ANNUAL REPORT 2018

Year Ended March 31, 2018 | Stingray Digital Group Inc.

WORD FROM **THE CEO**

Dear investors, partners, clients, and colleagues,

Writing this letter every year offers me a precious moment to pause and reflect on all we have achieved in the past 12 months; every accomplishment, every challenge. Beyond growth, expansion, and financial success, it is our common mission of offering the very best music and video services to audiences worldwide that brings us together.

It would not be an overstatement to describe Fiscal 2018 as record-breaking. Indeed, our Stingray Music service rang in 2018 by reaching a record number of Canadian listeners and a 4.8 rating in the Apple app store; Stingray Business, our commercial services division, signed its largest in-store media contract to date with Farmacias del Ahorro in Mexico; and our subscription video on demand (SVOD) services now exceed 348,000 paying subscribers across North America and Europe.

To win in an evolving entertainment landscape, we cannot wait for opportunities; we must create them. Over the years, every lesson learned has helped us build a solid foundation that delivers a profound competitive advantage.

As put forth in last year's report, we have continued to pursue an aggressive and proactive acquisition strategy and seized every opportunity to grow our market share to benefit our shareholders.

And that is not all. Far from it.

Revenues have continued to show strong growth. Revenues increased by 25.1%, reaching $127.0 million (compared to $101.5 million in Fiscal 2017.) Of the total growth in revenues, 9.0% was organic growth. At the same time, Adjusted EBITDA(1) increased by 22.6% to $41.5 million and net income was $2.3 million ($0.04 per share). Cash flow from operating activities was $19.4 million and adjusted free cash flow(1) increased 25.2% to $33.2 million. We continued to raise our dividends and returned over $10.8 million to you, our shareholders.

I am proud of our team, and I am confident that together there is nothing we cannot accomplish, no boundary we cannot push. I want to take this opportunity to thank every Stingray employee, executive, and board member for all the goals they have enabled us to reach and surpass.

Eric Boyko
President, Co-founder and CEO

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THE YEAR OF SVOD

After over a decade, Stingray remains unique in its capacity to expand its global reach within the digital music industry. Where others struggle, we continually reach new milestones while improving profitability.

Our most significant accomplishment in Fiscal 2018 was, without a doubt, the phenomenal growth in our SVOD subscriber base, which increased 230% in only twelve months. Our investment in content and focus on multi-territory distribution agreements with key industry players such as Amazon Channels (US, UK, and Germany), Telefonica, and Comcast has borne fruit. Today, Stingray's SVOD services (Stingray Classica, Stingray DJAZZ, Stingray Karaoke, and Stingray iConcert) allow over 348,000 users to enjoy unlimited, curated music programming for a monthly fee. The growing popularity of SVOD bodes well for the future. The Digital TV Research forecasts that the number of homes worldwide with subscriptions to SVOD services will reach 428 million by 2020 and revenues are expected to exceed $32 billion.

ACQUISITION STRATEGY

It is common knowledge that Stingray acts as industry consolidator by implementing a strategic acquisition strategy. In May 2017, we 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, 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. In addition to growing our portfolio of consumer-facing products, this acquisition expands our in-house mobile app development and optimization expertise. The same month, we closed the acquisition of C Music Entertainment Ltd., a London-based, multi-award-winning satellite and cable television channel dedicated to classical, crossover, and cinematic music videos. C Music TV is distributed through pay TV, satellite, IPTV and mobile providers in 105 countries. In January 2018, we acquired the assets of New-York based Qello Concerts, the world's leading over-the-top (OTT) streaming service for full-length, on-demand performances, concert films, and music documentaries — reaching users in more than 160 countries. This agreement adds 2,000 concerts and music documentaries to our library, grows our SVOD subscriber base by more than 70,000, and makes Stingray the leading distributor of SVOD concerts in the world. Last, but certainly not least, on May 2nd, we announced that we had signed a definitive agreement to acquire all of the issued and outstanding shares of Newfoundland Capital Corporation Limited, one of Canada's leading radio broadcasters with 101 licenses (82 FM and 19 AM) across Canada. This transaction, which garnered major interest for the media and the industry, is expected to significantly strengthen our position as the leading independent music business in the Canadian media landscape while continuing to build our global reach, and supporting our growth strategy through a complementary vertical and new revenue sources.

SEEING THE WORLD IN 4K

Television technology never stops evolving, and neither does Stingray. We made a splash at MIPCOM with the launch of Stingray Now 4K, the latest in the line of 4K UHD television channels available for worldwide distribution. We can now boast of being the leading provider of 4K UHD music television channels in the world.

Stingray Now 4K, an all-4K music video TV channel joins Stingray Festival 4K, the first 4K TV channel dedicated to music content in all its forms, and Stingray Ambiance 4K, a channel that showcases the healing beauty of nature in stunning 4K UHD resolution. All three (3) channels are already widely distributed in Latin America, Europe, and North America with providers such as (Swisscom, Orange, Free, Cogeco, Rogers, and Videotron.

A YEAR OF PRODUCT PORTFOLIO GROWTH

In addition to launching Stingray Now 4K, our team's tireless efforts allowed us to quickly bring to market new or redesigned services. This year alone we completed the rebrand of *Stingray Classica*; launched five (5) music video channels (*Stingray Retro*, *Stingray Vibe*, *Stingray Loud*, *Stingray Juicebox*, *and Stingray Hits*) in North America, the Middle East, and Europe; and introduced a kids' karaoke app (for Android tablets) and a new Singing Machine Mobile Karaoke app.

STRENGTHENED PRESENCE IN ASIA

Over the past two (2) years we have taken important steps to solidify our presence in the Asia-Pacific region, a market that presents an immense growth opportunity for our services.

In June 2017, we introduced Stingray Music in Singapore with Singtel, Asia's leading communication group. A month later, we acquired two (2) leading Australian providers of in-store media solutions: SBA Music PTY Ltd. (SBA) and Satellite Music Australia PTY Ltd. (SMA), a subsidiary of Macquarie Media Operations PTY Limited. These agreements follow the December 2015 acquisition of Australia's Digital Music Distribution PTY Ltd. (DMD), and the extension of the distribution agreement with local pay TV provider Foxtel.

PREPARING FOR THE FUTURE

Stingray's remarkable achievements are due, above all, to the dedication and passion of our close to 400 employees. If we can continually improve, innovate, and challenge the status quo, it is thanks to them. Each Stingray team member is integral to our success past, present, and future. In June 2017, I was proud to publicly announce in the presence of the Montreal Mayor Denis Coderre and the Honourable Mélanie Joly, Minister of Canadian Heritage, our intention to hire an additional 400 employees over the next five (5) years.

(1) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 26 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 32.

WORD FROM **THE CHAIRMAN**

Music can take us to amazing places. It, at once, tells us stories and tells our stories. The universality of music combined with a keen instinct for business opportunities are the core of Stingray's spectacular, and continued, success in over 156 countries.

In my first year as chairman of the board, I have been amazed by the company's remarkable ability to harness its passion, drive, and vision to thrive in a sector where others struggle.

Fiscal 2018 was a great year for Stingray. We reached the targets we set for ourselves and reported new highs for profitability. Now, more than ever, we are committed to driving financial performance.

This year, Stingray's management was particularly attuned to market demands and fluctuations, first by focusing its efforts on the growing On-Demand economy, second by broadening its scope to include new direct to consumer products, and third by consolidating and expanding distribution agreements with key providers worldwide.

The strategic acquisitions of Newfoundland Capital Corporation, Yokee and Qello Concerts, as well as the record-breaking numbers reached by the Stingray Music service, certainly stand out as highlights.

The strong positive reputation built over the last decade has ensured the loyalty of clients amongst the leading entertainment content worldwide, and that is something to be proud of.

Stingray has demonstrated its ability to evolve its business model to meet client needs and adapt to market changes is a guarantee of the company's longevity. I feel privileged to work alongside such exceptional leadership and I look forward to rising to the challenges of the years to come.

On behalf of the board and the management team, I would like to thank our shareholders for their continued trust and support.

Mark Pathy
Chairman of the Board

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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, 2018 and 2017. This MD&A reflects information available to the Corporation as at June 6, 2018. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

COMPANY **PROFILE**

Stingray is the world-leading provider of multiplatform music and video services as well as digital experiences for pay TV operators, commercial establishments, OTT providers, mobile operators, consumers, and more.

Its services include audio television channels, premium television channels, 4K UHD television channels, karaoke products, digital signage, in-store music, and music apps, Stingray reaches 400 million subscribers (or users) in 156 countries and its mobile apps have been downloaded over 100 million times.

Stingray is headquartered in Montreal and currently has close to 400 employees worldwide.

THE RISE OF SVOD: **STINGRAY'S YEAR IN NUMBERS**

Subscription video-on-demand (SVOD) services have become the preferred destination for consumers to access video content - including motion pictures and made-for-television content-over a range of Internet-capable devices including smart TVs, smartphones, tablets, video game consoles, and multimedia devices such as Apple TV, Google Chromecast, and Roku. Stingray's growing SVOD offering is now available through major entertainment services providers such as Amazon, Comcast, and Telefonica.

Subscribers as at March 31, 2018.

SVOD AND THE CONSUMER EXPERIENCE

The following Stingray services are available as SVOD:

Stingray Karaoke
songs in all the most popular genres including pop, rock, country, R&B/hip-hop, Disney, and much more.

Stingray Classica
a catalog of classical music, opera, and ballet performances filmed in the world's most renowned venues.

Stingray DJAZZ
live performances by the jazz icons of yesterday and today.

Stingray Qello
the world's leading streaming service for full-length concerts and music documentaries.

since April 1, 2017

Congratulations for this new platform. Very "User friendly". I like it very much. Thank you! *-Jean-Denis Garceau Montreal, Quebec Canada*

I truly enjoy Stingray Music. The variety of music that not only is diverse it is plentiful. The app is just as good. The clarity in the app means I'll be taking and enjoying Stingray whenever I leave home.

Finally downloaded @Stingraymusic and authorised my account with my cable provider and it's THE best thing ever! What is spotify?

« Wow depuis que j'ai découvert l'application, je l'utilise chaque jours. Plusieurs styles musiques, listes personnalisées et l'équipe écoute nos commentaires. Un gros bravo! Mon application favorite! »

J'adore. En plus, la musique me suis partout où je vais.

Hi! Just like to say again how awesome your classic rock station on foxtel here in Australia is. Such a great range of music and bands. It's the best mix of classic rock I've ever heard. We listen all day! Thanks!

- Mark

Très bonne application et toujours de l'excellente musique. En plus, l'équipe de Stingray prend toujours le temps de nous répondre quand on leur demande des renseignements par courriel et c'est grandement apprécié.

J'adore l'application! Beaucoup plus de variété qu'à la télé! Je trouve toujours l'ambiance que je cherche! Menu facile à utiliser!

I travel quite a lot for work across Canada and the US and I rarely know the local radio stations so I listen to my favorite channels wherever I am via this app. Love it!

Il y en a pour tous les goûts et pour tous les besoins du moments. Merci beaucoup!

Très vastes choix musicaux. Excellente application.

CURRENT **COMPANY GOALS**

1
Pursue a strategic and disciplined approach to our M&A strategy by focusing on four (4) vectors: SVOD / B2C, TV channels, commercial music, and radio consolidation

2
Continue to grow in the SVOD space (B2B2C) by buying or licensing content; increasing our reach across platforms and markets; exploring new verticals (e.g. country music, hip-hop, faith-based video); and investing in marketing and discovery.

3
Develop our B2C market share by investing in digital marketing platforms and continuing to develop best in class video apps, web-based solutions, and mobile app such as the recently announced The Voice singing app for which Stingray has signed a 5-year deal. Grow Stingray Music's reach and maintain its top-rated position. Relaunch the Stingray Karaoke apps and online services all the while pursuing the expansion of the Yokee family of apps.

4
Expand the reach of our commercial music and digital signage services through an international expansion strategy that includes acquisitions and the growth of our affiliate network.

5
Continue to foster a winning company culture through accountability, responsiveness, training, empowerment, and growth opportunities.

PROVEN **ACQUISITION STRATEGY**

756 million dollars spent on acquisitions since inception

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 DjazzTV)
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
Yokee Music Ltd.
C Music Entertainment Ltd.
SBA Music PTY Ltd.
Satellite Music Australia PTY Ltd.

2018
Qello Concerts LLC
NCC (pending CRTC approval)

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, game consoles, and connected cars.

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 $108.8 million at the end of Fiscal 2018 (85.7% 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 35 acquisitions representing outlays of approximately $756 million, which brought new clients, new products and new geographical markets to our business. Fiscal 2018, we have completed five (5) acquisitions for an aggregate purchase value of $44.9 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. With the acquisition of Qello Concerts (now rebranded as Stingray Qello) in March, Stingray has become the largest provider of concerts, concert films, and music documentaries available On-Demand. Stingray was confirmed as an official promotional partner of Dick Clark Productions for the 2018 Academy of Country Music Awards, Billboard Music Awards, and American Music Awards. Stingray will produce and distribute specially curated programming across its music services and platforms for each of the awards shows, which are some of television's biggest and most popular music events.

High employee retention rate and low turn-over

As an entrepreneurial and growing Canadian company, we attract and retain talented professionals. Our team of almost 400 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, 2018 on page 21 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 2018, approximately 53% 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 2018 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

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

NON-EXECUTIVE **DIRECTORS**

Claudine Blondin
Director and Member of the Corporate Governance, Human Resources and Compensation Committees

David Purdy
Director and Member of the Audit Committee

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

François-Charles Sirois
Director and Member of the Human Resources and Compensation Committee

Jacques Parisien
Director and Chairman of the Corporate Governance Committee

Mark Pathy
Chairman of the Board of Directors and Member of the Human Resources and Compensation Committee

Pascal Tremblay
Director and Member of the Corporate Governance Committee and Chairman of 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, 2018 and 2017. This MD&A reflects information available to the Corporation as at June 6, 2018. 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 include 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.

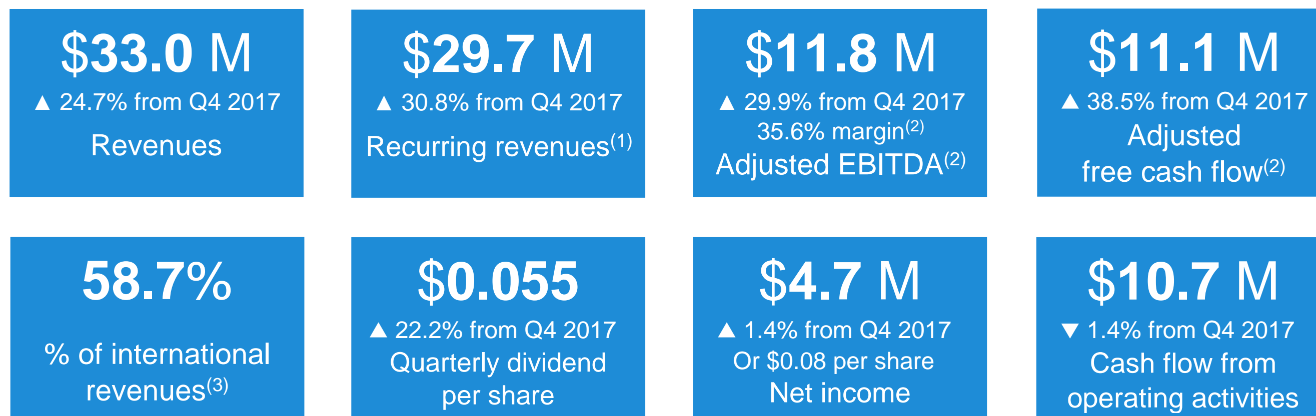
In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such assumptions include, but are not 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 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 International Financial Reporting Standards (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.

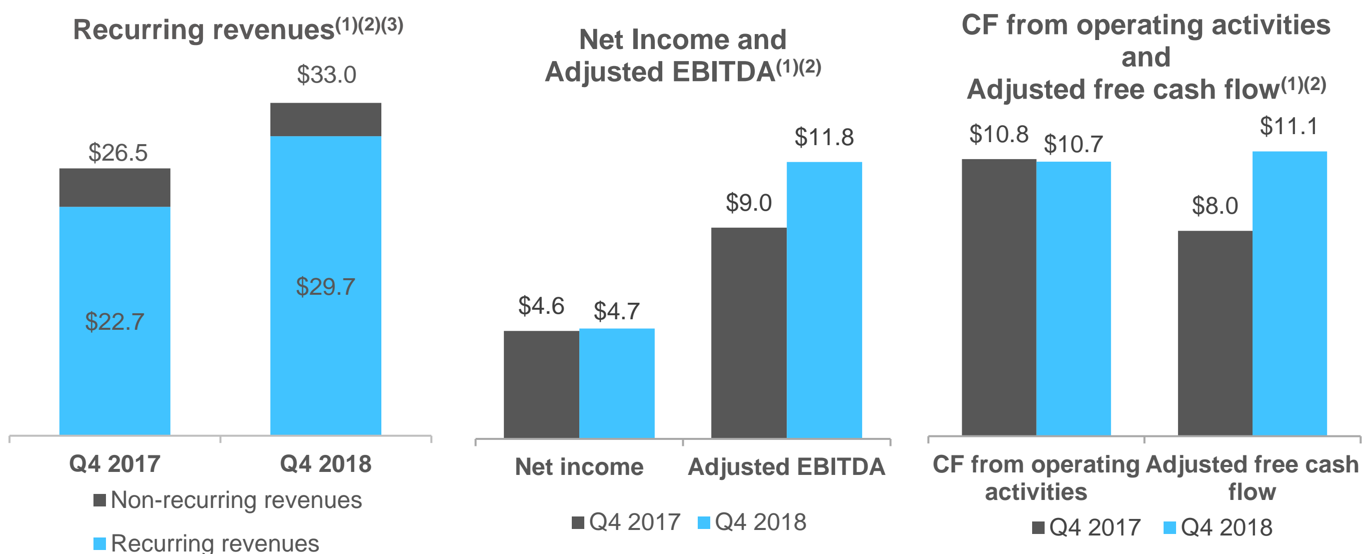
KEY PERFORMANCE INDICATORS[1]

For the three-month period ended March 31, 2018:



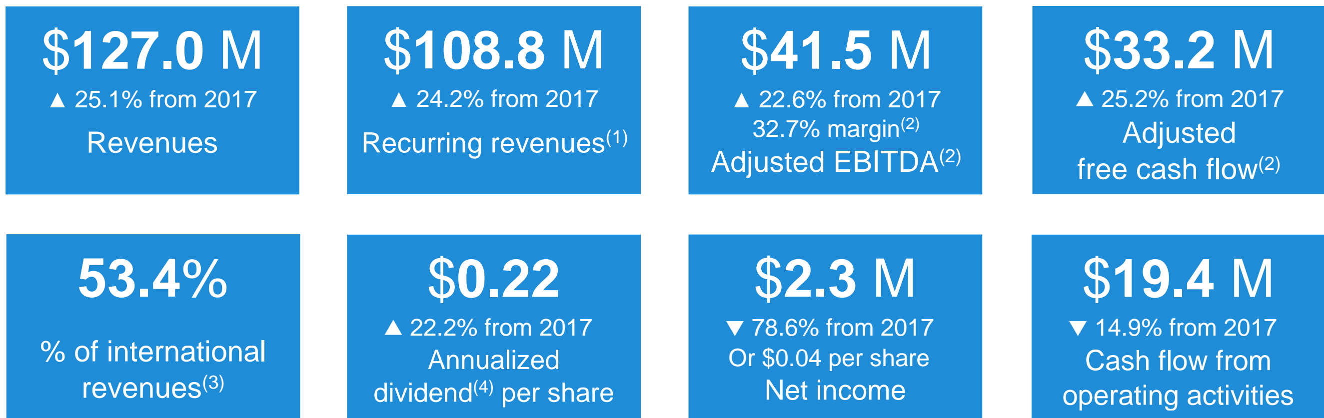
Notes:
(1) Recurring revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include support, installation, equipment and one-time fees.
(2) Refer to “Supplemental information on Non-IFRS measures” on page 26 and 32.
(3) International means all jurisdictions except Canada.

For the three-month period ended March 31, 2018 and 2017:



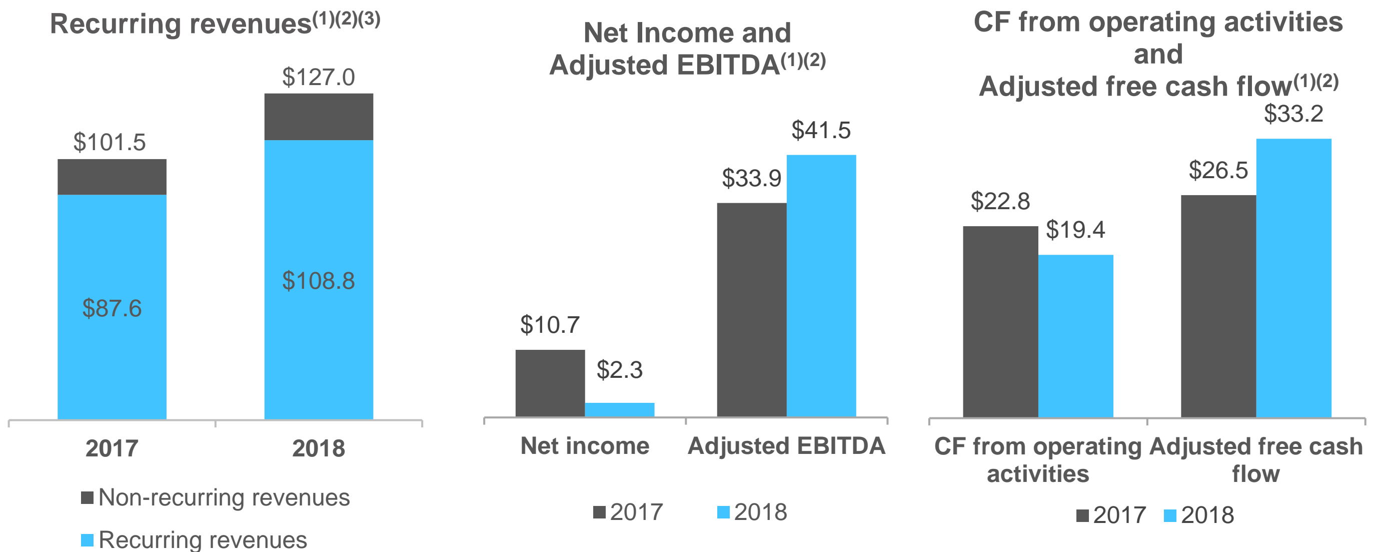
Notes:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on page 26 and 32.
(3) Recurring revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include support, installation, equipment and one-time fees.

For the year ended March 31, 2018:



Notes:
(1) 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.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 26 and 32.
(3) International means all jurisdictions except Canada.
(4) Annualized divided represents the amount of the last declared dividend times four quarters.

For the years ended March 31, 2018 and 2017:



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 26 and 32.
(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 fourth quarter ended March 31, 2018 ("Q4 2018")

Compared to the fourth quarter ended March 31, 2017 ("Q4 2017"):

- Revenues increased 24.7% to $33.0 million from $26.5 million;
- Recurring revenues(1) of $29.7 million (89.8% of total revenues), an increase of 30.8%;
- International revenues(2) increased to 58.7% from 47.2%;
- Adjusted EBITDA(3) increased 29.9% to $11.8 million from $9.0 million;
- Adjusted EBITDA margin(3) was 35.6% compared with 34.1%;
- Net income was $4.7 million ($0.08 per share) compared with $4.6 million ($0.09 per share);
- Adjusted Net income(3) of $9.7 million ($0.17 per share) compared with $10.5 million ($0.20 per share);
- Cash flow from operating activities of $10.7 million compared to $10.8 million; and
- Adjusted free cash flow(3) increased 38.5% to $11.1 million compared to $8.0 million.

Highlights of the year ended March 31, 2018 ("Fiscal 2018")

Compared to the year ended March 31, 2017 ("Fiscal 2017"):

- Revenues increased 25.1% to $127.0 million from $101.5 million;
- Recurring revenues(1) of $108.8 million (85.7% of total revenues), an increase of 24.2%;
- International revenues(2) increased to 53.4% from 44.7%;
- Adjusted EBITDA(3) increased 22.6% to $41.5 million from $33.9 million;
- Adjusted EBITDA(3) margin was 32.7% compared with 33.4%;
- Net income was $2.3 million ($0.04 per share) compared with $10.7 million ($0.21 per share);
- Adjusted Net income(3) of $26.9 million ($0.50 per share) compared with $27.3 million ($0.53 per share);
- Cash flow from operating activities of $19.4 million compared with $22.8 million;
- Adjusted free cash flow(3) increased 25.2% to $33.2 million compared to $26.5 million;
- Net debt(3) remained stable at $35.3 million compared to $35.2 million;
- Net debt to Adjusted EBITDA ratio(3)(4) was 0.85 times, compared with 1.04 times; and
- Annualized dividend(5) increased 22.2% to $0.22 per share.

Note:

(1) 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.

(2) International means all jurisdictions except Canada.

(3) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 26 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 32.

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

(5) Annualized divided represents the amount of the last declared dividend times four quarters.

Additional business highlights for the fourth quarter and subsequent events:

- On May 29, 2018, the Corporation announced that it had reached a long-term agreement with Bell that renews and expands their longstanding relationship. Bell thus becomes the first Canadian operator that can offer its subscribers Stingray's entire music and video services portfolio.

- On May 14, 2018, the Corporation announced that it had been selected by Talpa Media, creator of The Voice, to develop, publish, and market worldwide the juggernaut of singing competitions' new companion singing app. The Voice singing app will be launched worldwide in December 2018.

- On May 2, 2018, the Corporation announced that it had entered into a definitive agreement with Newfoundland Capital Corporation Limited (NCC) pursuant to which the Corporation will acquire all of NCC's issued and outstanding shares (NCC Shares) for $14.75 per NCC share, representing a total consideration of approximately $506.0 million. Completion of the acquisition, expected to occur by the end of 2018 but no later than May 2, 2019, is subject to, and conditional upon, the receipt of all necessary approvals, including approval of CRTC and securing necessary funding. Refer to page 51 for more detail on the transaction.

- Following the agreement to purchase NCC, the Corporation completed a subscription receipt offering and issued from treasury 7,981,000 subscription receipts of the Corporation (the "Public Subscription Receipts"), on a bought deal basis, at a price of $10.40 per Public Subscription Receipts for gross proceeds of $83.0 million and net proceeds of $79.7 million. Concurrently with the closing of the public offering, the Corporation has issued from treasury 3,846,100 subscription receipts (the "Private Placement Subscription Receipts") at a price of $10.40 per Private Placement Subscription Receipts for gross proceeds of $40.0 million. As a result of the public offering and concurrent private placement, a holder of multiple voting shares of the Corporation, has exercised subscription rights attached to the multiple voting shares of the Corporation and consequently the Corporation issued from treasury 1,452,850 subscription receipts at a price of $10.40 for gross proceeds of $15.0 million. Refer to page 51 for more detail.

- As at March 31, 2018, Subscription Video On Demand (SVOD) services exceeded 348,000 paying subscribers. The Corporation's SVOD offerings are available as a business to customer (B2C) service and through major entertainment service providers which include Amazon, Comcast, AT&T, Telefonica and Free. These services allow users to enjoy unlimited, curated music programming for a monthly fee.

- On March 29, 2018, the Corporation declared a dividend of $0.055 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around June 15, 2018 to shareholders on record as of May 31, 2018.

- On March 5, 2018, the Corporation announced that its commercial services division Stingray Business took home the grand prize in the Retail category at the 2018 Digital Signage Awards in Amsterdam for the digitization of the Sports Experts customer experience. Stingray Business was also one of only four finalists in the Overall Achievement category.

- On February 7, 2018, the Corporation declared a dividend of $0.055 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend was paid on March 15, 2018 to shareholders on record as of February 28, 2018.

- On January 24, 2018, the CRTC approved the applications by the Corporation for broadcasting licences to operate the national English-language discretionary music video services Stingray Juicebox, Stingray Loud, Stingray Retro and Stingray Vibe.

- On January 3, 2018, the Corporation announced that it had acquired certain assets of New-York based Qello Concerts LLC (Qello Concerts), the world's leading over-the-top (OTT) streaming service for full-length, on-demand concerts and music documentaries for a total consideration of US$11.6 million ($14.5 million).

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	Quarters ended March 31				Years ended March 31					
	2018 Q4 2018		2017 Q4 2017		2018 Fiscal 2018		2017 Fiscal 2017		2016 Fiscal 2016	
Revenues	33,038	100.0 %	26,502	100.0 %	126,953	100.0 %	101,501	100.0 %	89,944	100.0 %
Recurring revenues	29,674	89.8 %	22,683	85.6 %	108,830	85.7 %	87,612	86.3 %	77,587	86.3 %
Revenues	33,038	100.0 %	26,502	100.0 %	126,953	100.0 %	101,501	100.0 %	89,944	100.0 %
Music programming, cost of services and content	10,553	31.9 %	9,125	34.4 %	44,227	34.8 %	35,270	34.7 %	31,407	34.9 %
Selling and marketing	3,830	11.6 %	3,302	12.5 %	14,705	11.6 %	12,338	12.2 %	10,435	11.6 %
Research and development, support and information technology	2,139	6.5 %	2,324	8.8 %	10,647	8.4 %	8,960	8.8 %	7,613	8.5 %
General and administrative	7,413	22.4 %	6,385	24.1 %	30,030	23.7 %	19,016	18.7 %	13,247	14.7 %
IPO expenses and CRTC tangible benefits	–	– %	–	– %	–	– %	–	– %	5,821	6.5 %
Depreciation, amortization and write-off	5,613	17.0 %	4,619	17.4 %	21,287	16.8 %	17,168	16.9 %	15,028	16.7 %
Net finance expense (income)[1]	(378)	(1.1) %	1,006	3.8 %	3,174	2.5 %	2,036	2.0 %	(418)	(0.5) %
Change in fair value of investments	(421)	(1.3) %	334	1.3 %	600	0.5 %	(408)	(0.4) %	(7,345)	(8.2) %
Income (loss) before income taxes	4,289	13.0 %	(593)	(2.2) %	2,283	1.8 %	7,121	7.0 %	14,156	15.7 %
Income tax expense (recovery)	(385)	(1.2) %	(5,201)	(19.6) %	(13)	(0.0) %	(3,596)	(3.5) %	275	0.3 %
Net income	4,674	14.1 %	4,608	17.4 %	2,296	1.8 %	10,717	10.6 %	13,881	15.4 %
Adjusted EBITDA[2]	11,752	35.6 %	9,046	34.1 %	41,524	32.7 %	33,864	33.4 %	31,004	34.5 %
Adjusted Net income[2]	9,732	29.5 %	10,534	39.7 %	26,858	21.2 %	27,310	26.9 %	24,309	27.0 %
Adjusted free cash flow[2]	11,066	33.5 %	7,991	30.2 %	33,181	26.1 %	26,511	26.1 %	24,384	27.1 %
Cash flow from operating activities	10,675	32.3 %	10,826	40.8 %	19,385	15.3 %	22,766	22.4 %	18,968	21.1 %
Net income per share basic	0.08		0.09		0.04		0.21		0.29	
Net income per share diluted	0.08		0.09		0.04		0.21		0.29	
Adjusted Net income per share basic[2]	0.17		0.21		0.50		0.53		0.51	
Adjusted Net income per share diluted[2]	0.17		0.20		0.50		0.53		0.50	
Revenue by category										
Music Broadcasting	24,826	75.1 %	19,708	74.4 %	92,182	72.6 %	74,900	73.8 %	66,172	73.6 %
Commercial Music	8,212	24.9 %	6,794	25.6 %	34,771	27.4 %	26,601	26.2 %	23,772	26.4 %
Revenues	33,038	100.0 %	26,502	100.0 %	126,953	100.0 %	101,501	100.0 %	89,944	100.0 %
Revenues by geography										
Canada	13,637	41.3 %	14,000	52.8 %	59,184	46.6 %	56,129	55.3 %	53,536	59.5 %
United States	7,760	23.5 %	3,838	14.5 %	23,870	18.8 %	13,609	13.4 %	12,045	13.4 %
Other Countries	11,641	35.2 %	8,664	32.7 %	43,899	34.6 %	31,763	31.3 %	24,363	27.1 %
Revenues	33,038	100.0 %	26,502	100.0 %	126,953	100.0 %	101,501	100.0 %	89,944	100.0 %
Financial position										
Total assets					243,706		195,494		177,075	
Total non-current financial liabilities					53,502		54,080		43,879	
Net debt[2]					35,265		35,178		31,834	
Net debt to Adjusted EBITDA[2][3]					0.85x		1.04x		1.03x	
Cash dividends and distributions declared per share					0.21		0.13		0.13	

Notes:

(1) Interest paid during the Q4 2018 was $379 (Q4 2017; $269) and $1,374 for the year ended March 31, 2018 (2017 - $1,107).

(2) Refer to “Forward-looking statements” and “Supplemental information on Non-IFRS measures” on page 26 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 32.

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

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 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 26.

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

	Quarters ended March 31		Years ended March 31	
	2018	2017	2018	2017
(in thousands of Canadian dollars)	**Q4 2018**	**Q4 2017**	**Fiscal 2018**	**Fiscal 2017**
Net income	**4,674**	**4,608**	**2,296**	**10,717**
Net finance expense (income)	(378)	1,006	3,174	2,036
Change in fair value of investments	(421)	334	600	(408)
Income tax recovery	(385)	(5,201)	(13)	(3,596)
Depreciation and write-off of property and equipment	1,019	724	3,062	2,418
Amortization of intangible assets	4,594	3,895	18,225	14,750
Share-based compensation	473	372	1,325	1,332
Restricted, performance and deferred share unit expense	780	688	2,224	2,008
Acquisition, legal fees, restructuring and other various costs	1,396	2,620	10,631	4,607
Adjusted EBITDA	**11,752**	**9,046**	**41,524**	**33,864**
Net finance expense (income)	378	(1,006)	(3,174)	(2,036)
Income tax recovery	385	5,201	13	3,596
Depreciation of property and equipment and write-off	(1,019)	(724)	(3,062)	(2,418)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expense, amortization of intangible assets and acquisition, legal fees, restructuring and other various costs	(1,764)	(1,983)	(8,443)	(5,696)
Adjusted Net income	**9,732**	**10,534**	**26,858**	**27,310**

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

	Quarters ended March 31		Years ended March 31	
(in thousands of Canadian dollars)	2018 **Q4 2018**	2017 **Q4 2017**	2018 **Fiscal 2018**	2017 **Fiscal 2017**
Cash flow from operating activities	**10,675**	**10,826**	**19,385**	**22,766**
Add / Less :				
Acquisition of property and equipment	(846)	(513)	(4,546)	(2,635)
Acquisition of intangible assets other than internally developed intangible assets	(406)	(9)	(2,403)	(598)
Addition to internally developed intangible assets	(1,166)	–	(2,013)	–
Net change in non-cash operating capital items	1,413	(4,933)	12,127	2,371
Acquisition, legal fees, restructuring and other various costs	1,396	2,620	10,631	4,607
Adjusted free cash flow	**11,066**	**7,991**	**33,181**	**26,511**

The following table shows the calculation of Net debt:

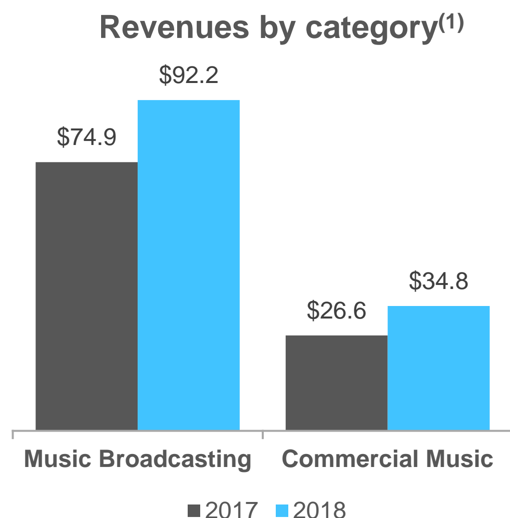
(in thousands of Canadian dollars)	**March 31, 2018**	**March 31, 2017**
Revolving facility	38,627	41,040
(Cash and cash equivalents)	(3,362)	(5,862)
Net debt	**35,265**	**35,178**

FINANCIAL RESULTS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

Revenues

Revenues in Fiscal 2018 increased to $127.0 million or 25.1%, from $101.5 million for Fiscal 2017. The increase in revenues was primarily due to the acquisitions of Yokee Music Limited (Yokee Music), Classica GMBH (Classica) and Qello Concerts, combined with organic growth of subscription video on demand (SVOD) in the U.S. as well as additional music and equipment sales related to digital signage.

Trends by Revenues Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 23.1% or $17.3 million from Fiscal 2017 in Music Broadcasting revenues were as follows (arrows reflect the impact):

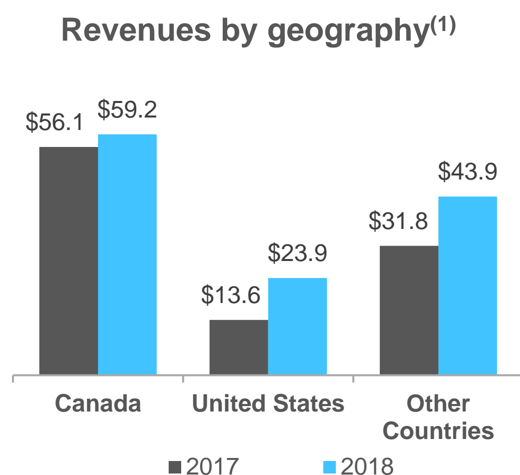
- ▲ Acquisition of Yokee Music in May 2017, Classica in Fiscal 2017 and Qello Concerts in January 2018.
- ▲ Organic growth in the U.S. market, primarily related to SVOD.

Commercial Music

The most significant contributors to the increase of 30.7% or $8.2 million from Fiscal 2017 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Organic growth in sales related to digital signage and new Commercial Music contracts in Canada.
- ▲ Acquisition of Satellite Music Australia PTY Ltd (SMA) and SBA Music PTY Ltd (SBA) in July 2017.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 5.4% or $3.1 million from Fiscal 2017 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ Organic growth in sales related to digital signage and new Commercial Music contracts in Canada.

United States

The most significant contributors to the increase of 75.4% or $10.3 million from Fiscal 2017 in revenues for U.S. were as follows (arrows reflect the impact):

- ▲ Acquisition of Yokee Music and Qello Concerts, as well as organic growth related to SVOD.

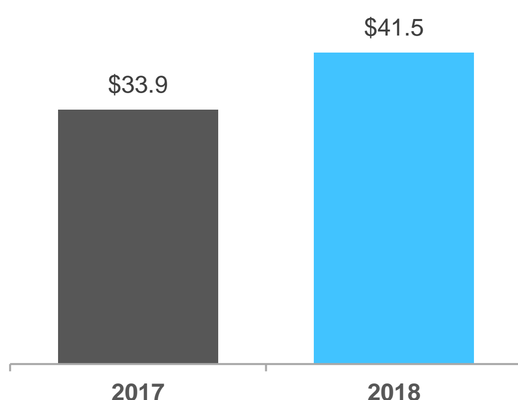
Other Countries

The most significant contributors to the increase of 38.2% or $12.1 million from Fiscal 2017 in revenues for Other Countries were as follows (arrows reflect the impact):

- ▲ Acquisitions of Classica, Yokee Music, C-Music, SMA and SBA.

Operating Expenses

(in thousands of Canadian dollars)	Fiscal 2018 % of revenues	Fiscal 2017 % of revenues	Variance			Significant contributions to variance :
Music programming, cost of services and content	**$44,227** 34.8%	**$35,270** 34.7%	**$8,957**	**25.4%**	▲	Primarily due to costs related to equipment and installation sales and to acquisitions.
Selling and marketing	**$14,705** 11.6%	**$12,338** 12.2%	**$2,367**	**19.2%**	▲	Primarily due to additional employees to support growth and incremental selling costs from recent acquisitions.
Research and development, support and information technology	**$10,647** 8.4%	**$8,960** 8.8%	**$1,687**	**18.8%**	▲	Primarily due to IT costs related Yokee Music and additional staff to support new technologies and growth, partially offset by capitalised costs related to internally developed intangible assets (refer to page 35).
General and administrative	**$30,030** 23.7%	**$19,016** 18.7%	**$11,014**	**57.9%**	▲	Primarily due to higher legal fees, additional staff to support international expansion and administrative costs related to recent acquisitions.
Depreciation, amortization and write-off	**$21,287** 16.8%	**$17,168** 16.9%	**$4,119**	**24.0%**	▲	Primarily due to the addition of intangible assets related to acquisitions.



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 26 and 32.

Adjusted EBITDA in Fiscal 2018 increased 22.6% to $41.5 million from $33.9 million in Fiscal 2017. Adjusted EBITDA margin was 32.7% in Fiscal 2018 compared to 33.4% in Fiscal 2017. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2018 and to the organic growth, partially offset by higher operating expenses related to international expansion. The decrease in Adjusted EBITDA margin was mainly related to equipment and installation sales and the overall change in the product mix, which presents lower margins.

Acquisition, legal, restructuring and other various costs mainly included costs related to litigation (see page 46) and integration costs for our recent acquisitions.

Research and Development, Support and Information Technology

Since the beginning of Fiscal 2018, demand for the Corporation's SVOD and B2C services increased significantly. In order to keep pace with increased customer and consumer demand, the Corporation grew its SVOD and B2C development team and concentrated research and development efforts on important SVOD and B2C capital projects. As a result of these new projects and their anticipated future benefits, the Corporation began to capitalize the qualified development costs and amortize them over their estimated useful life, in accordance with IFRS guidelines. Accordingly, for Fiscal 2018 starting in the third quarter, the Corporation capitalized a total of $2.0 million of its development costs, net of $0.1 million of related R&D tax credits, compared to nil for Fiscal 2017.

Net Finance Expense (Income)

Net finance expense increased to $3.2 million from $2.0 million for Fiscal 2017. The increase was mainly related to negative change in fair value of contingent consideration, partially offset by higher foreign exchange gain.

Change in fair value of investments

In Fiscal 2018, a loss on change in fair value of $0.6 million was recorded compared to a gain of $0.4 million for Fiscal 2017. The loss is related to the translation of investments denominated in U.S. dollars to Canadian dollars.

Income Taxes

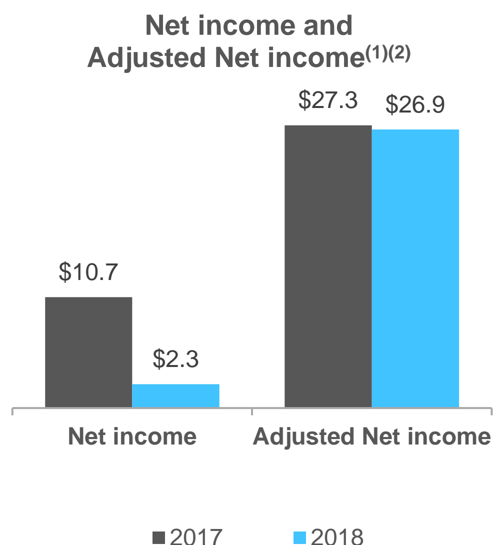
The income taxes recovery decreased to nil for Fiscal 2018 from $3.6 million in Fiscal 2017. The decrease is mainly related to the increase in deferred tax assets on tax losses not previously recognized in the U.K that was recorded in Fiscal 2017. In Fiscal 2018, additional deferred tax assets related to unrecognized tax losses in Switzerland were also recorded, contributing to reduce the tax expense of the Company.

Net income and net income per share

Net income decreased to $2.3 million ($0.04 per share diluted) in Fiscal 2018 from $10.7 million ($0.21 per share diluted) in Fiscal 2017. The decrease was mainly attributable to higher legal fees and amortization expense, lower income tax recovery, as well as the negative change in fair value of contingent consideration, partially offset by higher operating results. The larger number of shares outstanding following the equity issue in October 2017 impacted the earnings per share calculation.

Adjusted Net income and Adjusted Net income per share

Adjusted Net Income in Fiscal 2018 decreased to $26.9 million ($0.50 per share) from $27.3 million ($0.53 per share) in Fiscal 2017, as lower income net tax recovery and higher finance expense were offset by higher Adjusted EBITDA. As indicated above, the equity issue in October 2017 impacted earnings per share.



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 26 and 32.

Quarterly results

Revenues increased over the last eight quarters from $24.5 million in the first quarter of Fiscal 2017 to $33.0 million in the fourth quarter of Fiscal 2018. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts in all geographic locations. The decrease in Q2 2017 revenues compared to Q1 2017 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. The decrease in Q4 2018 revenues compared to Q3 2018 was mainly explained by lower non-recurring revenues related to digital signage in Commercial Music.

Adjusted EBITDA increased over the last eight quarters from $7.9 million in the first quarter of Fiscal 2017 to $11.8 million in the fourth quarter of Fiscal 2018. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts.

Net income (loss) fluctuated over the last eight quarters from a net income of $2.0 million in the first quarter of Fiscal 2017 to $4.7 million in the fourth quarter of Fiscal 2018. In Q4 2017, the Corporation recorded an income tax recovery on the recognition of deferred tax assets related to tax losses of foreign subsidiaries of $5.1 million. In Q1 2018, the decrease in net income was mainly related to higher legal expenses and higher amortization expense on intangible assets related to acquisitions. In Q2 2018, the net loss was mainly related to higher legal fees and finance expenses, offset partially by an income tax recovery. In Q3 2018, the net income was mainly attributable to higher operating results and lower legal fees, partially offset by the negative change in fair value of contingent consideration and higher amortization expense of intangible assets compared to Q2 2018. In Q4 2018, the increase in net income was mainly attributable to higher net finance income and income tax recovery.

Summary of Consolidated Quarterly Results

	Quarters ended							
(in thousands of Canadian dollars, except per share amounts)	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016
	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2017
Revenues by category								
Music Broadcasting	24,826	23,781	21,751	21,824	19,708	19,295	18,009	17,888
Commercial Music	8,212	10,377	8,828	7,354	6,794	6,630	6,518	6,659
Total revenues	**33,038**	**34,158**	**30,579**	**29,178**	**26,502**	**25,925**	**24,527**	**24,547**
Revenues by geography								
Canada	13,637	16,201	14,819	14,527	14,000	14,004	14,045	14,077
International[1]	19,401	17,957	15,760	14,651	12,502	11,921	10,482	10,470
Total revenues	**33,038**	**34,158**	**30,579**	**29,178**	**26,502**	**25,925**	**24,527**	**24,547**
Recurring revenues	29,674	27,971	26,175	25,010	22,683	21,944	21,584	21,401
Recurring revenues as a percentage of total revenues	89.8%	81.9%	85.6%	85.7%	85.6%	84.6%	88.0%	87.2%
Adjusted EBITDA[2]	**11,752**	**11,151**	**9,452**	**9,169**	**9,046**	**8,717**	**8,220**	**7,881**
Net income (loss)	**4,674**	**737**	**(3,395)**	**280**	**4,608**	**2,660**	**1,405**	**2,044**
Net income (loss) per share basic	0.08	0.01	(0.07)	0.01	0.09	0.05	0.03	0.04
Net income (loss) per share diluted	0.08	0.01	(0.07)	0.01	0.09	0.05	0.03	0.04
Adjusted Net income[2]	**9,732**	**6,016**	**5,407**	**5,703**	**10,534**	**6,164**	**5,405**	**5,207**
Adjusted Net income[2] per share basic	0.17	0.11	0.10	0.11	0.21	0.12	0.11	0.10
Adjusted Net income[2] per share diluted	0.17	0.11	0.10	0.11	0.20	0.12	0.10	0.10

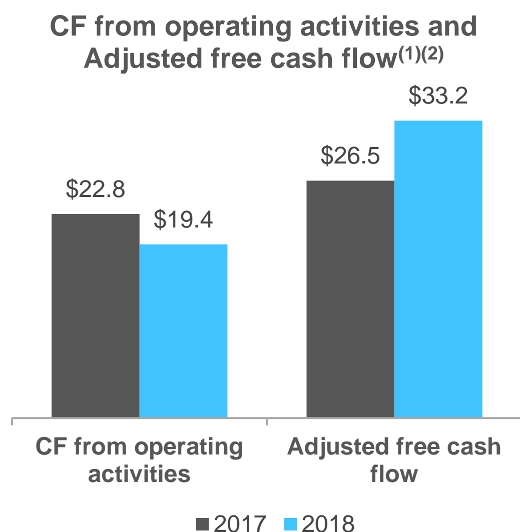
Note:
(1) International means all jurisdictions except Canada.
(2) Refer to “Forward-looking statements” and “Supplemental information on Non-IFRS measures” on page 26 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Reconciliation of Quarterly Non-IFRS Measures” on page 37.

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	Quarters ended March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016
	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2017
Net income (loss)	**4,674**	**737**	**(3,395)**	**280**	**4,608**	**2,660**	**1,405**	**2,044**
Net finance expense (income)	(378)	1,746	1,269	537	1,006	9	373	648
Change in fair value of investments	(421)	(110)	697	434	334	(583)	(250)	91
Income tax expense (recovery)	(385)	849	(941)	464	(5,201)	706	487	412
Depreciation and write-off of property and equipment	1,019	704	718	621	724	574	546	574
Amortization of intangible assets	4,594	4,582	4,508	4,541	3,895	3,686	3,982	3,187
Share-based compensation	473	346	312	194	372	372	298	290
Restricted, performance and deferred share unit expense	780	422	709	313	688	550	444	326
Acquisition, legal fees, restructuring and other various costs	1,396	1,875	5,575	1,785	2,620	743	935	309
Adjusted EBITDA	**11,752**	**11,151**	**9,452**	**9,169**	**9,046**	**8,717**	**8,220**	**7,881**
Net finance expense (income)	378	(1,746)	(1,269)	(537)	(1,006)	(9)	(373)	(648)
Income tax expense (recovery)	385	(849)	941	(464)	5,201	(706)	(487)	(412)
Depreciation and write-off of property and equipment	(1,019)	(704)	(718)	(621)	(724)	(574)	(546)	(574)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expense, amortization of intangible assets and acquisition, legal fees, restructuring and other various costs	(1,764)	(1,836)	(2,999)	(1,844)	(1,983)	(1,264)	(1,409)	(1,040)
Adjusted Net income	**9,732**	**6,016**	**5,407**	**5,703**	**10,534**	**6,164**	**5,405**	**5,207**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE YEAR ENDED MARCH 31, 2018

The Corporation's primary sources of cash consist of operating activities and available borrowings under the revolving facility, as well as occasional equity financing. 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, 2018 and 2017. The Corporation met its obligations with its strong cash flow from operations and its ability to access financing from banks or shareholders. 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 26 and 32.

Cash flow from operating activities

Cash flow generated from operating activities decreased to $19.4 million in Fiscal 2018 from $22.8 million in Fiscal 2017, due to the net change in non-cash operating items, partially offset by higher operating results and lower income taxes paid.

Adjusted free cash flow

Adjusted free cash flow increased 25.2% to $33.2 million in Fiscal 2018 from $26.5 million in Fiscal 2017. The increase was mainly related to higher Adjusted EBITDA and foreign exchange gain, as well as lower income taxes paid, partially offset by higher capital expenditures.

Financing Activities

Net cash flow generated by financing activities amounted to $19.7 million for Fiscal 2018 compared to net cash flow used in financing activities of $4.3 million for Fiscal 2017. The net change of $24.0 million in cash flow was mainly attributable to the net proceeds from the equity financing, partially offset by the decrease of the revolving facility, higher repayments of other payables related to business acquisitions and higher dividend payments.

Investing Activities

Net cash flow used in investing activities amounted to $41.6 million for Fiscal 2018 compared to $15.8 million for Fiscal 2017. The net change of $25.8 million was primarily related to business acquisitions and capital expenditures.

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, 2018, 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	4,931	9,094	390	14,415
Financial obligations				
Revolving facility	–	38,627	–	38,627
Accounts payables and accrued liabilities	35,199	–	–	35,199
Other payables	13,260	16,682	3,822	33,764
Total obligations	53,390	64,403	4,212	122,005

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 $4.4 million 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.

During Fiscal 2018, an amount of $0.4 million ($0.4 million – 2017) was recognized as an expense in music programming, cost of services and content.

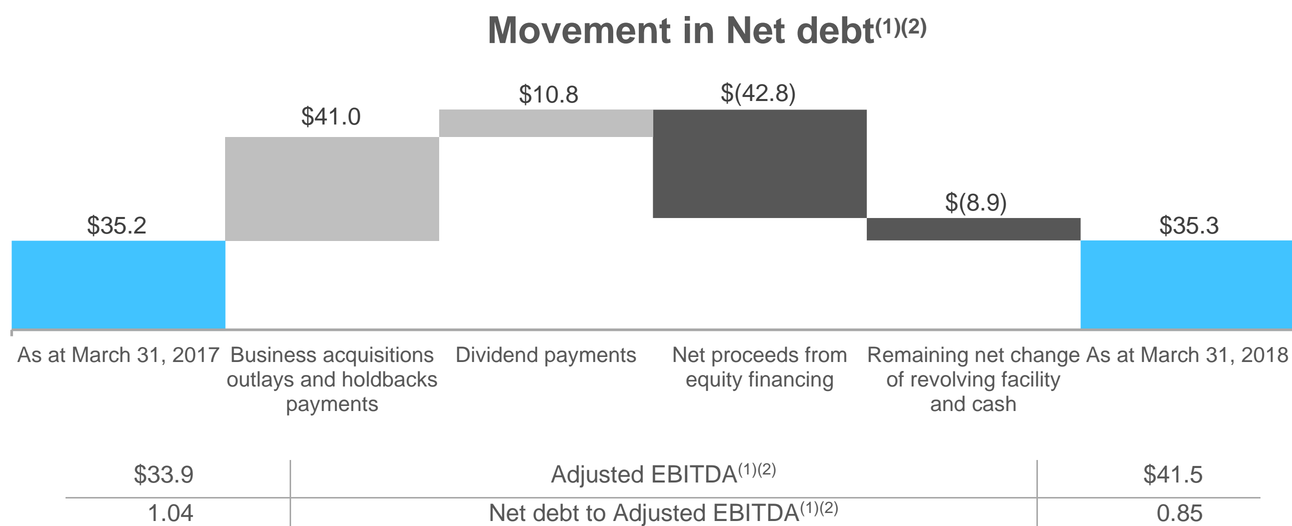
Copyright royalties

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

The Corporation has a revolving credit facility (revolving facility) for an authorized amount up to $100.0 million maturing in June 2020. The revolving facility bears interest at an annual rate equal to the banker's acceptance rate plus an applicable margin based on a financial covenant (1.38% as at March 31, 2018 and 1.50% as at March 31, 2017) 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 0.28% (0.30% as at March 31, 2017) on the unused portion of the revolving facility. The Corporation is required to comply with financial covenants.

The following table summarizes the net change in Net debt that occurred in the year ended March 31, 2018 including related ratios:



$33.9	Adjusted EBITDA[1][2]	$41.5
1.04	Net debt to Adjusted EBITDA[1][2]	0.85

Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on pages 26 and 32.

CONSOLIDATED FINANCIAL POSITION
AS AT MARCH 31, 2018 AND 2017

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the year ended March 31, 2018:

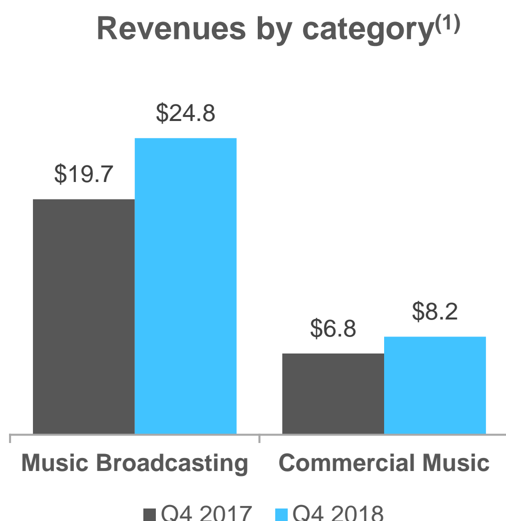
(in thousands of Canadian dollars)	March 31, 2018	March 31, 2017	Variance		Significant contributions
Trade and other receivables	$34,834	$27,073	$7,761	▲	Receivables from acquisitions and additional sales in Broadcast Music in the U.S. and Commercial Music in Canada.
Intangible assets	$54,355	$49,519	$4,836	▲	Recognition of intangibles via business acquisitions offset by amortization in the current period.
Goodwill	$98,467	$68,725	$29,742	▲	Goodwill related to the acquisitions of Qello Concerts, SMA, Yokee Music, Classica, SBA and C Music Entertainment Ltd (C Music).
Accounts payable and accrued liabilities	$35,199	$29,773	$5,426	▲	Payables from acquisitions and timing of payments to suppliers.
Revolving facility	$38,627	$41,040	$(2,413)	▼	Net proceeds from equity financing, partially offset by payments of contingent consideration and balance payable on business acquisitions, as well as dividend payments.
Contingent consideration and balance payable on business acquisitions, including current portion	$24,917	$18,801	$6,116	▲	Recognition of Qello Concerts, Yokee Music and C Music's contingent consideration offset by payments made for Qello Concerts, Les Réseaux Urbains Viva Inc. and Digital Music Distribution Pty Ltd. (DMD).

FINANCIAL RESULTS
FOR THE QUARTERS ENDED MARCH 31, 2018 AND 2017

Revenues

Revenues for Q4 2018 increased 24.7% to $33.0 million, from $26.5 million for the Q4 2017. The increase in revenues was primarily due to the acquisitions of Yokee Music, Qello Concerts, SMA and SBA combined with organic growth of subscription video on demand (SVOD) in the U.S.

Trends by Revenues Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 26.0% or $5.1 million from Q4 2017 in Music Broadcasting revenues were as follows (arrows reflect the impact):

▲ Acquisition of Yokee Music and Qello Concerts.

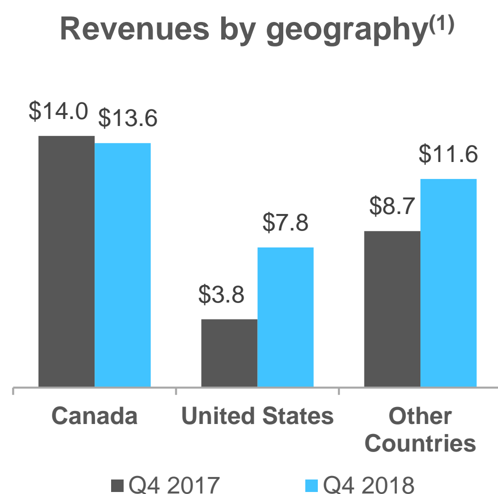
▲ Organic growth in the U.S. market, primarily related to SVOD.

Commercial Music

The most significant contributors to the increase of 20.9% or $1.4 million from Q4 2017 in Commercial Music revenues were as follows (arrows reflect the impact):

▲ Acquisition of SMA and SBA.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the decrease of (2.6)% or $(0.4) million from Q4 2017 in revenues for Canada were as follows (arrows reflect the impact):

▼ Decrease in equipment and installation sales related to digital signage.

United States

The most significant contributors to the increase of 102.2% or $4.0 million from Q4 2017 in U.S. revenues were as follows (arrows reflect the impact):

▲ Acquisition of Qello Concerts and Yokee Music, as well as organic growth related to SVOD.

Other Countries

The most significant contributors to the increase of 34.4% or $2.9 million from Q4 2017 in Other Countries revenues were as follows (arrows reflect the impact):

▲ Acquisitions Yokee Music, SMA and SBA.

Operating Expenses

(in thousands of Canadian dollars)	Q4 2018 % of revenues	Q4 2017 % of revenues	Variance			Significant contributions to variance:
Music programming, cost of services and content	$10,553 31.9%	$9,125 34.4%	$1,428	15.6%	▲	Primarily due to costs related to increase in revenues and to acquisitions.
Selling and marketing	$3,830 11.6%	$3,302 12.5%	$528	16.0%	▲	Primarily due to additional employees to support growth and incremental selling costs from recent acquisitions.
Research and development, support and information technology	$2,139 6.5%	$2,324 8.8%	$(185)	(8.0)%	▼	Primarily due to capitalised costs related to internally developed intangible assets (refer to page 44), partially offset by IT costs related to Yokee Music and additional staff to support new technologies and growth.
General and administrative	$7,413 22.4%	$6,385 24.1%	$1,028	16.1%	▲	Primarily due to additional staff to support international expansion and administrative costs related to recent acquisitions and growth, partially offset by lower legal fees.
Depreciation, amortization and write-off	$5,613 17.0%	$4,619 17.4%	$994	21.5%	▲	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 pages 26 and 32.

Adjusted EBITDA for Q4 2018 increased 29.9% to $11.8 million, from $9.0 million for Q4 2017. Adjusted EBITDA margin was 35.6% for Q4 2018 compared to 34.1% for Q4 2017. The increase in Adjusted EBITDA was primarily due to the business acquisitions realized in Fiscal 2018 and to the organic growth, partially offset by higher operating expenses related to international expansion. The increase in Adjusted EBITDA margin was mainly related to the decrease in equipment and installation sales related to digital signage, which presents lower margins.

Acquisition, legal, restructuring and other various costs mainly included litigation fees (refer to page 46) and costs related to the integration of our recent acquisitions.

Research and Development, Support and Information Technology

In Fiscal 2018, demand for the Corporation's SVOD and B2C services increased significantly. In order to keep pace with increased customer and consumer demand, the Corporation grew its SVOD and B2C development team and concentrated research and development efforts on important SVOD and B2C capital projects. As a result of these new projects and their anticipated future benefits, the Corporation began to capitalize the qualified development costs and amortize them over their estimated useful life, in accordance with IFRS guidelines. Accordingly, for Q4 2018 the Corporation capitalized a total of $1.1 million of its development costs, net of $0.1 million of related R&D tax credits, compared to nil for Q4 2017.

Net Finance Expense (Income)

In Q4 2018, a finance gain of $0.4 million was recorded compared to a loss of $1.0 million in Q4 2017. The increase was mainly related to higher foreign exchange gain and positive change in fair value of contingent consideration.

Change in fair value of investments

In Q4 2018, a gain on fair value of $0.4 million was recorded compared to a loss of $0.3 million in Q4 2017. The gain is related to the translation of the investments denominated in U.S. dollars to Canadian dollars.

Income Taxes

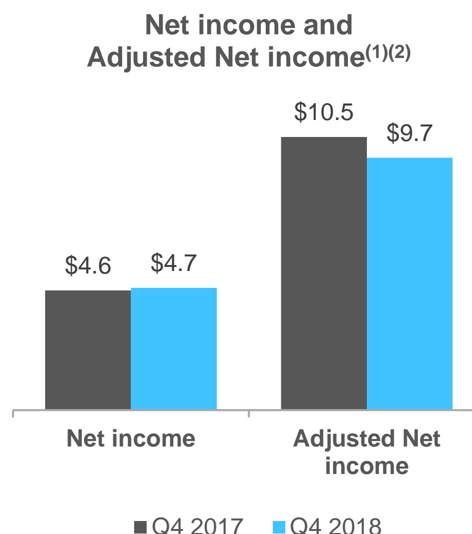
The income tax recovery decreased to $0.4 million for Q4 2018 from $5.2 million for Q4 2017. The decrease is mainly related to the increase in deferred tax assets on tax losses not previously recognized in the U.K that was recorded in Q4 2017. In Q4 2018, additional deferred tax assets related to unrecognized tax losses in Switzerland were also recorded, contributing to reduce the tax expense of the Company.

Net income and net income per share

For Q4 2018, net income of $4.7 million ($0.08 per share) compared to a net income of $4.6 million for Q4 2017 ($0.09 per share). The increase was mainly attributable to higher operating results and net finance income, as well as lower legal fees, partially offset by lower income tax recovery and higher amortization expense. The larger number of shares outstanding following the equity issue in October 2017 impacted the earnings per share calculation.

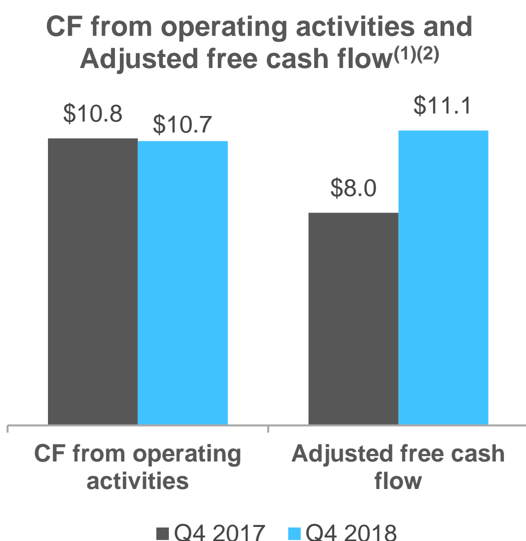
Adjusted Net income and Adjusted Net income per share

Adjusted Net income for Q4 2018 decreased to $9.7 million ($0.17 per share) from $10.5 million ($0.20 per share) for Q4 2017, as lower income net tax recovery was partially offset by higher Adjusted EBITDA and net finance income. As indicated above, the equity issue in October 2017 impacted earnings per share.



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 26 and 32.

LIQUIDITY AND CAPITAL RESOURCES
FOR THE QUARTERS ENDED MARCH 31, 2018 AND 2017



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 26 and 32.

Cash flow from operating activities

Cash flow generated from operating activities amounted to $10.7 million for Q4 2018 compared to $10.8 million for Q4 2017. The slight decrease was primarily due to the negative net change in non-cash operating items largely offset by higher operating results.

Adjusted free cash flow

Adjusted free cash flow generated in Q4 2018 amounted to $11.1 million compared to $8.0 million for Q4 2017. The increase was mainly related to higher adjusted EBITDA and foreign exchange gain, as well as lower income taxes paid, partially offset by higher capital expenditures.

Financing Activities

Net cash flow generated by financing activities amounted to $3.6 million for Q4 2018 compared to net cash flow used in financing activities of $7.5 million for Q4 2017. The net change of $11.1 million in cash flow was mainly attributable to the increase of the revolving facility, partially offset by higher repayment of other payables related to business acquisitions.

Investing Activities

Net cash flow used in investing activities amounted to $15.4 million for Q4 2018 compared to $0.4 million for Q4 2017. The net change of $15.0 million was primarily related to the acquisition of Qello Concerts and to higher 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 the Corporation served its invalidity contentions on November 28, 2016. On March 27, 2017, the Corporation filed a motion for judgment on the pleadings on the basis that the Asserted Patents are invalid under 35 U.S.C. 101 for claiming unpatentable subject matter. The parties exchanged amended infringement and invalidity contentions on April 28, 2017. In addition, on November 14, 2016, the Corporation 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 the Corporation'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, and on September 6, 2017, the Court adopted the report and denied Music Choice's motion. On July 6, 2017, the Court issued a Markman Order construing certain claim terms of the Asserted Patents. On September 14, 2017, Music Choice dropped one of the five patents-in-suit (U.S. Patent No. 8,769,602). On October 17, 2017, the Corporation filed a motion to adjourn the trial date and remaining case deadlines, in part because the PTAB instituted inter partes review for three of the four patents-in-suit. On October 27, 2017, the PTAB instituted inter partes review on the fourth patent-in-suit, and on October 30, 2017, the Corporation filed a motion to stay the litigation pending the inter partes reviews. On December 12, 2017, the Court granted the Corporation's motion to stay, staying the litigation pending resolution of the IPRs, and dismissed without prejudice Stingray's motion for judgment on the pleadings.

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 false 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 closed, and expert discovery has commenced. In view of the Court's adjournment of the trial date and stay in *Music Choice v. Stingray*, this case is stayed as well.

SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, 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 (together, 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. While the Objectors and the Collectives await the final determination of the Board on the proper quantum of the Tariff, in early 2018 the Board released a tentative ruling proposing that allocation of affiliation payments across the suite of Stingray services is reasonable and appropriate and asking the parties to propose favoured approaches to allocation. The parties have responded to the Board's request, with the Objectors proposing an allocation based on a "cost approach", as supported by independent, expert advice. The Copyright Board of Canada continues its consideration of the matter, and the Corporation anticipates a decision in about 12 to 24 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 director's fees include the following:

(in thousands of Canadian dollars)		2018		2017
Short-term employee benefits	$	4,350	$	3,361
Share-based compensation		921		810
Restricted and performance share units		557		407
Deferred share units		911		896
	$	6,739	$	5,474

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet arrangements, other than operating leases (which have been discussed 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.

Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	June 6, 2018	March 31, 2018
Issued and outstanding shares:		
Subordinate voting shares	39,630,840	39,641,040
Subordinate voting shares held in trust through employee share purchase program	(8,704)	(6,011)
Variable subordinate voting shares	386,639	376,439
Multiple voting shares	16,294,285	16,294,285
	56,303,060	56,305,753
Outstanding stock options and subscription receipts:		
Stock options	1,965,227	1,965,227
Subscription receipts	13,279,950	–

The Corporation has a 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, which was amended on June 7, 2017, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserve for issuance. In the year ended March 31, 2018, 85,198 options were exercised, 29,189 options were forfeited, and 682,429 options were granted to eligible employees, subject to service vesting periods of 4 years.

Financial Risk Factors

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 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 more 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 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 intends to adopt retrospectively IFRS 15 in its consolidated financial statements for the annual period beginning on April 1, 2018, and does not expect the standard to have a material impact on the financial statements except for the gross or net presentation of certain B2C applications revenues streams, such as mobile applications. The Corporation currently accounts for its applications revenues on a net basis presentation.

Under current IFRS guidance, determining whether an entity is acting as an agent or principal is not based on the application of specific indicators and judgment is required to determine whether gross or net presentation is appropriate. Under IFRS 15 guidance, the new model of revenue recognition is based on the core “transfer of control” principle that is used to determine the primary obligator of the service rendered. In this context, the Company will be considered as the principal and therefore will recognize these revenues on a gross basis presentation.

The impact on net income is expected to be nil, and the impact on revenues and music programming, cost of services and content as follows:

(in thousands of Canadian dollars)	2018 under current IFRS	2018 under IFRS 15
Revenues	$ 126,953	$ 130,475
Music programming, cost of services and content	$ 44,227	$ 47,749

IFRS 9 - Financial instruments

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

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 amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a

share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on April 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

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 Corporation will adopt the Interpretation in its financial statements for the annual period beginning on April 1, 2018. The Corporation does not expect the Interpretation to have a material impact on the financial statements.

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.

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”).

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, 2018, 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, 2018.

As at March 31, 2018, 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, 2018.

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 7, 2018, did not include the controls or procedures of the operations of Yokee Music, C Music, SBA and SMA which were acquired in Fiscal 2018. 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 Fiscal 2018 for these entities:

(in thousand of Canadian dollars)	Yokee Music	C Music	SBA	SMA
Results of operations				
Revenues	$ 7,058	$ 1,095	$ 1,618	$ 2,007
Net income (loss)	41	(330)	(72)	28
Financial Position				
Current assets	$ 2,553	$ 1,378	$ 411	$ 1,355
Non-current assets	12,805	5,881	4,120	6,250
Current liabilities	1,479	714	463	551
Non-current liabilities	1,145	–	–	–

Subsequent Events

Agreement for a business acquisition

On May 2, 2018, the Corporation announced that it had entered into a definitive agreement with NCC pursuant to which the Corporation will acquire all of the NCC Shares for $14.75 per NCC share (the “Purchase Price”), representing a total consideration of approximately $506.0 million. Under the terms of the agreement, NCC shareholders will receive shares of the Corporation equivalent to $40.0 million, representing approximately 8% of the total consideration.

Completion of the acquisition, expected to occur by the end of 2018 but no later than May 2, 2019, is subject to, and conditional upon, the receipt of all necessary approvals, including approval of Canadian Radio-Television and Telecommunications Commission (CRTC) and securing necessary funding.

The cash element of the Purchase Price will be funded through a combination of the following: $450.0 million of new committed credit facilities, $83.0 million bought deal public offering of subscription receipts of the Corporation at a price of $10.40 per subscription receipt, $40.0 million private placement of subscription receipts of the Corporation at a price of $10.40 per private placement subscription receipt and $17.0 million in subscription receipts through the exercise by some shareholders of their multiple voting shares of the Corporation.

Subscription receipt offerings

Following the agreement to purchase NCC, on May 23, 2018, the Corporation completed a subscription receipt offering and issued from treasury 7,981,000 subscription receipts of the Corporation (the “Public Subscription Receipts”), on a bought deal basis, at a price of $10.40 per Public Subscription Receipts for gross proceeds of $83.0 million and net proceeds of $79.7 million. The Corporation has granted the underwriters an option to purchase up to 1,197,150 additional Public Subscription Receipts at a price of $10.40 at any time up until June 22, 2018 for gross proceeds of $12.0 million.

Concurrently with the closing of the public offering, the Corporation has issued from treasury 3,846,100 subscription receipts (the “Private Placement Subscription Receipts”) at a price of $10.40 per Private Placement Subscription Receipts for gross proceeds of $40.0 million.

As a result of the public offering and concurrent private placement, a holder of multiple voting shares of the Corporation, has exercised subscription rights attached to the multiple voting shares of the Corporation and consequently the Corporation issued from treasury 1,452,850 subscription receipts (the “Subscription Receipts”) at a price of $10.40 for gross proceeds of $15.0 million.

The holders of the Public Subscription Receipts, Private Placement Subscription Receipts and of the Subscription Receipts (together referred as the “Receipt”) are entitled to receive a dividend of $0.055 per Receipt totalling $0.1 million, which will be payable on June 15, 2018.

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, 2018 and March 31, 2017, 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 audits. We conducted our audits 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, 2018 and March 31, 2017, 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 6, 2018

Montréal, Canada

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

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

Consolidated Statements of Comprehensive Income

Years ended March 31, 2018 and 2017

(In thousands of Canadian dollars, except per share amounts)	Note		2018		2017
Revenues	4	$	126,953	$	101,501
Music programming, cost of services and content			44,227		35,270
Selling and marketing			14,705		12,338
Research and development, support and information technology, net of tax credits of $790 (2017 - $887)			10,647		8,960
General and administrative			30,030		19,016
Depreciation, amortization and write-off	5		21,287		17,168
Net finance expense (income)	6		3,174		2,036
Change in fair value of investments	15		600		(408)
Income before income taxes			2,283		7,121
Income tax recovery	7		(13)		(3,596)
Net income		$	2,296	$	10,717
Net income per share – Basic	8		0.04		0.21
Net income per share – Diluted	8		0.04		0.21
Weighted average number of shares – Basic	8		53,455,073		51,242,611
Weighted average number of shares – Diluted	8		54,080,184		51,497,510
Comprehensive income					
Net income		$	2,296	$	10,717
Other comprehensive income (loss), net of tax					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations			1,640		(1,085)
Total other comprehensive income (loss)			1,640		(1,085)
Total comprehensive income		$	3,936	$	9,632

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, 2018 and March 31, 2017

(In thousands of Canadian dollars)	Note		March 31, 2018		March 31, 2017 (recasted, see note 3)
Assets					
Current assets					
Cash and cash equivalents		$	3,362	$	5,862
Trade and other receivables	9		34,834		27,073
Research and development tax credits	10		610		486
Income taxes receivable			989		1,212
Inventories	11		1,784		1,233
Other current assets			6,793		4,780
			48,372		40,646
Non-current assets					
Property and equipment	12		11,135		5,336
Intangible assets	13		54,355		49,519
Goodwill	14		98,467		68,725
Investments	15		15,533		17,351
Investment in an associate	16		1,106		–
Investment in joint venture			834		738
Other non-current assets			954		954
Deferred tax assets	7		12,950		12,225
Total assets		$	243,706	$	195,494
Liabilities and Equity					
Current liabilities					
Accounts payable and accrued liabilities	17	$	35,199	$	29,773
Dividend payable	20		3,097		–
Deferred revenues			1,530		1,094
Current portion of other payables	19		13,212		9,498
Income taxes payable			2,403		1,396
			55,441		41,761
Non-current liabilities					
Revolving facility	18		38,627		41,040
Other payables	19		14,875		13,040
Deferred tax liabilities	7		5,156		4,705
Total liabilities			114,099		100,546
Shareholders' equity					
Share capital	20		146,354		102,700
Contributed surplus			3,825		2,872
Deficit			(21,936)		(10,299)
Accumulated other comprehensive income (loss)			1,364		(325)
Total equity			129,607		94,948
Commitments (note 23)					
Subsequent events (note 2)					
Total liabilities and equity		$	243,706	$	195,494

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

Approved by the Board of Directors,

(Signed) Eric Boyko, Director   (Signed) Pascal Tremblay, Director

Consolidated Statements of Changes in Equity

Years ended March 31, 2018 and 2017

(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, 2016	51,107,975	$ 102,040	$ 2,196	$ (14,646)	$ 804	$ 90,394
Insurance of shares upon exercise of options (note 20)	218,391	660	(398)	–	–	262
Dividends (note 20)	–	–	–	(6,414)	–	(6,414)
Share-based compensation	–	–	1,074	–	–	1,074
Net income	–	–	–	10,717	–	10,717
Other comprehensive income (loss)	–	–	–	44	(1,129)	(1,085)
Balance at March 31, 2017	51,326,366	$ 102,700	$ 2,872	$ (10,299)	$ (325)	$ 94,948
Issuance of shares upon exercise of options (note 20)	85,198	301	(133)	–	–	168
Dividends (note 20)	–	–	–	(13,884)	–	(13,884)
Issuance of subordinate voting shares and variable subordinate voting shares (note 20)	4,900,200	45,082	–	–	–	45,082
Share issuance costs, net of income taxes of $604 (note 20)	–	(1,669)	–	–	–	(1,669)
Share-based compensation	–	–	1,039	–	–	1,039
Employee share purchase plan (notes 20 and 22)	(6,011)	(60)	47	–	–	(13)
Net income	–	–	–	2,296	–	2,296
Other comprehensive income (loss)	–	–	–	(49)	1,689	1,640
Balance at March 31, 2018	56,305,753	$ 146,354	$ 3,825	$ (21,936)	$ 1,364	$ 129,607

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

Consolidated Statements of Cash Flows

Years ended March 31, 2018 and 2017

(In thousands of Canadian dollars)	Note	2018	2017
Operating activities:			
Net income		$ 2,296	$ 10,717
Adjustments for:			
Share-based compensation		1,325	1,332
Restricted and performance share unit expense	22	1,313	1,112
Deferred share unit expense	22	911	896
Depreciation and write-off of property and equipment	12	3,062	2,418
Amortization of intangible assets	13	18,225	14,750
Amortization of financing fees	6	100	213
Interest expense and standby fees	6	1,445	1,170
Change in fair value of investments	15	600	(408)
Change in fair value of contingent consideration and balance payable on business acquisition		3,196	822
Accretion expense on balance payable on business acquisition		369	–
Accretion expense of CRTC tangible benefits		244	287
Share of results of joint venture		(96)	(77)
Income tax recovery		(13)	(3,596)
Interest paid		(1,374)	(1,107)
Income taxes received		(91)	(3,392)
		31,512	25,137
Net change in non-cash operating items	21	(12,127)	(2,371)
		19,385	22,766
Financing activities:			
Increase (decrease) in the revolving facility	18	(2,413)	6,005
Issuance of shares	20	45,082	–
Share issuance costs	20	(2,253)	–
Payments of dividends	20	(10,787)	(8,203)
Proceeds from the exercise of stock options	20	168	262
Shares purchased under the employee share purchase plan	20	(77)	–
Repayment of other payables		(10,022)	(2,349)
Other		–	(58)
		19,698	(4,343)
Investing activities:			
Business acquisitions, net of cash acquired	3	(29,417)	(7,010)
Intangible assets acquired through asset acquisitions		–	(5,519)
Investment in an associate	16	(1,106)	–
Proceeds from disposal of an investment	15	1,218	–
Acquisition of property and equipment		(4,546)	(2,635)
Acquisition of equipment for leasing purpose		(3,316)	–
Acquisition of intangible assets other than internally developed intangible assets		(2,403)	(598)
Addition to internally developed intangible assets		(2,013)	–
		(41,583)	(15,762)
Increase (decrease) in cash and cash equivalents		(2,500)	2,661
Cash and cash equivalents, beginning of year		5,862	3,201
Cash and cash equivalents, end of year		$ 3,362	$ 5,862

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

(In thousands of Canadian dollars, unless otherwise stated)

1. Significant changes and highlights:

The consolidated financial position and performance of the Stingray Digital Group Inc. (the "Corporation") was particularly affected by the following events and transactions during the year ended March 31, 2018:

- On December 1, 2017, the Corporation signed an agreement to acquire certain assets of New-York based Qello Holdings LLC, the world's leading over-the-top (OTT) streaming service for full-length, on-demand concerts and music documentaries for total consideration of $US11,621 ($14,546). It resulted in the recognition of goodwill (notes 3 and 14), intangible assets (notes 3 and 13), balance payable on business acquisitions and contingent consideration (notes 3 and 19).
- On October 24, 2017, the Corporation completed a bought deal offering of an aggregate 4,348,000 subordinate voting shares and variable subordinate voting shares of the Corporation at a price of $9.20 per share for gross proceeds of $40,002 and net proceeds of $38,402. On November 7, 2017 the underwriters exercised part of their over-allotment option and bought an additional 552,200 subordinate voting shares at a price of $9.20 for gross proceeds of $5,080 and net proceeds of $4,877. It resulted in an increase of share capital (note 20) and a decrease in the revolving facility (note 18).
- On July 31, 2017, the Corporation signed an agreement to acquire and operate Satellite Music Australia PTY Ltd., a subsidiary of Macquarie Media Operations PTY Limited and a leading Australian provider of in-store media solutions servicing more than 2,200 locations for total consideration of AU$6,213 ($6,200). It resulted in the recognition of goodwill (notes 3 and 14), intangible assets (notes 3 and 13) and contingent consideration (notes 3 and 19).
- On July 31, 2017, the Corporation signed an agreement to acquire and operate SBA Music PTY Ltd., a leading Australian provider of in-store media solutions carrying over 20 years of expertise as a background music provider for total consideration of AU$3,867 ($3,817). It resulted in the recognition of goodwill (notes 3 and 14) and intangible assets (notes 3 and 13).
- On May 26, 2017, the Corporation signed an agreement to acquire and operate C Music TV, a classical and cinematic music video television channel for total consideration of GBP3,345 ($5,790). It resulted in the recognition of goodwill (notes 3 and 14), intangible assets (notes 3 and 13) and contingent consideration (notes 3 and 19).
- 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 total consideration of US$10,888 ($14,602). It resulted in the recognition of goodwill (notes 3 and 14), intangible assets (notes 3 and 13) and contingent consideration (notes 3 and 19).

(In thousands of Canadian dollars, unless otherwise stated)

2. Subsequent events:

Agreement for a business acquisition

- On May 2, 2018, the Corporation announced that it had entered into a definitive agreement with Newfoundland Capital Corporation Limited ("NCC") pursuant to which the Corporation will acquire all of NCC's issued and outstanding shares (the "NCC Shares") for $14.75 per NCC share (the "Purchase Price"), representing a total consideration of approximately $506,000. Under the terms of the agreement, NCC shareholders will receive shares of the Corporation equivalent to $40,000, representing approximately 8% of the total consideration.

  Completion of the acquisition, expected to occur by the end of 2018 but no later than May 2, 2019, is subject to, and conditional upon, the receipt of all necessary approvals, including approval of Canadian Radio-Television and Telecommunications Commission (CRTC) and securing necessary funding.

  The cash element of the Purchase Price will be funded through a combination of the following: $450,000 of new committed credit facilities, $83,000 bought deal public offering of subscription receipts of the Corporation at a price of $10.40 per subscription receipt, $40,000 private placement of subscription receipts of the Corporation at a price of $10.40 per private placement subscription receipt and $17,000 in subscription receipts through the exercise by some shareholders of their multiple voting shares of the Corporation. The terms and conditions of new committed credit facilities are under negotiation.

Subscription receipt offerings

- Following the agreement to purchase NCC, on May 23, 2018, the Corporation completed a subscription receipt offering and issued from treasury 7,981,000 subscription receipts of the Corporation (the "Public Subscription Receipts"), on a bought deal basis, at a price of $10.40 per Public Subscription Receipts for gross proceeds of $83,000 and net proceeds of $79,682. The Corporation has granted the underwriters an option to purchase up to 1,197,150 additional Public Subscription Receipts at a price of $10.40 at any time up until June 22, 2018 for gross proceeds of $12,000.

  Concurrently with the closing of the public offering, the Corporation has issued from treasury 3,846,100 subscription receipts (the "Private Placement Subscription Receipts") at a price of $10.40 per Private Placement Subscription Receipts for gross proceeds of $40,000.

  As a result of the public offering and concurrent private placement, an holder of multiple voting shares of the Corporation, has exercised subscription rights attached to the multiple voting shares of the Corporation and consequently the Corporation issued from treasury 1,452,850 subscription receipts (the "Subscription Receipts") at a price of $10.40 for gross proceeds of $15,000.

  The holders of the Public Subscription Receipts, Private Placement Subscription Receipts and of the Subscription Receipts (together referred as the "Receipt") are entitled to receive a dividend of $0.055 per Receipt totalling $730, which will be payable on June 15, 2018.

3. Business acquisitions:

Year ended March 31, 2018

Qello Concerts

On December 28, 2017, the Corporation purchased certain assets of Qello Holdings LLC, ("Qello Concerts") for total consideration of US$11,621 ($14,546). Qello Concerts is a provider of on-demand concerts and music documentaries. As a result of the acquisition, goodwill of $11,980 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The intangible assets and goodwill will 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 based on the annual growth over the next 3 years ending in November 2020. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

The balance payable on business acquisition is comprise of an amount of US$7,759 ($9,712) paid on January 3, 2018 to the former owners as well as assumed liabilities in the amount of US$2,822 ($3,532). The fair value of these assumed liabilities was $3,532, which represented the gross contractual amount.

The results of the business acquisition of Qello Concerts for the year ended March 31, 2018 are included in results since the date of the acquisition Revenues recorded from the acquisition date to March 31, 2018 were $1,885 and net income was $669. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $5,654 and net income would have been $2,006.

		Preliminary
Assets acquired :		
Intangible assets	$	2,865
Goodwill		11,980
		14,845
Liabilities assumed :		
Deferred revenues		299
		299
Net assets acquired at fair value	$	14,546
Consideration given :		
Balance payable on business acquisition		13,244
Contingent consideration		1,302
	$	14,546

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 remains to be obtained.

(In thousands of Canadian dollars, unless otherwise stated)

Satellite Music Australia PTY Ltd.

On July 31, 2017, the Corporation purchased all of the outstanding shares of Satellite Music Australia PTY Ltd. ("SMA") for total consideration of AU$6,213 ($6,200). SMA is an Australian provider of in-store media solutions. As a result of the acquisition, goodwill of $4,941 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $555 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a fixed amount of AU$900 ($898) upon achievement of certain revenue targets over the next 12 and 18-month periods ending July 2018 and January 2019, respectively. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

The results of the business acquisition of SMA for the year ended March 31, 2018 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2018 were $2,007 and net income was $28. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $3,011 and net income would have been $42.

		Preliminary
Assets acquired :		
Cash and cash equivalents	$	20
Trade and other receivables		555
Inventories		46
Other current assets		43
Property and equipment		9
Intangible assets		1,115
Goodwill		4,941
Deferred tax assets		46
		6,775
Liabilities assumed :		
Accounts payable and accrued liabilities		240
Deferred tax liabilities		335
		575
Net assets acquired at fair value	$	6,200
Consideration given :		
Cash		4,989
Working capital payable		450
Contingent consideration		761
	$	6,200

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 remains to be obtained.

(In thousands of Canadian dollars, unless otherwise stated)

SBA Music PTY Ltd.

On July 31, 2017, the Corporation purchased all of the outstanding shares of SBA Music PTY Ltd. ("SBA") for a total consideration of AU$3,867 ($3,817). SBA is an Australian provider of in-store media solutions. As a result of the acquisition, goodwill of $3,023 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $47 which represented the gross contractual amount.

The results of the business acquisition of SBA for the year ended March 31, 2018 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2018 were $1,618 and net loss was $72. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $2,157 and net loss would have been $96.

		Preliminary
Assets acquired :		
Cash and cash equivalents	$	212
Trade and other receivables		47
Other current assets		109
Property and equipment		19
Intangible assets		1,155
Goodwill		3,023
		4,565
Liabilities assumed :		
Accounts payable and accrued liabilities		402
Deferred tax liabilities		346
		748
Net assets acquired at fair value	$	3,817
Consideration given :		
Cash		3,948
Working capital receivable		(131)
	$	3,817

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 remains to be obtained.

(In thousands of Canadian dollars, unless otherwise stated)

C Music Entertainment Limited

On May 26, 2017, the Corporation purchased all of the outstanding shares of C Music Entertainment Limited ("C Music TV"), for total consideration of GBP3,345 ($5,790). C Music TV is a London-based satellite and cable television channel dedicated to classical, crossover, and cinematic music videos. As a result of the acquisition, goodwill of $2,019 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $742 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a fixed amount of GBP1,440 ($2,492) upon achievement of certain revenues targets over the next 2 years ending in April 2019, subject to a shortfall clause. In addition, in the event that the Corporation exceeds the revenues targets, the Corporation must pay the excess revenues to the former owners. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

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 results of the business acquisition of C Music TV for the year ended March 31, 2018 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2018 were $1,095 and net loss was $253. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $1,276 and net loss would have been $295.

	Preliminary	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 8	$ –	$ 8
Trade and other receivables	742	–	742
Property and equipment	41	–	41
Intangible assets	4,516	(428)	4,088
Goodwill	2,553	(534)	2,019
	7,860	(962)	6,898
Liabilities assumed :			
Accounts payable and accrued liabilities	429	–	429
Deferred tax liabilities	819	(140)	679
	1,248	(140)	1,108
Net assets acquired at fair value	$ 6,612	$ (822)	$ 5,790
Consideration given :			
Cash	3,739	–	3,739
Working capital payable	270	–	270
Contingent consideration	2,603	(822)	1,781
	$ 6,612	$ (822)	$ 5,790

Yokee Music Limited

On May 8, 2017, the Corporation purchased all of the outstanding shares of Yokee Music LTD. ("Yokee") for total consideration of US$10,888 ($14,602). Yokee is an Israel-based provider of three social music apps: Yokee, Yokee Guitar, and Yokee Piano. As a result of the acquisition, goodwill of $5,614 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $970 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a fixed amount of US$3,000 ($4,023) over the next 3 years ending in April 2020, if certain conditions are met. In addition, the Corporation must pay an additional amount of $US3,500 ($4,695) over the same period of time upon achievement of certain revenue growth targets . The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

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 results of the business acquisition of Yokee for the year ended March 31, 2018 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2018 were $7,058 and net income was $41. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $7,771 and net income would have been $45.

	Preliminary	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 1,342	$ –	$ 1,342
Trade and other receivables	926	44	970
Other current assets	34	(1)	33
Property and equipment	114	–	114
Intangible assets	9,642	(962)	8,680
Goodwill	3,561	2,053	5,614
	15,619	1,134	16,753
Liabilities assumed :			
Accounts payable and accrued liabilities	676	277	953
Deferred tax liabilities	2,410	(1,212)	1,198
	3,086	(935)	2,151
Net assets acquired at fair value	$ 12,533	$ 2,069	$ 14,602
Consideration given :			
Cash	8,611	–	8,611
Working capital payable	–	795	795
Contingent consideration	3,922	1,274	5,196
	$ 12,533	$ 2,069	$ 14,602

(In thousands of Canadian dollars, unless otherwise stated)

Year ended March 31, 2017

Nature Vision

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, 2017	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 172	$ –	$ 172
Trade and other receivables	–	56	56
Intangible assets	380	–	380
Goodwill	853	(13)	840
	1,405	43	1,448
Liabilities assumed :			
Accounts payable and accrued liabilities	3	120	123
Deferred tax liabilities	57	–	57
	60	120	180
Net assets acquired at fair value	$ 1,345	$ (77)	$ 1,268
Consideration given :			
Cash	587	–	587
Working capital payable	183	(77)	106
Contingent consideration	575	–	575
	$ 1,345	$ (77)	$ 1,268

Purchase price adjustments within the measurement period have been recorded as at March 31, 2017 (recasted).

(In thousands of Canadian dollars, unless otherwise stated)

Classica GMBH

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, 2017	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 368	$ –	$ 368
Trade and other receivables	1,080	(3)	1,077
Other current assets	63	–	63
Property and equipment	11	–	11
Intangible assets	7,911	–	7,911
Goodwill	4,106	(50)	4,056
	13,539	(53)	13,486
Liabilities assumed :			
Accounts payable and accrued liabilities	1,608	31	1,639
Deferred tax liabilities	1,092	–	1,092
	2,700	31	2,731
Net assets acquired at fair value	$ 10,839	$ (84)	$ 10,755
Consideration given :			
Cash	5,541	–	5,541
Working capital receivable	(189)	(84)	(273)
Balance payable on business acquisition	5,395	–	5,395
Contingent consideration	92	–	92
	$ 10,839	$ (84)	$ 10,755

Purchase price adjustments within the measurement period have been recorded as at March 31, 2017 (recasted).

Festival 4K B.V.

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

		Final
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)

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.

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, 445694 Canada Inc., Stingray Business Inc., Music Choice Europe Limited, Stingray Digital International Ltd., Music Choice India Private Ltd., Xtra Music Ltd., Stingray Europe B.V., Alexander Medien Gruppe GmbH., 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, Think inside the box LLC (Nature Vision TV), Yokee Music Limited, C Music Entertainment Limited, SBA Music PTY Ltd. and its wholly-owned subsidiary, Satellite Music Australia PTY Ltd., and Stingray Music, S.A. de C.V..

Operating segments

Under IFRS 8, *Operating Segments*, the Corporation determined that it operated in a single operating segment 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, goodwill and investment in an associate.

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

	2018	2017
Revenues		
Canada	$ 59,184	$ 56,129
United States	23,870	13,609
Other countries	43,899	31,763
	$ 126,953	$ 101,501

Non-current assets are derived from the following geographic areas based on subsidiaries locations.

	2018	2017 (recasted, see note 3)
Property and equipment, intangible assets, goodwill, investment in an associate and investment in joint venture		
Canada	$ 51,657	$ 52,172
Netherlands	23,634	23,745
Australia	20,726	11,600
United Kingdom	20,608	14,954
United States	16,414	1,370
Israel	12,470	–
Switzerland	9,249	9,455
Germany	7,628	7,679
Other countries	3,511	3,343
	$ 165,897	$ 124,318

(In thousands of Canadian dollars, unless otherwise stated)

5. Other information:

Expenses by nature are as follows:

		2018		2017
Salaries and other short-term employee benefits	$	33,521	$	24,964
Research and development		6,589		6,994
Equipment costs		6,618		4,493
Share-based compensation		1,325		1,332
Restricted and performance share unit expense		1,313		1,112
Deferred share unit expense		911		896

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

		2018		2017
Depreciation, amortization and write-off:				
Music programming, cost of services and content	$	18,927	$	15,612
General and administrative		2,360		1,556
	$	21,287	$	17,168

Music programming, cost of services and content and general and administrative expenses would have been, respectively, $63,154 (2017 – $50,882) and $32,390 (2017 – $20,557), if the presentation by function of depreciation, amortization and write-off expense had been adopted in the statements of comprehensive income.

Transaction costs related to business acquisitions amounting to $1,337 (2017 – $351) have been recognized in general and administrative in the statements of comprehensive income.

Share of the profit of a joint venture of $96 has been presented in general and administrative in the statements of comprehensive income (2017 – $66). No dividends were received from the joint venture during the year ended on March 31, 2018 (2017 - $143).

6. Net finance expense (income):

		2018		2017
Interest expense and standby fees	$	1,445	$	1,170
Change in fair value of contingent consideration and balance payable on business acquisitions		3,196		822
Accretion expense on balance payable on business acquisitions		369		–
Accretion expense on CRTC tangible benefits		244		287
Amortization of financing fees		100		213
Foreign exchange gain		(2,180)		(456)
	$	3,174	$	2,036

(In thousands of Canadian dollars, unless otherwise stated)

7. Income taxes:

The income tax recovery consists of the following:

	2018	2017
Current income tax:		
Current year	$ 1,905	$ 2,103
Adjustment for prior years	(284)	18
	1,621	2,121
Deferred income tax:		
Origination and reversal of temporary differences	(254)	137
Adjustment for prior years	334	21
Change in recognized tax losses and deductible temporary differences	(1,714)	(5,875)
	(1,634)	(5,717)
Total income tax recovery	$ (13)	$ (3,596)

The following table reconciles income tax computed at the Canadian statutory rate of 26.8% (2017 – 26.9%) and the total income tax expense for the years ended March 31:

	2018	2017
Income before income taxes	$ 2,283	$ 7,121
Income tax at the combined Canadian statutory rate	612	1,916
(Decrease) increase resulting from:		
Impact of foreign tax rate differences	(873)	(541)
Permanent differences		
Share-based compensation	355	358
Non-deductible (taxable) exchange loss (gain) on conversion of foreign subsidiaries	188	(620)
Other permanent differences	1,146	242
Change in recognized tax losses and deductible temporary differences	(1,714)	(5,875)
Withholdings taxes	184	973
Other	89	(49)
Total income tax recovery	$ (13)	$ (3,596)

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:

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	$ 1,184	$ –	$ 409	$ 17
Intangible assets and goodwill	716	8,017	112	5,944
Financing fees	1,523	–	1,554	–
Tax losses carried forward	11,416	–	10,644	–
Investments	–	1,897	–	1,981
CRTC tangible benefits	845	–	1,002	–
Restricted and performance share unit	1,127	–	835	–
Balance payable on business acquisitions	729	–	924	–
Others	256	88	112	130
Tax assets and liabilities	17,796	10,002	15,592	8,072
Offsetting of assets and liabilities	(4,846)	(4,846)	(3,367)	(3,367)
Net deferred tax assets and liabilities	$ 12,950	$ 5,156	$ 12,225	$ 4,705

Changes in deferred tax assets and liabilities for the year ended March 31, 2018 are as follow:

	Balance as at March 31, 2017	Recognized in net income	Recognized in equity	Exchange rate change	Business acquisitions	**Balance as at March 31, 2018**
Property and equipment	$ 392	792	–	–	–	1,184
Intangible assets and goodwill	(5,832)	1,362	–	(319)	(2,512)	(7,301)
Financing fees	1,554	(635)	604	–	–	1,523
Tax losses carried forward	10,644	23	–	749	–	11,416
Investments	(1,981)	84	–	–	–	(1,897)
CRTC tangible benefits	1,002	(157)	–	–	–	845
Restricted and performance share unit	835	292	–	–	–	1,127
Balance payable on business acquisitions	924	(268)	–	73	–	729
Others	(18)	141	–	45	–	168
	$ 7,520	1,634	604	548	(2,512)	7,794

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

Unrecognized deferred tax assets:

The Corporation has operating tax losses carried forward of $96,045 that are available to reduce future taxable income. A tax benefit was not recognized for $33,385 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, 2018 and 2017, the amounts and expiry dates of the tax losses carried forward were as follows:

	2018			2017	
	Singapore	Switzerland	United Kingdom	Switzerland	United Kingdom
Tax losses carried forward:					
2018	$ –	$ -	$ –	$ 5,157	$ –
2019	–	4,221	–	4,540	–
2020	–	5,096	–	5,036	–
2021	–	4,826	–	4,769	–
2022	–	3,461	–	3,420	–
2023	–	2,055	–	2,030	–
2024	–	–	–	336	
Indefinite	383	–	76,003	–	76,845
	$ 383	$ 19,659	$ 76,003	$ 25,288	$ 76,845

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.

(In thousands of Canadian dollars, unless otherwise stated)

8. Earnings per share:

	2018	2017
Net income	$ 2,296	$ 10,717
Basic weighted average number of common share and subordinate voting shares, variable subordinate voting shares and multiple voting shares	53,455,073	51,242,611
Dilutive effect of stock options	625,111	254,899
Diluted weighted average number of common share and subordinated voting shares, variable subordinated voting shares and multiple voting shares	54,080,184	51,497,510
Earnings per share – Basic	$ 0.04	$ 0.21
Earnings per share – Diluted	$ 0.04	$ 0.21

9. Trade and other receivables:

	2018	2017 (recasted, see note 3)
Trade	$ 31,335	$ 24,252
Other receivables	1,929	1,799
Sales taxes receivable	1,570	1,022
	$ 34,834	$ 27,073

10. Research and development tax credits:

As at March 31, 2018, tax credits receivable of $610 (2017 - $486) 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.

Tax credits amounted to $790 (2017 - $887) was credited to research and development, support and information technology expense in the statement of comprehensive income and $106 (2017 – nil) was credited to intangible assets.

11. Inventories:

	2018	2017
Music transmission equipment hardware	$ 877	$ 550
Television equipment, speakers and other	907	683
	$ 1,784	$ 1,233

(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, 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
Additions	5,879	2,213	562	8,654
Additions through business acquisitions	33	133	18	184
Disposals and write-off	(184)	(3)	–	(187)
Foreign exchange differences	14	109	1	124
Balance at March 31, 2018	13,832	8,442	1,963	24,237
Accumulated depreciation:				
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
Depreciation for the year	1,322	1,370	273	2,965
Disposals and write-off	(86)	(4)	–	(90)
Foreign exchange differences	25	75	1	101
Balance at March 31, 2018	$ 5,891	$ 5,877	$ 1,334	$ 13,102
Net carrying amounts:				
March 31, 2017	$ 3,460	$ 1,554	$ 322	$ 5,336
March 31, 2018	$ 7,941	$ 2,565	$ 629	$ 11,135

(In thousands of Canadian dollars, unless otherwise stated)

13. Intangible assets:

	Internally developed intangible assets	Music catalog	Client list and relationships	Trademark	Licenses, website application and computer software	Non-compete agreement	Total
Cost:							
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 acquisitions	–	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
Additions	1,975	625	–	17	1,421	–	4,038
Additions through business acquisitions	–	205	5,416	2,913	8,281	1,088	17,903
Foreign exchange differences	–	20	1,089	360	214	179	1,862
Balance at March 31, 2018	1,975	11,243	99,285	10,518	19,435	6,488	148,944
Accumulated depreciation:							
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
Amortization for the year	–	869	12,070	1,102	3,048	1,136	18,225
Foreign exchange differences	–	9	518	82	83	50	742
Balance at March 31, 2018	$ –	$ 5,028	$ 73,705	$ 2,713	$ 9,011	$ 4,132	$ 94,589
Net carrying amounts:							
March 31, 2017	$ –	$ 6,243	$ 31,663	$ 5,699	$ 3,639	$ 2,275	$ 49,519
March 31, 2018	$ 1,975	$ 6,215	$ 25,580	$ 7,805	$ 10,424	$ 2,356	$ 54,335

(In thousands of Canadian dollars, unless otherwise stated)

14. Goodwill:

		2018		2017 (recasted, see note 3)
Balance, beginning of year	$	68,725	$	61,805
Business acquisitions (note 3)		27,577		6,673
Foreign exchange differences		2,165		247
Balance, end of year	$	98,467	$	68,725

For the purpose of impairment testing, goodwill of $98,467 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 2018. 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 value in use was calculated using unobservable (Level 3) inputs such as the budgeted and projected 2019-2023 revenues and EBITDA margin. The EBITDA is defined as net income before net finance costs, change in fair value of investments, 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 32%. The Corporation also used a discount rate of 12%, 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.

(In thousands of Canadian dollars, unless otherwise stated)

15. Investments:

		2018		2017
Balance, beginning of year	$	17,351	$	16,943
Proceeds from disposal of an investment		(1,218)		–
Change in fair value during the year, including foreign exchange gain (loss)		(600)		408
Balance, end of year	$	15,533	$	17,351

As at March 31, 2018, investment consist of an investment in convertible preferred shares of a private entity, AppDirect. As at March 31, 2017, investments consist 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 ($330) in convertible preferred shares. The fair value of this investment is US$12,046 ($15,533) as at March 31, 2018 and was US$12,046 ($16,021) as at March 31, 2017.

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 ($1,335) in convertible note having a five years maturity. The convertible note 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. During the year ended March 31, 2018, the convertible note was entirely settled in cash and a foreign exchange loss of $112 was recognized in net finance expense (income) (note 6). The fair value of this investment was US$1,000 ($1,330) as at March 31, 2017.

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 25.

16. Investment in an associate:

On November 24, 2017, the Corporation acquired a 40% interest in Business Transportation Services Limited Partnership (the "Partnership"), formed to own and operate one or more airplanes for the benefit of the limited partners and third parties. The acquisition of the 40% interest in the Partnership was completed for cash consideration of $1,106.

The following table summarized financial information of the Partnership as at March 31, 2018:

		2018
Current asset	$	–
Non-current asset		2,765
Current liabilities		–
Net asset		2,765
Carrying amount of the Corporation's interest in the Partnership	$	1,106

The associate had no capital commitments as at March 31, 2018.

(In thousands of Canadian dollars, unless otherwise stated)

17. Accounts payable and accrued liabilities:

		2018		2017 (recasted, see note 3)
Trade	$	7,908	$	8,125
Accrued liabilities		26,297		20,824
Sales taxes payable		994		824
	$	35,199	$	29,773

18. Revolving facility:

Movements in revolving facility are as follows:

		2018		2017
Balance, beginning of year	$	41,040	$	35,035
Net increase (decrease) in revolving facility		(2,413)		6,005
Balance, end of year	$	38,627	$	41,040
Current portion	$	–	$	–
Non-current portion		38,627		41,040

The Corporation has a revolving credit facility (“revolving facility”) for an authorized amount up to $100,000, maturing in June 2020. The revolving facility bears interest at an annual rate equal to the banker’s acceptance rate plus an applicable margin based on a financial covenant (1.38% as at March 31, 2018 and 1.50% as at March 31, 2017) 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 0.28% (0.30% as at March 31, 2017) on the unused portion of the revolving facility. The Corporation is required to comply with financial covenants.

As at March 31, 2018, the Corporation was in compliance with all the requirements of its credit agreement.

19. Other payables:

Other payables consist of the following:

		2018		2017
Contingent consideration	$	15,596	$	12,956
Balance payable on business acquisitions		9,321		5,845
CRTC tangible benefits		3,170		3,724
Post employment benefit obligations		–		13
		28,087		22,538
Current portion		(13,212)		(9,498)
	$	14,875	$	13,040

(In thousands of Canadian dollars, unless otherwise stated)

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. 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 $15,596 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 25. The estimates are based on a discount rate ranging from 5% to 27%. During the year ended March 31, 2018, the contingent consideration of Les Réseaux Urbains Viva Inc. and Festival 4K B.V. have been reviewed, as the actual sales revenues expected to be achieved by the acquired companies are either above or below the maximum threshold. An aggregate gain of $204 was included in net finance expense (income). During the year ended March 31, 2018, the contingent consideration of Digital Music Distribution Pty Ltd. and Telefonica – On the Spot were paid and a partial payment was also made regarding the contingent consideration of Les Réseaux Urbains Viva Inc. (see note 25).

(In thousands of Canadian dollars, unless otherwise stated)

20. Share capital:

Authorized:

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, 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

	Number of shares	Carrying amount
Year ended March 31, 2018		
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
Issuance upon bought deal and exercise of over-allotment option		
Subordinate voting shares and variable subordinate voting shares	4,900,200	45,082
Share issuance costs, net of income taxes of $604	–	(1,669)
Issued upon exercise of stock options		
Subordinate voting shares	85,198	301
Purchased and held in trust through employee share purchase plan		
Subordinate voting shares	(6,011)	(60)
As at March 31, 2018		
Subordinate voting shares and variable subordinate voting shares	40,011,468	145,238
Multiple voting shares	16,294,285	1,116
	56,305,753	$ 146,354

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, 2018

On March 29, 2018, the Corporation declared a dividend of $0.055 per subordinate voting share, variable subordinate voting share and multiple voting share, totaling $3,097 that will be payable on or around June 15, 2018 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of May 31, 2018.

On October 24, 2017, the Corporation completed a bought deal offering of an aggregate 4,348,000 subordinate voting shares and variable subordinate voting shares of the Corporation at a price of $9.20 per share for gross proceeds of $40,002 and net proceeds of $38,402. On November 7, 2017 the underwriters exercised part of their over-allotment option and bought an additional 552,200 subordinate voting shares at a price of $9.20 for gross proceeds of $5,080 and net proceeds of $4,877.

Share issuance costs for both issuances amounted to $2,273 which have been recognized as a reduction of share capital net of income taxes of $604.

During the year, 85,198 stock options were exercised and consequently, the Corporation issued 85,198 subordinate voting shares. The proceeds amounted to $168. An amount of $133 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On February 7, 2018, the Corporation declared a dividend of $0.055 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $3,096 was paid on March 15, 2018.

On November 8, 2017, the Corporation declared a dividend of $0.05 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $2,814 was paid on December 15, 2017.

On August 1, 2017, the Corporation declared a dividend of $0.05 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $2,567 was paid on September 15, 2017.

On April 28, 2017, the Corporation declared a dividend of $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $2,310 was paid on June 15, 2017.

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.

(In thousands of Canadian dollars, unless otherwise stated)

21. Supplemental cash flow information:

	2018	2017
Trade and other receivables	$ (6,209)	$ 1,401
Research and development tax credit	(80)	(250)
Inventories	(551)	(315)
Other current assets	(1,928)	(874)
Other non-current assets	–	(79)
Accounts payable and accrued liabilities	(848)	(1,092)
Deferred revenues	413	166
Income taxes payable	(1,187)	(482)
Other payables	(1,724)	(793)
Other	(13)	(53)
	$ (12,127)	$ (2,371)

Additions to property and equipment and intangible assets and not affecting cash and cash equivalents amounted to $899 (2017 – $513) and $159 (2017 – $9), respectively, during the year ended March 31, 2018.

22. Share-based compensation:

Stock options plan

The Corporation has a 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, which was amended on June 7, 2017, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserve for issuance. The terms and conditions for acquiring and exercising options are set by the Board of Directors. Unless otherwise determined by the Board of Directors, each option shall expire at the latest on the tenth anniversary of the grant date. The total number of shares issued to a single person cannot exceed 10% of the Corporation's total issued and outstanding common shares on a fully diluted basis.

Under the stock option plan, 1,965,227 stock options were outstanding as at March 31, 2018. 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, 2018 and 2017:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	1,397,185	$ 4.93	1,288,757	$ 3.50
Granted	682,429	7.66	369,187	7.37
Exercised (note 20)	(85,198)	1.98	(218,391)	1.21
Forfeited	(29,189)	6.11	(42,368)	2.26
Options outstanding, end of year	1,965,227	5.99	1,397,185	4.93
Exercisable options, end of year	780,045	$ 3.97	573,022	$ 2.74

(In thousands of Canadian dollars, unless otherwise stated)

The following is a summary of the information on the outstanding stock options as at March 31, 2018 and 2017:

		Outstanding options	Exercisable options
Exercise price	Number of options outstanding	Weighted average outstanding contractual life outstanding (years)	Number
March 31, 2018			
$ 0.46	130,000	4.18	130,000
1.46	25,000	5.63	25,000
2.26	270,731	6.69	261,725
6.25	387,880	7.12	214,773
7.00	125,000	7.36	62,500
7.27	327,631	8.21	81,908
7.62	661,421	9.23	–
8.89	21,008	9.42	–
9.00	16,556	8.90	4,139
$ 5.99	1,965,227	7.69	780,045
March 31, 2017			
$ 0.46	155,000	5.18	155,000
1.46	25,000	6.63	25,000
2.26	335,118	7.68	254,385
6.25	387,880	8.12	107,387
7.00	125,000	8.36	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	7.98	573,022

The weighted average fair value of the stock options granted during the year ended March 31, 2018 was $1.64 per stock option (2017 – $2.42). 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:

	2018	2017
Weighted average volatility	30%	35%
Weighted average risk-free interest rate	1.12% – 1.51%	1.12% – 1.76%
Weighted average expected life of options	5 years	5 years
Weighted average value of the subordinate voting share at grant date	$7.62 – $8.89	$7.27 – $9.00
Weighted average expected dividend rate	2.25% – 2.37%	1.78% – 1.95%

The weighted average volatility used is calculated based on a combination of comparable publicly-traded companies and the Corporation's historical volatility.

Total share-based compensation costs recognized under this stock option plan amount to $1,126 for the year ended March 31, 2018 (2017 – $1,332).

The weighted average share price at the date of exercise for share options exercised during the year ended March 31, 2018 was $8.75 (2017 – $7.30).

(In thousands of Canadian dollars, unless otherwise stated)

Employee share purchase plan

The Corporation established on July 1, 2017 an employee share purchase plan (“ESPP”) to attract and retain employees. Under this plan, eligible employees, including certain key management personnel, are permitted to contribute up to a maximum of 6% of their eligible earnings to purchase the Corporation’s subordinate voting shares and variable subordinate voting shares. Subject to certain conditions, the Corporation will match a percentage of the employee’s contributions up to a maximum of 2% of the employee’s eligible earnings and the shares purchased with the Corporation’s contributions become vested on January 31st of the following year. All contributions are used by the plan’s trustee to purchase subordinate voting shares and variable subordinate voting shares in the open market, on behalf of employees.

The following summarizes the changes in the plan’s position for the year ended March 31, 2018:

	2018		
	Number of units		Amount
Unvested contributions, beginning of year	–	$	–
Contributions	7,850		77
Dividend credited	34		–
Vested	(1,839)		(17)
Unvested contributions, end of year	6,045	$	60

The weighted average fair value of the shares contributed was $9.87 during the year ended March 31, 2018 (2017 – nil).

Total share-based compensation costs recognized under the ESPP amount to $80 during the year ended March 31, 2018 (2017 – nil).

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, 2018, 1,319 RSU (2017 – 3,115 RSU) were granted at a range of $7.64 to $9.99 (2017 – $7.27 to $8.59) per unit to executives and employees and no outstanding RSU were vested. The total share-based compensation expense related to RSU plans amounted to $430 in 2018 (2017 – $751). As at March 31, 2018, the fair value per unit was $10.36 (2017 – $8.43) for a total amount of $680 (2017 – $1,468) 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, 2018 and 2017:

	2018		2017	
	Number of units	Amount	Number of units	Amount
Balance, beginning of year	197,448	$ 1,468	219,772	$ 771
Granted	1,319	–	3,115	–
Revision of estimates	–	444	–	859
Liabilities settled	(136,581)	(1,218)	(11,624)	(54)
Forfeited	(2,474)	(14)	(13,815)	(108)
Balance, end of year	59,712	$ 680	197,448	$ 1,468
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, 2018, 166,287 PSU (2017 – 135,787) were granted at a range of $7.57 to $10.04 (2017 – $6.98) per unit to executives and employees and no outstanding PSU were vested. The total share-based compensation expense related to PSU plans amounted to $883 in 2018 (2017 – $361). As at March 31, 2018, the fair value per unit was $10.36 (2017 – $8.43) for a total amount of $1,244 (2017 – $361) 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, 2018 and 2017:

	2018		2017	
	Number of units	Amount	Number of units	Amount
Balance, beginning of year	131,781	$ 361	–	$ –
Granted	166,287	–	135,787	–
Revision of estimates	–	926	–	368
Forfeited	(13,588)	(43)	(4,006)	(7)
Balance, end of year	284,480	$ 1,244	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.

(In thousands of Canadian dollars, unless otherwise stated)

During the year ended March 31, 2018, 62,740 DSU (2017 – 85,350) were granted at a range of $7.55 to $10.10 per unit to directors (2017 – $8.39 to $8.95) and no outstanding DSU were vested. The total expense related to DSU plans amounted to $911 in 2018 (2017 – $896). As at March 31, 2018, the fair value per unit ranged from $10.22 to $10.36 (2017 – $8.43 to $8.45) for a total amount of $1,886 (2017 – 1,267) 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, 2018 and 2017:

	2018		2017	
	Number of units	Amount	Number of units	Amount
Balance, beginning of year	138,072	$ 1,267	52,722	$ 371
Granted	62,740	–	85,350	–
Liabilities settled	(18,443)	(174)	–	–
Revision of estimates	–	911	–	896
Balance, end of year	182,369	$ 2,004	138,072	$ 1,267
Balance, vested	–	–	–	–

23. Commitments:

Operating leases

As at March 31, 2018, the balance of the commitments under the terms of the operating leases for premises amounts to $14,415. Minimum lease payments over the next five years and thereafter are as follows:

2019	$ 4,931
2020	3,561
2021	2,822
2022	1,971
2023 and thereafter	1,130

During the year ended March 31, 2018, an amount of $5,132 (2017 – $4,734) 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, 2018, an amount of $358 (2017 – $388) 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.

24. 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 19 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 for carried forward tax losses – note 7
- Estimated fair value of certain investments – note 15
- Estimated goodwill impairment – note 14
- Estimation of fair value of identified assets, liabilities and contingent consideration of business acquisitions – notes 3 and 19

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.

(In thousands of Canadian dollars, unless otherwise stated)

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 property and equipment, 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.

- Recognition of internally developed intangible assets

  Management must use its judgment in determining whether an internally developed intangible asset qualifies for recognition, such as, but not limited to, assessing the technological feasibility of a project and determining the appropriate internal costs to be capitalized. This exercise requires management to distinguish between the costs necessary to generate an intangible asset from the costs necessary to maintain it. Recognition of an internally developed intangible asset would lead to an increase of amortization expense as the opposite would lead to an increase of research and development costs.

  Judgment is also involved in determining the estimated useful life of an internally developed intangible asset. Increasing an asset’s estimated useful life would result in a decrease of the annual amortization expense.

(In thousands of Canadian dollars, unless otherwise stated)

25. 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, 2018	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 3,362				
Trade and other receivables	33,264				
Financial assets measured at fair value					
Investment	$ 15,533	$ 15,533	$ –	$ –	$ 15,533
Financial liabilities measured at amortized cost					
Revolving facility	$ 38,627				
Accounts payable and accrued liabilities	34,205				
CRTC tangible benefits	3,170				
Balance payable on business acquisitions	9,321				
Financial liabilities measured at fair value					
Contingent consideration	$ 15,596	$ 15,596	$ –	$ –	$ 15,596

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	26,051				
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	28,949				
CRTC tangible benefits and post-employment benefit obligations	3,737				
Balance payable on business acquisitions	5,845				
Financial liabilities measured at fair value					
Contingent consideration	$ 12,956	$ 12,956	$ –	$ –	$ 12,956

Fair value measurement (Level 3):

		Investments		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 through asset acquisition		–		651
Change in fair value		408		669
Settlements		–		(2,349)
Closing amount as at March 31, 2017	$	17,351	$	12,956
Year ended March 31, 2018				
Opening amount as at March 31, 2017	$	17,351	$	12,956
Additions through business acquisitions		–		9,040
Change in fair value		(600)		2,480
Settlements		(1,218)		(8,880)
Closing amount as at March 31, 2018	$	15,533	$	15,596

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, 2018 and 2017, 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, 2018 and 2017, the equity instrument in a private entity is classified as a financial asset at fair value through profit and loss. A change of 5% in the liquidity discount would have increased / decreased the fair value of the investment by approximately $1,035 and $1,068 during the years ended March 31, 2018 and 2017, respectively.

Convertible note

During the year ended March 31, 2018, the convertible note was entirely recovered and a foreign exchange loss of $112 was recognized in net finance expense (income).

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 $1,995 and if projected cash flows were 10% lower, the fair value would have decrease by $1,613. Discount rates ranging from 5% to 27% 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 $141. The contingent consideration is classified as a financial liability and is included in other payables (note 19). The change in fair value is recognized in net finance expense (income) (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 receivables; 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 receivables is limited.

The aging of trade receivable balances and the allowance for doubtful accounts as at March 31, 2018 and March 31, 2017 were as follows:

		2018		2017
Current	$	12,409	$	8,980
Past due 0-30 days		6,484		5,825
Past due 31-60 days		3,522		2,374
Past due 61-90 days		1,737		2,207
Past due more than 90 days		7,749		5,340
Total trade receivables		31,901		24,726
Less : allowance for doubtful accounts		566		474
	$	31,335	$	24,252

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

		2018		2017
Balance, beginning of year	$	474	$	349
Bad debt expense		741		267
Write-off against reserve		(649)		(142)
Balance, end of year	$	566	$	474

The Corporation also has credit risk relating to cash and cash equivalents and other receivables. 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.

The following are the contractual maturities of financial liabilities including estimated interest payments as at March 31, 2018:

	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Revolving facility	$ 38,627	$ 38,627	$ –	$ 38,627	$ –
Accounts payables and accrued liabilities	34,205	34,205	34,205	–	–
Other payables	28,087	33,764	13,260	16,682	3,822

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”) 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.

(In thousands of Canadian dollars, unless otherwise stated)

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

	March 31, 2018		March 31, 2017	
	USD	EURO	USD	EURO
Cash and cash equivalents	938	949	922	502
Trade receivables	10,542	3,989	6,016	3,990
Income tax receivable (payable)	(216)	28	(66)	(64)
Investments	12,046	–	13,046	–
Investments in joint venture	–	525	–	518
Credit facility	(14,150)	–	–	(1,700)
Accounts payable and accrued liabilities	(2,250)	(1,061)	(3,870)	(777)
Contingent consideration and balance payable on business acquisitions	(10,365)	(6,419)	(657)	(2,843)
Net balance exposure	(3,455)	(1,989)	15,391	(374)
Equivalent in Canadian dollars	(4,455)	(3,156)	20,470	(533)

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

	2018		2017	
	Average	Reporting	Average	Reporting
USD per CAD	1.2926	1.2894	1.3371	1.3300
EURO per CAD	1.5936	1.5867	1.4286	1.4251

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 and EURO would have increased (decreased) the net income and reduced (increased) the deficit as follows, assuming that all other variables remained constant:

	March 31, 2018		March 31, 2017	
	USD	EURO	USD	EURO
Increase (decrease) in net income	(223)	(160)	1,024	(27)

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.

(In thousands of Canadian dollars, unless otherwise stated)

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 $38,627 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 net income by approximately $145 (2017 – $117) during the year. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

26. 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:

	2018	2017
Contingent consideration, including current portion	$ 15,596	$ 12,956
Balance payable on business acquisitions, including current portion	9,321	5,845
Revolving facility	38,627	41,040
Cash and cash equivalents	(3,362)	(5,862)
Net debt including contingent consideration	60,182	53,979
Total equity	129,607	94,948
	$ 189,789	$ 148,927

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.

(In thousands of Canadian dollars, unless otherwise stated)

27. 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:

		2018		2017
Short-term employee benefits	$	4,350	$	3,361
Share-based compensation		921		810
Restricted and performance share units		557		407
Deferred share units		911		896
	$	6,739	$	5,474

28. 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 6, 2018.

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;
- Liabilities related to deferred share unit plan, restricted share unit and performance share unit plan measured at fair value at year-end in accordance with IFRS 2;
- Equity stock options which are measured at fair value at date of grant pursuant to IFRS 2; and
- Assets and liabilities acquired in business combinations are measured at fair value at acquisition date.

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.

29. 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., 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, Think inside the box LLC (Nature Vision

TV), Yokee Music Limited, C Music Entertainment Limited, SBA Music PTY Ltd. and its wholly-owned subsidiary, Satellite Music Australia PTY Ltd., and Stingray Music, S.A. de C.V.

Investment in an associate:

An associate is an entity over which the Corporation has significant influence. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control. The Company accounts for its investment in an associate using the equity method. Under the equity method, the investment is initially recognized at cost. Subsequent to initial recognition, the consolidated financial statements include the Corporation's share of the earnings and losses of the associate until the date significant influence ceases. Distributions received from an associate reduce the carrying amount of the investment. The consolidated statements of comprehensive income include the Corporations' share of any amounts recognized by its associate in other comprehensive income, if any. Intercompany balances between the Corporation and its associate are not eliminated.

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.

(In thousands of Canadian dollars, unless otherwise stated)

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 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.

(c) Revenue recognition:

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

Rendering of services

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

On-demand products

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

Media solutions projects

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

Other revenues

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

(d) Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development costs, net of tax credits, are recognized in profit or loss as incurred, unless the costs can be measured reliably, the product or process is technically feasible, future economic benefits are probable and the Corporation intends to and has sufficient resources to complete the development and to use or sell the asset. In such a case, costs are recognized as internally developed intangible assets (see (m) intangible assets).

(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) Leases 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 contingent consideration. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on revolving facility, 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 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.

(In thousands of Canadian dollars, unless otherwise stated)

(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 profit or 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 or 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 prospectively.

(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 clients 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.

Amounts capitalized as internally developed intangible assets include the total cost of any external products or services and labour costs directly attributable to development.

Amortization

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

Internally developed intangible assets, net of related tax credits, are amortized starting from the date the products and services are commercialized.

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

Intangible assets	Period
Internally developed intangible assets	2 to 5 years
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 prospectively.

(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.

(In thousands of Canadian dollars, unless otherwise stated)

(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) 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.

(iii) Restricted and performance share units and deferred share units plans:

Restricted share units, performance unit plan and deferred share units 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 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.

(iv) Employee share purchase plan:

The Corporation's contributions, used to purchase shares on the open market on behalf of employees, are recognized when incurred as an employee benefit expense, with a corresponding increase in contributed surplus. The amount expensed is adjusted to reflect the number of awards for which it is expected that the vesting conditions will be met, so that the amount ultimately expensed will depend on the number of awards that meet the vesting conditions at the vesting date.

Unvested shares held in trust on behalf of employees are treasury shares and therefore deducted from equity until they become vested.

(r) Share capital:

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.

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

IFRS 15 - *Revenue from Contracts with Customers*

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 intends to adopt retrospectively IFRS 15 in its consolidated financial statements for the annual period beginning on April 1, 2018 and does not expect the standard to have a material impact on the financial statements except for the gross or net presentation of certain B2C applications revenues streams, such as mobile applications. The Corporation currently accounts for its applications revenues on a net basis presentation.

Under current IFRS guidance, determining whether an entity is acting as an agent or principal is not based on the application of specific indicators and judgment is required to determine whether gross or net presentation is appropriate. Under IFRS 15 guidance, the new model of revenue recognition is based on the core "transfer of control" principle that is used to determine the primary obligator of the service rendered. In this context, the company will be considered as the principal and therefore will recognize these revenues on a gross basis presentation.

The impact on net income is expected to be nil, and the impact on revenues and music programming, cost of services and content as follows:

(in thousands of Canadian dollars)	2018 under current IFRS	2018 under IFRS 15
Revenues	$ 126,953	$ 130,475
Music programming, cost of services and content	$ 44,227	$ 47,749

(In thousands of Canadian dollars, unless otherwise stated)

IFRS 9 – *Financial instruments*

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

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 amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on April 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

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 Corporation will adopt the Interpretation in its financial statements for the annual period beginning on April 1, 2018. The Corporation does not expect the Interpretation to have a material impact on the financial statements.

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.

GLOSSARY **OF TERMS**

Video On Demand (VOD)
A system in which viewers choose their own filmed entertainment, by means of a PC or interactive TV system, from a wide selection.

Subscription Video On Demand (SVOD)
Refers to a service that gives users unlimited access to a wide range of programs for a monthly flat rate. The users have full control over the subscription, and can decide when to start the program.

Over the top (OTT)
Refers to film and television content provided via a high-speed Internet connection rather than a cable or satellite provider.

4K UHD
Ultra-high-definition (UHD) television, also abbreviated UHDTV, is a digital television display format in which the horizontal screen resolution is on the order of 4000 pixels (4K UHD).

Pay TV
Television broadcasting in which viewers pay by subscription to watch a particular channel.

IPTV
Internet Protocol television (IPTV) is the process of transmitting and broadcasting television programs through the Internet using Internet Protocol (IP)

Satellite TV
Television broadcasting using a satellite to relay signals to appropriately equipped customers in a particular area.

ANNUAL GENERAL **MEETING OF SHAREHOLDERS**

The Annual General Meeting will be held on August 8, 2018 at:

Stingray Headquarters
730 Wellington Street
8th Floor
Montreal, Quebec
H3C 1T4

STOCK **EXCHANGE**

TSX: RAY.A and RAY.B

PROVISIONAL CALENDAR **OF RESULTS**

First quarter of 2019
August 8, 2018

Second quarter of 2019
November 8, 2018

Third quarter of 2019
February 7, 2019

Fourth quarter of 2019
June 6, 2019

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