ANNUAL REPORT 2017

Year Ended March 31, 2017
Stingray Digital Group Inc.

STINGRAY

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word from the CEO

Dear shareholders, clients, partners and colleagues,

Fiscal 2017 caps our first decade on a high note! While there is no proven recipe or how-to guide to success, I have learned in Stingray's first ten years that creativity, meticulous analysis of market demands, technological innovation, and bold exploration of new ideas should always be part of the equation.

This year, we've once again met our key objectives through a combination of strategic acquisitions, technological development, expanded distribution agreements, diversified client base, exciting marketing initiatives, and, of course, expert music content curation.

I am proud to share another solid performance in Fiscal 2017. Stingray's dedicated team outdid itself, breaking the $100 million revenue mark. Revenue increased by 12.8%, reaching $101.5 million (compared to $89.9 million in Fiscal 2016.) We achieved a strong operating performance with an Adjusted EBITDA[1] of $33.9 million and net income of $10.7 million ($0.21 per share). Furthermore, we achieved cash flow from operating activities of $22.8 million and an adjusted free cash flow[1] of $26.5 million. We continued to raise our dividends and returned over $8.2 million to you, our shareholders.

In the past twelve months, we've grown our offering by an astounding nine (9) brands: *Stingray Brava*, *Stingray DJAZZ*, *Stingray Classica*, *Stingray Festival 4K*, *Stingray iConcerts*, *Stingray Juicebox*, *Stingray Vibe*, *Stingray Loud*, and *Stingray Retro*. We have proven, beyond a doubt, our ability to integrate and bring to market new acquisitions quickly and efficiently; creating a more valuable Stingray for our internal and external stakeholders.

With an enviable portfolio of 16 distinct yet complementary services, Stingray is uniquely positioned to respond to demand from entertainment content providers and commercial clients wishing to implement impactful music and customer experience strategies.

I can say with confidence that the stage is set for continued growth and diversification in the years to come.

A Year in Acquisitions

In an industry where consolidation is the watchword, and where growth and scale define success, acquiring premium quality music content is one of Stingray's primary development strategies and key differentiators.

In June 2016, we closed the acquisition of Festival 4K, one of the first television channels to broadcast entirely in native 4K UHD. Since rebranded since as *Stingray Festival 4K*, the channel complements Stingray's existing 4K offering, *Stingray Ambiance 4K*, putting us resolutely at the forefront of the 4K revolution. That same month, we announced the acquisition of four (4) specialty music video channels from Bell Media: MuchLoud, MuchRetro, MuchVibe and Juicebox. These channels have already garnered interest from pay TV providers wishing to reconnect with diverse demographics.

In October, we grew our classical music offering with the acquisition of hundreds of exclusive concerts and documentaries from Berlin-based EuroArts, an internationally renowned producer and distributor of classical music film productions. This agreement will benefit our services for years to come and exponentially grow our linear and On Demand offering.

New and Expanded Distribution Agreements

If there is one thing I am particularly proud of, it is the long-term relationships we have built with our clients in 156 countries servicing over 400 million households and 74,000 commercial locations. This year alone, we renewed and/or expanded agreements with eight (8) European pay-TV providers: Vodafone Portugal, Orange Polska, Vodafone España, UPC Hungary, T-Mobile Netherlands, United Group Balkans, Sat-Trakt Doo and PT Telecom Hungary. These strategic deals represent a significant growth of Stingray's current European distribution, increasing our potential reach by more than one million subscribers. We have also signed a renewed and expanded distribution agreement with Shaw, a key player in the Canadian market.

As our global reach grows alongside demand for curated, "lean back" music products, we look to the Asia-Pacific region as a major growth market. Only five (5) months after the opening of a Stingray office in Singapore, we concluded distribution agreements with StarHub and Singtel for a range of services that includes *Stingray Music*, *Stingray iConcerts*, *Stingray Brava*, *Stingray DJAZZ*, and *Stingray Karaoke*.

In July, we signed a multi-year contract renewal with the National Cable Television Cooperative (NCTC). In October, KlowdTV - an online subscription platform for streaming television - chose to include Stingray Music's audio channels in its basic subscription package. In July, we signed a multi-year contract renewal with the National Cable Television Cooperative (NCTC). In October, KlowdTV - an online subscription platform for streaming television - chose to include Stingray Music's audio channels in its basic subscription package. We also renewed and expanded a distribution agreement with Comcast, bringing thousands of new music selections to Xfinity On Demand platforms.

Our commercial division, Stingray Business, also reached major milestones this year. We rolled out in-store music and digital signage services in thousands of locations across Canada. Amongst the commercial clients signed or renewed this year: Couche-Tard, La Source, Opa!, CDMV, Chapters Indigo, New Look Eyewear, and Telus. Our ability to adapt to an evolving technological landscape and adjust our product offering to state-of-the-art distribution platforms are key to Stingray's continued success. In the coming years, we expect to sign distribution agreements with prominent OTT providers, mobile operators, and commercial clients.

Marketing Initiatives

In order to fully benefit from the cross-selling and cross-promotional opportunities offered by each new acquisition, services are rapidly reintroduced under the Stingray brand. Through inspiring product design and effective, multi-platform marketing strategies, we aspire to the highest levels of B2B and B2C brand awareness that will make Stingray ubiquitous in the market. This year, our team completed, in record time, the rebranding of *Stingray Brava*, *Stingray DJAZZ*, *Stingray Juicebox*, *Stingray Loud*, *Stingray Vibe*, *Stingray Retro* and *Stingray Festival 4K*. We also introduced the refreshed look and feel of our flagship brand, *Stingray Music*.

Giving Back

With success comes a responsibility to give back to our community. Of all our achievements, the one that truly marks this year for me is our first campaign benefiting Centraide of Greater Montreal, a network of 350 agencies that help individuals and families break social isolation and build caring communities. Through a series of initiatives supportedby the entire Stingray family, we raised $100,000, far exceeding our initial objective.

Thank you

I wish to take this opportunity to thank our 350 talented employees around the world for their passion, support, and drive to excellence. Without each and every one of you, we would not reach the ambitious goals we set for ourselves. I also wish to acknowledge the unwavering support and vision of Stingray's board and executive team.

Thank you!

As I look to the year ahead, I am confident that together we will continue to realize our mission with ambition, a sense of purpose, and unrivaled innovation.

Eric Boyko
President, Co-founder and CEO

$101.5 M

▲ **12.8% from 2016**
Revenues

$10.7 M

Or $0.21 per share
Net income

$33.9 M

▲ **9.2% from 2016**
33.4% margin [1]
Adjusted EBITDA [1]

$22.8 M

▲ **20.0% from 2016**
Cash flow from operating activities

$26.5 M

▲ **8.7% from 2016**
Adjusted free cash flow [1]

[1] Refer to "Forward looking statements" and "Supplemental information on Non-IFRS measures" on page 24 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 29.

“Our ability to adapt to an evolving technological landscape and adjust our product offering to state-of-the-art distribution platforms are key to Stingray’s continued success.”

management's discussion and analysis

The following is the annual 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 consolidated audited financial statements and accompanying notes for the years ended March 31, 2017 and 2016. This MD&A reflects information available to the Corporation as at June 7, 2017. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com

STINGRAY
stingray.com

company profile

Stingray Digital Group Inc. is the world-leading provider of multiplatform music services and digital experiences for pay TV operators, commercial establishments, OTT providers, mobile operators, and more.

Clients in 156 countries trust our comprehensive product portfolio and content curation expertise to develop and implement powerful music and customer experience strategies that help achieve business objectives.

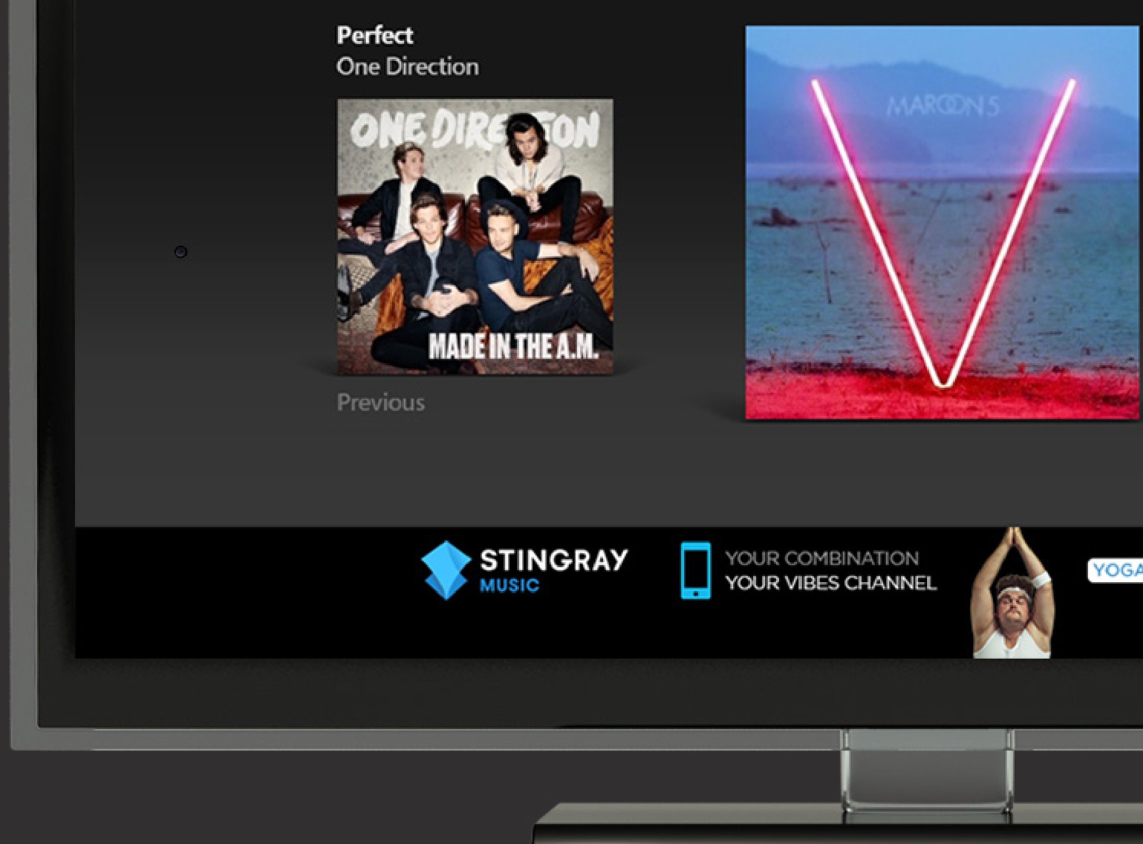
Every day, more than 400 million households and 11,000 commercial clients enjoy one or many Stingray services.

company highlights

HEADQUARTERS
Montreal, Canada

OFFICES
United States, United Kingdom, Netherlands, Germany, Israel, Singapore, Australia, Japan and South Korea

"In an industry where consolidation is the watchword, and where growth and scale define success, acquiring premium quality music content is one of Stingray's primary development strategies and key differentiators."



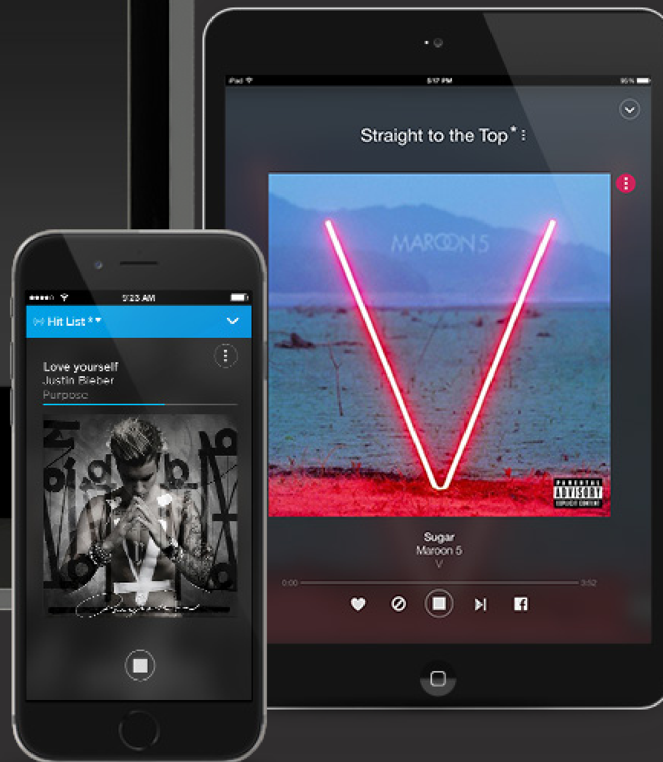
business strategy

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

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 services. This year, we continued to grow and strengthen our customer base and the distribution of our services.

New Clients	Renewed and Expanded Contract Agreements
COMCAST	SHAW
VOO	ZIGGO
VODAFONE	HOT
T-MOBILE	MEGACABLE
SINGTEL	TELEVISA
STARHUB	FOXTEL
ORANGE	



2

Develop new products, technologies and digital platforms

Stingray invests overs $10 million in research and development each year. To maintain our position as the world-leading multi-platform music products and services provider, we strive to constantly be at the cutting-edge of technology.

Highlights

Introduce second generation of UBIQUICAST allowing multi-product distribution

Launch of SB3, allowing simultaneous distribution of digital display and HD music

Launch of Stingray Music mobile app on tablet and Sonos

Release of 2,000 Vibes channels in the Stingray Music mobile app which has now over 1.6 million downloads

Introduction of Stingray Pass, a proprietary audio-watermarking technology

Acquisition of Festival 4K, one of the first channels in the world to broadcast nonstop in native 4K UHD.

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

Stingray is now the world's largest digital live music concerts TV broadcaster

Stingray diversified its product offering and expanded its European distribution

Stingray is now a world-leading provider of classical music content on television

“With an enviable portfolio of 16 distinct yet complementary services, Stingray is uniquely positioned to respond to demand from entertainment content providers and commercial clients wishing to implement impactful music and customer experience strategies.”

STINGRAY festival4k

STINGRAY djazz

STINGRAY brava

STINGRAY iConcerts

STINGRAY LOUD

STINGRAY JUiCEBOX

STINGRAY RETRO

STINGRAY Vibe

CLASSICA

proven acquisition strategy

$202 million spent on acquisitions since inception

Stingray became the undisputed world-leading provider of classical music programming, demonstrating our ability to act as an industry consolidator.

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 International Ltd.

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 (HDTV, NL and Djazz TV)

Digital Music Distribution

iConcerts Group

2016

Nümedia

Festival 4K B.V.

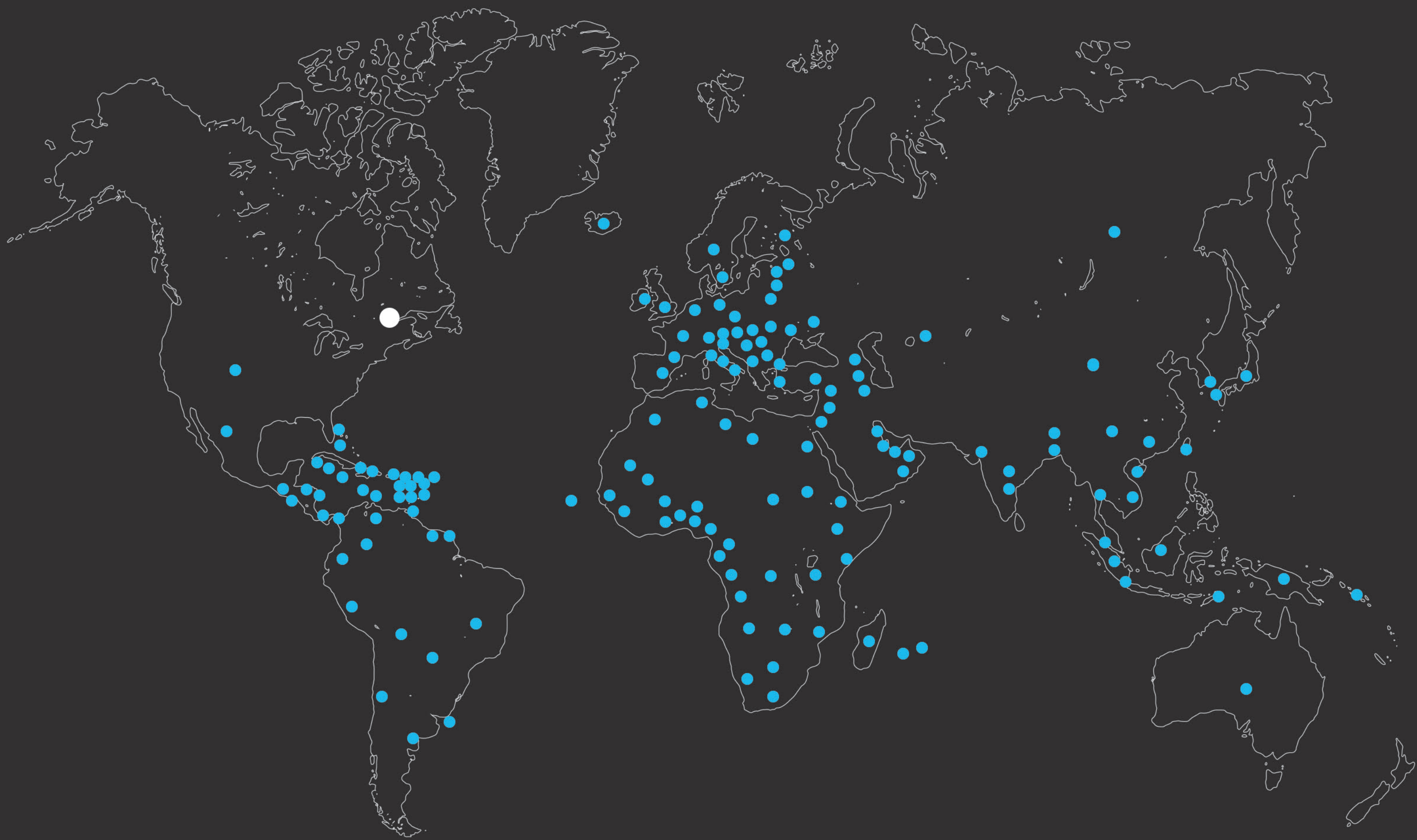
Bell Media's specialty music video channels

EuroArts Classical catalogue

2017

Classica

Nature Vision TV



bulgaria italy
united kingdom
australia
central african republic
spain switzerlar
norw
haiti greec

Canada. Australia. United Kingdom. United States. Netherlands. Japan. Russian Federation. Germany. Norway. Ireland. Finland. Togo. France. Belgium. China. Denmark. Zambia. Taiwan. Iceland. Austria. Suriname. San Marino. Peru. Cayman Islands. Czech Republic. Venezuela. Curacao. Congo. Pakistan. Portugal. Monaco. Nigeria. Estonia. Nepal. Mexico. Brazil. Ukraine. Nicaragua. Equatorial Guinea. Uganda. El Salvador. Dominican Republic. Bahamas. Ecuador. Montenegro. Cyprus. Cameroon. Argentina. Panama. Mongolia. Bolivia. Mauritania. Bahrain. Chile. Angola. Kazakhstan. Hungary. United Arab Emirates. Costa Rica. Croatia. Egypt. Indonesia. Ivory Coast. Mali. Singapore. Colombia. Madagascar. Namibia. Honduras. Uruguay. Burkina Faso. Guatemala. Macedonia. Romania. Macau. Luxembourg. Liechtenstein. Lebanon. Oman. Malta. Korea. India. Hong Kong. Mozambique. Gabon. Morocco. Puerto Rico. Holy See. Haiti. Greece. Senegal. Georgia. French Guiana. Tanzania. Viet Nam. Paraguay. East Timor. Malaysia. Qatar. Mauritius. Congo. Anguilla. Korea. Philippines. Reunion. Chad. St Martin. Central African Republic. Sudan. Brunei Darussalam. Italy. Guadeloupe. Bhutan. Grenada. Benin. Montserrat. Belarus. Bangladesh. Israel. Jamaica. Andorra. New Caledonia. Martinique. Slovenia. Papua New Guinea. Bulgaria. Barbados Serbia. Rwanda. Slovakia. Guinea-Bissau. Poland. Latvia. Kenya. Saint Vincent and the Grenadines. Libya. Kuwait. Ethiopia. Eritrea. Cape Verde. Burundi. Grand Cayman. Turks and Caicos. Turkey. Tunisia. Trinidad and Tobago. Lithuania. Thailand. Switzerland. Spain. South Africa. Saint Kitts and Nevis. Botswana. Bosnia and Herzegovina. Aruba. Armenia. Azerbaijan.

anad
ed poland braz
es netherlands
finland thailand
korea south africa

competitive strengths

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

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

With 400 million subscribers in 156 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.

Strong and predictable cash flow 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 flow, reduces cyclicality 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 $87.6 million at the end of Fiscal 2017 (86.3% of our total revenue).

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. For instance, we introduced a second generation of UBIQUICAST allowing multi-product distribution and a third generation of our Commercial platform – the SB3 allowing simultaneous distribution of digital display and HD music.

Track record of successful acquisitions and integrations

Since Stingray's inception in 2007, we have completed 29 acquisitions representing outlays of approximately $202 million, which brought new clients, new products and new geographical markets to our business. In Fiscal 2017, we have completed five (5) acquisitions for an aggregate purchase value of $21 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.

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. In Fiscal 2017, we became the undisputed leading provider of classical music programming worldwide. With the acquisition of Classica, we will have unfettered and privileged access to UNITEL's exclusive catalogue of more than 1,500 titles and 2,000 hours of premium content that perfectly complements Stingray's existing world-class classical music offering, which includes the recently-acquired 440 titles from EuroArts and the Brava TV channel. Those transactions will accelerate our growth and strengthen our relationship with cutting-edge providers that are always on the lookout for new and exciting content.

High employee retention rate and low turn-over

As an entrepreneurial and growing Canadian company, we attract and retain talented professionals. Our team of 350 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.

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 for the year ended March 31, 2017 on page 18 available on SEDAR at sedar.com.

Our key risks, in terms of severity of consequence and likelihood, are displayed as follows:

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.

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.

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 2017, approximately 45% 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.

Dependence on Pay-TV providers

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 2017 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).

Rapid growth in an 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.

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

Jean-Pierre Trahan
Chief Financial Officer

Lloyd Feldman
Senior Vice-President, Corporate Secretary and General Counsel

Marie Ginette Lepage
Senior Vice-President, Global Sales and Mobile Solutions

Mario Dubois
Senior Vice-President and Chief Technology Officer

Mathieu Péloquin
Senior Vice-President, Marketing and Communications

Sébastien Côté
Vice-President, Human Resources

Stephen Tapp
Senior Vice President, Business Development

Ratha Khuong
General Manager, Stingray Business

Valéry Zamuner
Senior Vice-President, Mergers, Acquisitions & Strategic Initiatives

non-executive directors

Claudine Blondin
Director and Member of the Corporate Governance Committee

François-Charles Sirois
Chairman of the Board of Directors and Member of the Human Resources and Compensation Committee

Gary S. Rich
Director and Chairman of the Human Resources and Compensation Committee

L. Jacques Ménard
Director and Chairman of the Audit Committee

Jacques Parisien
Lead Director and Chairman of the Corporate Governance Committee

Mark Pathy
Director and Member of the Human Resources and Compensation Committee

Pascal Tremblay
Director and Member of the Corporate Governance Committee and the Audit Committee

Robert G. Steele
Director and Member of the Audit Committee

BASIS OF PREPARATION AND FORWARD LOOKING STATEMENTS

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, 2017 and 2016. This MD&A reflects information available to the Corporation as at June 7, 2017. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

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 the Canadian Radio-television and Telecommunications Commission (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.

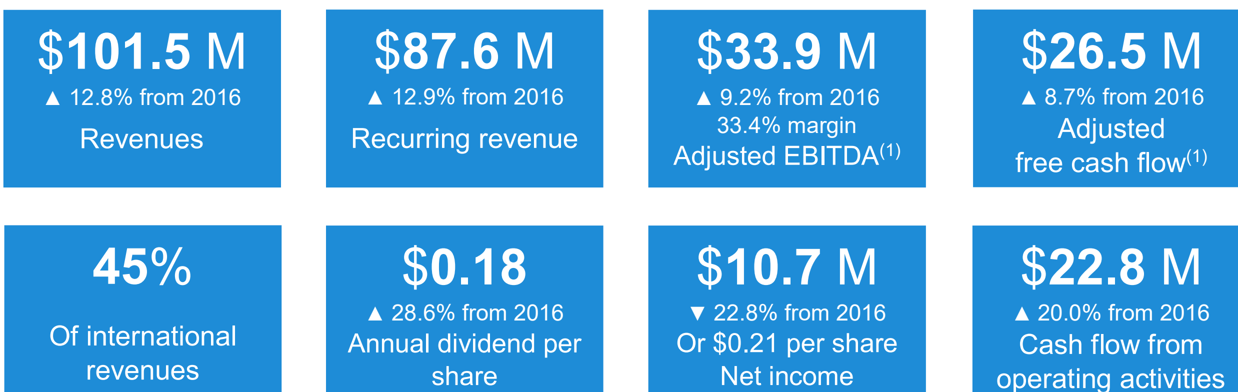
In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such assumptions include, but are not 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 and Adjusted EBITDA margin are important measures when analyzing its operating profitability without being influenced by financing decisions, non-cash items and income taxes strategies. Comparison with peers is also easier as companies rarely have the same capital and financing structure. The Corporation believes that Adjusted net income and Adjusted net income per share are important measures as it demonstrates its core bottom-line profitability. The Corporation believes that Adjusted free cash flow is an important measure when assessing the amount of cash generated after accounting for capital expenditures and non-core charges. It demonstrates cash available to make business acquisitions, pay dividend and reduce debt. The Corporation believes that Net debt including and excluding contingent consideration and balance payable on business acquisitions and Net debt to Adjusted EBITDA are important measures when analyzing the significance of debt on the Corporation's statement of financial position. 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.

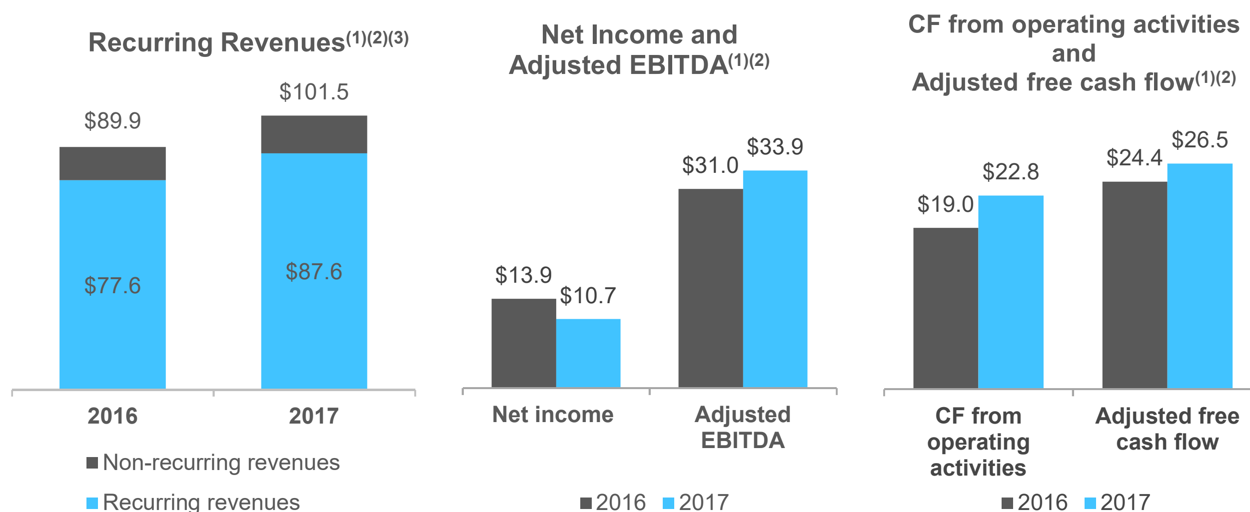
KEY PERFORMANCE INDICATORS[1]

For the year ended March 31, 2017:



Note:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 24 and 29.

For the years ended March 31, 2017 and 2016:



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 24 and 29.
(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, 2017

Compared to the year ended March 31, 2016 ("Fiscal 2016"):

- Revenues increased 12.8% to $101.5 million from $89.9 million for Fiscal 2016;
- Recurring revenues of $87.6 million (86.3% of total revenues), an increase of 12.9%;
- International revenues increased 24.6% to $45.4 million and the revenue contribution increased to 44.7% from 40.5%;
- Adjusted EBITDA[(1)] increased 9.3% to $33.9 million from $31.0 million for Fiscal 2016;
- Adjusted EBITDA margin[(1)] was 33.4% compared with 34.5% for Fiscal 2016;
- Net income was $10.7 million ($0.21 per share diluted) compared to $13.9 million ($0.29 per share diluted) for Fiscal 2016;
- Adjusted Net income[(1)] increased 12.3% to $27.3 million ($0.53 per share diluted) compared to $24.3 million ($0.50 per share diluted) for Fiscal 2016;
- Cash flow from operating activities increased 20.0% to $22.8 million compared to $19.0 million for Fiscal 2016;
- Adjusted free cash flow[(1)] increased 8.6% to $26.5 million compared to $24.4 million for Fiscal 2016;
- Net debt excluding contingent consideration and balance payable on business acquisitions increased to $35.2 million compared to $31.8 million for Fiscal 2016; and
- Annual dividend increased 28.6% to $0.18 per share

Highlights of the fourth quarter ended March 31, 2017

Compared to the fourth quarter ended March 31, 2016 ("Q4 2016"):

- Revenues increased 3.3% to $26.5 million from $25.7 million for Q4 2016;
- Recurring revenues of $22.7 million (85.6% of total revenues), an increase of 3.8%;
- The contribution of International revenues was 47.2% compared to 47.4% for Q4 2016;
- Adjusted EBITDA[(1)] increased 10.1% to $9.0 million from $8.2 million for Q4 2016;
- Adjusted EBITDA margin[(1)] was 34.1% compared with 32.0% for Q4 2016;
- Net income increased 41.9% to $4.6 million ($0.09 per share diluted) compared to $3.2 million ($0.06 per share diluted) for Q4 2016;
- Adjusted Net income[(1)] increased 47.9% to $10.5 million ($0.20 per share diluted) compared to $7.1 million ($0.14 per share diluted) for Q4 2016;
- Cash flow from operating activities increased 40.4% to $10.8 million compared to $7.7 million for Q4 2016; and
- Adjusted free cash flow[(1)] increased 24.7% to $8.0 million compared to $6.4 million for Q4 2016.

Note:
(1) Refer to "Forward looking statements" and "Supplemental information on Non-IFRS measures" on page 24 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 29.

Additional business highlights for the fourth quarter and subsequent events:

- On May 26, 2017, the Corporation announced that it had acquired the classical and cinematic music video television channel called C Music Entertainment Ltd
- On May 16, 2017, the Corporation confirmed that, amongst all streaming music services, it is the only one dedicated to promoting Canadian talent. With a reach of 90% of the Canadian market (10 million households), Stingray's efforts result in incomparable visibility for Canadian artists. Close to 15,000 Canadian artists and bands are broadcast on Stingray Music channels on TV, mobile, and the web.
- On May 9, 2017, the Corporation announced that it had acquired Israel-based Yokee Music Ltd., provider of three (3) social music apps regularly ranked in the music category's top 10 in 100 countries: Yokee Karaoke, Yokee Guitar, and Yokee Piano. Together, the apps have reached over 80 million downloads in four (4) years and count 4 million monthly users, with over 50% year-over-year growth.
- On April 28, 2017, the Corporation declared a dividend of $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share, totaling $2.3 million that will be payable on or around June 15, 2017 to holders of subordinate voting shares, variable subordinate voting shares and multiple voting shares on record as of May 31, 2017.
- On April 14, 2017, the Corporation announced it had extended its exclusive distribution agreement with leading Australian pay TV provider, Foxtel for an additional five (5) years and three (3) months. In addition to the selection of audio music channels currently available on television, Foxtel residential subscribers will soon have access to the Stingray Music mobile app and web player.
- On March 3, 2017, the Corporation announced the acquisition of *Nature Vision TV* ("Nature Vision"), a 24/7 channel available online and on television. *Nature Vision TV* complements Stingray's existing Slow TV programming, Stingray Ambiance 4K, available as a linear television channel and Video On Demand to Pay-TV providers worldwide.
- On February 7, 2017, the Corporation confirmed product launches with Vodafone Portugal, Orange Polska, Vodafone España, UPC Hungary, T-Mobile Netherlands, United Group Balkans, Sat-Trakt Doo, and PT Telecom Hungary. These strategic deals represent a significant growth in Stingray's current European distribution; increasing its potential reach by more than one million subscribers.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Quarters ended March 31				Years ended March 31					
	2017		2016		2017		2016		2015	
(in thousands of Canadian dollars)	**Q4 2017**		**Q4 2016**		**Fiscal 2017**		**Fiscal 2016**		**Fiscal 2015**	
Revenues	26,502	100.0 %	25,658	100.0 %	101,501	100.0 %	89,944	100.0 %	70,989	100.0 %
Recurring Revenues	22,683	85.6 %	21,860	85.0 %	87,612	86.3 %	77,587	86.3 %	63,535	89.5 %
Revenues	26,502	100.0 %	25,658	100.0 %	101,501	100.0 %	89,944	100.0 %	70,989	100.0 %
Music programming, cost of services and content	9,125	34.4 %	9,053	35.3 %	35,270	34.7 %	31,407	34.9 %	23,283	32.8 %
Selling and marketing	3,302	12.5 %	3,387	13.2 %	12,338	12.2 %	10,435	11.6 %	8,010	11.3 %
Research and development, support and information technology	2,324	8.8 %	2,254	8.8 %	8,960	8.8 %	7,613	8.5 %	5,973	8.4 %
General and administrative	6,385	24.1 %	3,957	15.4 %	19,016	18.7 %	13,247	14.7 %	10,089	14.2 %
IPO expenses and CRTC tangible benefits	–	– %	21	0.1 %	–	– %	5,821	6.5 %	–	– %
Depreciation and amortization and write-off	4,619	17.4 %	3,218	12.5 %	17,168	16.9 %	15,028	16.7 %	14,979	21.1 %
Net finance expenses (income) [3]	1,006	3.8 %	836	3.3 %	2,036	2.0 %	(418)	(0.5) %	4,686	6.6 %
Change on fair value of investments	334	1.3 %	1,113	4.3 %	(408)	(0.4) %	(7,345)	(8.2) %	(1,801)	(2.5) %
Income before income taxes	(593)	(2.2) %	1,819	7.1 %	7,121	7.0 %	14,156	15.7 %	5,770	8.1 %
Income taxes	(5,201)	(19.6) %	(1,428)	(5.6) %	(3,596)	(3.5) %	275	0.3 %	(837)	(1.2) %
Net income	4,608	17.4 %	3,247	14.1 %	10,717	10.6 %	13,881	15.4 %	6,607	9.3 %
Adjusted EBITDA [1]	9,046	34.1 %	8,219	32.0 %	33,864	33.4 %	31,004	34.5 %	27,275	38.4 %
Adjusted Net income [1]	10,534	39.7 %	7,135	27.8 %	27,310	26.9 %	24,309	27.0 %	17,834	25.1 %
Adjusted free cash flow [1]	7,991	30.2 %	6,415	25.0 %	26,511	26.1 %	24,384	27.1 %	17,037	24.0 %
Cash flow from operating activities	10,826	40.8 %	7,709	30.0 %	22,766	22.4 %	18,968	21.1 %	9,908	14.0 %
Net income per share basic	0.09		0.06		0.21		0.29		0.20	
Net income per share diluted	0.09		0.06		0.21		0.29		0.19	
Adjusted Net income per share basic[1]	0.21		0.14		0.53		0.51		0.54	
Adjusted Net income per share diluted[1]	0.20		0.14		0.53		0.50		0.53	
Revenue by category										
Music Broadcasting	19,708	74.4 %	19,425	75.7 %	74,900	73.8 %	66,172	73.6 %	53,499	75.4 %
Commercial Music	6,794	25.6 %	6,233	24.3 %	26,601	26.2 %	23,772	26.4 %	17,490	24.6 %
Revenues	26,502	100.0 %	25,658	100.0 %	101,501	100.0 %	89,944	100.0 %	70,989	100.0 %
Revenues by geography										
Canada	14,000	52.8 %	13,500	52.6 %	56,129	55.3 %	53,536	59.5 %	47,738	67.2 %
International [4]	12,502	47.2 %	12,158	47.4 %	45,372	44.7 %	36,408	40.5 %	23,251	32.8 %
Revenues	26,502	100.0 %	25,658	100.0 %	101,501	100.0 %	89,944	100.0 %	70,989	100.0 %
Financial position										
Total assets					194,292		177,075		125,170	
Total non-current financial liabilities					54,080		43,879		75,549	
Net debt excluding contingent consideration and balance payable on business acquisitions (Net debt) [1]					35,178		31,834		107,423	
Net debt to Adjusted EBITDA[1][2]					1.04x		1.03x		3.94x	
Cash dividends and distributions declared per share					0.13		0.13		0.59	

Notes:

(1) Refer to “Forward looking statements” and “Supplemental information on Non-IFRS measures” on page 24 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 29.

(2) Net debt to Adjusted EBITDA consists of Net debt including contingent considerations and balance payable on business acquisitions divided by Adjusted EBITDA.

(3) Interest paid during the Q4 2017 was $269 (Q4 2016; $244) and $1,107 for the year ended March 31, 2017 (2016 - $1,426)

(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 consideration and balance payable on business acquisitions, Net debt excluding contingent consideration and balance payable on business acquisitions 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 24.

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	
	2017 **Q4 2017**	2016 **Q4 2016**	2017 **Fiscal 2017**	2016 **Fiscal 2016**
Net income	**4,608**	**3,247**	**10,717**	**13,881**
Net finance (income) expenses	1,006	836	2,036	(418)
Change in fair value of investments	334	1,113	(408)	(7,345)
Income taxes	(5,201)	(1,428)	(3,596)	275
Depreciation of property and equipment and write-off	724	594	2,418	2,146
Amortization of intangibles	3,895	2,624	14,750	12,882
Stock-based compensation	372	390	1,332	1,351
Restricted and deferred share unit expenses	688	319	2,008	963
IPO expenses and CRTC tangible benefits	–	21	–	5,821
Acquisition, legal, restructuring and other various costs	2,620	503	4,607	1,448
Adjusted EBITDA	**9,046**	**8,219**	**33,864**	**31,004**
Net finance (income) expenses	(1,006)	(836)	(2,036)	418
Income taxes	5,201	1,428	3,596	(275)
Depreciation of property and equipment and write-off	(724)	(594)	(2,418)	(2,146)
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, legal, restructuring and other various costs	(1,983)	(1,082)	(5,696)	(4,692)
Adjusted Net income	**10,534**	**7,135**	**27,310**	**24,309**

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	
	2017 **Q4 2017**	2016 **Q4 2016**	2017 **Q4 2017**	2016 **Q4 2016**
Cash flow from operating activities	**10,826**	**7,709**	**22,766**	**18,968**
Add / Less :				
Capital expenditures	(522)	(1,100)	(3,233)	(3,429)
Net change in non-cash operating working capital items	(4,933)	(718)	2,371	1,576
Acquisition, legal, restructuring and other various costs	2,620	503	4,607	1,448
IPO expenses and CRTC tangible benefits	–	21	–	5,821
Adjusted free cash flow	**7,991**	**6,415**	**26,511**	**24,384**

The following table shows the calculation of Net debt including and excluding contingent consideration and balance payable on business acquisitions:

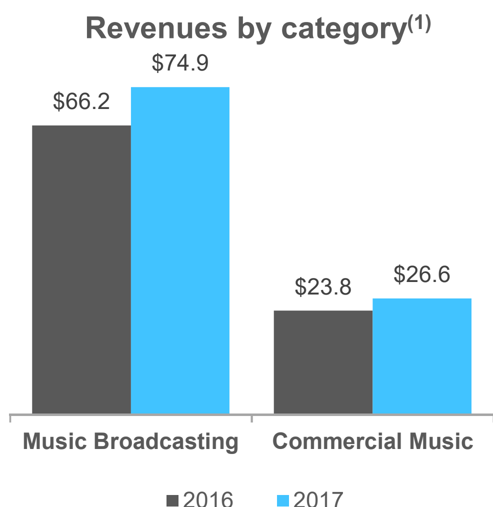
(in thousands of Canadian dollars)	**March 31, 2017**	**March 31, 2016**
Contingent consideration and balance payable on business acquisitions, including current portion	18,801	12,496
Revolving facility	41,040	35,035
Cash and cash equivalents	(5,862)	(3,201)
Net debt including contingent consideration and balance payable on business acquisitions	**53,979**	**44,330**
Contingent considerations and balance payable on business acquisitions, including current portion	(18,801)	(12,496)
Net debt excluding contingent consideration and balance payable on business acquisitions ("Net Debt")	**35,178**	**31,834**

RESULTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

Revenues

Revenues in Fiscal 2017 increased 12.9% to $101.5 million, from $89.9 million for Fiscal 2016. The increase in revenues was primarily due to acquisitions combined with growth in international markets and commercial music in Canada.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 13.1% or $8.7 million from Fiscal 2016 in Music Broadcasting revenues were as follows (arrows reflect the impact):

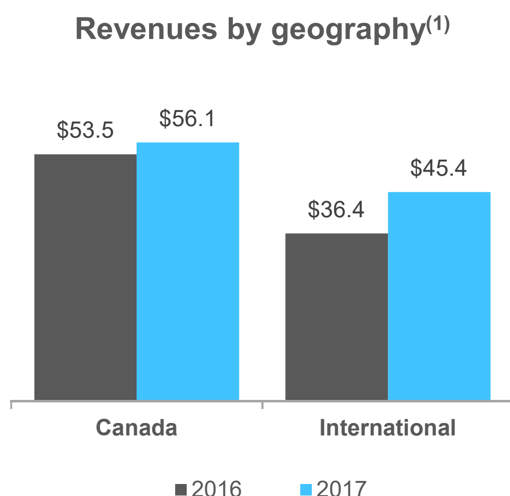
- ▲ Acquisition of DMD and iConcerts in December 2015 and Classica in January 2017.
- ▲ Organic growth in international markets, primarily Music Videos on Demand in United States.

Commercial Music

The most significant contributors to the increase of 11.8% or $2.8 million from Fiscal 2016 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Acquisition of Nümédia in February 2016.
- ▲ Organic growth from recurring music services related to new and existing customers.

Trends by Revenues by Geographic Region were as follows:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 4.9% or $2.6 million from Fiscal 2016 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ Contribution of the Nümédia and organic growth in commercial music.

International

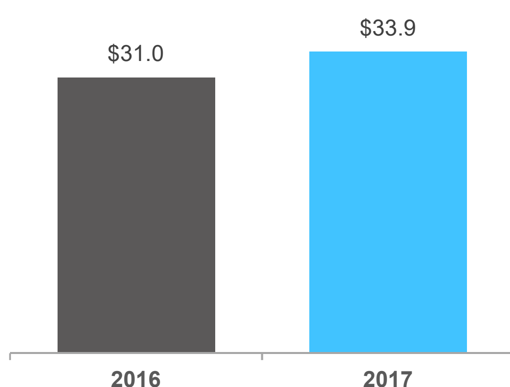
The most significant contributors to the increase of 24.7% or $9.0 million from Fiscal 2016 in international revenues were as follows (arrows reflect the impact):

- ▲ The contribution of acquisitions in Broadcast as mentioned above and organic growth related to Music Videos on Demand.

Operating Expenses

(in thousands of Canadian dollars)	Fiscal 2017 % of revenues	Fiscal 2016 % of revenues	Variance			Significant contributions to variance :
Music programming, cost of services and content	$35,270 34.7%	$31,407 34.9%	$3,863	12.3%	▲	Primarily due to recent acquisitions, organic growth in commercial music and content costs to support our international growth.
Selling and marketing	$12,338 12.2%	$10,435 11.6%	$1,903	18.2%	▲	Primarily due to recent acquisitions and salary costs to support revenue growth in international markets.
Information Technology and Research and development	$8,960 8.8%	$7,613 8.5%	$1,347	17.7%	▲	Primarily due to additional hiring related to international expansion and new product development initiatives.
General and administrative	$19,016 18.7%	$13,247 14.7%	$5,769	43.5%	▲	Primarily due to increased legal fees, restricted and performance share unit plans for employees and deferred share unit plan for directors and hiring new employees to support growth.
Depreciation, amortization and write-off	$17,168 16.9%	$15,028 16.7%	$2,140	14.2%	▲	Mainly related to the amortization of client lists recognised following the acquisitions of DMD, iConcerts and Classica.

Adjusted EBITDA[(1)(2)]



Notes:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on page 24 and 29

Adjusted EBITDA in Fiscal 2017 increased 9.2% to $33.9 million, from $31.0 million in Fiscal 2016. Adjusted EBITDA margin was 33.4% in Fiscal 2017 compared to 34.5% in Fiscal 2016. The increase in Adjusted EBITDA was primarily due to the recent acquisitions of DMD, iConcerts and Classica, and to organic growth in commercial music in Canada and international markets. The decrease in EBITDA margin was mainly related to increased salary costs to support revenue growth in international markets and required ramp-up period to realize synergies from acquisitions.

Acquisition, legal, restructuring and other various costs mainly included costs related to litigation (see page 43) and integration costs for our recent acquisitions

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 sales by Novacap and Télésystem of 9,112,900 shares in the aggregate 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 in connection with the IPO on April 22, 2015. Pursuant to that decision, the CRTC required 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 2017, which reflects the fair value of the payment stream using a discount rate of 7.0%, which is the Corporation's estimated effective interest rate, plus a risk premium.

Net Finance (Income) Expenses

Finance expenses increased to $2.0 million from an income of $0.4 million for Fiscal 2016. The increase was related to lower gains on revaluation of contingent consideration and balance payable on business acquisitions partially offset by lower interest expenses. The Corporation repaid approximately $101 million of its debt in June 2015 with the proceeds of the IPO.

Change in fair value of investments

For Fiscal 2017, a gain of $0.4 million was recorded compared to a gain of $7.3 million for Fiscal 2016. The Corporation recognised a significant gain in Q2 2016 following an additional investment in AppDirect, a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services.

Income Taxes

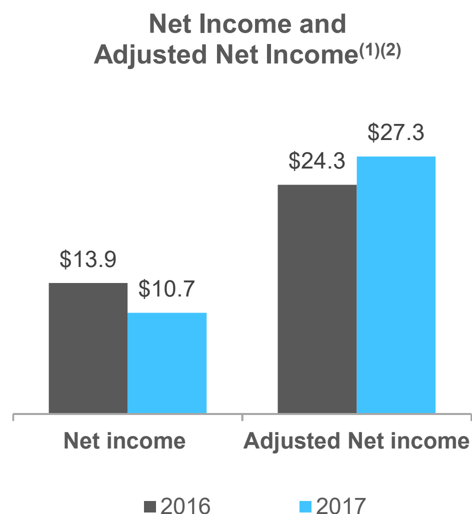
Recovery of income taxes increased to $3.6 million for Fiscal 2017 from an income tax expense of $0.3 million for Fiscal 2016. The increase in income tax recovery was mainly related to the recognition of previously unrecognized tax losses of a foreign subsidiary.

Net income and net income per share

Net income decreased to $10.7 million ($0.21 per share diluted) in Fiscal 2017 from $13.9 million ($0.29 per share diluted) in Fiscal 2016. The decrease was mainly attributable to a lower gain on fair value of investments, higher legal fees, lower gain on revaluations of contingent consideration and balances payable on business acquisitions, partially offset by lower IPO expenses and CRTC tangible benefits, higher income tax recovery and higher operating results.

Adjusted Net income and Adjusted Net income per share

Adjusted Net Income in Fiscal 2017 increased to $27.3 million ($0.53 per share diluted) from $24.3 million ($0.50 per share diluted) in Fiscal 2016. The increase was primarily due to higher income tax recovery and higher Adjusted EBITDA resulting from recent acquisitions combined with organic growth offset by a negative change in fair value of contingent consideration and balance payables on business acquisitions.



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 24 and 29.

Quarterly results

Revenues increased over the last eight quarters from $19.9 million in the first quarter of Fiscal 2016 to $26.5 million in the last quarter of Fiscal 2017. The increase was mainly attributable to the successful integration of acquisitions and new contracts in international markets and in Canada. The sequential decrease in Q1 2017 and Q2 2017 of revenues compared to Q4 2016 was mainly related to lower non-recurring revenues in Music Broadcasting and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Adjusted EBITDA increased from $7.2 million in the first quarter of Fiscal 2016 to $9.0 million in the fourth quarter of Fiscal 2017. The increase was mainly attributable to the successful integration of acquisitions and new contracts signed. The decrease in Q1 2017 Adjusted EBITDA compared to Q4 2016 was mainly related to the decrease in non-recurring revenues in Music Broadcasting and incremental costs related to acquisitions with future synergies to be realized and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Net income (loss) fluctuated over the last eight quarters from a loss of $1.8 million in the first quarter of Fiscal 2016 to net income of $4.6 million in the last quarter of Fiscal 2017. In Q1 2016, the net loss was mainly attributable to the one-time IPO expense and CRTC tangible benefits expenses of $5.5 million offset by a related tax impact of $1.5 million. In Q2 2016, the most significant component of the increase was the recognition of a gain on fair value of investment of $7.5 million which was offset by a related tax impact of $1.0 million. Furthermore, a gain on fair value of contingent consideration and balance payable on business acquisitions of $1.1 million was also recognised. In Q4 2016, the Corporation recorded an income tax recovery on deferred tax assets related to tax losses of foreign subsidiaries of $3.4 million offset by the loss on fair value of investments of $1.1 million which was related to unfavorable foreign exchange between the Canadian dollar and the U.S. dollar as the investment is denominated in U.S. dollars. In Q4 2017, the Corporation recorded an income tax recovery on deferred tax assets related to tax losses of foreign subsidiaries of $5.1 million.

Summary of Consolidated Quarterly Results

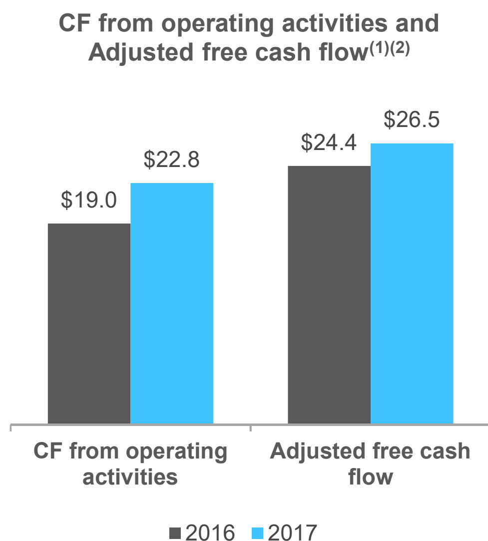
	Quarters ended							
(in thousands of Canadian dollars, except per share amounts)	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015
	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2016
Revenue by category								
Music Broadcasting	19,708	19,295	18,009	17,888	19,425	17,013	15,614	14,120
Commercial Music	6,794	6,630	6,518	6,659	6,233	6,076	5,688	5,775
Total revenues	**26,502**	**25,925**	**24,527**	**24,547**	**25,658**	**23,089**	**21,302**	**19,895**
Revenues by geography								
Canada	14,000	14,004	14,045	14,077	13,500	13,759	13,094	13,183
International	12,502	11,921	10,482	10,470	12,158	9,330	8,208	6,712
Total revenues	**26,502**	**25,925**	**24,527**	**24,547**	**25,658**	**23,089**	**21,302**	**19,895**
Recurring revenues	22,683	21,944	21,584	21,401	21,860	19,699	18,785	17,243
Recurring revenues as a percentage of total revenues	85.6%	84.6%	88.0%	87.2%	83.7%	85.3%	88.2%	86.7%
Adjusted EBITDA	**9,046**	**8,717**	**8,220**	**7,881**	**8,219**	**8,009**	**7,625**	**7,151**
Net income (loss)	**4,608**	**2,660**	**1,405**	**2,044**	**3,247**	**3,169**	**9,242**	**(1,777)**
Net income (loss) per share basic	0.09	0.05	0.03	0.04	0.06	0.06	0.18	(0.05)
Net income (loss) per share diluted	0.09	0.05	0.03	0.04	0.06	0.06	0.18	(0.05)
Adjusted Net income	**10,534**	**6,164**	**5,405**	**5,207**	**7,135**	**6,194**	**6,198**	**4,783**
Adjusted Net income per share basic	0.21	0.12	0.11	0.10	0.14	0.12	0.12	0.12
Adjusted Net income per share diluted	0.20	0.12	0.10	0.10	0.14	0.12	0.12	0.12

Reconciliation of Quarterly Non-IFRS Measures

	Quarters ended							
(in thousands of Canadian dollars)	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015
	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2016
Net income (loss)	**4,608**	**2,660**	**1,405**	**2,044**	**3,247**	**3,169**	**9,242**	**(1,777)**
Net finance (income) expenses	1,006	9	373	648	836	(810)	(1,310)	866
Change in fair value of investment	334	(583)	(250)	91	1,113	(646)	(7,549)	(263)
Income taxes	(5,201)	706	487	412	(1,428)	920	2,117	(1,334)
Depreciation of property and equipment and write-off	724	574	546	574	594	609	488	455
Amortization of intangibles	3,895	3,686	3,982	3,187	2,624	3,443	3,592	3,223
Stock-based compensation	372	372	298	290	390	369	371	221
Restricted and deferred share unit expenses	688	550	444	326	319	227	242	175
IPO expenses and CRTC tangible benefits	–	–	–	–	21	–	305	5,495
Acquisition, legal, restructuring and other various costs	2,620	743	935	309	503	728	127	90
Adjusted EBITDA	**9,046**	**8,717**	**8,220**	**7,881**	**8,219**	**8,009**	**7,625**	**7,151**
Net finance (income) expenses	(1,006)	(9)	(373)	(648)	(836)	810	1,310	(866)
Income taxes	5,201	(706)	(487)	(412)	1,428	(920)	(2,117)	1,334
Depreciation of property and equipment and write-off	(724)	(574)	(546)	(574)	(594)	(609)	(488)	(455)
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, legal, restructuring and other various costs	(1,983)	(1,264)	(1,409)	(1,040)	(1,082)	(1,096)	(132)	(2,381)
Adjusted Net income	**10,534**	**6,164**	**5,405**	**5,207**	**7,135**	**6,194**	**6,198**	**4,783**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE YEAR ENDED MARCH 31, 2017

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 is 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, 2017 and 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 24 and 29.

Cash flow from operating activities

Cash flow generated from operating activities increased 20.0% to $22.8 million in Fiscal 2017 from $19.0 million in Fiscal 2016. The increase was mainly due to acquisitions, international growth partially offset by higher net variation in non-cash working operating items and higher income taxes paid.

Adjusted free cash flow

Adjusted free cash flow increased 8.7% to $26.5 million in Fiscal 2017 from $24.4 million in Fiscal 2016. The increase was mainly related to higher operating results, partially offset by higher income taxes paid.

Financing Activities

Net cash flow used in financing activities amounted to $4.3 million for Fiscal 2017 compared to net cash flow generated from financing activities of $12.7 million for Fiscal 2016. The net change of $17.0 million was mainly attributable to the acquisition of Brava, DMD and iConcerts that were financed through the revolving facility in Fiscal 2016, to the net proceeds of the IPO, offset by higher payment of contingent consideration and balances payable on business acquisitions, the repayment of the term loan and bridge loan in Q1 2016 and higher dividend payments in Fiscal 2017.

Investing Activities

Net cash flow used in investing activities amounted to $15.8 million for Fiscal 2017 compared to $29.8 million for Fiscal 2016. The net change of $14.0 million was primarily related to the acquisitions of Nature Vision, Classica, EuroArts, Festival 4K and Bell's Music Video Channels (Much Channels) for Fiscal 2017, compared to the acquisitions of Brava, DMD and iConcerts for Fiscal 2016, which represented higher outlays.

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, 2017, 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**
Commitments				
Operating lease agreements	5,152	9,223	896	15,271
Financial obligations				
Revolving facility	–	41,040	–	41,040
Accounts payables and accrued liabilities	29,783	–	–	29,783
Other payables	9,511	10,391	2,636	22,538
Total obligations	44,446	60,654	3,532	108,632

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; (iii) 1.8% 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; and (iv) 0.2% of to be devoted to Community Radio Fund of Canada (CRFC), a fund that the mission is to build and improve campus and community radio for all Canadians through funding and collaborations.

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's effective interest rate plus a risk premium. On August 18, 2015, the CRTC issued a decision renewing until August 31, 2020 the broadcasting licence.

During Fiscal 2017, an amount of $0.4 million ($0.4 million – 2016) was recognized as an expense in music programming, cost of services and content.

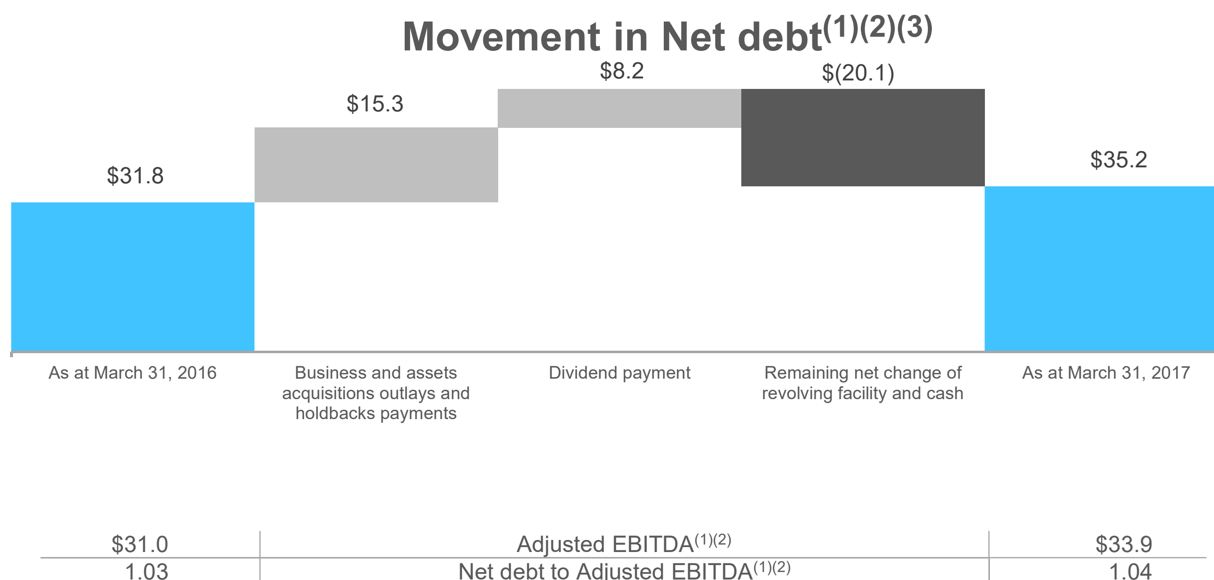
Copyright royalties

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 November 17, 2016, 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 2020, bears interest at an annual rate equal to the banker's acceptance rate plus 1.50% and is secured by guarantees from subsidiaries and a first ranking lien on the universality of all its assets, tangible and intangible, present and future. In addition, the Corporation incurs standby fees of 0.30% on the unused portion of the revolving facility. The Corporation is required to comply with financial covenants. As at March 31, 2017, the Corporation was in compliance with all the requirements of its credit agreement.

The following table summarizes the net change in Net debt including contingent consideration and balance payable on business acquisitions that occurred in the year ended March 31, 2017 including related ratios:



$31.0	Adjusted EBITDA[1][2]	$33.9
1.03	Net debt to Adjusted EBITDA[1][2]	1.04

Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 24 and 29.

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, 2017 AND 2016

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the year ended March 31, 2017:

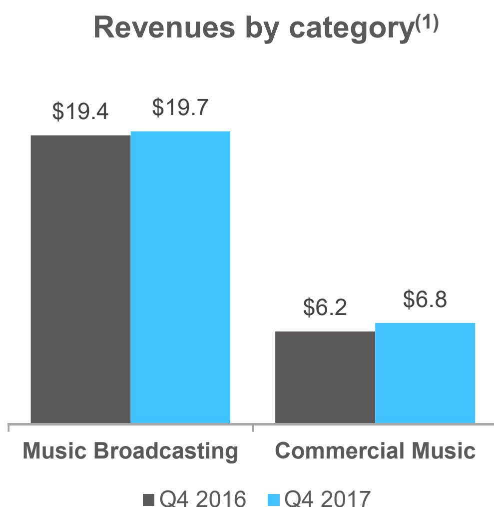
(in thousands of Canadian dollars)	March 31, 2017	March 31, 2016	Variance		Significant contributions
Trade and other receivables	$27,020	$28,597	$(1,577)	▼	Attributable to significant receivables recovered offset by receivables from acquisitions and additional sales in international and commercial music in Canada.
Intangible assets	$49,519	$47,901	$1,618	▲	Mainly attributable to the recognition of intangible assets for acquisitions that occurred in Fiscal 2017, net of amortization.
Goodwill	$68,788	$61,805	$6,983	▲	Mainly attributable to the recognition of goodwill for acquisitions that occurred in Fiscal 2017.
Accounts payable and accrued liabilities	$29,783	$26,636	$3,147	▲	Mainly attributable to payables assumed on the business acquisitions that occurred in Fiscal 2017, increase in RSU, PSU and DSU expenses and increase in operating expenses.
Other payables	$22,538	$16,850	$5,688	▲	Attributable to the payment of contingent considerations and balances payable on business acquisitions of Archibald Media Group, Brava Group and Telefonica – On the Spot, offset by recognition of Festival 4K B.V., Classica GmbH and Nature Vision contingent considerations and balance payable on business acquisitions.
Revolving Facility	$41,040	$35,035	$6,005	▲	Attributable to cash considerations for acquisitions that occurred in Fiscal 2017 and contingent consideration payments and balances payable on business acquisitions.

RESULTS OF OPERATIONS
FOR THE QUARTERS ENDED MARCH 31, 2017 AND 2016

Revenues

Revenues for the quarter ended March 31, 2017 ("Q4 2017") increased 3.3% to $26.5 million, from $25.7 million for the Q4 2016. The increase in revenues was primarily due to acquisition of Classica and Bell's Music Video Channels (Much Channels) combined with international growth related to new products and organic growth for digital signage in Canada.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 1.5% or $0.3 million from Q4 2016 in Music Broadcasting revenues were as follows (arrows reflect the impact):

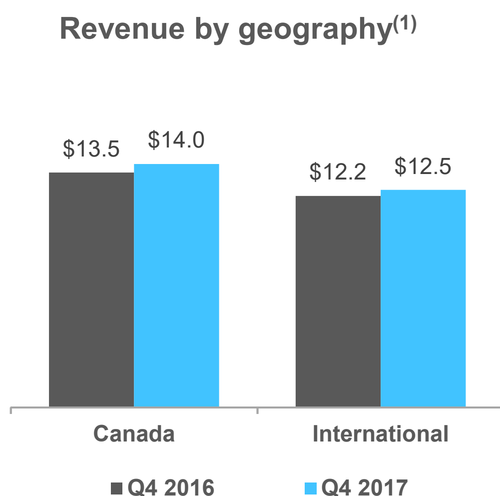
- ▲ Acquisitions in Fiscal 2017 of Classica and Bell's Music Video Channels.
- ▲ Organic growth for online and downloads music products.

Commercial Music

The most significant contributors to the increase of 9.0% or $0.6 million from Q4 2016 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Organic growth for digital signage in Canada.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 3.7% or $0.5 million from Q4 2016 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ Organic growth for digital signage and acquisitions of Bell's Music Video Channels.

International

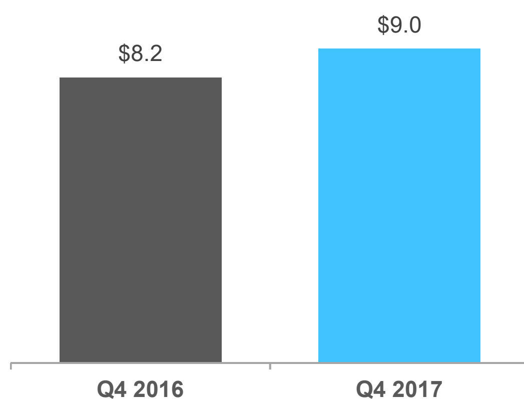
The most significant contributors to the increase of 2.8% or $0.3 million from Q4 2016 in international revenues were as follows (arrows reflect the impact):

- ▲ As described above in Music Broadcasting, acquisitions are included in full for Q4 2017 and international organic growth.

Operating Expenses

(in thousands of Canadian dollars)	Q4 2017 % of revenues	Q4 2016 % of revenues	Variance			Significant contributions to variance :
Music programming, cost of services and content	$9,125 34.4%	$9,053 35.3%	$72	0.8%	▲	Decreased on a percentage of revenues, primarily due to synergies related to recent acquisitions partially offset by an increase in costs related to installation and equipment sales for digital signage.
Selling and marketing	$3,302 12.5%	$3,387 13.2%	$(85)	(2.5)%	▼	Primarily due to lower stock based compensation, partially offset by an increase in costs to support revenue growth in international markets.
Information Technology and Research and development	$2,324 8.8%	$2,254 8.8%	$70	3.1%	▲	Increase related to additional hiring due to international expansion, partially offset by synergies related to recent acquisitions.
General and administrative	$6,385 24.1%	$3,957 15.4%	$2,428	61.4%	▲	Primarily due to higher legal fees and acquisitions costs.
Depreciation, amortization and write-off	$4,619 17,4%	$3,218 12.5%	$1,401	43.5%	▲	Primarily due to the addition of intangible assets related to acquisitions.

Adjusted EBITDA[(1)(2)]



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 24 and 29.

Adjusted EBITDA for Q4 2017 increased 10.1% to $9.0 million, from $8.2 million for Q4 2016. Adjusted EBITDA margin was 34.1% for Q4 2017 compared to 32.0% for Q4 2016. The increase in Adjusted EBITDA was primarily due to the recent acquisitions of Classica, iConcerts and DMD, from which synergies were realized.

Acquisition, restructuring and other various costs mainly included costs related to litigation (see page 43).

Net Finance (Income) Expenses

Finance expenses increased to $1.0 million from $0.8 million in Q4 2016. The increase was mainly related to the change in fair value of contingent consideration and balances payable on business acquisitions of $0.9 million, offset by the foreign exchange net gain of $0.7 million recognised in Q4 2017.

Change in fair value of investment

In Q4 2017, a loss on fair value of $0.3 million was recorded compared to $1.1 million in Q4 2016. The loss is related to the translation of the investments denominated in U.S. dollars to Canadian dollars.

Income Taxes

Recovery of income taxes increased to $5.2 million for Q4 2017 from $1.4 million for Q4 2016. The increase in income tax recovery was mainly related to additional recognition of previously unrecognized tax losses of a foreign subsidiary.

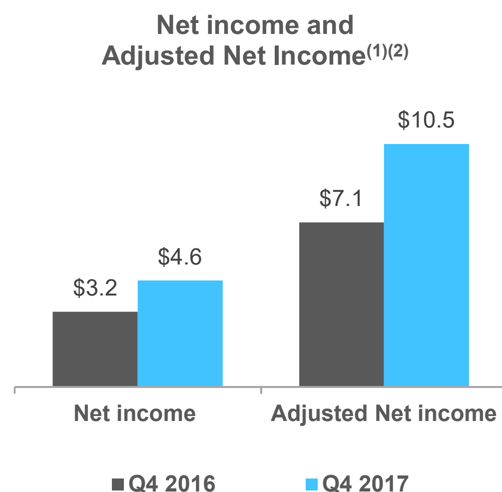
Net income and net income per share

Net income increased 41.9% to $4.6 million ($0.09 per share diluted) for Q4 2017 compared to $3.2 million ($0.06 per share diluted) for Q4 2016. The increase was primarily due to higher operating results, higher income taxe recovery related to the recognition of previously unrecognized tax losses, lower loss on fair value of investments, partially offset by higher legal fees and amortization of intangibles.

Adjusted Net income and Adjusted Net income per share

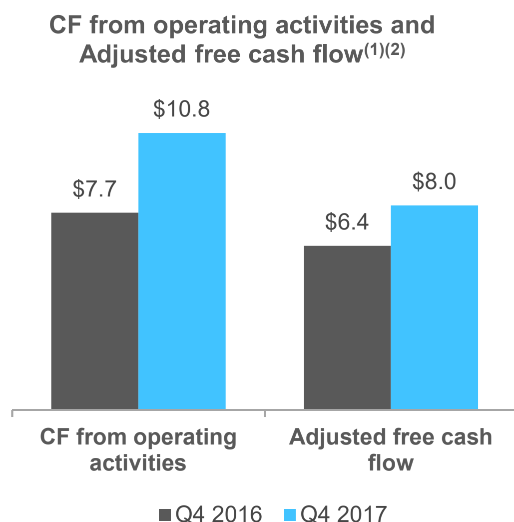
Adjusted net income for Q4 2017 increased 41.8% to $10.5 million ($0.20 per share diluted) from $7.1 million ($0.14 per share diluted) for Q4 2016. The increase was primarily due to higher income tax recovery and higher Adjusted EBITDA related to acquisitions combined with organic growth in Commercial Music.

Net income and Adjusted Net Income[(1)(2)]



Notes:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on page 24 and 29.

LIQUIDITY
FOR THE QUARTER ENDED MARCH 31, 2017



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 24 and 29.

Cash flow from operating activities

Cash flow generated from operating activities increased 40.4% to $10.8 million for Q4 2017 from $7.7 million for Q4 2016. The increase was mainly due to higher operating results, and lower net change in non-cash operating items mainly related to timing for payment of accounts payable, partially offset by higher interest paid.

Adjusted free cash flow

Adjusted free cash flow for Q4 2017 increased 23.4% to $8.0 million from $6.4 million for Q4 2016. The increase was primarily related to higher operating results, lower financing costs and lower capital expenditures.

Decrease in capital expenditures of $0.6 million compared to Q4 2016 was mainly due to the upgrade of subscriber music boxes for commercial customers that occurred in Q4 2016.

Financing Activities

Net cash flow used in financing activities amounted to $7.5 million for Q4 2017 compared to $4.6 million for Q4 2016. The increase of $2.9 million was mainly attributable to the repayment of the credit facility.

Investing Activities

Net cash flow used in investing activities amounted to $0.4 million for Q4 2017 compared to $2.4 million for Q4 2016. The decrease of $2.0 million was mainly related to lower outlays in Q4 2017 related to acquisitions and capital expenditures.

Music Choice Litigation

Music Choice v. Stingray

Music Choice filed its original Complaint against the Corporation on June 6, 2016, asserting infringement of four U.S. patents, namely, U.S. Patent Nos. 8,769,602, 9,357,245, 7,320,025 and 9,351,045. On August 12, 2016, Music Choice filed its First Amended Complaint, which added a fifth U.S. patent, namely, U.S. Patent No. 9,414,121. The Corporation filed its Answer to the Original Complaint (including counterclaims) on August 30, 2016, asserting, among other things, defenses and counterclaims of non-infringement and invalidity. On September 2, 2016, Music Choice filed its Second Amended complaint, adding Stingray Music USA, Inc. (SMU) as a defendant, and the Corporation and SMU filed their answers and counterclaims on September 23 and October 4, 2016, respectively. Since the commencement of the case, the parties have jointly prepared and filed with the Court a docket control order, a protective order and an ESI order. Music Choice also served its infringement contentions on September 12, 2016, the parties exchanged Initial Disclosures, and Stingray served its invalidity contentions on November 28, 2016. The parties exchanged amended infringement and invalidity contentions on April 28, 2017. In addition, on November 14, 2016, Stingray filed an amended answer and counterclaims which included inequitable conduct counterclaims based on David Del Beccaro's (and the other inventors') failure to disclose a product offered by Music Choice Europe in or about 2001 to the patent office and their misrepresentations to the patent office that they are the true inventors of the patents-in-suit. Music Choice moved to dismiss and strike Stingray's inequitable conduct counterclaims, which the Corporation opposed on January 4, 2017. On May 3, 2017, the magistrate judge handling the case issued a Report and Recommendation that the motion be dismissed. Fact discovery has commenced, and the parties have exchanged written discovery requests and produced documents. Stingray has deposed many of the patent inventors, and will be taking the deposition of Music Choice over the next few months. Music Choice has noticed Stingray's deposition, which will likely take place in July 2017. The hearing is scheduled for June 12, 2017, and trial is scheduled for February 5, 2018.

Stingray v. Music Choice

SMU filed its Complaint on August 30, 2016, asserting claims of unfair competition under the Federal Lanham Act, defamation, trade libel, tortious interference, and common law unfair competition, stemming from misrepresentations of fact made by Music Choice regarding the nature, characteristics and qualities of Stingray Music and its products and services, to SMU's existing and potential customers, with the goal of damaging SMU's relationships with those customers and its business generally. On October 17, 2016, Music Choice filed a Motion to Dismiss on the grounds that all of SMU's claims are time-barred. In response, on November 3, 2016, SMU filed an Amended Complaint, after which (on December 7, 2016), Music Choice moved to dismiss only the state law claims. Music Choice also filed a motion to transfer the case to the Eastern District of Pennsylvania. On January 4, 2017, SMU opposed both motions. In addition, SMU filed a motion to consolidate the action with the Music Choice patent infringement action.

On March 16, 2017, the Court denied Music Choice's motion to change venue, and granted SMU's motion to consolidate, ordering that this action be consolidated for all pretrial issues with the Music Choice v. Stingray action. Music Choice's motion to dismiss the state law claims remains pending. On March 30, 2017, Music Choice answered SMU's complaint (except for the state law claims that remain subject to its pending motion to dismiss) and asserted a counterclaim against SMU and the Corporation. Music Choice's counterclaim alleges that the Stingray entities misused Music Choice confidential data in violation of various non-disclosure agreements (the "NDAs"). These non-disclosure agreements arose from discussions between the parties concerning a possible acquisition of Music Choice by the Corporation. The Corporation's entities answered the counterclaim on April 28, 2017, denying the allegations and asserting various affirmative defenses, including that Music Choice acted fraudulently and in bad faith with regard to the NDAs. Fact discovery has commenced and the parties have exchanged written disclosures and made initial document productions. Trial is currently set for February 5, 2018.

SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, Stingray, together with its Canadian Broadcast Distribution Undertaking customers (collectively, the "Objectors"), presented an affirmative case before the Copyright Board of Canada to seek a reduction in the prescribed rates and terms for the Pay Audio Services Tariff for the 2007-2016 period. SOCAN and Re:Sound (collectively, the "Collectives") opposed that case, but in the opinion of the Objectors failed to offer compelling alternatives other than a request to maintain the status quo. The Copyright Board of Canada will now begin its deliberations, and Stingray expects a decision in about 18-36 months, based on past experience and the complexity of this proceeding.

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)	2017	2016
Short-term employee benefits	$ 3,361	$ 2,927
Share-based compensation	810	976
Restricted and performance share unit	407	178
Deferred share unit	896	371
	$ 5,474	$ 4,452

Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	June 7, 2017	March 31, 2017
Issued and outstanding shares:		
Subordinate voting shares	34,747,472	34,693,678
Variable Subordinate voting shares	284,609	338,403
Multiple voting shares	16,294,285	16,294,285
	51,326,366	51,326,366
Outstanding stock options:		
Stock options	1,397,185	1,397,185

On June 3, 2015, the Corporation 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, 2017, 218,391 options were exercised, 42,368 were forfeited and 369,187 options were granted to eligible employee, subject to service vesting periods of 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's 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's 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 accounts 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 the Corporation’s 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.

Below 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 that 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 and balance payable on business acquisitions in business combinations

The contingent consideration and balance payable on business acquisitions related to business combinations is 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 contracts. The fair value of the contingent consideration and balance payable on business acquisitions of 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 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 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 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.

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.

IFRS 2 – Share-based Payment

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

IFRIC 22 – Foreign Currency Transactions

On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the Interpretation 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, 2017, 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, 2017, 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, 2017.

As at March 31, 2017, 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, 2017.

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 8, 2017, did not include the controls or procedures of the operations of Nature Vision, Classica GmbH and Festival 4K B.V. which were acquired in Fiscal 2017. 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 Nature Vision, Classica GmbH and Festival 4K B.V.:

(in thousand of Canadian dollars)		Nature Vision		Classica GmbH		Festival 4K B.V.
Results of operations						
Revenues	$	–	$	785	$	600
Net income		–		32		20
Financial Position						
Current assets	$	170	$	2,081	$	612
Non-current assets		1,213		12,029		2,425
Currents liabilities	$	3		1,818		128
Non-currents liabilities	$	55		1,053		130

Subsequent events

Acquisition

On May 26, 2017, the Corporation acquire a classical and cinematic music video television channel called C Music Entertainment Ltd., for a total consideration of GBP3.6 million (CA$6.2 million).

On May 8, 2017, the Corporation signed an agreement to acquire Yokee Music LTD., an Israel-based provider of three social music apps: Yokee Karaoke, Yokee Guitar, and Yokee Piano, for a total consideration of US$12.5 million (CA$16.8 million).

Dividend

On April 28, 2017, the Corporation declared a dividend of $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share, totaling CA$2.3 million that will be payable on or about June 15, 2017 to holders of subordinate voting shares, variable subordinate voting shares and multiple voting shares on record as of May 31, 2017.

Additional information

Additional information about the Corporation is available on our website at www.stingray.com and on the SEDAR website at 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, 2017 and March 31, 2016, 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, 2017 and March 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP*

June 7, 2017

Montréal, Canada

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

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KPMG Canada provides services to KPMG LLP.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2016

(In thousands of Canadian dollars)	Note	2017	2016
Revenues		$ 101,501	$ 89,944
Music programming, cost of services and content		35,270	31,407
Selling and marketing		12,338	10,435
Research and development, support and information technology, net of tax credit of $887 (2016 - $850)		8,960	7,613
General and administrative		19,016	13,247
Initial public offering expenses and CRTC tangible benefits	5, 18, 19	–	5,821
Depreciation, amortization and write-off	5	17,168	15,028
Net finance (income) expense	6	2,036	(418)
Change in fair value of investments	15	(408)	(7,345)
Income before income taxes		7,121	14,156
Income taxes (recovery)	7	(3,596)	275
Net income		$ 10,717	$ 13,881
Net income per share – Basic	8	0.21	0.29
Net income per share – Diluted	8	0.21	0.29
Weighted average number of shares – Basic	8	51,242,611	47,822,515
Weighted average number of shares – Diluted	8	51,497,510	48,380,253
Comprehensive income			
Net income		$ 10,717	$ 13,881
Other comprehensive income, net of tax			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(1,129)	804
Items that will not be reclassified to profit and loss			
Remeasurements of post-employment benefit obligations, net of tax		44	(67)
Total other comprehensive income (loss)		(1,085)	737
Total comprehensive income		$ 9,632	$ 14,618

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, 2017 and March 31, 2016

(In thousands of Canadian dollars)	Note		March 31, 2017		March 31, 2016 (recasted, see note 3)
Assets					
Current assets					
Cash and cash equivalents		$	5,862	$	3,201
Trade and other receivables	9		27,020		28,597
Research and development tax credits	10		486		236
Inventories	11		1,233		910
Other current assets			4,780		3,466
			39,381		36,410
Non-current assets					
Property and equipment	12		5,336		4,628
Intangible assets	13		49,519		47,901
Goodwill	14		68,788		61,805
Investments	15		17,351		16,943
Investment in joint venture			738		815
Other non-current assets			954		1,088
Deferred tax assets	7		12,225		7,485
Total assets		$	194,292	$	177,075
Liabilities and Equity					
Current liabilities					
Accounts payable and accrued liabilities	16	$	29,783	$	26,636
Dividends payable	19		–		1,789
Deferred revenues			1,094		915
Current portion of other payables	18		9,498		8,006
Income taxes payable			184		1,711
			40,559		39,057
Non-current liabilities					
Revolving facility	17		41,040		35,035
Other payables	18		13,040		8,844
Deferred tax liabilities	7		4,705		3,745
Total liabilities			99,344		86,681
Shareholders' equity					
Share capital	19		102,700		102,040
Contributed surplus			2,872		2,196
Deficit			(10,299)		(14,646)
Accumulated other comprehensive income (loss)			(325)		804
Total equity			94,948		90,394
Commitments (note 22)					
Subsequent events (note 2)					
Total liabilities and equity		$	194,292	$	177,075

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, 2017 and 2016

(In thousands of Canadian dollars, except number of share capital)	Share Capital					
	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at March 31, 2015	33,981,088	$ 2,240	$ 1,759	$ (21,841)	$ –	$ (17,842)
Insurance 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, net of tax	–	–	–	(67)	804	737
Balance at March 31, 2016	51,107,975	$ 102,040	$ 2,196	$ (14,646)	$ 804	$ 90,394
Issuance of shares upon exercise of options (note 19)	218,391	660	(398)	–	–	262
Dividends (note 19)	–	–	–	(6,414)	–	(6,414)
Share-based compensation (note 21)	–	–	1,074	–	–	1,074
Net income	–	–	–	10,717	–	10,717
Other comprehensive loss, net of tax	–	–	–	44	(1,129)	(1,085)
Balance at March 31, 2017	51,326,366	$ 102,700	$ 2,872	$ (10,299)	$ (325)	$ 94,948

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

Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2016

(In thousands of Canadian dollars)	Note	2017	2016
Operating activities:			
Net income		$ 10,717	$ 13,881
Adjustments for:			
Share-based compensation	21	1,332	1,351
Restricted and performance share unit expense	21	1,112	592
Deferred share unit expense	21	896	371
Depreciation and write-off of property and equipment	12	2,418	2,146
Amortization of intangible assets	13	14,750	12,882
Amortization and write-off of financing fees		213	263
Other interest expense	6	1,170	1,627
Change in fair value of derivative		–	(110)
Change in fair value of investments	15	(408)	(7,345)
Change in fair value of contingent consideration		822	(2,064)
Accretion expense of CRTC tangible benefits		287	248
Share of results of joint venture		(77)	43
Income taxes expense (recovery)		(3,596)	275
Interest paid		(1,107)	(1,426)
Income taxes paid		(3,392)	(2,190)
		25,137	20,544
Net change in non-cash operating items	20	(2,371)	(1,576)
		22,766	18,968
Financing activities:			
Increase in the revolving facility	17	6,005	26,948
Repayment of term loan and bridge loan	17	–	(100,960)
Payment of dividend and stated capital of common shares	19	(8,203)	(4,830)
Proceeds from the exercise of stock options	19	262	384
Issuance of shares	19	–	104,044
Share capital issuance costs	19	–	(7,535)
Deferred financing costs		–	(431)
Repayment of other payables		(2,349)	(4,851)
Other		(58)	(91)
		(4,343)	12,678
Investing activities:			
Business acquisitions, net of cash acquired	3	(7,010)	(24,665)
Intangible assets acquired through asset acquisitions	1	(5,519)	–
Acquisition of investments	15	–	(1,665)
Acquisition of property and equipment		(2,635)	(2,300)
Acquisition of intangible assets		(598)	(1,129)
		(15,762)	(29,759)
Increase in cash and cash equivalents		2,661	1,887
Cash and cash equivalents, beginning of year		3,201	1,314
Cash and cash equivalents, end of year		$ 5,862	$ 3,201

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

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, 2017:

- On January 5, 2017, the Corporation signed an agreement with Think Inside the Box LLC, to acquire and operate the HD slow-television specialty channel knows as *Nature Vision TV* for a total consideration of US$997 (CA$1,345). It resulted in the recognition of goodwill (notes 3 and 7), intangibles assets (notes 3 and 7), contingent consideration (notes 3 and 12).
- On January 3, 2017, the Corporation signed an agreement with UNITEL GmbH & Co. KG, a leading producer and distributor of classical music for audio-visual media, to acquire, operate, and distribute its international, premium pay TV channel, Classica, for a total consideration of EUR 7,701 (CA$10,839). It resulted in the recognition of goodwill (notes 3 and 7), intangibles assets (notes 3 and 7), contingent consideration (notes 3 and 12) and additional operating profit related to the acquisition (note 3).
- On October 14, 2016, the Corporation announced the acquisition of hundreds of exclusive concerts and documentaries from Berlin-based EuroArts Music International GmbH (EuroArts), a producer and distributor of classical music film productions, for a total consideration of EUR 1,316 (CA$1,904), of which EUR 1,050 (CA$1,519) was paid on October 14, 2016. The music catalog is presented in intangible assets in note 13.
- On June 21, 2016, the Corporation announced the acquisition of four of Bell Media's popular music video channels: MuchLoud, MuchRetro, MuchVibes and Juicebox for a total consideration of $4,000 fully paid during the year. This acquisition will enable the Corporation to consolidate its portfolio of television music channels and to provide the most comprehensive music products and services offering worldwide. The client lists related to the music video channels are presented in intangible assets in note 13.
- On June 15, 2016, the Corporation purchased all of the outstanding shares of Festival 4K B.V. for a total consideration of EUR1,838 (CA$2,644). It resulted in the recognition of goodwill (notes 3 and 7), intangibles assets (notes 3 and 7), contingent consideration (notes 3 and 12) and additional operating profit related to the acquisition (note 3).

2. Subsequent events:

Acquisition

On May 26, 2017, the Corporation signed an agreement to acquire and operate a classical and cinematic music video television channel called C Music TV, for a total consideration of GBP3,600 (CA$6,196).

On May 8, 2017, the Corporation signed an agreement to acquire Yokee Music LTD., an Israel-based provider of three social music apps regularly: Yokee, Yokee Guitar, and Yokee Piano for a total consideration of US$12,500 (CA$16,816).

Dividend

On April 28, 2017, the Corporation declared a dividend of $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share, totaling CA$2,310 that will be payable on or around June 15, 2017 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of May 31, 2017.

(In thousands of Canadian dollars, unless otherwise stated)

3. Business acquisitions:

Year ended March 31, 2017

Nature Vision

On January 5, 2017, the Corporation purchased all of the outstanding units of Think Inside the Box LLC (“Nature Vision”) for a total consideration of US$997 (CA$1,345). This acquisition will enable the Corporation to extend its specialty channels portfolio. As a result of the acquisition, goodwill of $853 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation’s existing assets. 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 12 months and other conditions, and would be payable on March 30, 2020. 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.

		Preliminary
Assets acquired :		
Cash and cash equivalents	$	172
Intangible assets		380
Goodwill		853
		1,405
Liabilities assumed :		
Accounts payable and accrued liabilities		3
Deferred tax liabilities		57
		60
Net assets acquired at fair value	$	1,345
Consideration given :		
Cash		587
Working capital adjustment		183
Contingent consideration		575
	$	1,345

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm the fair value of certain assets and liabilities is still to be obtained.

Classica GMBH

On January 3, 2017, the Corporation purchased all of the outstanding shares of Classica GMBH (“Classica”) for a total consideration of EUR7,701 (CA$10,839). This acquisition will enable the Corporation to become a leading provider of classical music programming worldwide. As a result of the acquisition, goodwill of $4,106 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 $1,080 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a percentage of the revenues for 12 months. Also, there is a balance of acquisition payments, for the next 11 years ending in July 2027. 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 fair value of the balance of acquisition payments has been determined using discounted projected payments over the term of the agreement.

The results of the business acquisition of Classica for the year ended March 31, 2017 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2017 were $785 and net income was $32. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $3,142 and net income would have been $129.

		Preliminary
Assets acquired :		
Cash and cash equivalents	$	368
Trade and other receivables		1,080
Other current assets		63
Property and equipment		11
Intangible assets		7,911
Goodwill		4,106
		13,539
Liabilities assumed :		
Accounts payable and accrued liabilities		1,608
Deferred tax liabilities		1,092
		2,700
Net assets acquired at fair value	$	10,839
Consideration given :		
Cash		5,541
Working capital adjustment		(189)
Balance payable on business acquisition		5,395
Contingent consideration		92
	$	10,839

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm fair value of certain assets and liabilities is still to be obtained.

Festival 4K B.V.

On June 15, 2016, the Corporation purchased all of the outstanding shares of Festival 4K B.V. for a total consideration of EUR1,838 (CA$2,644). Festival 4K B.V. one of the first channels in the world to broadcast nonstop 4K UHD, programs a range of live performances including festivals, concerts and theatre productions. As a result of the acquisition, a goodwill of $1,777 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing worldwide assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $61 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 EUR1,000 (CA$1,425) and would be payable in January 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.

The results of the business acquisition of Festival 4K B.V. for the period ended March 31, 2017 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2017 were $600 and net income was $20. Had the acquisitions occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $758 and net income would have been $26.

		Preliminary
Assets acquired :		
Cash and cash equivalents	$	16
Trade and other receivables		61
Other non-current assets		317
Inventories		7
Property and equipment		79
Intangible assets		906
Goodwill		1,777
		3,163
Liabilities assumed :		
Accounts payable and accrued liabilities		333
Deferred tax liabilities		186
		519
Net assets acquired at fair value	$	2,644
Consideration given :		
Cash		1,438
Working capital adjustment		84
Contingent consideration		1,122
	$	2,644

(In thousands of Canadian dollars, unless otherwise stated)

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 $2,099. This acquisition will enable the Corporation to strengthen its Canadian operations. As a result of the acquisition, goodwill of $985 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $254 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. 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 Corporation has adjusted the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and some adjustments to the preliminary assessment have been recorded in the statement of financial position as shown below. The comparative figures have been adjusted to reflect these changes. The contingent consideration was settled in April 2017.

	Preliminary as at March 31, 2016	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 257	$	$ 257
Accounts receivable	260	(6)	254
Other current assets	33		33
Property and equipment	185		185
Intangible assets	841		841
Goodwill	775	210	985
	2,351	204	2,555
Liabilities assumed :			
Accounts payable and accrued liabilities	289	(44)	245
Long-term debt	185		185
Deferred tax liabilities	26		26
	500	(44)	456
Net assets acquired at fair value	$ 1,851	$ 248	$ 2,099
Consideration given :			
Cash	1,700		1,700
Working capital adjustment	–	99	99
Balance payable on business acquisition	151	149	300
	$ 1,851	$ 248	$ 2,099

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, goodwill of $7,133 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing worldwide assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $781. The gross contractual amount for trade receivables due is $1,587, of which $806 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$2,798) 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 Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and some adjustments to the preliminary assessment have been recorded in the statement of financial position as shown below. The comparative figures have been adjusted to reflect these changes.

	Preliminary as at March 31, 2016	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 505	$	$ 505
Accounts receivable	912	(131)	781
Other current assets	451	(23)	428
Property and equipment	51		51
Intangible assets	2,450		2,450
Goodwill	6,979	154	7,133
	11,348	–	11,348
Liabilities assumed :			
Accounts payable and accrued liabilities	3,433		3,433
Income taxes payable	–		–
Deferred tax liabilities	105		105
	3,538		3,538
Net assets acquired at fair value	$ 7,810	$ –	$ 7,810
Consideration given :			
Cash	7,810		7,810
	$ 7,810	$ –	$ 7,810

(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, goodwill of $6,958 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's 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$4,071) upon renewal of clients' contracts before December 2017.

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

	Preliminary as at March 31, 2016	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 205	$	$ 205
Accounts receivable	98		98
Other current assets	297		297
Intangible assets	5,500		5,500
Goodwill	7,326	(368)	6,958
	13,426	(368)	13,058
Liabilities assumed :			
Accounts payable and accrued liabilities	287		287
Deferred tax liabilities	1,286	(368)	918
	1,573	(368)	1,205
Net assets acquired at fair value	$ 11,853	$ –	$ 11,853
Consideration given :			
Cash	7,679		7,679
Working capital adjustment	218		218
Contingent consideration	3,956		3,956
	$ 11,853	$ –	$ 11,853

(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, goodwill of $7,221 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing worldwide assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $1,882, 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$4,234) 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 Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and some adjustments to the preliminary assessment have been recorded in the statement of financial position as shown below. The comparative figures have been adjusted to reflect these changes.

	Preliminary as at March 31, 2016	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 282	$	$ 282
Accounts receivable	1,594	288	1,882
Prepaid expense and other current assets	164		164
Property and equipment	61		61
Intangible assets	4,795		4,795
Goodwill	7,428	(207)	7,221
	14,324	81	14,405
Liabilities assumed :			
Accounts payable and accrued liabilities	1,186	81	1,267
Income taxes payable	391		391
Deferred tax liabilities	1,199		1,199
	2,776	81	2,857
Net assets acquired at fair value	$ 11,548	$ –	$ 11,548
Consideration given :			
Cash	8,502		8,502
Working capital adjustment	300		300
Contingent consideration	2,746		2,746
	$ 11,548	$ –	$ 11,548

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 (level 3 fair value measurements). 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 and liabilities. These valuations are generally based on a forecast of the total expected future 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, 2017 and 2016 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.

	2017	2016
Revenues		
Canada	$ 56,129	$ 53,536
Other countries	45,372	36,408
	$ 101,501	$ 89,944

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

	2017	2016
Property and equipment, intangible assets and goodwill		
Canada	$ 52,172	$ 53,734
Netherlands	23,057	18,604
United Kingdom	14,954	16,857
Australia	11,600	12,249
Germany	7,679	–
Other countries	14,181	12,890
	$ 123,643	$ 114,334

(In thousands of Canadian dollars, unless otherwise stated)

5. Other information:

Expenses by nature are as follows:

		2017		2016
Salaries and other short-term employee benefits	$	24,964	$	19,780
Research and development		6,994		5,725
Equipment costs		4,493		4,505
Share-based compensation		1,332		1,351
Restricted share units		1,112		592
Deferred share units		896		371

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

		2017		2016
Depreciation, amortization and write-off :				
Music programming, cost of services and content	$	15,612	$	13,749
General and administrative		1,556		1,279
	$	17,168	$	15,028
IPO expenses and CRTC tangible benefits :				
Music programming, cost of services and content	$	–	$	4,158
General and administrative		–		1,663
	$	–	$	5,821

Music programming, cost of services and content and general and administrative expenses would have been, respectively, $50,882 (2016 – $49,314) and $20,557 (2016 – $16,189), if the presentation by function of depreciation, amortization and write-off expense and IPO expenses and CRTC tangible benefits had been adopted in the statements of comprehensive income.

Transaction costs related to business acquisitions amounting to $351 (2016 – $691) have been recognized in general and administrative in the statements of comprehensive income.

Share of the profit of a joint venture of $66 has been presented in general and administrative in the statements of comprehensive income (2016 – $105). Dividends received from the joint venture amounted to $143 (2016 - $148).

6. Net finance (income) expense:

		2017		2016
Interest expense and standby fees	$	1,170	$	1,627
Change in fair value of contingent consideration		822		(2,064)
Change in fair value of derivative		–		(107)
Accretion expense on CRTC tangible benefits payable		287		248
Amortization and write-off of financing fees		213		263
Foreign exchange gain		(456)		(385)
	$	2,036	$	(418)

7. Income taxes:

The income taxes expense (recovery) consists of the following:

	2017	2016
Current income tax:		
Current year	$ 2,103	$ 4,160
Adjustment for prior years	18	70
	2,121	4,230
Deferred income tax :		
Origination and reversal of temporary differences	137	(447)
Adjustment for prior years	21	(67)
Change in recognized tax losses and deductible temporary differences	(5,875)	(3,441)
	(5,717)	(3,955)
Total income tax expense (recovery)	$ (3,596)	$ 275

The following table reconciles income taxes computed at the Canadian statutory rate of 26.9% (2016 – 26.9%) and the total income tax expense for the years ended March 31:

	2017	2016
Income before income taxes	$ 7,121	$ 14,156
Income tax at the combined Canadian statutory rate	1,916	3,808
(Decrease) increase resulting from:		
Impact of foreign tax rate differences	(541)	(599)
Permanent differences	31	1,009
Non taxable portion of capital gain	(51)	(993)
Change in recognized tax losses and deductible temporary differences	(5,875)	(3,441)
Withholdings taxes	973	1,170
Change in future tax rate applicable to investments	–	(687)
Other	(49)	8
Total income tax expense (recovery)	$ (3,596)	$ 275

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.

(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:

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	$ 409	$ 17	$ 339	$ 22
Intangible assets and goodwill	112	5,944	114	5,177
Financing fees	1,554	–	2,016	–
Tax losses carried forward	10,644	–	7,034	–
Investments	–	1,981	–	1,930
CRTC tangible benefits	1,002	–	1,138	–
Restricted and performance share unit	835	–	273	–
Balance payable on business acquisitions	924	–	–	–
Others	112	130	–	45
Tax assets and liabilities	15,592	8,072	10,914	7,174
Offsetting of assets and liabilities	(3,367)	(3,367)	(3,429)	(3,429)
Net deferred tax assets and liabilities	$ 12,225	$ 4,705	$ 7,485	$ 3,745

Changes in deferred tax assets and liabilities for the year ended March 31, 2017 are as follow:

	Balance as at March 31, 2016	Recognized in net income	Recognized in equity	Exchange rate change	Business acquisitions	**Balance as at March 31, 2017**
Property and equipment	$ 317	75	–	–	–	392
Intangible assets and goodwill	(5,063)	1,521	–	(41)	(2,249)	(5,832)
Financing fees	2,016	(462)	–	–	–	1,554
Tax losses carried forward	7,034	4,181	–	(571)	–	10,644
Investments	(1,930)	(51)	–	–	–	(1,981)
CRTC tangible benefits	1,138	(136)	–	–	–	1,002
Restricted and performance share unit	273	562	–	–	–	835
Balance payable on business acquisitions	–	–	–	10	914	924
Others	(45)	27	–	–	–	(18)
	$ 3,740	5,717	–	(602)	(1,335)	7,520

Changes in deferred tax assets and liabilities for the year ended March 31, 2016 are as follow:

	Balance as at March 31, 2015	Recognized in net income	Recognized in equity	Exchange rate change	Business acquisitions	**Balance as at March 31, 2016**
Property and equipment	$ 224	93	–	–	–	317
Intangible assets and goodwill	(3,103)	1,728	–	(164)	(3,524)	(5,063)
Financing fees	157	(134)	1,993	–	–	2,016
Tax losses carried forward	4,446	1,565	–	(253)	1,276	7,034
Investments	(1,624)	(306)	–	–	–	(1,930)
CRTC tangible benefits	–	1,138	–	–	–	1,138
Restricted and performance share unit	55	218	–	–	–	273
Others	302	(347)	–	–	–	(45)
	$ 457	3,955	1,993	(417)	(2,248)	3,740

(In thousands of Canadian dollars, unless otherwise stated)

Unrecognized deferred tax assets:

The Corporation has operating tax losses carried forward of $102,133 that are available to reduce future taxable income. A tax benefit was not recognized for $42,694 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 utilized the benefits therefrom. As at March 31, 2017 and 2016, the amounts and expiry dates of the tax losses carried forward and other unrecognized deductible temporary differences without time limitation were as follows:

	2017		2016			
	Switzerland	United Kingdom	Canada	Australia	Switzerland	United Kingdom
Tax losses carried forward:						
2017	$ 5,157	$ –	$ –	$ –	$ 8,040	$ –
2018	4,540	–	–	–	4,613	–
2019	5,036	–	–	–	5,116	–
2020	4,769	–	–	–	4,844	–
2021	3,420	–	–	–	3,474	–
2022	2,030	–	–	–	–	–
2023	336	–	–	–	–	–
2026	–	–	23	–	–	–
2027	–	–	373	–	–	–
2028	–	–	84	–	–	–
2029	–	–	49	–	–	–
2030	–	–	7	–	–	–
Indefinite	–	76,845	–	684	–	88,072
Other deductible temporary difference without time limitation	–	–	–	–	–	5,217
	$ 25,288	76,845	536	$ 684	26,087	$ 93,289

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.

8. Earnings per share:

		2017		2016
Net income	$	10,717	$	13,881
Basic weighted average number of common share and subordinate voting shares, variable subordinate voting shares and multiple voting shares		51,242,611		47,822,515
Dilutive effect of stock options		254,899		557,738
Diluted weighted average number of common share and subordinated voting shares, variable subordinated voting shares and multiple voting shares		51,497,510		48,380,253
Earnings per share – Basic	$	0.21	$	0.29
Earnings per share – Diluted	$	0.21	$	0.29

9. Trade and other receivables:

		2017		2016
Trade	$	24,201	$	25,602
Other receivables		1,797		2,314
Sales taxes receivable		1,022		681
	$	27,020	$	28,597

10. Research and development tax credits:

As at March 31, 2017, tax credits receivable of $486 (2016 - $236) comprise research and development tax credits receivable from the provincial and federal governments 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:

		2017		2016
Music transmission equipment hardware	$	550	$	586
Television equipment, speakers and other		683		324
	$	1,233	$	910

Notes to Consolidated Financial Statements

Years ended March 31, 2017 and 2016

(In thousands of Canadian dollars, unless otherwise stated)

12. Property and equipment:

	Furniture, fixtures and equipment	Computer hardware	Other	Total
Cost:				
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
Additions	1,868	973	194	3,035
Additions through business acquisitions	–	90	–	90
Disposals and write-off	(408)	–	–	(408)
Foreign exchange differences	43	(5)	3	41
Balance at March 31, 2017	8,090	5,990	1,382	15,462
Accumulated depreciation:				
Balance at March 31, 2015	3,097	2,508	548	6,153
Depreciation for the year	869	854	257	1,980
Disposal and write-off	(58)	(3)	–	(61)
Foreign exchange differences	–	4	–	4
Balance at March 31, 2016	3,908	$ 3,363	$ 805	$ 8,076
Depreciation for the year	992	1,077	252	2,321
Disposals and write-off	(311)	–	–	(311)
Foreign exchange differences	41	(4)	3	40
Balance at March 31, 2017	$ 4,630	$ 4,436	$ 1,060	$ 10,126
Net carrying amounts:				
March 31, 2016	$ 2,679	$ 1,569	$ 380	$ 4,628
March 31, 2017	$ 3,460	$ 1,554	$ 322	$ 5,336

(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
Cost:						
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 acquisitions	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
Additions	300	–	5	837	–	1,142
Additions through business acquisition	234	2,081	2,790	2,489	1,603	9,197
Additions through asset acquisition	1,904	4,000	–	–	–	5,904
Disposals and write-off	(281)	–	–	(19)	–	(300)
Foreign exchange differences	(6)	(15)	56	89	13	137
Balance at March 31, 2017	10,393	92,780	7,228	9,519	5,221	125,141
Accumulated depreciation:						
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
Amortization for the year	665	11,941	606	998	540	14,750
Disposals and write-off	(281)	–	–	(19)	–	(300)
Foreign exchange differences	(1)	(29)	(2)	49	(5)	12
Balance at March 31, 2017	$ 4,150	$ 61,117	$ 1,529	$ 5,880	$ 2,946	$ 75,622
Net carrying amounts:						
March 31, 2016	$ 4,475	$ 37,509	$ 3,452	$ 1,271	$ 1,194	$ 47,901
March 31, 2017	$ 6,243	$ 31,663	$ 5,699	$ 3,639	$ 2,275	$ 49,519

14. Goodwill:

	2017	2016 (recasted- see note 3)
Balance, beginning of year	$ 61,805	$ 39,129
Business acquisitions (note 3)	6,736	22,297
Foreign exchange differences	247	379
Balance, end of year	$ 68,788	$ 61,805

For the purpose of impairment testing, goodwill of $68,788 was allocated to the single cash generating unit (CGU) representing all music services. The Corporation performed its annual impairment test for goodwill during the last quarter of 2017. 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.

The fair value less costs to sell was calculated using unobservable (Level 3) inputs such as the budgeted and projected 2018-2022 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 (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:

	2017	2016
Balance, beginning of year	$ 16,943	$ 7,933
Additions during the year	–	1,665
Change in fair value during the year, including foreign exchange gain	408	7,345
Balance, end of year	$ 17,351	$ 16,943

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. The fair value of this investment is US$12,046 (CA$16,021) as at March 31, 2017 and was US$12,046 (CA$15,644) as at March 31, 2016.

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. The fair value of this investment is US$1,000 (CA$1,330) as at March 31, 2017 and was US$1,000 (CA$1,299) as at March 31, 2016.

(In thousands of Canadian dollars, unless otherwise stated)

Significant estimate

The fair value of investments that are not traded in an active market is determined using valuation techniques. The Corporation uses judgment 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 on the key assumptions used and the impact of changes to these assumptions see note 24.

16. Accounts payable and accrued liabilities:

	2017	2016
Trade	$ 8,125	$ 8,624
Accrued liabilities	20,834	16,474
Sales taxes payable	824	1,538
	$ 29,783	$ 26,636

17. Loans and borrowings:

Movements in loans and borrowings are as follows:

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

	Revolving facility	Bridge loan	Term loan
Year ended March 31, 2017			
Opening net book amount as at March 31, 2016	$ 35,035	$ –	$ –
Increase in revolving facility (net)	6,005	–	–
Closing net book amount as at March 31, 2017	$ 41,040	$ –	$ –
Current portion	$ –	$ –	$ –
Non-current portion	41,040	–	–

Revolving credit facility

On November 17, 2016, 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 2020, bears interest at an annual rate equal to the banker's acceptance rate plus 1.50% 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 of 0.30% on the unused portion of the revolving facility. The Corporation is required to comply with financial covenants.

As at March 31, 2017, 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.

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:

	2017	2016
Contingent consideration	$ 12,956	$ 12,196
Balance payable on business acquisitions	5,845	300
CRTC tangible benefits	3,724	4,230
Post employment benefit obligations	13	124
	22,538	16,850
Current portion	(9,498)	(8,006)
	$ 13,040	$ 8,844

Canadian Radio-television and Telecommunications Commission (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 in 2016, 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 consideration

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 $12,956 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, 2017, the contingent consideration of Brava Group, Archibald Media Group, Les Réseaux Urbains Viva Inc., and iConcerts 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 $223 (net of accretion expense of $1,045) was included in net finance expense. During the year ended March 31, 2017, the contingent consideration of Archibald Media Group was paid and payments were also made for the contingent consideration of Telefonica – On the Spot and Brava Group (see note 24).

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 Class A, B, and C common shares, voting and participating, without par value and an unlimited number of Class 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
Year ended March 31, 2016		
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
Issued upon exercise of stock options		
Class A common shares	80,000	192
Converted		
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
	–	–
Issued upon initial public offering and exercise of over-allotment option		
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)
Issued upon exercise of stock options		
Subordinate voting shares	399,787	1,106
As at March 31, 2016		
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

(In thousands of Canadian dollars, unless otherwise stated)

	Number of shares		Carrying amount
Year ended March 31, 2017			
As at March 31, 2016			
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
Issued upon exercise of stock options			
Subordinate voting shares	218,391		660
As at March 31, 2017			
Subordinate voting shares and variable subordinate voting shares	35,032,081		101,584
Multiple voting shares	16,294,285		1,116
	51,326,366	$	102,700

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, 2017

During the year, 218,391 stock options were exercised and consequently, the Corporation issued 218,391 subordinate voting shares. The proceeds amounted to $262. An amount of $398 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On February 2, 2017, the Corporation declared a dividend of $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $2,309 was paid on March 15, 2017.

On November 10, 2016, the Corporation declared a dividend of $0.040 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $2,053 was paid on December 15, 2016.

On August 3, 2016, the Corporation declared a dividend of $0.040 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $2,052 was paid on September 15, 2016.

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 declared a dividend of $0.035 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $1,789 was paid on June 15, 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 was 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 was 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 was paid on September 15, 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 has been recognized as an expense in the consolidated statements of comprehensive income and $7,535 less tax benefits of $1,993, amounting to $5,542, as a reduction of share capital.

20. Supplemental cash flow information:

	2017	2016
Trade and other receivables	$ 1,401	$ (7,684)
Research and development tax credit	(250)	(214)
Inventories	(315)	(34)
Other current assets	(874)	169
Other non-current assets	(79)	124
Accounts payable and accrued liabilities	(1,092)	1,493
Deferred revenues	166	203
Income taxes payable	(482)	695
Other payables (CRTC tangible benefits)	(793)	3,672
Other	(53)	–
	$ (2,371)	$ (1,576)

Additions to property and equipment and intangible assets and not affecting cash and cash equivalents amounted to $513 (2016 – $341) and $9 (2016 – $249), respectively, during the year ended March 31, 2017.

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 ten 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, 1,397,185 stock options were outstanding as at March 31, 2017. 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, 2017 and 2016:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	1,288,757	$ 3.50	1,269,699	$ 1.29
Granted	369,187	7.37	512,880	6.43
Exercised (note 19)	(218,391)	1.21	(479,787)	0.80
Forfeited	(42,368)	2.26	(14,035)	2.26
Options outstanding, end of year	1,397,185	3.97	1,288,757	3.50
Exercisable options, end of year	573,022	$ 4.97	482,427	$ 1.21

The following is a summary of the information on the outstanding stock options as at March 31, 2017 and 2016:

	Outstanding options		Exercisable options
Exercise price[(i)]	Number of options outstanding	Weighted average outstanding contractual life outstanding (years)	Number
March 31, 2017			
$ 0.46	155,000	5.18	155,000
1.46	25,000	6.63	25,000
2.26	335,118	7.41	254,385
6.25	387,880	8.12	107,387
7.00	125,000	2.69	31,250
7.27	344,215	9.21	–
8.20	8,416	9.61	–
9.00	16,556	9.90	–
$ 4.93	1,397,185	7.41	573,022
March 31, 2016			
$ 0.46	260,000	6.11	260,000
1.46	75,000	7.63	50,000
2.26	440,877	8.91	172,427
6.25	387,880	9.12	–
7.00	125,000	9.36	–
$ 3.50	1,288,757	8.38	482,427

The weighted average fair value of the stock options granted during the year ended March 31, 2017 was $2.42 per stock option (2016 – $3.43). 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:

	2017	2016
Weighted average volatility	35%	65.0% – 70.0%
Weighted average risk-free interest rate	1.12% – 1.76%	0.73% – 1.01%
Weighted average expected life of options	5 years	5 – 6.25 years
Weighted average value of the subordinate voting share at grant date	$7.27 – $9.00	$6.43
Weighted average expected dividend rate	1.78% – 1.95%	nil - 2.0%

The weighted average volatility used is calculated based on comparable publicly-traded companies.

Total share based compensation costs recognized under this stock option plan amount to $1,332 for the year ended March 31, 2017 (2016 – $1,351).

The weighted average share price at the date of exercise for share options exercised during the year ended March 31, 2017 was $7.30 (2016 – $6.93).

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, 2017, 3,115 RSU (2016 – 71,531 RSU) were granted at a range of $7.27 to $8.59 (2016 – $6.25) per unit to executives and employees and no RSU were vested. The total share-based compensation expense related to RSU plans amounted to $751 in 2017 (2016 – $592). As at March 31, 2017, the fair value per unit was $8.43 (2016 – $7.05) for a total amount of $1,468 (2016 – $771) and was presented in accrued liabilities on the consolidated statements of financial position.

The following summarizes the changes in the plan's position for the years ended March 31, 2017 and 2016:

	2017		2016	
	Number of units	Amount	Number of units	Amount
Balance, beginning of year	219,772	$ 771	167,387	$ 205
Granted	3,115	–	71,531	–
Revision of estimates	–	859	–	597
Liabilities settled	(11,624)	(54)	(7,974)	(26)
Forfeited	(13,816)	(108)	(11,172)	(5)
Balance, end of year	197,448	$ 1,468	219,772	$ 771
Balance, vested	–	–	–	–

Performance share unit plan

The Corporation established on August 3, 2016, a performance unit plan (PSU) 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 PSU 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, 2017, 135,787 PSU (2016 – nil) were granted at $6.98 (2016 – nil) per unit to executives and employees and no PSU were vested. The total share-based compensation expense related to PSU plans amounted to $361 in 2017 (2016 – nil). As at March 31 2017, the fair value per unit was $8.43 (2016 – nil) for a total amount of $361 (2016 – nil) and was presented in accrued liabilities on the consolidated statements of financial position.

The following summarizes the changes in the plan's position for the years ended March 31, 2017 and 2016:

	2017			2016		
	Number of units		Amount	Number of units		Amount
Balance, beginning of year	–	$	–	–	$	–
Granted	135,787		–	–		–
Revision of estimates	–		368	–		–
Forfeited	(4,006)		(7)	–		–
Balance, end of year	131,781	$	361	–	$	–
Balance, vested	–		–	–		–

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, 2017, 85,350 DSU (2016 – 52,722) were granted at a range of $8.39 to $8.95 to directors (2016 – $6.90 to $7.04). The total expense related to DSU plans amounted to $896 in 2017 (2016 – $371). As at March 31, 2017, the fair value per unit was $8.43 (2016 – $7.05) for a total amount of $1,267 (2016 – $371) presented in accrued liabilities on the statements of financial position.

The following summarizes the changes in the plan's position for the years ended March 31, 2017 and 2016:

	2017			2016		
	Number of units		Amount	Number of units		Amount
Balance, beginning of year	52,722	$	371	–	$	–
Granted	85,350		–	52,722		–
Revision of estimates	–		896	–		371
Balance, end of year	138,072	$	1,267	52,722	$	371
Balance, vested	–		–	–		–

22. Commitments:

Operating leases

As at March 31, 2017, the balance of the commitments under the terms of the operating leases for premises amounts to $15,271. Minimum lease payments over the next five years and thereafter are as follows:

2018	$	5,152
2019		3,207
2020		2,026
2021		2,022
2022 and thereafter		2,864

During the year ended March 31, 2017, an amount of $4,734 (2016 – $5,141) was recognized as an expense in respect of operating leases which is included in music programming, cost of services and content and general and administrative expenses.

Broadcast license

A condition of the broadcast license from 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 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; (iii) 1.8% 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; and (iv) 0.2% of to be devoted to Community Radio Fund of Canada (CRFC), a fund that the mission is to build and improve campus and community radio for all Canadians through funding and collaborations.

During the year ended March 31, 2017, an amount of $388 (2016 – $382) 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.

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 income tax payable and current income tax expense – note 7
- Recognition of deferred tax assets and liabilities 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 consideration in business acquisitions – 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.

- Identifying a business acquisition

  Management must use its judgment in determining whether a transaction is a business combination or a purchase of assets in accordance with the criteria established in IFRS 3 Business combinations. The acquisition of an asset or a group of assets that constitute a business is accounted for as a business combination and may give rise to goodwill, whereas an asset purchase does not, thereby impacting subsequent amortization expense and/or impairment testing results.

(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 consideration 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 bearing interest at variable rates approximate its carrying value, as it 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, 2017	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 5,862				
Trade and other receivables	25,998				
Financial assets measured at fair value					
Investments	$ 17,351	$ 17,351	$ –	$ –	$ 17,351
Financial liabilities measured at amortized cost					
Revolving facility	$ 41,040				
Accounts payable and accrued liabilities	28,959				
CRTC tangible benefits and post-employment benefit obligations	3,737	3,737	–	–	3,737
Balance payable on business acquisitions	5,845	5,845	–	–	5,845
Financial liabilities measured at fair value					
Contingent consideration	$ 12,956	$ 12,956	$ –	$ –	$ 12,956

As at March 31, 2016	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 3,201				
Trade and other receivables	27,916				
Financial assets measured at fair value					
Investments	$ 16,943	$ 16,943	$ –	$ –	$ 16,943
Financial liabilities measured at amortized cost					
Revolving facility	$ 35,035				
Account payable and accrued liabilities	25,098				
CRTC tangible benefits and post-employment benefit obligations	4,354	4,354	–	–	4,354
Balance payable on business acquisitions	300	300	–	–	300
Financial liabilities measured at fair value					
Contingent consideration	$ 12,196	$ 12,196	$ –	$ –	$ 12,196

Fair value measurement (Level 3):

	Investments	Derivative instrument	Contingent consideration
Year ended March 31, 2016			
Opening amount as at March 31, 2015	$ 7,933	$ 110	$ 12,409
Additions through business acquisitions	–	–	6,552
Additions during the year	1,665	–	–
Change in fair value	7,345	(107)	(1,914)
Payments	–	(3)	(4,851)
Closing amount as at March 31, 2016	$ 16,943	$ –	$ 12,196

	Investments	Derivative instrument	Contingent consideration
Year ended March 31, 2017			
Opening amount as at March 31, 2016	$ 16,943	$ –	$ 12,196
Additions through business acquisitions	–	–	1,789
Additions during the year	–	–	651
Change in fair value	408	–	669
Payments	–	–	(2,349)
Closing amount as at March 31, 2017	$ 17,351	$ –	$ 12,956

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 years ended March 31, 2017 and 2016, the fair value has been measured by using the valuation from the most recent financing round, 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.

For the years ended March 31, 2017 and 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 $1,068 and $1,043 during the years ended March 31, 2017 and 2016, respectively.

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. For the year ended March 31, 2017, the convertible note was evaluated at its recoverable amount as the Corporation requested the repayment of the debenture in its entirely and is expecting a repayment of the total amount of US$1,000. For the year ended March 31, 2016, the fair value of the option component has been measured using the Black-Scholes model based on the price share resulting from the most recent financing round.

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 note 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 consideration

The contingent consideration related to business combinations is 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 contracts. 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 value the cash flows which is based on the risk associated with the revenue targets being met. If projected cash flows were 10 % higher, the fair value would have increase by $1,950 and if projected cash flows were 10 % lower, the fair value would have decrease by $2,028. Discount rates ranging from 5% to 15% have been applied and consider the time value of money. A change in the discount rate by 100 basis points would have increased / decreased the fair value by $21. 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).

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 accounts 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, 2017 and March 31, 2016 were as follows:

		2017		2016
Current	$	8,929	$	11,089
Past due 0-30 days		5,825		5,537
Past due 31-60 days		2,374		1,253
Past due 61-90 days		2,207		1,261
Past due more than 90 days		5,340		6,811
Total trade receivables		24,675		25,951
Less : allowance for doubtful account		474		349
	$	24,201	$	25,602

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

		2017		2016
Balance, beginning of year	$	349	$	452
Bad debt expense		267		228
Write-off against reserve		(142)		(331)
Balance, end of year	$	474	$	349

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

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

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.

(In thousands of Canadian dollars, unless otherwise stated)

The following are the contractual maturities of financial liabilities including estimated interest payments as at March 31, 2017:

	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Revolving facility	$ 41,040	$ 41,040	$ –	$ 41,040	$ –
Accounts payables and accrued liabilities	29,783	29,783	29,783	–	–
Other payables	$ 22,538	$ 28,611	$ 9,765	14,140	4,706

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's 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's 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, 2017			March 31, 2016		
	USD	AUD	EURO	USD	AUD	EURO
Cash and cash equivalents	922	444	502	313	–	1,006
Accounts receivable	6,016	570	3,990	8,368	–	1,960
Income tax receivable (payable)	(66)	(96)	(64)	201	–	(50)
Investments	13,046	–	–	13,046	–	–
Investments in joint venture	–	–	–	–	–	85
Credit facility	–	–	(1,700)	(4,450)	–	–
Accounts payable and accrued liabilities	(3,870)	(372)	(777)	(3,929)	(34)	(1,349)
Contingent consideration	(657)	(4,002)	(2,843)	(438)	(4,002)	(2,765)
Net balance exposure	15,391	(3,456)	(782)	13,111	(4,036)	(1,113)
Equivalent in Canadian dollars	20,740	(3,515)	(1,114)	17,027	(4,019)	(1,644)

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

	2017		2016	
	Average	Reporting	Average	Reporting
USD per CAD	1.3371	1.3300	1.3210	1.2987
AUD per CAD	1.0197	1.0170	0.9922	0.9957
EURO per CAD	1.4286	1.4251	1.4721	1.4775

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, 2017			March 31, 2016		
	USD	AUD	EURO	USD	AUD	EURO
Increase in net income	754	(128)	(40)	622	(147)	(60)

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 original maturities 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 term 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 $41,040 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 $117 (2016 – $149) during the year. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

(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:

	2017	2016
Contingent consideration, including current portion	12,956	12,196
Balance on business acquisition payable	5,845	300
Revolving facility	41,040	35,035
Cash and cash equivalents	(5,862)	(3,201)
Net debt including contingent consideration	53,979	44,330
Total equity	94,948	90,394
	$ 148,927	$ 134,724

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 and director's fees are as follows:

	2017	2016
Short-term employee benefits	$ 3,361	$ 2,927
Share-based compensation	810	976
Restricted and performance share unit	407	178
Deferred share unit	896	371
	$ 5,474	$ 4,452

(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 7, 2017.

b) Basis of measurement:

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

- Contingent consideration 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
- 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 are 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 excess of the fair value of the consideration transferred which includes the fair value of contingent consideration, over 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, Stingray Digital International Ltd., Music Choice India Private Ltd., Music Choice Europe Deutschland GmbH, Xtra Music Ltd., Stingray Europe B.V., Alexander Medien Gruppe B.V., 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., 9076-3392 Québec Inc. (doing business as Nümédia), Festival 4K B.V., Classica GMBH and its wholly-owned subsidiary Classica Asia GMBH and Think inside the box LLC (Nature Vision TV).

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.

(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 assets 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 not 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 are 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 consideration recorded at fair value through profit and loss and financial liabilities designated at fair 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 financial assets measured at amortized cost 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.

(In thousands of Canadian dollars, unless otherwise stated)

(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.

(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.

(In thousands of Canadian dollars, unless otherwise stated)

(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.

(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 consideration. 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 consideration, 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 differences 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.

(i) Earnings per share:

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares, subordinate voting shares, variable subordinated voting shares and multiple voting 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.

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 catalogs acquired in a business combination is determined using the estimated costs for creating such music catalogs. The fair value of trademarks 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 to15 years
Client list and relationships	3 to 15 years
Trademarks	2 to 20 years
Licenses, website applications and computer software	1 to 11 years
Non-compete agreements	2 to 11 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.

For impairment testing purposes, assets that cannot be tested individually are grouped in CGUs. 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 plans 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 obligations 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.

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 and performance share units and deferred share units plans:

Restricted share units ("RSU"), performance unit plan ("PSU") 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.

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 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 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.

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.

(In thousands of Canadian dollars, unless otherwise stated)

IFRS 2 – *Share-based Payment*

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

IFRIC 22 – *Foreign Currency Transactions*

On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the Interpretation has not yet been determined.

Annual General Meeting of Shareholders

The annual general meeting will be held on August 2, 2017 at:

Stingray Headquarters
730 Wellington Street
Montreal, Quebec
H3C 1T4
Canada

Provisional calendar of results

First quarter of 2018
August 2, 2017

Second quarter of 2018
November 9, 2017

Third quarter of 2018
February 8, 2018

Fourth quarter of 2018
June 7, 2018

Stock exchange

TSX: RAY.A and RAY.B

Transfer agent

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