. The Corporation has concluded that it is probable that these deferred assets will be recoverable considering the estimated future operating results as per the approved business plans and budgets for the subsidiaries.

### 8. Earnings per share:

	2016	2015
Net income	\$ 13,881	\$ 6,607
Basic weighted average number of common share and subordinate voting shares, variable subordinate voting shares and multiple voting shares	47,822,515	33,642,546
Dilutive effect of stock options	557,738	750,697
Diluted weighted average number of common share and subordinated voting shares, variable subordinated voting shares and multiple voting shares	48,380,253	34,393,243
Earnings per share – Basic	\$ 0.29	\$ 0.20
Earnings per share – Diluted	\$ 0.29	\$ 0.19

### 9. Trade and other receivables:

	2016	2015
Trade	\$ 25,447	\$ 16,379
Other receivables	2,314	1,115
	\$ 27,761	\$ 17,494

### 10. Research and development tax credits:

As at March 31, 2016, tax credits receivable of \$236 (2015 - \$334) comprise research and development tax credits receivable from the provincial government, which relate to qualified research and development expenditures under the applicable tax laws. The amounts recorded as receivables are subject to a government tax audit and the final amounts received may differ from those recorded.

### 11. Inventories:

	2016	2015
Music transmission equipment hardware	\$ 586	\$ 451
Television equipment, speakers and other	324	425
	\$ 910	\$ 876

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 12. Property and equipment:

	Furniture, fixtures and equipment	Computer hardware	Other	Total
<b>Cost:</b>				
Balance at March 31, 2014	\$ 3,400	\$ 2,750	\$ 821	\$ 6,971
Additions	2,063	835	125	3,023
Additions through business acquisitions	618	112	–	730
Disposals and write-off	(119)	(33)	(89)	(241)
Balance at March 31, 2015	5,962	3,664	857	10,483
Additions	807	1,019	320	2,146
Additions through business acquisitions	44	246	7	297
Disposals and write-off	(224)	(3)	–	(227)
Foreign exchange differences	(2)	6	1	5
Balance at March 31, 2016	6,587	4,932	1,185	12,704
<b>Accumulated depreciation:</b>				
Balance at March 31, 2014	2,040	1,843	454	4,337
Depreciation for the year	1,123	691	169	1,983
Disposal and write-off	(66)	(26)	(75)	(167)
Balance at March 31, 2015	3,097	2,508	548	6,153
Depreciation for the year	869	854	257	1,980
Disposals and write-off	(58)	(3)	–	(61)
Foreign exchange differences	–	4	–	4
Balance at March 31, 2016	\$ 3,908	\$ 3,363	\$ 805	\$ 8,076
<b>Net carrying amounts:</b>				
March 31, 2015	\$ 2,865	\$ 1,156	\$ 309	\$ 4,330
March 31, 2016	\$ 2,679	\$ 1,569	\$ 380	\$ 4,628

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 13. Intangible assets:

	Music catalog	Client list and relationships	Trademark	Licenses, website application and computer software	Non-compete agreement	Total
<b>Cost:</b>						
Balance at March 31, 2014	\$ 6,977	\$ 58,921	\$ 2,147	\$ 4,346	\$ 3,097	\$ 75,488
Additions	308	–	–	585	–	893
Additions through business acquisitions	450	15,679	735	46	427	17,337
Balance at March 31, 2015	7,735	74,600	2,882	4,977	3,524	93,718
Additions	352	–	–	883	–	1,235
Additions through business acquisition	156	11,818	1,492	264	79	13,809
Foreign exchange differences	(1)	296	3	(1)	2	299
Balance at March 31, 2016	8,242	86,714	4,377	6,123	3,605	109,061
<b>Accumulated depreciation:</b>						
Balance at March 31, 2014	2,462	28,049	414	3,217	1,281	35,423
Amortization for the year	774	10,519	175	764	622	12,854
Balance at March 31, 2015	3,236	38,568	589	3,981	1,903	48,277
Amortization for the year	530	10,634	336	872	510	12,882
Foreign exchange differences	1	3	–	(1)	(2)	1
Balance at March 31, 2016	\$ 3,767	\$ 49,205	\$ 925	\$ 4,852	\$ 2,411	\$ 61,160
<b>Net carrying amounts:</b>						
March 31, 2015	\$ 4,499	\$ 36,032	\$ 2,293	\$ 996	\$ 1,621	\$ 45,441
March 31, 2016	\$ 4,475	\$ 37,509	\$ 3,452	\$ 1,271	\$ 1,194	\$ 47,901

### 14. Goodwill:

	2016	2015 (recasted- see note 3)
Balance, beginning of year	\$ 39,129	\$ 28,330
Business acquisitions (note 3)	22,508	10,799
Foreign exchange differences	385	–
Balance, end of year	\$ 62,022	\$ 39,129

For the purpose of impairment testing, goodwill of \$62,022 was allocated to the single CGU representing all music services. The Corporation performed its annual impairment test for goodwill during the last quarter of 2016. The recoverable value of the CGU exceeded its carrying value. There is no reasonable possible change in assumptions that would cause the carrying amount to exceed the estimated recoverable amount. As a result, no goodwill impairment was recorded.

#### *Valuation technique and significant estimate*

The recoverable value of the CGU was based on fair value less costs to sell. The following methodology and assumptions were applied to determine the fair value less costs to sell.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

The fair value less costs to sell was calculated using unobservable (Level 3) inputs such as the budgeted and projected 2017-2021 revenues and EBITDA margin. The EBITDA is defined as net income before net finance costs, change in fair value of investment, income taxes, depreciation and amortization. The Corporation considered past experience, economic trends as well as industry and market trends in assessing if the level of EBITDA can be maintained in the future. For the purpose of this test, management uses a five-year period to project future cash flows. Beyond this period, the Corporation uses a growth rate of 2% with an EBITDA margin of 35%. The Corporation also used a discount rate of 10%, which represents the weighted average cost of capital ("WACC"). The WACC is an estimate of the overall rate of return required by debt and equity holders on their investment. Determining the WACC requires analyzing the cost of equity and debt separately, and takes into account a risk premium that is based on the CGU.

For the purpose of impairment testing of tangible and intangible assets and goodwill, management must use its judgment to identify the smallest group of assets that generates cash inflows that are largely independent of those from other assets ("cash generating unit" or "CGU").

The amounts used for impairment calculations are based on estimates of future cash flows of the Corporation, including estimates of future revenues, EBITDA, discount rates (WACC) and market prices.

By their nature, these estimates and assumptions are subject to measurement uncertainty and, consequently, actual results could differ from estimates used.

### 15. Investments:

	2016	2015
Balance, beginning of year	\$ 7,933	\$ 6,132
Additions during the year	1,665	—
Change in fair value during the year, including foreign exchange gain	7,345	1,801
Balance, end of year	\$ 16,943	\$ 7,933

Investments consists of an investment in convertible preferred shares of a private entity, AppDirect, and an investment in a convertible note of a private entity, Multi-Channels Asia PTE Ltd. ("MCA").

#### *AppDirect*

The investment made by the Corporation into convertible preferred shares of AppDirect is classified as measured at fair value through profit and loss. On September 21, 2015, the Corporation invested US\$300 (CA\$330) in convertible preferred shares.

#### *MCA*

The investment made by the Corporation into convertible note of MCA is classified as at fair value through profit and loss. On November 11, 2015, the Corporation invested US\$1,000 (CA\$1,335) in convertible note. The convertible note matures in five years, bears interest at 7% per annum and the principal amount is convertible, at the option of the Corporation, into common shares of MCA, at any time, until maturity.

#### *Significant estimate*

The fair value of investments that are not traded in an active market is determined using valuation techniques. The Corporation uses judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting year. For details of the key assumptions used and the impact of changes to these assumptions, see note 24.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 16. Accounts payable and accrued liabilities:

	2016		2015	
Trade	\$	8,624	\$	2,624
Accrued liabilities		16,338		14,021
Sales taxes payable		857		98
	\$	25,819	\$	16,743

### 17. Loans and borrowings:

Movements in loans and borrowings are as follows:

	Revolving facility		Bridge loan		Term loan	
<b>Year ended March 31, 2015</b>						
Opening net book amount as at March 31, 2014	\$	5 198	\$	–	\$	67,041
Increase of revolving facility (net)		2 704		–		–
New debt		–		20,000		20,150
Repayments of borrowings		–		–		(6,564)
New financing fees		–		–		(161)
Amortization of financing fees		–		–		369
<b>Closing net book amount as at March 31, 2015</b>	\$	7,902	\$	20,000	\$	80,835
Current portion	\$	7,902	\$	20,000	\$	9,830
Non-current portion		–		–		71,005

	Revolving facility		Bridge loan		Term loan	
<b>Year ended March 31, 2016</b>						
Opening net book amount as at March 31, 2015	\$	7 902	\$	20,000	\$	80,835
Increase of revolving facility (net)		27,133		–		–
Repayments of borrowings		–		(20,000)		(80,960)
Amortization and write-off of financing fees		–		–		125
<b>Closing net book amount as at March 31, 2016</b>	\$	35,035	\$	–	\$	–
Current portion	\$	–	\$	–	\$	–
Non-current portion		35,035		–		–

#### Revolving credit facility

On June 11, 2015, the Corporation renegotiated its credit agreement in order to merge the outstanding balance of the term loan into the amended revolving credit facility (“revolving facility”), to provide for the repayment of the bridge loan, to increase its borrowing capacity to \$100,000 and to make modifications in relation to interest, maturity, security and covenants. The revolving facility matures in June 2019, bears interest at an annual rate equal to the banker’s acceptance rate plus between 1.38% and 3.00% and is secured by guarantees from subsidiaries and first ranking lien on universality of all its assets, tangible and intangible, present and future. In addition, the Corporation incurs standby fees between 0.28% and 0.60% on the unused portion of the revolving facility. The Corporation is required to comply with financial covenants.

As at March 31, 2016, the Corporation was in compliance with all the requirements of its credit agreement.

#### Term loan

The term loan was repaid on June 11, 2015, was bearing interest at prime rate plus the applicable margin (between 1.00% and 3.00%), representing an interest rate of 4.85% at March 31, 2015, and was maturing on December 18, 2016.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### *Bridge loan*

The Corporation repaid in full the outstanding amount on June 11, 2015. The bridge loan was bearing interest at an annual rate equal to either the prime loans or acceptances rates plus 3.00% and 4.00% up to December 13, 2015, respectively, and 3.50% and 4.50%, respectively, thereafter, representing an interest rate of 6.85% at March 31, 2015, was maturing in March 2016 and was secured by guarantees from subsidiaries and first ranking lien on universality of tangible and intangible assets. Under the credit agreement, the Corporation was to comply with quarterly financial covenants.

### 18. Other payables:

Other payables consist of the following:

	2016		2015
Contingent considerations	\$ 12,347	\$	12,409
CRTC tangible benefits	4,230		340
Post-employment benefit obligations	124		148
	16,701		12,897
Current position	(8,006)		(8,463)
	\$ 8,695	\$	4,434

### *CRTC tangible benefits*

The CRTC approved the change in ownership and effective control of the Corporation on April 22, 2015. Pursuant to the decision, the CRTC requires the Corporation to pay tangible benefits corresponding to an amount of \$5,508 over a seven-year period in equal annual payments. The Corporation recognized an expense of \$4,382, which reflects the fair value of the payment stream using a discount rate of 7.0%, which is the Corporation effective interest rate plus a risk premium. On August 18, 2015, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a decision renewing until August 31, 2020 the Corporation's broadcast license.

### *Significant estimate – contingent considerations*

In the event that certain predetermined sales volumes, specific contract renewals and other conditions are achieved by the acquired companies, additional consideration may be payable in the future.

The fair value of the contingent consideration of \$12,347 was estimated by calculating the present value of the future expected outflows. For details of the key assumptions used and the impact of changes to these assumptions, see note 24. The estimates are based on a discount rate ranging from 5% to 15%. During the year ended March 31, 2016, the contingent considerations of DMX Canada, DMX Latin, Brava Group and Archibald Media Group have been reviewed, as the actual sales revenue expected to be achieved by the acquired companies are either above or below the maximum threshold. An aggregate gain of \$2,064 was included in net finance expenses. During the year ended March 31, 2016, the contingent considerations of DMX Canada and DMX Latin have been paid.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 19. Share capital:

Authorized:

Prior to the closing of the initial public offering (the "Offering"), the Corporation's authorized share capital was comprised of an unlimited number of Classes A, B, and C common shares, voting and participating, without par value and an unlimited number of Classes A, B and C preferred shares, voting and non-participating, without par value.

The Corporation's authorized share capital was amended immediately prior to the closing of the Offering and all the classes of shares included in the authorized share capital of the Corporation prior to the amendment were repealed and replaced by:

Unlimited number of subordinate voting shares, participating, without par value

Unlimited number of variable subordinate voting shares, participating, without par value

Unlimited number of multiple voting shares (10 votes per share), participating, without par value

Unlimited number of special shares, participating, without par value

Unlimited number of preferred shares issuable in one or more series, non-participating, without par value

Issued and outstanding:

The movements in share capital were as follows:

	Number of shares	Carrying amount
<b>Year ended March 31, 2015</b>		
As at March 31, 2014		
Class A common shares	16,440,535	\$ 562
Class B common shares	6,229,719	12
Class C common shares	10,000,000	432
	32,670,254	1,006
<b>Issued upon exercise of stock options</b>		
Class A common shares	1,310,834	1,682
<b>Dividend and reduction of stated capital</b>		
Class A common shares	–	(16)
Class C common shares	–	(432)
	–	(448)
<b>As at March 31, 2015</b>		
Class A common shares	17,751,369	2,228
Class B common shares	6,229,719	12
Class C common shares	10,000,000	–
	33,981,088	\$ 2,240

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

	Number of shares	Carrying amount
<b>Year ended March 31, 2016</b>		
As at March 31, 2015		
Class A common shares	17,751,369	\$ 2,228
Class B common shares	6,229,719	12
Class C common shares	10,000,000	—
	33,981,088	2,240
<b>Issued upon exercise of stock options</b>		
Class A common shares	80,000	192
<b>Converted</b>		
Class A common shares	(17,831,369)	(2,420)
Class B common shares	(6,229,719)	(12)
Class C common shares	(10,000,000)	—
Subordinate voting shares and variable subordinate voting shares	17,766,803	1,316
Multiple voting shares	16,294,285	1,116
	—	—
<b>Issued upon initial public offering and exercise of over-allotment option</b>		
Subordinate voting shares and variable subordinate voting shares	16,647,100	104,044
Share issuance costs, net of income taxes of \$1,993	—	(5,542)
<b>Issued upon exercise of stock options</b>		
Subordinate voting shares	399,787	1,106
<b>As at March 31, 2016</b>		
Subordinate voting shares and variable subordinate voting shares	34,813,690	100,924
Multiple voting shares	16,294,285	1,116
	51,107,975	\$ 102,040

To comply with the *Broadcasting Act* and the regulations and directions promulgated thereunder from time to time, which permit non-Canadians (as defined in the Direction to the CRTC (Ineligibility of Non-Canadians) (SOR/97-192)) to own and control, directly or indirectly, up to 20% of the voting shares and 20% of the votes of an operating licensee that is a corporation, such as the Corporation, the Corporation has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Corporation's shares. Restrictions include limitations over foreign ownership of the issued and outstanding voting shares.

### *Transactions for the year ended March 31, 2016*

During the year, 479,787 stock options were exercised and, consequently, the Corporation issued 80,000 class A common shares and 399,787 subordinate voting shares. The proceeds amounted to \$384. An amount of \$914 of contributed surplus related to those stock options was transferred to the Class A common shares or subordinate voting shares' account balance.

On March 23, 2016, the Corporation has declared dividend of \$0.035 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around June 15, 2016 to holders of subordinate voting shares, variable subordinate voting shares and multiple voting shares on record as of May 31, 2016.

On February 3, 2016, the Corporation declared a dividend of \$0.035 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of \$1,781 has been paid on March 15, 2016.

On November 11, 2015, the Corporation declared a dividend of \$0.03 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of \$1,526 has been paid on December 15, 2015.

On August 11, 2015, the Corporation declared a dividend of \$0.03 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of \$1,523 has been paid on September 15, 2015.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

On June 3, 2015, the Corporation completed the Offering of its subordinate voting shares and variable subordinate voting shares with the securities regulatory authorities in each of the provinces and territories of Canada. The Corporation issued 13,287,100 subordinate voting shares and variable subordinate voting shares and received gross proceeds of \$83,044 from the issuance. On June 9, 2015, the Corporation issued 3,360,000 subordinate voting shares and variable subordinate voting shares following the exercise of the over-allotment option granted to the underwriters in connection with the Offering. The Corporation received gross proceeds of \$21,000 from the issuance.

Transaction costs for transactions above amounted to \$9,198, of which \$1,663 have been recognized as an expense in the consolidated statements of comprehensive income and \$7,535, net of tax benefits of \$1,993, amounting to \$5,542, as a reduction of share capital.

### *Transactions for the year ended March 31, 2015*

During the year, 1,310,834 stock options were exercised and, consequently, the Corporation issued 1,310,834 Class A common shares. The proceeds amounted to \$210. An amount of \$1,472 of contributed surplus related to those stock options was transferred to the Class A common shares' account balance.

On March 18, 2015, the Corporation declared and paid to Class A, Class B and Class C common shareholders cash dividends of \$0.59 per share, including a reduction of the stated capital of Class A and Class C common shares by \$16 and \$432, respectively.

On July 29, 2014, the Corporation purchased 54,167 options held by former employees for a purchase price equal to \$116. These options have been cancelled thereafter.

### 20. Supplemental cash flow information:

	2016	2015
Trade and other receivables	\$ (7,684)	\$ (2,893)
Research and development tax credit	(214)	148
Inventories	(34)	(238)
Prepaid expenses and other current assets	169	(990)
Other assets	124	(519)
Accounts payable and accrued liabilities	1,493	(487)
Income taxes payable	695	(2,599)
Deferred revenues	203	(440)
Other payables (CRTC tangible benefits)	3,672	—
	\$ (1,576)	\$ (8,018)

Additions to property and equipment and intangible assets and not affecting cash and cash equivalents amounted to \$341 (2015 – \$495) and \$249 (2015 – \$142), respectively, during the year ended March 31, 2016.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 21. Share-based compensation:

#### Stock options plan

As part of the Offering, the Corporation has established a new stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 2,500,000 subordinate voting shares have been reserved for issuance. The terms and conditions for acquiring and exercising options are set by the Board of Directors, as well as the term of the options; however, it cannot be more than seven years or any other shorter period as specified by the Board of Directors, according to the regulations of the plan. The total number of shares issued to a single person cannot exceed 5% of the Corporation's total issued and outstanding common shares on a fully diluted basis.

Under the former and new stock option plan, 1,288,757 stock options were outstanding as at March 31, 2016. Outstanding options are subject to employee service vesting criteria which range from nil to four years of service.

The following summarizes the changes in the plan's position for the years ended March 31, 2016 and 2015:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	1,269,699	\$ 1.29	2,326,734	\$ 0.57
Granted	512,880	6.43	504,699	2.26
Exercised (note 19)	(479,787)	0.80	(1,310,834)	0.16
Forfeited	(14,035)	2.26	(196,733)	1.06
Repurchased	—	—	(54,167)	0.70
Options outstanding, end of year	1,288,757	3.50	1,269,699	1.29
Exercisable options, end of year	482,427	\$ 1.21	673,333	\$ 0.56

The following is a summary of the information on the outstanding stock options as at March 31, 2016 and 2015:

Exercise price <sup>(i)</sup>	Number of options outstanding	Outstanding options	Exercisable options
		Weighted average contractual life outstanding (years)	Number
<i>March 31, 2016</i>			
\$ 0.46	260,000	3.11	260,000
1.46	75,000	4.63	50,000
2.26	440,877	5.91	172,427
6.25	387,880	6.12	—
7.00	125,000	6.36	—
\$ 3.50	1,288,757	5.38	482,427
<i>March 31, 2015</i>			
\$ 0.46	615,000	3.99	615,000
1.46	150,000	5.57	50,000
2.26	504,699	6.43	8,333
\$ 1.29	1,269,699	5.15	673,333

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

The weighted average fair value of the stock options granted during the year ended March 31, 2016 was \$3.43 (2015 – \$1.65). This fair value was estimated at the date on which the options were granted by using the Black-Scholes option pricing model with the following assumptions:

	2016	2015
Weighted average volatility	65.0% – 70.0%	70%
Weighted average risk-free interest rate	0.73% – 1.01%	0.59% - 1.72%
Weighted average expected life of options	5 – 6.25 years	5 years
Weighted average value of the subordinate voting share at grant date	\$6.43	\$2.85
Weighted average expected dividend rate	nil - 2.0%	nil

The weighted average volatility used is calculated based on comparable publicly-traded companies over the same period as of the expected life.

Total share-based compensation costs recognized under this stock option plan amount to \$1,351 for the year ended March 31, 2016 (2015 – \$800).

The weighted average share price at the date of exercise for share options exercised during the year ended March 31, 2016 was \$6.93 (2015 – \$2.85).

- (i) For the year ended March 31, 2015, the Corporation's directors cancelled all issued and outstanding stock options and issued new options having an exercise price that was reduced by \$0.59, being the amount paid as dividend or reduction of stated capital to the holders of Classes A, B and C common shares (note 19). This new rebate of the exercise price of the related stock options increased the share-based compensation cost by \$434 of which \$278 has been recognized for each year, respectively.

### *Restricted share unit plan*

The Corporation established on April 1, 2014 a restricted share unit plan ("RSU") that can be granted to directors, officers, executives and employees as part of their long-term compensation package, which is expected to be settled in cash. The value of the payout is determined by multiplying the number of RSU vested at the payout date by the fair value of the Corporation's shares on the day prior to the payout date. The fair value of the payout is determined at each reporting date based on the fair value of the Company's shares at the reporting date. The fair value is amortized over the vesting period, being three years.

During the year ended March 31, 2016, 65,469 RSU (2015 – 166,349) were granted at \$6.25 (2015 – \$2.85) per unit to executives and employees and no RSU was vested. The total share-based compensation expense related to RSU plans amounted to \$592 in 2016 (2015 – \$211). As at March 31 2016, the fair value per unit was \$7.05 (2015 – \$3.52) for a total amount of \$771 (2015 – \$205) and was presented in accrued liabilities on the consolidated statements of financial position.

### *Deferred share unit plan*

The Corporation established on June 3, 2015 a deferred share unit plan ("DSU") that can be granted to directors, officers and employees as part of their compensation package, which is expected to be settled in cash. The value of the payout is determined by multiplying the number of DSU vested at the payout date by the fair value of the Corporation's shares on the day prior to the payout date. The fair value of the payout is determined at each reporting date based on the fair value of the Corporation's shares at the reporting date.

During the year ended March 31, 2016, 52,722 DSU (2015 – nil) were granted at a range of \$6.90 to \$7.04 to directors. The total expense related to DSU plans amounted to \$371 in 2016 (2015 – nil). As at March 31 2016, the fair value per unit was \$7.05 for a total amount of \$371 presented in accrued liabilities on the statements of financial position.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 22. Commitments:

#### *Operating leases*

As at March 31, 2016, the balance of the commitments under the terms of the operating leases for premises amounts to \$5,847. Minimum lease payments over the next five years are as follows:

2017	\$	2,692
2018		1,801
2019		1,093
2020		192
2021		69

During the year ended March 31, 2016, an amount of \$1,068 (2015 – \$741) was recognized as an expense in respect of operating leases, which is included in general and administrative expenses.

#### *Broadcast license*

A condition of the broadcast license from the Canadian Radio-Television and Telecommunications Commission (“CRTC”) requires Canadian pay audio services to draw certain proportions of their programming from Canadian content and, in most cases, to spend a portion of their revenues on Canadian content development. The Corporation must ensure that (i) a maximum of one non-Canadian pay audio channel is packaged or linked with each Canadian produced pay audio channel and in no case subscribers of the pay audio service may be offered a package of pay audio channels in which foreign-produced channels dominate; (ii) 25% of all Canadian channels, other than those consisting entirely of instrumental music or of music entirely in languages other than English or French, devote a minimum of 65% of vocal music selections in the French language each broadcast week; and (iii) a minimum of 35% of the musical selections broadcast, each broadcast week, on our Canadian-produced pay audio channels, considered together, are Canadian.

Pursuant to the conditions of our National Pay Audio Service Licence, the Corporation is required to contribute each year a minimum of 4% of our annual Canadian regulated broadcast revenues to encourage Canadian content development in the following manner: (i) 1% of gross revenues to be devoted to the Foundation Assisting Canadian Talent On Recordings (“FACTOR”), a non-profit organization dedicated to providing assistance toward the growth and development of the Canadian music industry; (ii) 1% of gross revenues to be devoted to Musicaction, a non-profit organization dedicated to the development of local francophone music by offering financial support to projects by independent record labels and Canadian artists; and (iii) 2% of gross revenues to be devoted to our Stingray Rising Star Program, a program which was created to discover, encourage, promote and champion new Canadian artists.

During the year ended March 31, 2016, an amount of \$382 (2015 – \$780) was recognized as an expense in the music programming, cost of services and content.

#### *Copyright royalties*

The Corporation must pay royalties for the use of music for the majority of its music services. Through copyright collective societies, the Corporation pays royalties to two sets of rights holders: rights holders in music works, which are the music and the lyrics; and rights holders in artists’ performances and sounds recordings, which are the actual performances and recordings of the musical works.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 23. Use of estimates and judgments:

The preparation of these consolidated financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgments is included in notes 4 to 18 together with information about the basis of calculation for each affected line item in the consolidated financial statements.

#### *Significant estimates*

The areas involving significant estimates are:

- Estimation of current tax payable and current tax expense – note 7
- Recognition of deferred tax asset for carried forward tax losses – note 7
- Estimated fair value of certain investments – note 15
- Estimated goodwill impairment – note 14
- Estimation of fair values of identified assets, liabilities and contingent considerations in business combinations – note 3 and 18.

Estimates are based on management’s best knowledge of current events and actions that the Corporation may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected by these revisions.

#### *Critical judgments*

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- Impairment of non-current assets:

For the purpose of impairment testing of tangible and intangible assets and goodwill, management must use its judgment to identify the smallest group of assets that generates cash inflows that are largely independent of those from other assets (“cash generating unit” or “CGU”).

The amounts used for impairment calculations are based on estimates of future cash flows of the Corporation, including estimates of future revenues, operating costs, discount rates and market prices. By their nature, these estimates and assumptions are subject to measurement uncertainty and, consequently, actual results could differ from estimates used.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 24. Financial instruments:

#### *Fair values*

The Corporation has determined that the carrying amount of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and current other payables excluding the contingent considerations is a reasonable approximation of their fair value due to the short-term maturity of those instruments. As such, information on their fair values is not presented below. The fair value of the revolving facility, bridge loan and term loan bearing interest at variable rates approximate their carrying value as they bear interest at prime or banker's acceptance rate plus a credit spread, which approximate current rates that could be obtained for debts with similar terms and credit risk.

The carrying and fair value of financial assets and liabilities, including their level in the fair value hierarchy, consist of the following:

As at March 31, 2016	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 3,201				
Trade and other receivables	27,456				
<b>Financial assets measured at fair value</b>					
Investments	\$ 16,943	\$ 16,943	\$ –	\$ –	\$ 16,943
<b>Financial liabilities measured at amortized cost</b>					
Revolving facility	\$ 35,035				
Account payable and accrued liabilities	24,963				
Other payables other than contingent considerations	4,354	4,354	–	–	4,354
<b>Financial liabilities measured at fair value</b>					
Contingent considerations	\$ 12,347	\$ 12,347	\$ –	\$ –	\$ 12,347

As at March 31, 2015	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 1,314				
Trade and other receivables	17,494				
<b>Financial assets measured at fair value</b>					
Investments	\$ 7,933	\$ 7,933	\$ –	\$ –	\$ 7,933
<b>Financial liabilities measured at amortized cost</b>					
Revolving facility	\$ 7,902				
Accounts payable and accrued liabilities	16,645				
Bridge loan	20,000				
Other payables other than contingent considerations	488	488	–	–	488
Term loan	80,835				
<b>Financial liabilities measured at fair value</b>					
Contingent considerations	\$ 12,409	\$ 12,409	\$ –	\$ –	\$ 12,409
Derivative financial instruments	110	110	–	110	–

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

Fair value measurement (Level 2 and 3):

	Investments	Derivative instrument	Contingent considerations
<b>Year ended March 31, 2015</b>			
Opening amount as at March 31, 2014	\$ 6,132	\$ 182	\$ 6,234
Additions through business acquisitions	–	–	6,644
Change in fair value	1,801	(72)	487
Payments	–	–	(956)
<b>Closing amount as at March 31, 2015</b>	<b>\$ 7,933</b>	<b>\$ 110</b>	<b>\$ 12,409</b>

	Investments	Derivative instrument	Contingent considerations
<b>Year ended March 31, 2016</b>			
Opening amount as at March 31, 2015	\$ 7,933	\$ 110	\$ 12,409
Additions through business acquisitions	–	–	6,852
Additions during the year	1,665	–	–
Change in fair value	7,345	(107)	(2,063)
Payments	–	(3)	(4,851)
<b>Closing amount as at March 31, 2016</b>	<b>\$ 16,943</b>	<b>\$ –</b>	<b>\$ 12,347</b>

There were no changes in the valuation techniques for the derivative instrument and contingent considerations during the years ended March 31, 2016 and 2015.

### Investments

#### *Equity instrument in a private entity*

The fair value of the equity instrument in a private entity, AppDirect, was estimated using the market approach.

For the year ended March 31, 2016, the fair value has been measured by using the latest market transaction stock issue price, minus a liquidity discount of 25%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that it believes market participants would use. There has been a change in valuation techniques used as the Corporation believes it better reflects fair value.

For the year ended March 31, 2016, the equity instrument in a private entity is classified as a financial asset at fair value through profit and loss. A change of 5.0% in the liquidity discount would have increased / decreased the fair value of the investment by approximately \$1,043 during the year ended March 31, 2016.

For the year ended March 31, 2015, the valuation technique included an allocation of the value of the underlying categories of shares, which involved calibrating the Black-Scholes option pricing model to the latest market transaction stock issue price. This fair value was estimated by using the Black-Scholes option pricing model with the following assumptions:

	2015
Volatility	60.0%
Risk-free interest rate	0.5%
Period	2 years
Dividend yield	–

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

For the year ended March 31, 2015, the equity instrument in a private entity is classified as a financial asset at fair value through profit and loss. A change of 5.0% in the value per common share would have increased / decreased the fair value of the investment by approximately \$317 during the year ended March 31, 2015.

### *Convertible note*

The convertible note has two components of value – a conventional note and an option on the equity of Multi Channels Asia PTE Ltd. (“MCA”) through conversion. Based on its terms, the conversion option and the convertible note, together the hybrid contract, have been assessed as a whole for classification. The hybrid contract has been recognized at fair value on initial recognition and was classified as at fair value through profit or loss. The fair value of the option component has been measured using the Black-Scholes model with the latest market transaction stock issue price.

The fair value of the option component was estimated by using the Black-Scholes model with the following assumptions:

	2016
Volatility	40.0%
Risk-free interest rate	1.69%
Period	5 years
Dividend yield	–

The fair value was calculated as the present value of the future cash flows based on risk-adjusted discount rate.

A change of 5.0% in the common share price would have increased / decreased the fair value of the investment by approximately \$10 during the year ended March 31, 2016.

### Contingent considerations

The contingent considerations related to business combinations are payable based on the achievement of targets for growth in revenues for a period from the date of the acquisition and upon renewal of client contract. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; and (ii) the risk-adjusted discount rate used to present the value of the cash flows, which is based on the risk associated with the revenue targets being met. If projected cash flows were 10 % higher or lower, the fair value would have increased / decreased by \$3,319. A discount rate ranging from 5% to 15% has been applied and considers time value of money. A change in the discount rate by 100 basis points would have increased / decreased the fair value by \$111. The contingent consideration is classified as a financial liability and is included in other payables (note 18). The change in fair value is recognized in net finance expenses (note 6).

### Derivative

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The derivative is classified as a financial liability at fair value through profit and loss. The change in fair value is recognized in net finance expenses (note 6).

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### *Credit risk*

Credit risk is the risk of an unexpected financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet contractual obligations, and it arises primarily from the Corporation's trade and other receivables.

The Corporation's credit risk is principally attributable to its trade receivables. The amounts presented in the consolidated statements of financial position are net of an allowance for doubtful accounts, estimated by the Corporation's management and based, in part, on the age of the specific receivable balance and the current and expected collection trends. The Corporation's exposure to credit risk is mainly influenced by the characteristics of each customer. The demographics of the Corporation's customer base, including the default risk of the industry and country in which the customer operates, have less of an influence on the credit risk. Generally, the Corporation does not require collateral or other security from customers for trade account receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Corporation performs ongoing credit reviews of its customers and establishes an allowance for doubtful accounts when the likelihood of collecting the account has significantly diminished. The Corporation believes that the credit risk of trade accounts receivable is limited.

The aging of trade receivable balances and the allowance for doubtful accounts as at March 31, 2016 and March 31, 2015 were as follows:

	<b>2016</b>	<b>2015</b>
Current	\$ 11,089	\$ 2,761
Past due 0-30 days	5,537	5,698
Past due 31-60 days	1,253	3,133
Past due 61-90 days	1,261	1,975
Past due more than 90 days	6,656	3,264
Total trade receivables	25,796	16,831
Less : allowance for doubtful account	349	452
	<b>\$ 25,447</b>	<b>\$ 16,379</b>

The movement in allowance for doubtful accounts in respect to trade receivables was as follows:

	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$ 452	\$ 194
Bad debt expenses	228	447
Write-off against reserve	(331)	(189)
Balance, end of year	<b>\$ 349</b>	<b>\$ 452</b>

The Corporation also has credit risk relating to cash and cash equivalents, other receivables, investment in a convertible note and derivatives financial instruments. The Corporation manages its risk by investing only in sound financial institutions.

The carrying amounts of financial assets in the consolidated statements of financial position represent the Corporation's maximum credit exposure.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation also manages liquidity risk by continuously monitoring actual and budgeted cash flows under both normal and stressed conditions. Also, the Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures.

The following are the contractual maturities of financial liabilities including estimated interest payments as at March 31, 2015:

	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Revolving facility	\$ 35,035	\$ 35,035	\$ –	\$ 30,035	\$ –
Accounts payables and accrued liabilities	25,819	25,819	25,819	–	–
Other payables	\$ 16,701	\$ 16,701	\$ 8,006	\$ 6,443	\$ 2,252

### Market risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Corporation's earnings or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

### Currency risk

The Corporation is exposed to currency risk on sales and expenses that are denominated in currencies other than the functional currency of the Corporation subsidiaries, primarily the US dollar ("USD"), the Australian dollar ("AUD") and the euro ("EURO"). Also, additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of the Corporation subsidiaries at the rate of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain or loss in the consolidated statements of comprehensive income.

The Corporation's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows, by transacting with third parties in the above currencies to the maximum extent possible and practical, given that this will act as natural economic hedges for each of these currencies.

The Corporation's exposure to currency risk on its consolidated financial statements was as follows:

	March 31, 2016			March 31, 2015	
	USD	AUD	EURO	USD	EURO
Cash and cash equivalents	313	–	1,006	206	375
Accounts receivable	8,368	–	1,960	6,043	1,150
Income tax receivable (payable)	201	–	(50)	–	–
Investments	13,046	–	–	6,340	–
Investments in joint venture	–	–	85	–	94
Credit facility	(4,450)	–	–	(700)	–
Accounts payable and accrued liabilities	(3,929)	(34)	(1,349)	(2,580)	(1,640)
Contingent considerations	(438)	(4,002)	(2,765)	(3,844)	(1,267)
Net balance exposure	13,111	(4,036)	(1,113)	5,465	(1,288)
Equivalent in Canadian dollars	17,027	(4,019)	(1,644)	6,922	(1,754)

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

The following exchange rates are those applicable to the following periods and dates:

	2016		2015	
	Average	Reporting	Average	Reporting
USD per CAD	1.3210	1.2987	1.1362	1.2666
AUD per CAD	0.9922	0.9957	—	—
EURO per CAD	1.4721	1.4775	1.4383	1.3615

Based on the Corporation's foreign currency exposures noted above, varying the above foreign exchange rates to reflect a 5% strengthening of the US dollar, AUD dollar and EURO would have increased the net income and reduced the deficit as follows, assuming that all other variables remained constant:

	March 31, 2016			March 31, 2015	
	USD	AUD	EURO	USD	EURO
Increase in net income	622	(147)	(60)	253	(64)

An assumed 5% weakening of the foreign currency would have had an equal but opposite effect on the basis that all other variables remained constant.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's interest rate risk is primarily related to the Corporation's operating revolving facility bearing interest at variable rate.

The Corporation holds the majority of its cash and cash equivalents balance in accounts bearing interest at rates less than 1.25%. The Corporation is, therefore, not materially exposed to future cash flow fluctuations coming from changes in market interest rates for its cash and cash equivalents. Cash equivalents consist of term deposits with maturity of less than three months and are therefore also exposed to interest rate risk on fair value. However, fair value risk is not significant, considering the relatively short period to maturity of these instruments.

The revolving facility is a variable interest rate instrument that is due in more than one year. This instrument is exposed to changes in future interest rates that could result in future cash flow fluctuations.

As at the reporting date, the interest rate profile of the Corporation's interest-bearing financial liabilities consists of the revolving facility, which had a carrying amount of \$35,035 and bears interest at a variable rate.

A change of 100 basis points in the interest rate on variable rate instruments would have increased / decreased the deficit and decreased the net income by approximately \$149 (2015 – \$795) during the year. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 25. Capital management:

The Corporation's objectives when managing capital are as follows:

Pursue its growth strategy through acquisitions and organic growth by maintaining financial flexibility; and

Provide the Corporation's shareholders with an appropriate return on their investment.

For capital management, the Corporation has defined its capital as the combination of net debt and total equity.

Total managed capital is as follows:

	2016	2015
Term loan, including current portion	\$ —	\$ 80,835
Contingent considerations, including current portion	12,347	12,409
Bridge loan	—	20,000
Revolving facility	35,035	7,902
Cash and cash equivalents	(3,201)	(1,314)
Net debt including contingent considerations	44,181	119,832
Total equity	90,394	(17,842)
	\$ 134,575	\$ 101,990

The Corporation's financing strategy is to maintain a flexible structure, to respond adequately to the changes in economic conditions and to allow growth through business acquisitions. The Corporation monitors its capital structure using the net debt to adjusted EBITDA ratio.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders of the Corporation, issue or repay debt, issue shares or undertake any other activities as deemed appropriate under the specific circumstances, on a quarterly basis.

### 26. Related parties:

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and other key employees of the Corporation.

Key management personnel compensation, prior shareholder's management fees and director's fees, are as follows:

	2016	2015
Short-term employee benefits	\$ 2,927	\$ 1,918
Management fees	—	315
Share-based compensation	976	423
Restricted share unit	178	50
Deferred share unit	371	—
	\$ 4,452	\$ 2,706

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### 27. Basis of preparation:

#### a) Statement of compliance:

The consolidated financial statements of the Corporation have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on June 15, 2016.

#### b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- Contingent considerations payable which are measured at fair value at each reporting period in accordance with IFRS 3;
- Investments measured at fair value at year-end in accordance with IFRS 9;
- Derivatives measured at fair value at year-end in accordance with IFRS 9;
- Liabilities related to deferred share unit plan and restricted share unit measured at fair value at year-end in accordance with IFRS 2; and
- Equity stock options which are measured at fair value at date of grant pursuant to IFRS 2.

#### c) Foreign currency translation

##### (i) Functional and presentation currency:

Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency'). The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

##### (ii) Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in profit or loss. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis.

##### (iii) Subsidiaries:

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

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(In thousands of Canadian dollars, unless otherwise stated)

- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 28. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Corporation's subsidiaries.

#### (a) Basis of consolidation:

##### *Business combinations*

The Corporation measures goodwill as the fair value of the consideration transferred which includes the fair value of contingent consideration, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

##### *Subsidiaries*

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., Stingray Music Rights Management LLC, 2144286 Ontario Inc., Pay Audio Services Limited Partnership, Stingray Business Inc., Music Choice Europe Limited, Stage One Innovations Ltd., Stingray Digital International Ltd., Music Choice India Private Ltd., Music Choice Europe Deutschland GmbH, Xtra Music Ltd., 2Connect Media BV, Alexander Medien Gruppe BV, Les Réseaux Urbains Viva Inc., Brava HDTV B.V., Brava NL B.V., DJazz B.V., Transmedia Communications SA and its wholly-owned subsidiaries, Digital Music Distribution Pty Ltd. and 9076-3392 Québec Inc. (doing business as Nümédia).

##### *Interest in joint venture*

A joint venture is an arrangement whereby the Corporation and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

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(In thousands of Canadian dollars, unless otherwise stated)

### (b) Financial instruments:

#### (i) *Financial assets and financial liabilities:*

The Corporation initially recognizes financial assets on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

On initial recognition, the Corporation classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination.

#### Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and is not designated as at fair value through profit and loss:

- The asset is held within a business model whose objective is to hold the asset in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Corporation currently classifies its cash and cash equivalents and trade and other receivables as financial assets measured at amortized cost.

#### Financial assets measured at fair value

All equity investments and other financial assets that do not meet the conditions to be classified as financial assets measured at amortized cost are measured at fair value through profit and loss.

Changes therein, including any interest or dividend income, are recognized in profit or loss.

The Corporation's investments are classified as financial asset measured at fair value through profit and loss.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

#### Financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instruments.

Financial liabilities are initially measured at fair value. If the financial liabilities is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes directly attributable transaction costs.

The Corporation classifies all financial liabilities at amortized cost using the effective interest method, except for contingent considerations recorded at fair value through profit and loss and financial liabilities designated at fair

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

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(In thousands of Canadian dollars, unless otherwise stated)

value through profit or loss when doing so results in more relevant information. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) *Impairment of financial assets:*

At the end of each reporting year, the Corporation assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

With respect to certain categories of financial assets, such as trade and other receivables, assets that are not individually determined to be impaired are measured for impairment on an aggregate basis. Objective evidence of impairment in the trade and other receivables portfolio may include the Corporation's past experience with debt recovery, an increased number of days exceeding payment terms in the portfolio, as well as a change - internationally or nationally - in economic conditions correlating with default payments in trade and other receivables.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed. The reversal is recognized to the extent of the improvement without exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(iii) *Share capital:*

Common shares, subordinate voting shares, variable voting shares and multiple voting shares are classified as equity. Incremental costs that are directly attributable to their issuance are recognized in reduction of equity, net of tax effects.

(iv) *Other equity instruments:*

Warrants issued outside of share-based payment transactions that do not meet the definition of a derivative financial instrument are recognized initially at fair value in equity. Upon simultaneous issuance of multiple equity instruments, consideration received, net of issue costs, is allocated based on their relative fair values. Equity instruments are not subsequently remeasured.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

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(In thousands of Canadian dollars, unless otherwise stated)

(v) *Derivatives and other non-trading derivatives:*

From time to time, the Corporation holds derivative financial instruments to reduce its interest rate risks. The Corporation does not hold or use derivative financial instruments for speculation purposes. Derivatives are recognized initially at fair value and any transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and all changes in their fair value are recognized immediately in profit or loss.

(c) **Revenue recognition:**

The Corporation derives revenue primarily from rendering of services, sales of on-demand products, media solutions projects and other revenues. Revenue is measured at the fair value of the consideration received or receivable. The Corporation recognizes revenues when the services are rendered and collectability is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

*Rendering of services*

Rendering of services primarily relates to continuous music and video distribution in a form of subscription fees on a monthly, quarterly or annual basis. The Corporation recognizes revenues from rendering of services when the services are rendered. The Corporation records deferred revenues when customers pay their subscription fees in advance.

*On-demand products*

On-demand products relate primarily to music and concert services online or through TV subscriptions. Revenues are recognized in the year in which the services are rendered.

*Media solutions projects*

Revenue for media solutions projects relates to long-term media projects. Revenues are recognized using the percentage of completion method, which is calculated on the ratio of contract costs incurred to anticipated costs. The effect of revisions of estimated revenues and costs is recorded when the amounts are known and can be reasonably estimated. Where contract costs exceed total contract revenues, the expected loss is recognized as an expense immediately via a provision for losses to completion, irrespective of the stage of completion.

*Other revenues*

Other revenues relate primarily to sales of equipment, support and installation services. Revenues are recognized in the period in which the sales of goods occur and services are rendered.

(d) **Research and development:**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development costs are charged to profit or loss, unless they meet specific criteria related to technical, market and financial feasibility in order to be capitalized. Deferred development costs, net of government assistance, are amortized starting from the date the products and services are commercialized.

(e) **Government grants:**

Investment tax credits are accounted for as a reduction of the research and development costs during the year in which the costs are incurred, provided that there is reasonable assurance that the Corporation has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

The investment tax credits must be reviewed and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### (f) Lease assets and payments:

Operating leases are not recognized in the Corporation's consolidated statements of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Contingent lease payments are accounted for in the year in which they are incurred.

### (g) Finance income and finance costs:

Finance income comprises interest income on funds invested, change in fair value of derivatives and contingent considerations. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, change in fair value of derivatives and contingent considerations, amortization of deferred financing costs, foreign exchange (gain) loss and impairment losses recognized on financial assets.

The Corporation recognizes finance income and finance costs as a component of operating activities in the consolidated statements of cash flows.

### (h) Income taxes:

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences:

- temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries, associates and joint arrangements to the extent that the Corporation is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be used. Deferred tax assets are measured at the end of each reporting year and their carrying amount is reduced to the extent that it is no longer probable that a taxable profit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

### (i) Earnings per share:

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of common shares, subordinate voting shares, variable subordinated voting shares and multiple voting shares outstanding during the year adjusted to include the dilutive impact of stock options, restricted share units and deferred share units. The number of additional shares is calculated by assuming that all instruments with a dilutive effect are exercised and that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation which is considered to be assumed proceeds, are used to repurchase subordinate voting shares, variable subordinated voting shares and multiple voting shares at the average share price for the year. For restricted share units, only the unrecognized share-based compensation is considered assumed proceeds since there is no exercise price paid by the holder.

### (j) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and balances with banks.

### (k) Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out cost method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

### (l) Property and equipment:

#### *Recognition and measurement*

Items of property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in net profit (loss).

#### *Subsequent costs*

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit (loss) as incurred.

#### *Depreciation*

Depreciation is calculated over the cost of the asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

The estimated useful lives for the current and comparative years are as follows:

Property and equipment	Period
Furniture, fixtures and equipment	3 to 5 years
Computer hardware	3 years
Leasehold improvements	Lease term or 3 years

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting year-end and adjusted if appropriate.

### (m) Intangible assets:

Intangible assets that are acquired by the Corporation and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

The fair value of non-compete agreements acquired in a business combination are based on the discounted estimated revenues losses that have been avoided as a result of the non-compete being signed. The fair value of client list and relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of music catalog acquired in a business combination is determined using the estimated costs for creating such music catalog. The fair value of trademark acquired in a business combination is based on the discounted estimated future royalty payments that have been avoided.

#### *Amortization*

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the definite life intangible assets.

The estimated useful lives for the current and comparative years are as follows:

Intangible	Period
Music catalog	5 to 15 years
Client list and relationships	3 to 14 years
Trademarks	2 to 20 years
Licenses, website applications and computer software	1 to 5 years
Non-compete agreements	2 to 10 years

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting year-end and adjusted if appropriate.

### (n) Goodwill:

Goodwill arising on the acquisition of businesses is measured at cost less accumulated impairment losses.

Goodwill is not amortized but is subject to an impairment evaluation.

### (o) Impairment of non-financial assets:

The Corporation reviews the carrying amount of its non-financial assets, which include intangible assets with a finite useful life and property and equipment on each reporting date in order to determine if specific events or changes in circumstances indicate that their carrying amounts may not be recoverable. The recoverable amount of goodwill is tested for impairment each year at the same date, or more frequently if indications of impairment exist.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

(In thousands of Canadian dollars, unless otherwise stated)

For impairment testing purposes, assets that cannot be tested individually are grouped in the CGU. Goodwill is allocated to the CGU or CGU group that is expected to benefit from the synergies resulting from the business combination. Each unit or group of units to which goodwill is allocated shall not be larger than an operating segment and represents the lowest level at which goodwill is monitored for internal management purposes.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment losses are recognized in profit or loss. Impairment losses are first allocated to reduce the carrying amount of goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets of the CGU on a pro rata basis.

### (p) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

#### *Contingent liability*

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Corporation; or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

### (q) Employee benefits:

#### (i) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### (ii) *Defined contribution plan*

The Corporation pays contributions under a defined contribution plan for employees of one of its subsidiaries.

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

The obligation under this plan is expensed when the services are rendered by the employees.

#### (iii) *Defined benefit plans*

The Corporation's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

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(In thousands of Canadian dollars, unless otherwise stated)

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Corporation determines the net interest expense (income) on the net defined benefit obligation at the beginning of the year to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefits payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past services or the gain or loss on curtailment is recognized immediately in profit or loss. The Corporation recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*(iv) Stock option plan*

The fair value at the grant date of equity settled share-based payment awards granted to management and key employees of the Corporation is recognized as an employee benefit expense, with a corresponding increase in equity, over the vesting period of the awards. The amount expensed is adjusted to reflect the number of awards for which it is expected that the service conditions will be met, so that the amount ultimately expensed will depend on the number of awards that meet the service conditions at the vesting date.

*(v) Restricted share units and deferred share units plans*

Restricted share units ("RSU") and deferred share units ("DSU") expected to be settled in cash are accounted for as cash settled awards, with the recognized compensation cost included in accounts payable and accrued liabilities. Compensation cost is initially measured at fair value at the grant date and is recognized in net income over the vesting year. The liability is remeasured based on the fair value price of the Corporation's common shares, at each reporting date. Remeasurements during the vesting year are recognized immediately to net income to the extent that they relate to past services and amortized over the remaining vesting year to the extent that they relate to future services. The cumulative compensation cost that will ultimately be recognized is the fair value of the Corporation's shares at the settlement date.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

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(In thousands of Canadian dollars, unless otherwise stated)

### 29. New and amended standards not yet adopted by the Corporation:

#### IFRS 9 - *Financial instruments*

In July 2014, the IASB released the final version of IFRS 9 - *Financial Instruments* (IFRS 2014). ("IFRS 9 (2014)") presents a few differences with IFRS 9 (2009) and IFRS 9 (2010), early adopted by the Corporation on April 1, 2012, with respect to the classification and measurement of financial assets and accounting of financial liabilities. IFRS 9 (2014) also includes a new expected credit loss model for calculating impairment on financial assets and a new general hedge accounting requirements. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation does not intend to early adopt IFRS 9 (2014). The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

#### IFRS 15 - *Revenue recognition*

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - *Revenue* and related interpretations such as IFRIC 13 - *Customer Loyalty Programs*. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation is currently evaluating the impact that this standard will have on its consolidated financial statements. The Corporation does not intend to early adopt the standard.

#### IAS 1 - *Presentation of financial statements*

On December 18, 2014, the IASB issued amendments to IAS 1 - *Presentation of financial statements* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Corporation intends to adopt these amendments in its consolidated financial statements for the annual period beginning on April 1, 2016. The Corporation does not expect the amendments to have a material impact on the consolidated financial statements.

#### IAS 16 – *Property, Plant and Equipment*

On May 12, 2014, the IASB issued amendments to IAS 16 - *Property, Plant and Equipment* and IAS 38 - *Intangible Assets*. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue. The amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Corporation intends to adopt the amendments to IAS 16 and IAS 38 in its consolidated financial statements for the annual period beginning on April 1, 2016. The Corporation does not expect the amendments to have a material impact on the consolidated financial statements.

## Notes to Consolidated Financial Statements

Years ended March 31, 2016 and 2015

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(In thousands of Canadian dollars, unless otherwise stated)

### IAS 7 – *Disclosure Initiative*

On January 7, 2016, the IASB issued amendments to IAS 7– *Disclosure Initiative*. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Corporation intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on April 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

### IFRS 16 – *Leases*

On January 13, 2016, the IASB issued IFRS 16 - *Leases*. This new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 - *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 - *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on April 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

## BOARD OF DIRECTORS

Eric Boyko  
Claudine Blondin  
L. Jacques Ménard  
Jacques Parisien  
Mark Pathy

Gary S. Rich  
François-Charles Sirois  
Robert G. Steele  
Pascal Tremblay

## SHAREHOLDER INFORMATION

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### Exchange Listing

TSX: Ray.A; Ray.B  
Transfer Agent  
CST Trust Company  
1-416-682-3860  
1-800-387-0825  
Inquiries@canstockta.com  
canstockta.com

### Investor Relations

730, Wellington Street  
Montreal, Quebec H3C 1T4  
Investors@stingray.com

### General Meeting

Wednesday, August 3, 2016  
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