



2020

ANNUAL REPORT

Year Ended March 31, 2020
Stingray Group Inc.



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WORD FROM THE CEO

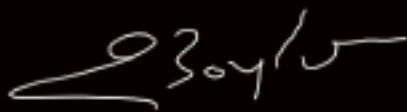
Dear investors, partners, clients,
and colleagues,

As I write these words, the world is experiencing a monumental shift. The COVID-19 pandemic has transformed our lives in ways we could not have imagined possible only a few months ago. While social distancing has driven us apart, it has also brought us closer; often thanks to the healing power of music. I have never been prouder to have built a company designed to bring joy to and positively impact millions around the world.

I always end this yearly message with words of thanks, but this year, gratitude comes first. I want to thank the members of the Stingray team for showing extraordinary resilience in these difficult times. Every success we achieve reflects your inspiring solidarity. You have proven that there is no hardship that we cannot overcome together.

I also want to take this opportunity to address our partners and shareholders directly. Your trust has allowed us to build a company that continues to thrive and break records even under the most challenging of circumstances. As a result of your support, we have grown beyond even our own expectations and our business is stronger than it's ever been, even as the world faces economic uncertainty.

In Fiscal 2020, revenues have continued to show strong growth. Revenues increased by 44.2%, reaching \$306.7 million (compared to \$212.7 million in Fiscal 2019). At the same time, Adjusted EBITDA⁽¹⁾ increased by 63.5% to \$118.1 million and net income was \$14 million (\$0.18 per share). Cash flow from operating activities was \$88.1 million and Adjusted free cash flow⁽¹⁾ increased 101.8% to \$78.4 million.



Eric Boyko
President, Co-founder and CEO

(1) Refer to "Supplemental information on Non-IFRS measures" on page 30 and 36



CONNECTING WITH MUSIC FANS

Those of you who have been following the Stingray story know that we never stand still; we are relentlessly focused on diversifying our business model and consumer base. In 2018, I shared with you our ambition to break through the direct-to-consumer market with subscription-based ad-supported products. Our rigorous approach to product development and deployment has paid off in audience growth and profitability.

Building connections with music fans through content that resonates on an emotional level is crucial to outpacing the competition. This year, Qello Concerts, our multiplatform service that transforms any screen into a live concert experience, was selected as the exclusive livestream partner of the KABOO Del Mar festival and the Hi, How Are You Day concert event, giving subscribers free access to some of the biggest names in music such as Sheryl Crow, OneRepublic, Boys II Men, Cage the Elephant, Jason Falkner, and more. The music industry is recognizing our formidable reach to promote artists across a multiplatform range of services.

I am confident that we are taking the right steps to create a consumer brand on a par with the industry's most recognizable players.

GROWING PRODUCT PORTFOLIO

It's hard to imagine that a little over 10 years ago, Stingray was launched with only a karaoke service to its name. How far we've come! Today, we can boast of music services for every taste and demographic, each expertly curated by in-house members of our programming team.

Most recently, we introduced Stingray Country, the only music video television channel dedicated to country music for Canadian TV subscribers. By focusing on catering to the needs of underserved markets, we are constantly tapping into new streams of revenue. The channel is already carried by operators Cogeco, Bell, and Shaw amongst many long-time partners.

The crux of our growth this year is the addition of free, ad-supported streaming (FAST) channels to our offering. Qello Concerts, Stingray Karaoke, Stingray Classica, Stingray Naturescape, and Stingray Music are now available in this new ad-supported format. Distribution agreements with OTT giants Samsung, STIRR, Huawei Video, izzi, XUMO, LG, Vizio, and TiVo Plus have grown our potential reach by over 300 million.

It bears repeating that being at the forefront of the On-Demand economy is crucial to distinguishing ourselves and competing at the national and international levels.



EXPANDING IN THE **GLOBAL MARKETPLACE**

Stingray has had global ambitions from the start. As attached as we are to our Montreal roots, we aim to expand to the four corners of the world. We are well on our way with products and services distributed in over 156 countries... and counting.

In the past 12 months, we have signed a distribution agreement with Asociación de Telecomunicaciones Independientes de Mexico to bring a wealth of music options to rural and suburban regions of Mexico, launched Stingray Music with SKY Brazil, partnered with Deutsche Netzmarketing GmbH to provide three native 4K UHD specialty TV channels to German audiences, and expanded into the Maldives with the launch of Stingray Music with leading local digital service provider Dhiraagu.

CONSOLIDATING **PARTNERSHIPS**

Modern consumers expect to have their needs catered for with entertainment options that focus on niche rather than generic content. Thanks to our keen understanding of audience expectations and ability to bring new services to market at record speed, we can jump in with high-quality products that give our partners a massive competitive advantage.

The numbers speak volumes. For example, according to a Canadian Listenership Study conducted by Maru/Matchbox, in January 2020, 44% of Canadians with pay-TV subscriptions reported tuning into a Stingray Music channel, a 10% increase over September and January 2019.

Every metric demonstrates that pay-TV providers and marketers can count on our services to engage and retain consumers.

In the spring, we announced the second launch of Stingray products with Bell in less than a year. Bell Fibe TV subscribers can now access two Qello Concerts and Stingray Karaoke On-Demand. Also, three of Stingray's popular 24/7 music video channels – PalmarèsADISQ par Stingray, Stingray Hits!, and Stingray Retro – are now available to Bell Satellite TV subscribers at no extra charge.

We also renewed our longstanding relationship with Rogers Communications, Canada's largest operator. As part of the agreement, Rogers television customers (cable and IPTV) have access to Stingray Music on TV, web, and mobile in addition to 4K channels including Stingray Festival 4K and Stingray Now 4K. The deal also provides Rogers with rights to distribute new Stingray products.

The world's biggest brands expect and deserve outstanding service and value. Having Tesla select Stingray Karaoke to power its new Caraoke feature worldwide confirms that Stingray has built a solid reputation for excellence and is well-positioned to diversify into new sectors and drive even more growth in the years ahead.



EMPOWERING RETAILERS

I am pleased to report that we continue to dominate the Canadian in-store music market.

To deepen our customer experience expertise, in January, we acquired Chatter Research Inc., a Toronto-based leader in the design, development, and implementation of AI-driven real-time customer feedback solutions for retail and hospitality businesses. Stingray Business clients can now benefit from Chatter's proprietary customer research and real-time feedback platform powered by AI and big data.

As we've witnessed in the past months, grocery stores and pharmacies are amongst our society's essential services. In November, we concluded a long-term deal with METRO to provide custom music programming and in-store messaging for over one thousand grocery stores and pharmacies. Retail banners included in the agreement include Metro and Metro Plus in Quebec, Metro in Ontario, Super C, Food Basics, Adonis, Les 5 Saisons, Brunet, and Jean Coutu. Our digital media expertise gives merchants the power to control their messaging and customize their audio offering, which is key to creating commercial environments that align with their brand image.

LOOKING TO THE FUTURE

I am humbled to be in a position to share such positive news this year, even from the depth of a global health crisis. I am convinced that we will come out of this experience a stronger and more committed organization than ever.

As always, we will continue to move forward with optimism and confidence, guided by our purpose of building the world's greatest music services company.

I will close as I started, with a heartfelt thank you. Thank you to every member of the Stingray team for never losing your focus on serving our clients and bringing them happiness through music. Thank you to our executive team for helping build a remarkable company through inspiring leadership and for putting the health and well-being of our people first. Thank you to our partners and shareholders for sharing our vision.

Take care of yourselves, your friends, and family in the months to come.

Sincerely,
Eric Boyko

WORD FROM THE CHAIRMAN

Looking back on the past year, I am proud of what we have achieved during a very difficult time. I am proud of the Stingray team whose steadfast dedication and professionalism are making a difference in people's lives through the powerful force of music.

Over the past weeks, it has been gratifying to see Stingray management impressively juggle the challenges of putting the well-being of their people first while diligently pursuing global deployments and concluding distribution agreements with operators around the world, from the U.S. to Mexico and Germany – in other words, continuing to grow our future while managing through a challenging present.

This year, we have focused on pursuing our entry into the direct-to-consumer market, growing our brand notoriety, and developing an ad-supported service offering. All with astounding success.

The introduction of AUDIO360™, an advanced, multi-platform audio sales solution, in partnership with Bell Media, has given Stingray a solid foothold in the advertising space. This partnership leverages the reach of Bell Media's vast ad-supported audio content and Stingray radio stations to create Canada's most complete end-to-end audio advertising solution.



Mark Pathy
Chairman of the Board

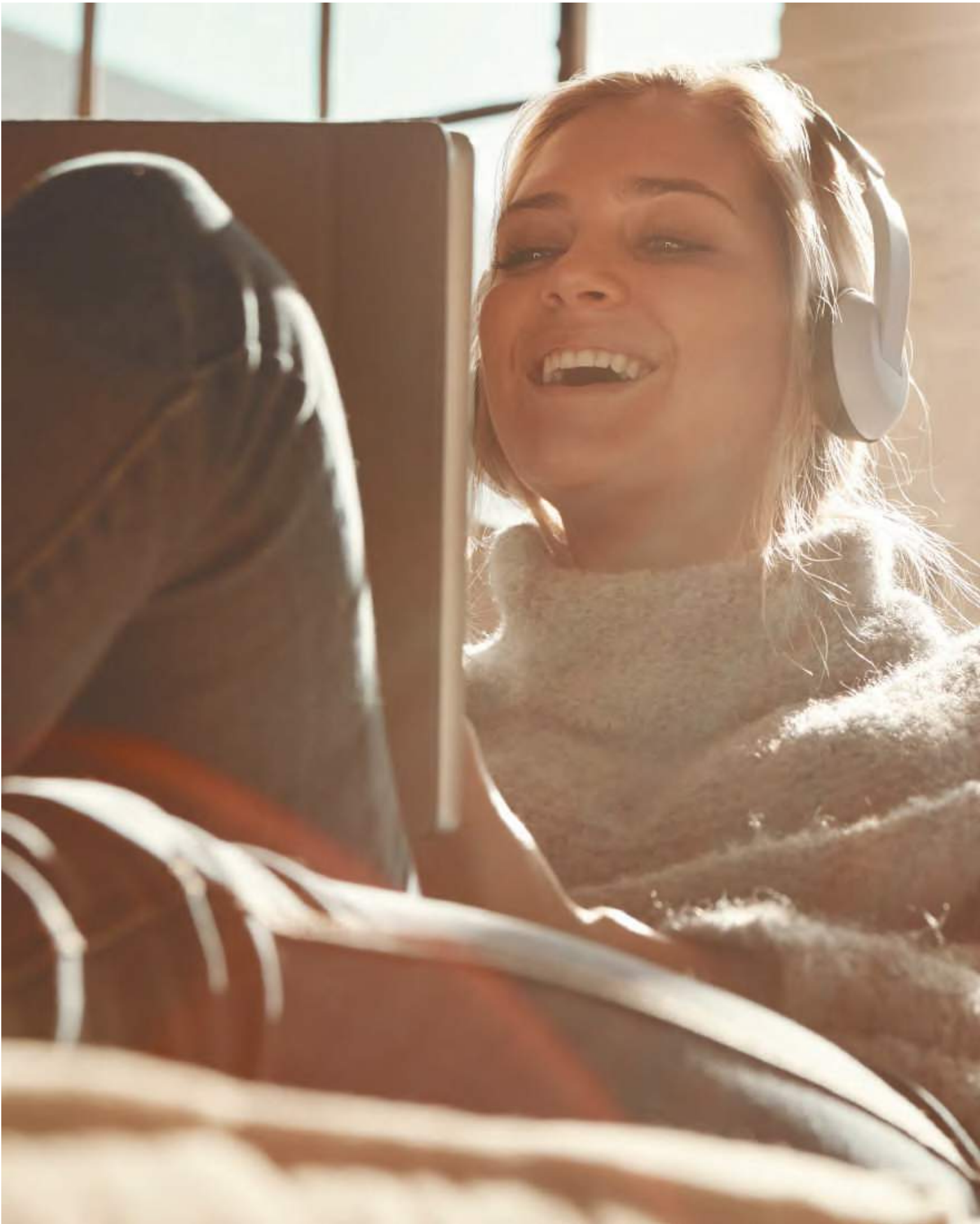
Our free, ad-supported streaming channels have quickly been adopted by the entertainment industry's global leaders. The recent announcement of distribution partnerships with major OTT providers Samsung, LG, Huawei, and TiVo – to name just a few – demonstrates the soundness of constantly diversifying our business strategy and revenue sources.

Solid partnerships, advertising sales revenue, stable recurring revenue, and On-Demand subscriber growth will ensure Stingray's continued profitability and long-term perspectives. We plan on accelerating investments in products, services, and technology.

Looking ahead to the next 12 months, I am confident that we have a solid business strategy in place to stay ahead of the curve and withstand the economic impact of the COVID-19 outbreak. I have full confidence in the ability of Stingray's management team to reliably execute on this strategy while adapting quickly and effectively to our rapidly changing business and social environments. Despite challenging times still ahead, we are prepared not only to meet those challenges but to come out the other side a stronger, better company.

On behalf of the board and the management team, I extend my thanks to all of you who contribute to Stingray's growth and success. Thank you to our investors, partners, and shareholders. And especially, thank you to every one of our 1,200 employees, many of whom have made meaningful personal sacrifices to ensure the continuity and long-term success of our business during these unusually difficult times.





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 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, 2020 and 2019. This MD&A reflects information available to the Corporation as at June 3, 2020. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

COMPANY PROFILE



Montreal-based Stingray Group Inc. (TSX: RAY.A; RAY.B) is a leading music, media, and technology company with over 1,200 employees worldwide. Stingray is a premium provider of curated direct-to-consumer and B2B services, including audio television channels, more than 100 radio stations, SVOD content, 4K UHD television channels, karaoke products, digital signage, in-store music, and music apps, which have been downloaded over 150 million times. Stingray reaches 400 million subscribers (or users) in 156 countries.



PRODUCTS

SUBSCRIPTION SERVICES APPS & SVOD

B2C MOBILE OR OTT APPS



Expertly-curated music channels, in all genres, for all of life's moments.



The premium destination for breathtaking classical music concerts, opera, ballet, and music documentaries.



The world's leading streaming service for full-length concert films and music documentaries.



Over 14,000 karaoke songs with on-the-go convenience and easy set-up.



Over 14,000 karaoke songs with optional special effects, mics, and high-quality karaoke videos.



Kid-tested and parent-approved karaoke songs for little ones.



Fans of the television show The Voice come together to like, favorite, follow, and share each other's singing via social media.



The ultimate karaoke destination to perform and record songs, add voice effects and share with a network of dedicated singers.



Fun, professionally-designed piano lessons, for all levels, that entertain as well as teach.



Learn the piano from scratch, or for those who have prior knowledge and want to continue learning by practice playing along to their favourite songs.



Easy-to-follow guitar tutorials to learn and play.



An on-the-go full keyboard to learn, play, record, save and share piano songs.



SUBSCRIPTION VIDEO ON DEMAND (SVOD)

Stingray's SVOD offering is available through major entertainment services providers such as Amazon, Comcast, Telefonica, and growing in reach through new carriers such as izzi, Huawei Video, and CLIQ Digital.

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.

RISE OF ADVERTISING: **FAST CHANNELS, AD-SUPPORTED MUSIC VIDEO TV CHANNELS, AUDIO360™**

FAST CHANNELS

Stingray introduced free, ad-supported streaming TV channels (FAST channels) diversifying its portfolio and offering audiences a way to access music content at no extra cost through existing streaming subscriptions.

Like other free streaming services, Stingray's free content doesn't require additional subscription or any other commitments but will instead be fully supported by ads.

Stingray's FAST channels live right within its partners' existing entertainment platforms.

- Qello Concerts now carried by Samsung, XUMO, LG and Vizio.
- Stingray Karaoke now carried by XUMO and LG.
- Stingray Classica now carried by STIRR.

Stingray took this opportunity to rebrand its fan-favourite Slow-TV channel, Stingray Ambiance, as Stingray Naturescape. Stingray Naturescape broadcasts the same breathtaking scenery from around the world to transform any home into a peaceful, relaxing oasis.

- Stingray Naturescape now carried by Samsung, Vizio, XUMO, LG and TiVo Plus.

ADVERTISING ON MUSIC VIDEOS TV CHANNELS

In January 2020, Stingray introduced broadcast advertising across its portfolio of national music video channels: Stingray Retro, Stingray Loud, Stingray Vibe, and Stingray Country. This new advertising initiative compliments Stingray's growing roster of advertising-supported services, both domestically and globally. Stingray partnered with Anthem Media Group, one of Canada's largest independent media companies, to operationalize the technical delivery and monetization of these properties, and to exclusively manage all national advertising media sales.

AUDIO360™ A NEW AUDIO SOLUTION FOR CANADIAN ADVERTISERS

Stingray has partnered with Bell Media, Canada's leading content creation company, to introduce AUDIO360™, an advanced, multi-platform audio sales solution that brings together brands and consumers through the power of sound. AUDIO360™ gives brands access to 22 million weekly Canadian listeners across an unrivaled multi-platform audio offering.

AUDIO360™ is designed to reach, engage, and influence Canadian listeners through:

- Digital streaming audio on the iHeartRadio Canada and Stingray Music apps
- Terrestrial audio on more than 200 Bell Media and Stingray radio stations
- Podcasts on the iHeartRadio Canada app
- Sponsorship opportunities across Stingray specialty audio channels

AUDIO360™ enables advertisers to target customized audio messages by grouping consumers according to "Passion Segments" resulting in a personalized audio advertising experience for listeners and more effective, platform-agnostic targeting for advertisers.



STINGRAY BUSINESS: **CHATTER RESEARCH, DIGITAL SIGNAGE**

CHATTER RESEARCH

Stingray's commercial services division, Stingray Business, expanded its activities with the acquisition of Chatter Research Inc., a Toronto-based leader in the design, development, and implementation of AI driven real-time customer feedback solutions for retail and hospitality businesses.

Founded in 2016, Chatter has designed, developed and deployed its own proprietary customer research and real-time feedback platform powered by AI and big data. The company's combination of free-text chats and machine learning captures unique customer insights and allows business owners to improve customer satisfaction and drive sales. Chatter serves clients in a range of industries including finance, retail, and restaurants and major brands such as Lush, Fanatics and Purdys Chocolatier.

This strategic acquisition supports Stingray's business plan and growth strategy by offering Stingray Business customers a "one-stop" shop for background music, digital signage and now customer insights.

DIGITAL SIGNAGE

Stingray Business created improved in-store experiences with a combination of digital experiences and background music.

Among many successful installations, a collaboration with Sports Experts DIX30 yielded RFID solutions assisting consumers in accessing instant, detailed information on products such as key features, and inventory.

This technology incites customers to spend more time in-store interacting with potential purchases. Jumbotron LED Solution created a "wow effect" for the store. This product helps position the store as one of a kind, technology leader in the world.

Background music at Sports Experts helped bring the customer experience to the next level.



RADIO

Radio continues to play a vital role in the lives of Canadians everywhere. In Canada's largest cities, millions tune in every day for in-the-moment traffic reports, news and information, and entertainment. Lengthy commute times in these urban centres make radio essential to start the day, and those listeners turn to radio for companionship all day at work. In smaller towns across Canada, radio provides a critical link to the community. In many cases, radio stations are the only electronic media, providing vital information in real-time to these smaller communities.

Stingray entered 2019 with a brand-new format in three cities. The Breeze debuted on 96.5 in Halifax, 104.3 in Vancouver, and 96.3 in Edmonton. This relaxing brand provides listeners with soft-rock songs from the '70s to today in an environment created specifically to reduce stress and provide relief from the relentless speed of modern life. The brand is designed to appeal to listeners between 30 and 60, skewing female. While success has been slow to materialize in Vancouver, the format has quickly gained traction in Edmonton and Halifax. In Halifax, 96.5 The Breeze has more than doubled its share with listeners 35+. In Edmonton, 96.5 The Breeze is the market's #1 radio station with listeners 35+ and the #1 radio station overall. Ratings in the key advertising demo of adults 25-54 are also very strong.

Other success stories from 2019 include the launch and expansion of syndicated programs nationwide, including The Morning Hot Tub, The Paul McGuire Show, The Late Show with Katie & Ed, The Casey Clarke Show, Vinnie & Randi, and BJ & The Morning Crew. Stingray has evolved into an industry-leader in the creation and distribution of world-class national radio content.

In 2019, the company acquired boom 99.5 in Drumheller from Golden West Communications. This has expanded our presence in Alberta, where we are able to maximize our regional content on the boom brand. There are now nine boom brands across Alberta, plus the flagship brand in Toronto.





CURRENT COMPANY GOALS

1

Pursue a strategic and disciplined approach to our M&A strategy by focusing on three (3) vectors:

- SVOD / APPs
- Ad-based products
- Business services (Music, Digital Display and Insights)

2

Develop ad-based product offerings to enter new markets and access new platforms. Free ad-supported channels (FAST) and traditional channels (MV and Audio channels).

3

Continue to grow in the SVOD space by buying or licensing content and increasing our reach across platforms and markets. Offer the ultimate curated package for best viewing and listening experiences.

4

Continue to develop best-in-class video apps, web-based solutions, and mobile apps. Leverage Stingray's strength in technology to access the world's most important distribution platforms.

5

Expand the reach of our business services through an international expansion strategy and insights offering.

PROVEN ACQUISITION STRATEGY

\$770 M

spent on acquisitions since inception

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

2007

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

2009

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

2010

- Marketing Senscity Inc.
- Concert TV Inc.

2011

- Music Choice International Ltd.

2012

- Musicoola Ltd. Zoe
Interactive Ltd.

2013

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

2014

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

2015

- Les réseaux Urbains Viva Inc.
- Brava Group
(HDTV, NL and Djazz TV)
- Digital Music Distribution
- iConcerts Group

2016

- Nümedia
- Festival 4K B.V.
- Bell Media's specialty
music video channels
- EuroArts Classical catalogue

2017

- Classica
- Nature Vision TV
- Yokee Music Ltd.
- C Music Entertainment Ltd.
- SBA Music PTY Ltd.
- Satellite Music Australia PTY Ltd.

2018

- Qello Concerts LLC
- Newfoundland Capital
Corporation
- Novrmedia
- DJ Matic
- New Glasgow

2019- 2020

- Drumheller Radio
- Chatter Research Inc.
- Minority investment in
The Podcast Exchange (TPX)

COMPETITIVE STRENGTHS

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

UNIQUE AND DIVERSIFIED WORLD-LEADING MUSIC AND VIDEO SERVICE 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. With 101 radio licenses and more than 150 million app downloads, Stingray reaches millions of radio listeners and app users every month.

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 cyclicity of earnings, and increases customer retention. As a result, we have established deeply integrated relationships with many of our customers, providing significant annual recurring revenues.

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 multiproduct distribution and a third generation of our Commercial platform – the SB3 allowing simultaneous distribution of digital display and HD music.

BUSINESS AGILITY

We have nimbly adjusted to and taken advantage of emerging growth opportunities, including steering our product development strategies by leveraging AI-driven data analysis and decision making, and scaling our services through strategic partnerships in various rapidly evolving markets.



TRACK RECORD OF SUCCESSFUL ACQUISITIONS AND INTEGRATIONS

Since Stingray's inception in 2007, we have completed 41 acquisitions representing outlays of approximately \$770 million, which brought new clients, new products and new geographical markets to our business. In Fiscal 2020, we have completed three (3) acquisitions for an aggregate purchase value of \$16.6 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 more than 200 expert programmers around the world. Our music products and services are adapted to local tastes and trends to create the ultimate user experience.

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 1 200 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, 2020 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 2020, approximately 31.6% 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 policy framework set forth in Broadcasting Regulatory Policy CRTC 2015- 96. 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 payTV 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



Mario Dubois
Senior Vice-President and
Chief Technology Officer



Mathieu Pélouquin
Senior Vice-President,
Marketing and
Communications



David Purdy
Chief Revenue Officer



Ian Lurie
President, Radio



Valérie Héroux
Vice-President,
Content Acquisition
and Programming



Ratha Khuong
General Manager,
Stingray Business



Sébastien Côté
Vice-President,
Human Resources

NON-EXECUTIVE DIRECTORS



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



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



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



Jacques Parisien
Director and Chairman
of the Corporate
Governance and Audit
Committees



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



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



Robert G. Steele
Director



John Steele
Director

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 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, 2020 and 2019. This MD&A reflects information available to the Corporation as at June 3, 2020. 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 and tariffs 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 and other media companies; the expansion of our operations into international markets; our rapid growth and our growth strategy; our acquisitions, business combinations and joint ventures; our reliance on third party hardware, software and related services; our dependence on key personnel; exchange rate fluctuations; economic and political instability in emerging countries; royalty calculation methods; rapid technological and industry changes; development of new or alternative media technologies; 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 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; pandemics, epidemics and other health risks; 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 and Adjusted free cash flow per share are important measures 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, Net debt to Adjusted EBITDA and Pro Forma 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, 2020 ("Q4 2020"):

\$68.4 M ▼ 6.0% from Q4 2019 Revenues	\$10.1 M Or \$0.13 per share Adjusted Net income	\$18.0 M ▲ 82.6% from Q4 2019 Adjusted free cash flow
\$28.2 M ▲ 25.9% from Q4 2019 Adjusted EBITDA	\$(8.5) M Or \$(0.11) per share Net loss	\$14.1 M ▼ 22.2% from Q4 2019 Cash flow from operating activities

For the year ended March 31, 2020 ("Fiscal 2020"):

\$306.7 M ▲ 44.2% from Fiscal 2019 Revenues	\$55.9 M Or \$0.74 per share Adjusted Net income	\$78.4 M ▲ 101.8% from Fiscal 2019 Adjusted free cash flow
\$118.1 M ▲ 63.5% from Fiscal 2019 Adjusted EBITDA	\$14.0 M Or \$0.18 per share Net income	\$88.1 M ▲ 97.2% from Fiscal 2019 Cash flow from operating activities

Notes:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 30 and 36.

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the fourth quarter ended March 31, 2020

Compared to the quarter ended March 31, 2019 (“Q4 2019”):

- Revenues decreased 6.0% to \$68.4 million from \$72.7 million;
- Adjusted EBITDA⁽¹⁾ increased 25.9% to \$28.2 million from \$22.4 million. Excluding the impact of IFRS 16, Adjusted EBITDA⁽¹⁾ would have been \$26.6 million. IFRS 16 - Leases accounting standard was adopted on April 1, 2019 resulting in a reduction of \$1.6 million in operating lease expenses for the quarter. Please refer to IFRS 16 - Leases in the section New standard adopted by the Corporation on page 51;
- Adjusted EBITDA⁽¹⁾ margin was 41.3% compared with 30.8%;
- Adjusted EBITDA⁽¹⁾ by segment was \$19.0 million or 49.3% of revenues for Broadcasting and Commercial Music, \$9.5 million or 31.9% of revenues for Radio and \$(0.3) million for Corporate;
- Net loss was \$8.5 million (\$0.11) per share) compared with a Net income of \$3.9 million (\$0.06 per share);
- Adjusted Net income⁽¹⁾ of \$10.1 million (\$0.13 per share) compared with \$14.7 million (\$0.21 per share);
- Cash flow from operating activities decreased 22.2% to \$14.1 million compared to \$18.1 million;
- Adjusted free cash flow⁽¹⁾ increased 82.6% to \$18.0 million, or \$0.24 per share, compared to \$9.8 million or \$0.14 per share;
- Net debt to Pro Forma Adjusted EBITDA⁽¹⁾ ratio of 3.01x, and;
- 1,754,324 shares repurchased and cancelled for a total of \$9.6 million.

Highlights of the year ended March 31, 2020

Compared to the year ended March 31, 2019 (“Fiscal 2019”):

- Revenues increased 44.2% to \$306.7 million from \$212.7 million;
- Adjusted EBITDA⁽¹⁾ increased 63.5% to \$118.1 million from \$72.2 million. Excluding the impact of IFRS 16, Adjusted EBITDA⁽¹⁾ would have been \$111.6 million. IFRS 16 - Leases accounting standard was adopted on April 1, 2019 resulting in a reduction of \$6.5 million in operating lease expenses for the year. Please refer to IFRS 16 - Leases in the section New standard adopted by the Corporation on page 51;
- Adjusted EBITDA⁽¹⁾ margin was 38.5% compared with 34.0%;
- Adjusted EBITDA⁽¹⁾ by segment was \$63.7 million or 41.2% of revenues for Broadcasting and Commercial Music, \$58.5 million or 38.4% of revenues for Radio and \$(4.2) million for Corporate;
- Net income was \$14.0 million (\$0.18 per share) compared with a Net loss of \$12.0 million (\$0.19) per share);
- Adjusted Net income⁽¹⁾ of \$55.9 million (\$0.74 per share) compared with \$39.7 million (\$0.61 per share);
- Cash flow from operating activities increased 97.2% to \$88.1 million compared to \$44.7 million;
- Adjusted free cash flow⁽¹⁾ increased 101.8% to \$78.4 million, or \$1.03 per share, compared to \$38.8 million or \$0.59 per share, and;
- 2,957,799 shares repurchased and cancelled for a total of \$17.6 million.

Notes:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 30 and 36.

Additional business highlights for the fourth quarter and subsequent events:

- During the fourth quarter of 2020, global economies and financial markets were impacted by the coronavirus (“COVID-19”) outbreak as it quickly spread around the world and on March 11, 2020, the World Health Organization declared it a global pandemic. Government authorities around the world have taken actions in an effort to slowdown the spread of COVID-19, including measures such as the closure of non-essential businesses and social distancing. The tangible impact on the Corporation started in the Radio segment towards the end of the fourth quarter, as many non-essential local businesses were forced to temporarily close leading to a decrease in advertising and related revenues. In the early days of the crisis, the decision was made by the Corporation’s management to implement significant cost saving measures to maintain a solid financial position. Management expects that the Corporation’s Radio segment, and Broadcast and Commercial Music segment, but to a lesser extent, will be further impacted during the first quarter of 2021. Beyond that period, the extent to which COVID-19 will impact the Corporation’s business will depend on future developments, which are highly uncertain and cannot be predicted at this time. The Corporation’s focus will be to closely monitor its cash position and control its operating expenses.
- On May 29, 2020, the Corporation secured an additional term loan of \$20.0 million, with a maturity date of May 29, 2021. The additional loan amount was applied against the revolving facility.
- On May 20, 2020, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around June 15, 2020, to shareholders on record as of May 29, 2020.
- On May 7, 2020, the Corporation announced that it will provide a minimum of \$15.0 million in radio advertising grants to local businesses in markets across Canada where Stingray operates local radio stations. Stimulant grants will range from a minimum of \$1,000 up to a maximum of \$100,000 in radio advertising per business. The recipient business will have twelve months to utilize the radio advertising grant provided towards booking and airing a radio advertising campaign and will not be required to invest additional sums with Stingray radio stations to receive the grant.
- On May 6, 2020 (the “Effective Date”), the Corporation announced that it had acquired its trusted affiliate Marketing Sensorial México (“MSM”), the Mexican leader in point-of-sale marketing solutions. The agreement furthers Stingray Business’ foothold in Mexico. As the current partner of Stingray Business for the 1,500 pharmacy locations and additional 1,500 medical clinics operated by Farmacias del Ahorro in Mexico, MSM specializes in digital signage content production, in-store music and the sale and/or lease of audio and visual equipment. The company serves customers in a range of industries (more than 5,800 locations) including banking, retail pharmacy and automotive dealership sectors with clients such as Grupo Financiero Santander México, Scotiabank México and BMW. Total consideration consists of an initial amount of MXN 45.0 million (\$2.7 million) to be paid upon the latest of a) 30 days following the Effective Date and b) 2 business days following the delivery by MSM of the closing deliverables, and contingent consideration.
- On April 14, 2020, the Corporation announced the launch of free, ad supported TV channels and premium SVOD services with eight major over-the-top providers: Huawei (world), izzi (Mexico), XUMO (U.S.), LG (U.S.), Vizio (U.S.), Samsung (U.S.), TiVo Plus (U.S.) and Cliq Digital (U.S.). These distribution agreements grow Stingray’s potential reach by over 300 million viewers.
- On March 23, 2020, the Corporation announced that it had received approval of the Toronto Stock Exchange (“TSX”) to amend its normal course issuer bid (“NCIB”) in order to increase the maximum number of subordinate voting shares and variable subordinate voting shares (collectively, “Subordinate Shares”) that it intends to repurchase for cancellation during the twelve month period ending August 15, 2020 from 2,924,220 Subordinate Shares to 4,903,887 Subordinate Shares, representing approximately 10% of the public float of Subordinate Voting Shares as at August 7, 2019. All other terms and conditions of the NCIB remain unchanged. The Subordinate Shares will be purchased on behalf of Stingray by a registered broker through the facilities of the TSX or alternative Canadian trading systems. The price paid for the Subordinate Shares will be the market price at the time of the acquisition, and the number of Subordinate Shares purchased and the timing of any such purchases will be determined by Stingray. All shares repurchased under the NCIB will be cancelled.

- On March 6, 2020, the Corporation announced that it had acquired a 30% interest in The Podcast Exchange (TPX), the Canadian leader in podcast advertising representing thousands of shows with over 70 million impressions per month across multiple genres and networks. This transaction will give Stingray a head start in podcast digital ad revenue and support the company's growth in the key 18-34 demographic.
- On February 18, 2020, the Corporation announced the premiere launch of Stingray Country, a music video television channel dedicated to Country music for Canadian TV subscribers, featuring the best of new country, bro-country, '90s country hits, pop country and more. Stingray Country is the only dedicated country music channel in Canada.
- On February 5, 2020, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend has been paid on March 16, 2020, to shareholders on record as of February 28, 2020.
- On February 3, 2020, the Corporation and Music Choice executed and exchanged a Settlement Agreement which puts a definitive end to the parties' patent litigation in the United States and fully and finally settles all claims, counterclaims and defenses asserted in connection with that litigation. The settlement amount of US\$13.3 million (\$17.2 million at the date of the settlement), will be paid in two equal instalments; the first payment was made on the date of settlement and the second payment is to be made on or before February 15, 2021. Accordingly, an amount of \$17.1 million was booked as part of acquisition, legal, restructuring and other expenses in Q3 2020. The terms of the settlement do not impact the services currently offered by Stingray in the United States, which shall continue uninterrupted.
- On January 27, 2020, the Corporation purchased all of the outstanding shares of Chatter Research Inc., a Toronto-based leader in the design, development, and implementation of artificial intelligence driven real-time customer feedback solutions for retail and hospitality businesses. Total consideration consists of \$9.5 million being an amount of \$2.1 million paid upon closing and a contingent consideration of \$7.4 million.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	3 months				12 months					
	March 31, 2020		March 31, 2019		March 31, 2020		March 31, 2019		March 31, 2018	
	Q4 2020		Q4 2019		Fiscal 2020		Fiscal 2019		Fiscal 2018	
	\$	% of revenues	\$	% of revenues	\$	% of revenues	\$	% of revenues	\$	% of revenues
Revenues	68,398	100.0 %	72,730	100.0 %	306,721	100.0 %	212,650	100.0 %	130,214	100.0 %
Operating expenses	38,932	56.9 %	51,250	70.5 %	190,381	62.0 %	142,877	67.3 %	92,239	70.8 %
CRTC Tangible benefits	–	0.0 %	–	0.0 %	–	0.0 %	25,306	11.9 %	–	0.0 %
Depreciation, amortization and write-off	9,875	14.4 %	9,978	13.7 %	40,302	13.1 %	31,133	14.6 %	21,287	16.3 %
Net finance expense (income) ⁽¹⁾	33,463	49.0 %	2,259	3.1 %	42,822	14.0 %	12,298	5.8 %	3,174	2.4 %
Change in fair value of investments	(1,914)	(2.8) %	336	0.5 %	(6,550)	(2.1) %	(565)	(0.3) %	600	0.5 %
Acquisition, legal, restructuring and other expenses	693	1.0 %	3,132	4.3 %	24,104	7.9 %	16,817	7.9 %	10,631	8.2 %
Income (loss) before income taxes	(12,651)	(18.5) %	5,775	7.9 %	15,662	5.1 %	(15,216)	(7.2) %	2,283	1.8 %
Income taxes	(4,165)	(6.1) %	1,833	2.5 %	1,692	0.5 %	(3,228)	(1.5) %	(13)	0.0 %
Net income (loss)	(8,486)	(12.4) %	3,942	5.4 %	13,970	4.6 %	(11,988)	(5.7) %	2,296	1.8 %
Adjusted EBITDA⁽²⁾	28,217	41.3 %	22,407	30.8 %	118,086	38.5 %	72,234	34.0 %	41,524	31.9 %
Adjusted Net income⁽²⁾	10,095	14.8 %	14,725	20.2 %	55,908	18.2 %	39,727	18.7 %	26,858	20.6 %
Cash flow from operating activities (restated due to a change in accounting policy - see page 53)	14,062	20.6 %	18,072	24.8 %	88,145	28.7 %	44,703	21.0 %	19,914	15.3 %
Adjusted free cash flow⁽²⁾	17,974	26.3 %	9,845	13.5 %	78,350	25.5 %	38,834	18.3 %	30,561	23.5 %
Net debt⁽²⁾	361,251	–	357,821	–	361,251	–	357,821	–	35,265	–
Net debt to Pro Forma Adjusted EBITDA⁽²⁾⁽³⁾⁽⁴⁾	3.01x	–	3.13x	–	3.01x	–	3.13x	–	0.85x	–
Net income (loss) per share basic and diluted	(0.11)	–	0.06	–	0.18	–	(0.19)	–	0.04	–
Adjusted Net income per share basic and diluted ⁽²⁾	0.13	–	0.21	–	0.74	–	0.61	–	0.50	–
Revenues by segment										
Broadcasting and Commercial Music	38,483	56.3 %	38,718	53.2 %	154,466	50.4 %	146,741	69.0 %	130,214	100.0 %
Radio	29,915	43.7 %	34,012	46.8 %	152,255	49.6 %	65,227	30.7 %	–	0.0 %
Corporate	–	0.0 %	–	0.0 %	–	0.0 %	682	0.3 %	–	0.0 %
Revenues	68,398	100.0 %	72,730	100.0 %	306,721	100.0 %	212,650	100.0 %	130,214	100.0 %
Revenues by geography										
Canada	43,498	63.6 %	47,318	65.0 %	209,843	68.4 %	121,919	57.3 %	59,248	45.5 %
United States	10,236	15.0 %	9,351	12.9 %	37,987	12.4 %	34,439	16.2 %	25,294	19.4 %
Other Countries	14,664	21.4 %	16,061	22.1 %	58,891	19.2 %	56,292	26.5 %	45,672	35.1 %
Revenues	68,398	100.0 %	72,730	100.0 %	306,721	100.0 %	212,650	100.0 %	130,214	100.0 %

Notes:

- (1) Interest paid during the Q4 2020 was \$3.8 million (Q4 2019; \$4.4 million) and \$17.4 million Fiscal 2020 (Fiscal 2019; \$10.0 million and Fiscal 2018; \$1.4 million)
- (2) Refer to “Forward-looking statements” and “Supplemental information on Non-IFRS measures” on page 30 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 36.
- (3) As at March 31, 2018, Net debt to Adjusted EBITDA consists of Net debt divided by Adjusted EBITDA trailing twelve months (TTM).
- (4) Pro Forma Adjusted EBITDA for 2020 and 2019 is calculated as the Corporation’s last twelve months Adjusted EBITDA (\$118.1 million, Fiscal 2019; \$72.2 million), plus synergies and pro forma Adjusted EBITDA for the months prior to the acquisitions which are not already reflected in the results (\$2.0 million, Fiscal 2019; \$42.0 million). Refer to “Forward-looking statements” and “Supplemental information on Non-IFRS measures” on page 30 and for reconciliations of Adjusted EBITDA to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 36.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Adjusted free cash flow per share, Net debt and Net debt to Proforma Adjusted EBITDA are non-IFRS measures that the Corporation uses to assess its operating performance. See “Supplemental information on Non-IFRS Measures” on page 30.

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

	3 months		12 months	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
(in thousands of Canadian dollars)	Q4 2020	Q4 2019	Fiscal 2020	Fiscal 2019
Net income (loss)	(8,486)	3,942	13,970	(11,988)
Net finance expense (income)	33,463	2,259	42,822	12,298
Change in fair value of investments	(1,914)	336	(6,550)	(565)
Income taxes	(4,165)	1,833	1,692	(3,228)
Depreciation and write-off of property and equipment	2,790	2,791	11,477	7,703
Depreciation of right-of-use assets	1,426	–	5,618	–
Amortization of intangible assets	5,659	7,187	23,207	23,430
Share-based compensation	258	297	1,001	1,093
Performance and deferred share unit expense	(1,507)	630	745	1,368
CRTC Tangible benefits	–	–	–	25,306
Acquisition, legal, restructuring and other expenses	693	3,132	24,104	16,817
Adjusted EBITDA	28,217	22,407	118,086	72,234
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(10,976)	739	(27,122)	(9,300)
Income taxes	4,165	(1,833)	(1,692)	3,228
Depreciation of property and equipment and write-off	(2,790)	(2,791)	(11,477)	(7,703)
Depreciation of right-of-use assets	(1,426)	–	(5,618)	–
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, CRTC Tangible benefits, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses	(7,095)	(3,797)	(16,269)	(18,732)
Adjusted Net income	10,095	14,725	55,908	39,727

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

	3 months		12 months	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
(in thousands of Canadian dollars)	Q4 2020	Q4 2019	Fiscal 2020	Fiscal 2019
Cash flow from operating activities	14,062	18,072	88,145	44,703
<i>Add / Less :</i>				
Acquisition of property and equipment	(2,153)	(1,935)	(6,704)	(7,623)
Acquisition of intangible assets other than internally developed intangible assets	(463)	(669)	(1,769)	(3,671)
Addition to internally developed intangible assets	(1,534)	(1,742)	(5,902)	(6,164)
Interest paid	(3,819)	(4,441)	(17,442)	(9,950)
Repayment of lease liabilities	(1,180)	–	(4,873)	–
Net change in non-cash operating working capital items	7,262	(1,890)	(2,169)	4,059
Unrealized loss (gain) on foreign exchange	5,106	(682)	4,961	663
Acquisition, legal, restructuring and other expenses	693	3,132	24,104	16,817
Adjusted free cash flow	17,974	9,845	78,351	38,834

The following table shows the calculation of Net debt:

(in thousands of Canadian dollars)	March 31, 2020	March 31, 2019
Credit facilities	324,123	312,955
Subordinated debt	39,640	49,539
Cash and cash equivalents	(2,512)	(4,673)
Net debt	361,251	357,821

FINANCIAL RESULTS FOR THE QUARTERS AND YEARS ENDED MARCH 31, 2020 AND 2019

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months			12 months		
	2020	2019	% Change	2020	2019	% Change
Revenues by geography						
Canada	43,498	47,318	(8.1)	209,843	121,919	72.1
United States	10,236	9,351	9.5	37,987	34,439	10.3
Other Countries	14,664	16,061	(8.7)	58,891	56,292	4.6
Revenues	68,398	72,730	(6.0)	306,721	212,650	44.2

Global

Revenues in Q4 2020 decreased \$4.3 million or 6.0% to \$68.4 million, from \$72.7 million for Q4 2019. The decrease was primarily due to the initial impact of the COVID-19 pandemic on Radio revenues.

Revenues for Fiscal 2020 increased \$94.0 million or 44.2% to \$306.7 million, from \$212.7 million for Fiscal 2019. The increase was primarily due to the acquisition of Newfoundland Capital Corporation Inc. ("NCC"), DJ Matic and Novramedia, combined with organic growth in subscriptions, partially offset by the termination of some low margin international contracts.

Canada

Revenues in Canada in Q4 2020 decreased \$3.8 million or 8.1% to \$43.5 million, from \$47.3 million for Q4 2019. The decrease was primarily due to the initial impact of the COVID-19 pandemic on Radio revenues.

Revenues in Canada for Fiscal 2020 increased \$87.9 million or 72.1% to \$209.8 million, from \$121.9 million for Fiscal 2019. The increase was primarily due to the acquisition of NCC and Novramedia.

United States

Revenues in the United States in Q4 2020 increased \$0.9 million or 9.5% to \$10.2 million, from \$9.3 million for Q4 2019. Revenues in the United States for Fiscal 2020 increased \$3.6 million or 10.3% to \$38.0 million, from \$34.4 million for Fiscal 2019. Both increases were primarily due to organic growth in subscriptions.

Other Countries

Revenues in Other countries in Q4 2020 decreased \$1.4 million or 8.7% to \$14.7 million, from \$16.1 million for Q4 2019. The decrease was primarily due to the termination of some low margin contracts.

Revenues in Other countries for Fiscal 2020 increased \$2.5 million or 4.6% to \$58.9 million, from \$56.4 million for Fiscal 2019. The increase was primarily due to the acquisition of DJ Matic and to organic growth in subscriptions, partially offset by the termination of some low margin contracts.

Operating Expenses

Operating expenses in Q4 2020 decreased \$12.4 million or 24.0% to \$38.9 million, from \$51.3 million for Q4 2019. The decrease was primarily related to the reversal of certain accrued liabilities, to efficiencies in operations as a result of scale, to a reduction in operating lease expenses related to the adoption of IFRS 16 and to a gain on Restricted, performance and deferred share unit expense due to the decrease in the share price.

Operating expenses for Fiscal 2020 increased \$47.5 million or 33.2% to \$190.4 million, from \$142.9 million for Fiscal 2019. The increase was primarily due to the acquisition of NCC and DJ Matic, partially offset by a reduction in operating lease expenses related to the adoption of IFRS 16, by efficiencies in operations as a result of scale and by the reversal of certain accrued liabilities.

Adjusted EBITDA⁽¹⁾

Adjusted EBITDA in Q4 2020 increased \$5.8 million or 25.9% to \$28.2 million from \$22.4 million for Q4 2019. Adjusted EBITDA margin was 41.3% compared to 30.8% for Q4 2019. The increase in Adjusted EBITDA was primarily due the reversal of certain accrued liabilities, to reduced operating costs and to the adoption of IFRS 16, partially offset by the initial impact of the COVID-19 pandemic on Radio revenues. Excluding the impact of IFRS 16, the Adjusted EBITDA would have been \$26.6 million with a margin of 39.0%.

Adjusted EBITDA for Fiscal 2020 increased \$45.9 million or 63.5% to \$118.1 million from \$72.2 million for Fiscal 2019. Adjusted EBITDA margin was 38.5% compared to 34.0% for Fiscal 2019. The increase in Adjusted EBITDA was primarily due to the acquisition of NCC and DJ Matic, to the adoption of IFRS 16, to reduced operating costs, to the organic growth in subscriptions and to the reversal of certain accrued liabilities, partially offset by the initial impact of the COVID-19 pandemic on Radio revenues. Excluding the impact of IFRS 16, the Adjusted EBITDA would have been \$111.6 million with a margin of 36.4%.

CTRC Tangible benefits

The CRTC approved the change in ownership and effective control of NCC on October 23, 2018. Pursuant to the decision, the CRTC required the Corporation to pay tangible benefits corresponding to an amount of \$31.0 million over a seven-year period in equal annual payments. In Fiscal 2019, the Corporation recognized an expense of \$25.3 million, which reflects the fair value of the payment stream using a discount rate of 5.70%, which is the Corporation effective interest rate plus a risk premium. There was no CRTC Tangible benefits expense for Q4 2019, Q4 2020 and Fiscal 2020.

Depreciation, amortization and write off

Depreciation, amortization and write off in Q4 2020 decreased \$0.1 million or 1.0% to \$9.9 million, from \$10.0 million for Q4 2019. The decrease was primarily due to an intangible asset write-off in Q4 2019, largely offset by the adoption of IFRS 16, which resulted in a depreciation charge for the right-of-use assets of \$1.4 million in Q4 2020 compared to nil for Q4 2019.

Depreciation, amortization and write off for Fiscal 2020 increased \$9.2 million or 29.5% to \$40.3 million, from \$31.1 million for Fiscal 2019. The increase was primarily due to the acquisition of NCC and DJ Matic and to the adoption of IFRS 16, which resulted in a depreciation charge for the right-of-use assets of \$5.6 million in cumulative Fiscal 2020 compared to nil for Fiscal 2019.

Net Finance Expense (Income)

In Q4 2020, the net finance expense was \$33.5 million compared to \$2.3 million for Q4 2019. The increase was mainly related to the mark-to-market losses on derivative instruments of \$22.5 million, to the foreign exchange loss and to the gain on write-off of balance payable on acquisition recorded in Q4 2019.

In Fiscal 2020, the net finance expense was \$42.8 million compared to \$12.3 million for Fiscal 2019. The increase was mainly related to the mark-to-market losses on derivative instruments of \$15.7 million, to higher interest expense due to the additional debt related to the funding of the acquisition of NCC, to the gain on write-off of balance payable on acquisition recorded in Q4 2019 and to the foreign exchange loss. The incremental interest accretion on lease liabilities from the adoption of IFRS 16 also contributed to the increase of net finance expense in the amount of \$1.7 million.

Change in fair value of investments

In Q4 2020, a gain on fair value of \$1.9 million was recorded compared to a loss on fair value of \$0.3 million for Q4 2019. A gain on fair value of \$6.6 million was recorded for Fiscal 2020 compared to \$0.6 for Fiscal 2019. Both variances are related to the revaluation of the fair value of the investment in AppDirect.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 30 and 36.

Acquisition, legal, restructuring and other expenses

(in thousands of Canadian dollars)	3 months			12 months		
	2020	2019	Change \$	2020	2019	Change \$
Acquisition	166	2,564	(2,398)	1,556	13,738	(12,182)
Legal	(1,955)	453	(2,408)	19,540	2,099	17,441
Restructuring and other	2,482	115	2,367	3,008	980	2,028
Acquisition, legal, restructuring and other expenses	693	3,132	(2,439)	24,104	16,817	7,287

In Q4 2020, acquisition expenses decreased to \$0.2 million from \$2.6 million for Q4 2019. In Fiscal 2020, acquisition expenses decreased to \$1.6 million from \$13.7 million for Fiscal 2019. For both periods, the decrease was mainly related to the acquisition of NCC in Fiscal 2019.

In Q4 2020, an appeals court in Switzerland found in favour of Stingray Digital International Limited and reversed the decision of the trial judge. The appeals court confirmed that a contested earn-out was not due and payable. As such, the Corporation recorded a gain upon the reversal of a provision.

On February 3, 2020, the Corporation and Music Choice executed and exchanged a Settlement Agreement which puts definitive end to the parties' patent litigation in the United States and fully and finally settles all claims, counterclaims and defenses asserted in connection with that litigation. The settlement amount of US\$13.3 million (\$17.2 million as of the date of the settlement), will be paid in two equal instalments; the first payment was made on the date of settlement and the second payment is to be made on or before February 15, 2021. The terms of the settlement do not impact the services currently offered by Stingray in the United States, which shall continue uninterrupted. Accordingly, an amount of \$17.1 million was booked as part of the acquisition, legal, restructuring and other expenses in Q3 2020, which explains the increase in legal expenses in Fiscal 2020 compared to Fiscal 2019.

The increases in restructuring and other expenses in Q4 2020 and Fiscal 2020 compared to Q4 2019 and Fiscal 2019 were mainly due to severances related to temporary layoffs as a result of the impact of the COVID-19 pandemic on Radio operations.

Income Taxes

The income taxes recovery recognized in comprehensive income was \$4.2 million for Q4 2020 compared to an income taxes expense of \$1.8 million for Q4 2019. The effective tax rate for Q4 2020 was 32.9% compared to 31.7% for Q4 2019. Income taxes expense for Fiscal 2020 was \$1.7 million, compared to an income taxes recovery of \$3.2 million for Fiscal 2019. The effective tax rate for cumulative Fiscal 2020 was 10.8% compared to 21.2% for cumulative Fiscal 2019. Both variations in the effective tax rate are mainly due to the relative importance of permanent differences compared to net income before income taxes as well as changes to certain substantively enacted tax rates.

In Fiscal 2020, there were no share issuance costs recognized as a reduction of share capital on which income taxes were booked. In Fiscal 2019, share issuance costs amounted to \$6.7 million and were recognized as a reduction of share capital net of income taxes of \$1.8 million.

Net income (loss) and net income (loss) per share

Net loss in Q4 2020 was \$8.5 million (\$0.11 per share) compared to a Net income of \$3.9 million (\$0.06 per share) for Q4 2019. The difference was mainly due to the negative change in mark-to-market on derivative instruments, the foreign exchange loss and the gain on write-off of balance payable on acquisition recorded in Q4 2019, partially offset by income taxes recovery and higher operating results.

Net income for Fiscal 2020 was \$14.0 million (\$0.18 per share) compared to a Net loss of \$12.0 million (\$0.19 per share) for Fiscal 2019. The difference was mainly explained by higher operating results, non-recurring CRTC Tangible benefits expense of \$25.3 million related to the NCC acquisition recorded in Fiscal 2019, lower acquisition expenses and positive change in fair value of investments, partially offset by higher legal expenses due to the settlement with Music Choice, negative change in mark-to-market on derivative instruments, higher interest and income taxes expenses, gain on write-off of balance payable on acquisition recorded in Q4 2019, foreign exchange loss and higher depreciation expense.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 30 and 36.

Adjusted Net income⁽¹⁾ and Adjusted Net income per share⁽¹⁾

Adjusted Net income in Q4 2020 was \$10.1 million (\$0.13 per share), compared to \$14.7 million (\$0.21 per share) for Q4 2019. The decrease is mainly due to the foreign exchange loss and to the gain on write-off of balance payable on acquisition recorded in Q4 2019, partially offset by higher operating results.

Adjusted Net income for Fiscal 2020 was \$55.9 million (\$0.74 per share), compared to \$39.7 million (\$0.61 per share) for Fiscal 2019. The increase is mainly due to higher operating results, partially offset by higher interest, gain on write-off of balance payable on acquisition recorded in Q4 2019, foreign exchange loss, and higher depreciation and income taxes expenses.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

(in thousands of Canadian dollars)	3 months			12 months		
	2020	2019	% Change	2020	2019	% Change
Revenues	38,483	38,718	(0.6)	154,466	146,741	5.3
Operating expenses	19,501	24,069	(19.0)	90,765	93,913	(3.4)
Adjusted EBITDA⁽¹⁾	18,982	14,649	29.6	63,701	52,828	20.6
Adjusted EBITDA margin⁽¹⁾	49.3%	37.8%	30.4	41.2%	36.0%	14.6

Revenues

In Q4 2020, Broadcasting and Commercial Music revenues decreased \$(0.2) million or 0.6% to \$38.5 million, from \$38.7 million for Q4 2019. The decrease was primarily due to the termination of some low margin international contracts, partially offset by organic growth in subscriptions.

Broadcasting and Commercial Music revenues for Fiscal 2020 increased \$7.8 million or 5.3% to \$154.5 million, from \$146.7 million for Fiscal 2019. The increase was primarily due to the acquisition of DJ Matic and Novramedia, combined with organic growth in subscriptions, partially offset by the termination of some low margin international contracts.

Adjusted EBITDA⁽¹⁾

In Q4 2020, Broadcasting and Commercial Music Adjusted EBITDA increased \$4.4 million or 29.6% to \$19.0 million from \$14.6 million for Q4 2019. The increase in Adjusted EBITDA was primarily due to the reversal of certain accrued liabilities and to reduced operating costs.

Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2020 increased \$10.9 million or 20.6% to \$63.7 million from \$52.8 million for Fiscal 2019. The increase in Adjusted EBITDA was primarily due to the reversal of certain accrued liabilities, to the organic growth in subscriptions, to the acquisition of DJ Matic and Novramedia, to the adoption of IFRS 16 and to reduced operating costs.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 30 and 36.

RADIO

(in thousands of Canadian dollars)	3 months			12 months		
	2020	2019	% Change	2020	2019	% Change
Revenues	29,915	34,012	(12.0)	152,255	65,227	133.4
Operating expenses	20,358	25,094	(18.9)	93,760	41,209	127.5
Adjusted EBITDA⁽¹⁾	9,557	8,918	7.2	58,495	24,018	143.5
Adjusted EBITDA margin⁽¹⁾	31.9%	26.2%	21.8	38.4%	36.8%	4.3

Revenues

Radio revenues are derived from the sale of advertising airtime, which is subject to the seasonal fluctuations of the Canadian radio industry. Accordingly, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. However, for Fiscal 2021 Radio revenues are not expected to follow historical patterns due to the ongoing impact of the COVID-19 pandemic.

In Q4 2020, Radio revenues decreased \$4.1 million or 12.0% to \$29.9 million from \$34.0 million for Q4 2019. The decrease is mostly due to the initial impact of the COVID-19 pandemic.

Radio revenues for Fiscal 2020 increased \$87.1 million or 133.4% to \$152.3 million from \$65.2 million for Fiscal 2019. The increase reflects the contribution from the acquisition of NCC starting on October 26th, 2018.

Adjusted EBITDA⁽¹⁾

In Q4 2020, Radio Adjusted EBITDA increased \$0.6 million or 7.2% to \$9.5 million from \$8.9 million for Q4 2019. The increase in Adjusted EBITDA was primarily due to reduced operating costs, to the adoption of IFRS 16 and to the reversal of certain accrued liabilities, partially offset by the initial impact of the COVID-19 pandemic on revenues.

Radio Adjusted EBITDA for Fiscal 2020 increased \$34.5 million or 143.5% to \$58.5 million from \$24.0 million for Fiscal 2019. The increase in Adjusted EBITDA was primarily due to the acquisition of NCC and to the adoption of IFRS 16, partially offset by the initial impact of the COVID-19 pandemic on revenues and by the reversal of certain accrued liabilities in Q3 2019.

CORPORATE

(in thousands of Canadian dollars)	3 months			12 months		
	2020	2019	% Change	2020	2019	% Change
Revenues	-	-	-	-	682	(100.0)
Operating expenses	(927)	2,087	(144.4)	5,856	7,755	(24.5)
<i>Adjust:</i>						
Share-based compensation	(258)	(297)	(13.1)	(1,001)	(1,093)	(8.4)
Restricted, performance and deferred share unit expense	1,507	(630)	(339.2)	(745)	(1,368)	(45.5)
Adjusted EBITDA⁽¹⁾	(322)	(1,160)	(72.2)	(4,110)	(4,612)	(10.9)

The Corporate segment derived its revenue from hotel operations, which was acquired through the NCC acquisition. Corporate expenses are related to head office functions and hotel operations. The hotel was disposed of on December 28, 2018. No gain or loss on disposal were recorded in the results as the assets and liabilities were recognized at fair value through the purchase price allocation of NCC.

Revenues

Corporate revenues were nil for Q4 2020, Q4 2019 and Fiscal 2020 and represented \$0.7 million for Fiscal 2019. This decrease is attributable to the sale of the hotel at the end of Q3 2019.

Adjusted EBITDA⁽¹⁾

Corporate Adjusted EBITDA represented the head office operating expenses less the share-based compensation and performance and deferred share unit expense. The gain on Restricted, performance and deferred share unit expense is due to the decrease in the share price. The decrease in operating expenses is related to the reversal of certain accrued liabilities.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 30 and 36.

Quarterly results

Revenues increased over the last eight quarters from \$34.5 million in the first quarter of Fiscal 2019 to \$68.4 million in the fourth quarter of Fiscal 2020. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts in all geographic locations. The increases in Q3 2019 and Q4 2019 were mainly explained by the acquisition of NCC on October 26, 2018. In Q3 2019, revenues in the Corporate segment derived from hotel operations, which was acquired through the NCC acquisition, but disposed of in the same quarter. The increase in Q1 2020, decrease in Q2 2020 and increase in Q3 2020 are mainly due to normal business seasonality in the Radio segment. The decrease in Q4 2020 was due to the initial impact of the COVID-19 pandemic and normal business seasonality in the Radio segment.

Adjusted EBITDA⁽¹⁾ increased over the last eight quarters from \$11.2 million in the first quarter of Fiscal 2019 to \$28.2 million in the fourth quarter of Fiscal 2020. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts. The increase in Q3 2019 was primarily due to the acquisition of NCC. The decrease in Q4 2019 was mainly due to normal business seasonality in the Radio segment and to the reversal of certain accrued liabilities, which positively contributed to the Adjusted EBITDA⁽¹⁾ of the Radio segment in Q3 2019. The increase in Q1 2020, decrease in Q2 2020 and increase in Q3 2020 were mainly due to normal business seasonality in the Radio segment. The decrease in Q4 2020 was mainly due to normal business seasonality in the Radio segment and to the initial impact of the COVID-19 pandemic on Radio revenues, partially offset by the reversal of certain accrued liabilities.

Net income (loss) fluctuated over the last eight quarters from a net income of \$1.3 million in the first quarter of Fiscal 2019 to a Net loss of \$8.5 million in the fourth quarter of Fiscal 2020. In Q3 2019, the decrease was mainly attributable to the CRTC Tangible benefits expense related to the NCC acquisition, higher interest and acquisition expenses, partially offset by higher operating results. In Q4 2019, the increase was mainly explained by the absence of CRTC Tangible benefits expense, lower acquisition expenses and write-off of balance payable on acquisition, partially offset by higher income taxes and lower operating results. In Q1 2020, the increase was mainly explained by higher operating results, lower acquisition expenses and lower mark-to-market losses on derivative financial instruments, partially offset by the absence of write-off of balance payable on acquisition and positive change in fair value of contingent considerations. In Q2 2020, the decrease was mainly explained by lower operating results, higher income taxes and acquisition, legal, restructuring and other expenses, partially offset by lower mark-to-market losses on derivative financial instruments, positive change in fair value of contingent considerations and lower interest expense. In Q3 2020, the increase was mainly explained by mark-to-market gains on derivative financial instruments, positive change in fair value of investments, higher operating results and gain in foreign exchange, partially offset by higher legal expenses due to the settlement with Music Choice. In Q4 2020, the decrease was mainly explained by mark-to-market losses on derivative financial instruments, foreign exchange loss, lower positive change in fair value of investments and lower operating results, partially offset by lower income taxes expense.

Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	3 months							
	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018
	FY2020	FY2020	FY2020	FY2020	FY2019	FY2019	FY2019	FY2019
Revenues by segment								
Broadcasting and Commercial								
Music	38,483	39,894	38,742	37,347	38,718	38,875	34,692	34,456
Radio	29,915	41,419	37,831	43,090	34,012	31,215	-	-
Corporate	-	-	-	-	-	682	-	-
Total revenues	68,398	81,313	76,573	80,437	72,730	70,772	34,692	34,456
Revenues by geography								
Canada	43,498	57,515	52,723	56,107	47,318	46,738	14,222	13,641
United States	10,236	9,575	9,035	9,141	9,351	8,834	8,069	8,185
Other countries	14,664	14,223	14,815	15,189	16,061	15,200	12,401	12,630
Total revenues	68,398	81,313	76,573	80,437	72,730	70,772	34,692	34,456
Adjusted EBITDA⁽¹⁾	28,217	31,033	27,671	31,165	22,407	27,219	11,429	11,179
Net income (loss)	(8,486)	8,089	5,184	9,183	3,942	(18,053)	777	1,346
Net income (loss) per share basic and diluted	(0.11)	0.11	0.07	0.12	0.06	(0.26)	0.01	0.02
Adjusted Net income⁽¹⁾	10,095	16,710	12,416	16,687	14,725	12,396	6,708	5,898
Adjusted Net income per share basic and diluted ⁽¹⁾	0.13	0.22	0.16	0.22	0.21	0.18	0.12	0.10
Cash flow from operations (restated - see page 53)	14,062	28,833	18,952	26,298	18,072	13,809	5,610	7,212
Adjusted free Cash Flow⁽¹⁾	17,974	21,033	18,756	20,587	9,845	16,983	5,751	6,255
Quarterly dividend	0.075	0.075	0.070	0.070	0.065	0.065	0.060	0.060

(1) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 30 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Reconciliation of Quarterly Non-IFRS Measures" on page 36. Adjusted Net income excludes mark-to-market losses (gains) on derivative financial instruments. Refer to the reconciliation of Adjusted Net income on page 36.

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	3 months							
	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018
	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2019	Fiscal 2019	Fiscal 2019	Fiscal 2019
Net income (loss)	(8,486)	8,089	5,184	9,183	3,942	(18,053)	777	1,346
Net finance expense (income)	33,463	(4,383)	6,362	7,380	2,259	7,208	910	1,921
Change in fair value of investments	(1,914)	(4,781)	(188)	333	336	(840)	436	(497)
Income taxes	(4,165)	1,897	2,479	1,481	1,833	(6,117)	567	489
Depreciation and write-off of property and equipment	2,790	2,876	2,989	2,822	2,791	2,469	1,274	1,169
Depreciation of right-of-use assets	1,426	1,402	1,419	1,371	-	-	-	-
Amortization of intangible assets	5,659	5,494	5,935	6,119	7,187	6,401	5,255	4,587
Share-based compensation	258	238	257	248	297	263	358	175
Performance and deferred share unit expense	(1,507)	677	794	781	630	(147)	518	367
CRTC Tangible benefits	-	-	-	-	-	25,306	-	-
Acquisition, legal, restructuring and other expenses	693	19,524	2,440	1,447	3,132	10,729	1,334	1,622
Adjusted EBITDA	28,217	31,033	27,671	31,165	22,407	27,219	11,429	11,179
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(10,976)	(4,184)	(5,767)	(6,195)	739	(7,208)	(910)	(1,921)
Income taxes	4,165	(1,897)	(2,479)	(1,481)	(1,833)	6,117	(567)	(489)
Depreciation and write-off of property and equipment	(2,790)	(2,876)	(2,989)	(2,822)	(2,791)	(2,469)	(1,274)	(1,169)
Depreciation of right-of-use assets	(1,426)	(1,402)	(1,419)	(1,371)	-	-	-	-
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, CRTC Tangible benefits, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses	(7,095)	(3,964)	(2,601)	(2,609)	(3,797)	(11,263)	(1,970)	(1,702)
Adjusted Net income	10,095	16,710	12,416	16,687	14,725	12,396	6,708	5,898

(in thousands of Canadian dollars)	3 months							
	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018
	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2019	Fiscal 2019	Fiscal 2019	Fiscal 2019
Cash flow from operating activities (restated - see page 53)	14,062	28,833	18,952	26,298	18,072	13,809	5,610	7,212
Acquisition of property and equipment	(2,153)	(1,479)	(1,459)	(1,613)	(1,935)	(1,972)	(1,488)	(2,228)
Acquisition of intangible assets other than internally developed intangible assets	(463)	(495)	(292)	(519)	(669)	(1,272)	(1,383)	(347)
Addition to internally developed intangible assets	(1,534)	(1,286)	(1,559)	(1,523)	(1,742)	(1,827)	(1,390)	(1,205)
Interest paid	(3,819)	(4,150)	(4,493)	(4,980)	(4,441)	(4,649)	(424)	(436)
Repayment of lease liabilities	(1,180)	(1,295)	(1,303)	(1,095)	-	-	-	-
Net change in non-cash operating working capital items	7,262	(17,702)	6,143	2,127	(1,890)	1,180	3,189	1,580
Unrealized loss (gain) on foreign exchange	5,106	(917)	327	445	(682)	985	303	57
Acquisition, legal, restructuring and other expenses	693	19,524	2,440	1,447	3,132	10,729	1,334	1,622
Adjusted free cash flow	17,974	21,033	18,756	20,587	9,845	16,983	5,751	6,255

LIQUIDITY AND CAPITAL RESOURCES FOR THE QUARTERS AND YEARS ENDED MARCH 31, 2020 AND 2019

(in thousands of Canadian dollars)	3 months		12 months	
	2020	2019	2020	2019
Operating activities (restated – see page 53)	14,062	18,072	88,145	44,703
Financing activities (restated – see page 53)	(12,293)	(14,158)	(72,359)	440,190
Investing activities	(6,572)	(4,346)	(17,947)	(483,582)
Net change in cash	(4,803)	(432)	(2,161)	1,311
Cash – beginning of period	7,315	5,105	4,673	3,362
Cash – end of period	2,512	4,673	2,512	4,673
Adjusted free cash flow⁽¹⁾	17,974	9,845	78,350	38,834

Operating activities

Cash flow generated from operating activities amounted to \$14.1 million for Q4 2020 compared to \$18.1 million for Q4 2019. The decrease was mainly due to the negative change in non-cash operating items, partially offset by higher operating results and lower income taxes paid.

Cash flow generated from operating activities amounted to \$88.1 million for Fiscal 2020 compared to \$44.7 million for Fiscal 2019. The increase was mainly due to the acquisition of NCC, to higher operating results, to lower income taxes paid and to the positive change in non-cash operating items.

During Fiscal 2020, the Corporation changed its accounting policy with respect to the disclosure of interest paid in the Consolidated Statements of Cash Flows. The Corporation now discloses interest paid in financing activities. Prior to this change of policy, the Corporation disclosed interest paid in operating activities. Refer to page 53 for more information.

Financing Activities

Net cash flow used in financing activities amounted to \$12.3 million for Q4 2020 compared to \$14.2 million for Q4 2019. The decrease was mainly attributable to higher borrowing, partially offset by the shares repurchased in the course of the NCIB.

Net cash flow used in financing activities amounted to \$72.4 million for Fiscal 2020 compared to net cash flow generated by financing activities of \$440.2 million for Fiscal 2019. The net change was mainly attributable to the funding of the NCC acquisition in Fiscal 2019, which was financed through credit facilities, a subordinated debt and share issuances. The net change is also impacted by shares repurchased in the course of the NCIB, higher interest paid and higher dividend payments.

Investing Activities

Net cash flow used in investing activities amounted to \$6.6 million for Q4 2020 compared to \$4.3 million for Q4 2019. The increase was primarily due to higher business and assets acquisitions.

Net cash flow used in investing activities amounted to \$17.9 million for Fiscal 2020 compared to \$483.6 million for Fiscal 2019. The decrease was primarily due to the payment of the NCC acquisition, partially offset by the disposal of non-core assets, both of which occurred in Fiscal 2019.

Adjusted free cash flow⁽¹⁾

Adjusted free cash flow generated in Q4 2020 amounted to \$18.0 million compared to \$9.8 million for Q4 2019. The increase was mainly related to higher operating results and to lower income taxes paid.

Adjusted free cash flow generated in Fiscal 2020 amounted to \$78.4 million compared to \$38.8 million for Fiscal 2019. The increase was mainly related to the acquisition of NCC, to higher operating results, to lower income taxes paid and capital expenditures, partially offset by higher interest paid.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 30 and 36.

Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of properties and equipment, broadcast licences commitments and financial obligations under our credit agreement and subordinated debt. The following table summarizes the Corporation's undiscounted significant contractual obligations as at March 31, 2020, including its estimated payments and commitments related to leasing contracts:

(in thousands of Canadian dollars)

	Less than 1 year	1 to 5 years	More than 5 years	Total
Lease liabilities	4,587	18,403	15,285	38,275
Operating obligations	3,044	1,455	373	4,872
Broadcast licences commitments	6,282	21,638	516	28,436
Credit facility	15,000	310,630	-	325,630
Subordinated debt	-	40,000	-	40,000
Accounts payables and accrued liabilities	62,101	-	-	62,101
Other liabilities	27,682	33,464	26,269	87,415
Total obligations	118,696	425,590	42,443	586,729

Broadcast licences and royalties

A condition of the broadcast licences owned by the Corporation is to commit to fund Canadian Content Development ("CCD") over the initial term of the licences, which is usually 7 years. The Corporation must also 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.

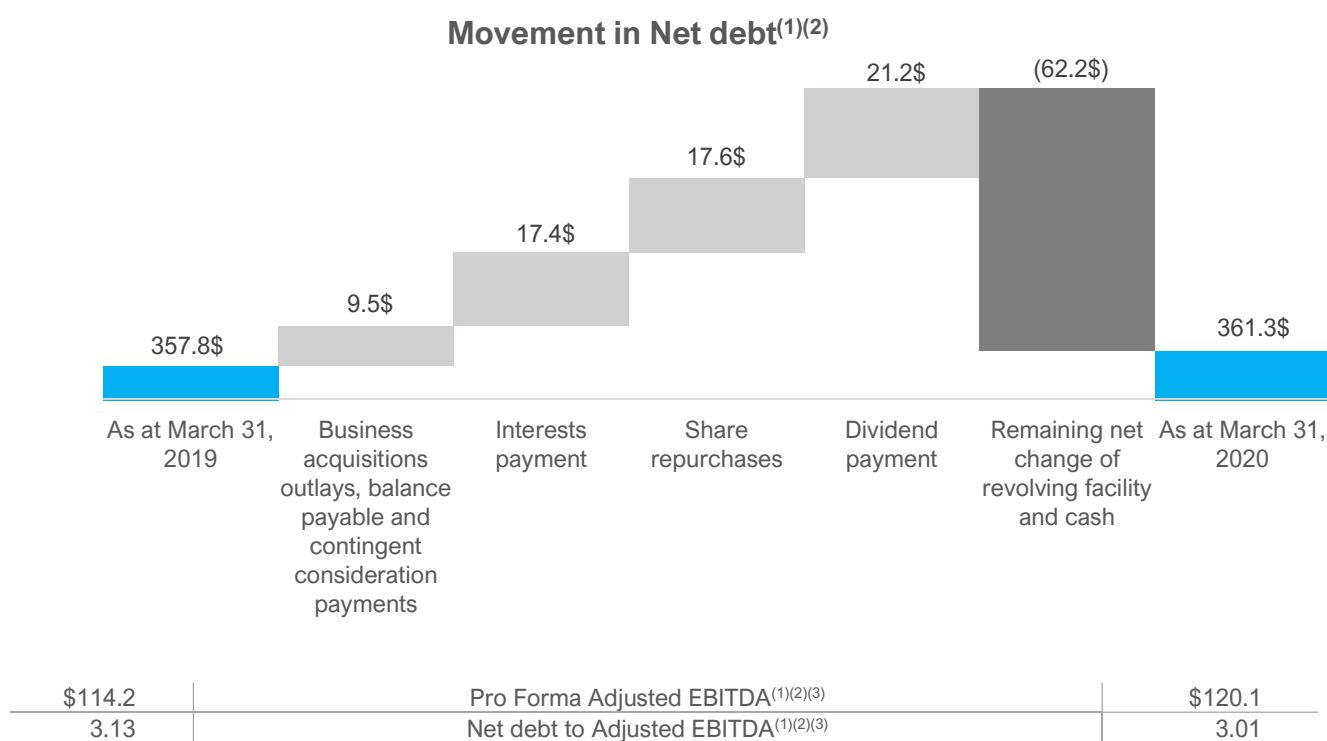
Capital resources

As at March 31, 2020, the Corporation has a credit facility consisting of a revolving credit facility for an authorized amount up to \$230,000 with a maturity date of October 25, 2022, and a non-revolving term facility in the amount of \$135,000 with a maturity date of October 25, 2021.

The credit facility may be drawn in Canadian dollars in the form of prime rate loan or banker's acceptances, in US dollars in the form of US base rate loans or LIBOR loans, or in Euro and British Pound in the form of LIBOR loans and in Australian dollars in the form of BBSY loans.

The Credit facility bears interest at (a) the bank's prime rate (2.45% and 3.95% as at March 31, 2020 and 2019, respectively) or US base rate if denominated in US dollars (3.75% and 6.00% as at March 31, 2020 and 2019, respectively) plus an applicable margin based on a financial covenant, or (b) the banker's acceptance rate (1.23% and 1.98% as at March 31, 2020 and 2019, respectively) plus an applicable margin based on a financial covenant, or (c) LIBOR (0.99% and 2.50% as at March 31, 2020 and 2019, respectively) plus an applicable margin based on a financial covenant, at the Corporation's option.

The following table summarizes the net change in Net debt that occurred in the year ended March 31, 2020 including related ratios:



Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to "Supplemental information on Non-IFRS measures" on page 30 and 36.
- (3) Pro Forma Adjusted EBITDA for 2020 and 2019 is calculated as the Corporation's last twelve months Adjusted EBITDA (\$118.1 million, Fiscal 2019; \$72.2 million), plus synergies and pro forma Adjusted EBITDA for the months prior to the acquisitions which are not already reflected in the results (\$2.0 million, Fiscal 2019; \$42.0 million). Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 30 and for reconciliations of Adjusted EBITDA to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 36.

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the year ended March 31, 2020:

(in thousands of Canadian dollars)	March 31, 2020	March 31, 2019	Variance		Significant contributions
Trade and other receivables	73,216	68,844	4,372	▲	Timing of payments by clients
Right-of-use assets on leases	29,460	-	29,460	▲	Recognition of right-of-use assets on leases following the adoption of IFRS16
Intangible assets	54,890	64,395	(9,505)	▼	Amortization of intangible assets, offset internally developed intangible assets additions and additions through business acquisitions
Broadcast licenses	272,910	271,710	1,200	▲	Acquisition of CHOO-FM
Goodwill	337,770	331,332	6,438	▲	Acquisition of Chatter Research Inc., partially offset by foreign exchange differences
Accounts payables and accrued liabilities	62,101	61,956	145	▲	Timing of payments to suppliers
Lease liabilities	30,853	-	30,853	▲	Recognition of lease liabilities following the adoption of IFRS16
Other liabilities	81,281	60,185	21,096	▲	Liabilities on derivative instruments, settlement agreement payable to Music Choice and contingent consideration payable on Chatter Research Inc. acquisition, partially offset by payments of CRTC tangible benefits and payment of part of the Yokee acquisition contingent consideration
Credit facility	324,123	312,955	11,168	▲	Refer to the graph on previous page
Subordinated debt	39,640	49,539	(9,899)	▼	Debt repayment

Music Choice Litigation

On February 3, 2020, the Corporation and Music Choice executed and exchanged a Settlement Agreement which puts definitive end to the parties' patent litigation in the United States and fully and finally settles all claims, counterclaims and defenses asserted in connection with that litigation. The settlement amount of US\$13.3 million (\$17.2 million at the date of the settlement), will be paid in two equal instalments; the first payment was made on the date of settlement and the second payment is to be made on or before February 15, 2021. Accordingly, an amount of \$17.1 million was booked as part of the acquisition, legal, restructuring and other expenses in Q3 2020. The terms of the settlement do not impact the services currently offered by Stingray in the United States, which shall continue uninterrupted.

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 within approximately 12 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)	12 months	
	2020	2019
Short-term employee benefits	3,568	4,497
Share-based compensation	783	630
Restricted and performance share units	208	811
Deferred share units	514	-
	5,073	5,938

Off-Balance Sheet Arrangements

Upon adoption of IFRS 16 on April 1, 2019, commitments under operating leases previously disclosed in note 25 of the audited consolidated financial statements of the Corporation for the year ended March 31, 2019 are now largely recorded on balance sheet as right-of-use assets and lease liabilities. As of March 31, 2020, the balance of lease liabilities for the related operating leases was \$30.9 million.

The Corporation therefore has no off-balance sheet arrangements, except for the operating leases with terms of twelve months or less, leases of low-value assets or leases that are not in scope of IFRS 16, 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:

	May 31, 2020	March 31, 2020
<i>Issued and outstanding shares:</i>		
Subordinate voting shares	54,960,072	55,021,172
Subordinate voting shares held in trust through employee share purchase plan	(25,227)	(18,694)
Variable subordinate voting shares	666,578	605,478
Multiple voting shares	17,941,498	17,941,498
	73,542,921	73,549,454
<i>Outstanding stock options:</i>		
Stock options	2,431,819	2,431,819

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, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserved for issuance. In Fiscal 2020, 275,000 options were exercised, 91,584 options were forfeited, and 694,303 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 (loss).

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 manages liquidity risk by continuously monitoring actual and budgeted cash flows under both normal and stressed conditions. The Board of Directors also 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 unprecedented market challenges as a result of COVID-19 may adversely affect the Corporation's liquidity. In the early days of the crisis, the decision was made by the Corporation's management to implement significant cost saving measures to maintain a solid financial position. Subsequent to March 31, 2020, the Corporation also obtained an additional term loan in the amount of \$20.0 million (refer to the subsequent events section). The Corporation's focus remains to closely monitor its cash position and control its operating expenses.

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 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.

The credit 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. To manage its interest rate risk, the Corporation entered into the following interest rate swap agreements:

(in thousands of Canadian dollars)

Maturity	Currency	Fixed interest rate (when applicable)	Initial nominal value	Mark-to-market liabilities as at March 31, 2020
Swaps				
October 25, 2024	CAD	0.81%	\$ 50,000	\$ 1,349
October 25, 2024	CAD	1.33%	50,000	904
October 25, 2024	CAD	2.19%	50,000	1,164
October 25, 2024	CAD	2.29%	50,000	2,912
August 29, 2029	CAD	1.73%	40,000	2,098
August 31, 2029	CAD	1.73%	60,000	2,963
			300,000	11,390
Swaptions				
October 25, 2024	CAD	—	100,000	3,064
October 25, 2024	CAD	—	100,000	3,878
			200,000	6,942
Total			500,000	18,332

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 expected credit risk, 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. 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.

During these unprecedented market challenges as a result of COVID-19, collection of accounts receivable remains a priority of the Corporation. A substantial portion of the Corporation's accounts receivable are subject to normal industry credit risks. As at March 31, 2020, there was no counterparty whose accounts receivable individually accounted for more than 10% of the total accounts receivable balance.

An allowance for expected credit losses is maintained to reflect an impairment risk for trade accounts receivable based on an expected credit loss model which factors in changes in credit quality since the initial recognition of trade accounts receivable based on customer risk categories. Bad debts are also provided for based on collection history and specific risks identified on a customer-by-customer basis.

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 is 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 Corporation 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 assets for tax losses available for carry-forward

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.

Estimation of cost of defined benefit pension plans and present value of the net pension obligation

The cost of defined benefit pension plans and the present value of the net pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the net pension obligation is highly sensitive to changes in these assumptions.

Management engages the services of external actuaries to assist in the determination of the appropriate discount rate. Management, with the assistance of actuaries, considers the interest rates of high quality corporate bonds that have terms to maturity approximating the terms related to the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates.

Estimated fair value of certain 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.

Estimated value in use and/or fair value less costs to sell of CGUs used in goodwill and broadcasting licences impairment testing

Broadcast licences and goodwill are not amortized but are tested annually for impairment, or more frequently if events or circumstances indicate that it is more likely than not that the value of broadcast licences and/or goodwill may be impaired. Impairment exists when the carrying value of an asset or cash generating unit (“CGU”) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s-length transaction of similar assets, observable market prices, or discounted cash flow projections less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The impact of COVID-19 on the Corporation was also considered in calculating the future cash flows. Depending on the measures taken by the federal and provincial authorities to slow or stop the spread of COVID-19, such as the closure of non-essential businesses and social distancing, actual results could differ materially from estimates used.

Estimation of fair value of identified assets, liabilities and contingent consideration recorded in business acquisitions

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 were 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 Corporation uses appropriate valuation techniques in arriving at the estimated fair value at the acquisition date for these assets. These valuations are generally based on a forecast of the total expected future net discounted cash flows and relate closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

New standard adopted by the Corporation

IFRS 16 - Leases

Effective April 1, 2019, the Corporation adopted IFRS 16 - Leases, which supersedes IAS 17 - Leases and its related interpretations. IFRS 16 introduces a single lease accounting model under which most of the lease-related assets and liabilities are recognized in the statement of financial position. The Corporation has recognized an asset related to the right of use and a liability at the present value of future lease payments. Depreciation of the right-of-use asset and interest expense on the lease obligation have replaced rent expense related to operating leases. This applies to the lease contracts that convey the right to control the use of an identified asset in exchange for consideration, unless the Corporation elects to exclude short term leases (lease term of twelve months or less) and leases of low-value assets. The standard also specifies how to recognize, measure, present, and disclose leases.

Under IAS 17- Leases and IFRIC 4 - Determining whether an arrangement contains a lease, the Corporation's accounting policy was to record all leases, as either operating or finance, based on the substance of the transaction at the inception of the lease. The Corporation classified all leases as operating leases prior to April 1, 2019. Payments made under operating leases (net of any incentives received from the lessor) are charged to net earnings on a straight-line basis over the lease term.

The Corporation adopted IFRS 16 using the modified retrospective method with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively and the comparatives figures from Fiscal 2019 are not restated. Upon transition, for leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments, discounted using the Corporation’s incremental borrowing rate as at April 1, 2019. Right-of-use assets have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

At transition, the Corporation has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Corporation applied the definition of a lease under IFRS 16 to contracts entered into or modified on or after April 1, 2019. The Corporation has also elected to apply the following practical expedients to leases previously classified as operating leases under IAS17:

- Application of a single discount rate to a portfolio of leases with similar characteristics;
- Exclusion of initial direct costs from measuring the right-of-use asset as at April 1, 2019;
- Use of hindsight in determining the lease term where the contract contains purchase, extension, or termination options; and
- Exclusion of leases for which the lease term ends within twelve months of the date of the initial application.

The following describes the Corporation's accounting policy under IFRS 16 - Leases:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties for which it is a lessee, the Corporation has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component. The right-of-use asset and a lease liability are recognized at the lease commencement date.

Right-of-use asset

The right-of-use asset is measured at cost. The cost is based on the initial amount of the lease liability plus initial direct costs incurred, less any lease incentives received, if any.

The cost of right-of-use asset is periodically reduced by depreciation expenses and impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use asset is amortized to reflect the expected pattern of consumption of the future economic benefits which is based on the lesser of the useful life of the asset or the lease term using the straight-line method. The lease term includes the renewal option only if it is reasonably certain to be exercised. The lease terms range from 1 to 19 years for buildings and towers, from 6 to 57 years for lands and from 1 to 5 years for vehicles.

The Corporation elected not to recognize a right-of-use asset and liability for the leases where the total lease term is less than or equal to twelve months and for the leases of low valued assets in nature; such as but not limited to, office equipment. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating a lease, if the lease term reflects the Corporation exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggered the payment has occurred.

In calculating the present value of lease payments, the Corporation uses the incremental borrowing rate as at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced to reflect the lease payments made. In addition, the carrying amount of the lease liability is remeasured if there has been a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Corporation reassesses the lease term for whether significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy) has occurred.

Impact on transition to IFRS 16 - Leases

As at April 1, 2019, the Corporation recorded lease liabilities of \$34.0 million and right-of-use assets of \$33.4 million, net of the deferred lease inducements and lease payments made on or before the commencement of the lease, with no net impact on deficit.

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Corporation has discounted future lease payments using its incremental borrowing rate as at April 1, 2019. The weighted-average rate applied is 5.03%.

The following table presents the reconciliation of the Corporation's commitments as of March 31, 2019 to the lease liabilities recognized on initial application of IFRS 16 as at April 1, 2019:

(in thousands of Canadian dollars)

Commitments as at March 31, 2019	39,162
Non-lease commitments	(17,248)
Renewal options reasonably certain to be exercised	23,613
Variable commitments excluded from the lease liabilities	(1,866)
Commitments relating to short-term and low-value assets	(767)
Discounting impact	(8,846)
Lease liabilities as at April 1, 2019	34,048

Change in accounting policy

In Q1 2020, the Corporation changed its accounting policy with respect to the disclosure of interest paid in the Consolidated Statements of Cash Flows. The Corporation now disclose interest paid in financing activities. Prior to this change of policy, the Corporation disclosed interest paid in operating activities.

The Corporation believes the new policy is preferable as it more closely aligns the interest payments with the use of the proceeds from financing, such as business acquisitions. Also, interest payments increased as a result of the NCC acquisition financing and the adoption of IFRS 16, and both items are not related to operating activities.

This change did not result in a material impact on the current period or any periods included within these consolidated financial statements and only affected the presentation of interest paid in the Consolidated Statements of Cash Flows.

Future Accounting Changes

There are no material future accounting changes as of March 31, 2020.

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, 2020, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Corporation's DC&P. Based on this evaluation, the CEO and the CFO concluded that the Corporation's DC&P were appropriately designed and were operating effectively as at March 31, 2020.

As at March 31, 2020, 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, 2020.

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.

Subsequent Events

Acquisition

On May 6, 2020 (the “Effective Date”), the Corporation entered into an agreement to acquire the assets of Marketing Sensorial Mexico (the “Seller”), a curated background music and state-of-the-art digital content and technology business. Total consideration consists of an amount of MXN 45.0 million (\$2.7 million) to be paid upon the latest of a) 30 days following the Effective Date and b) 2 business days following the delivery by the Seller of the closing deliverables, and a contingent consideration.

Dividend

On May 20, 2020, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around June 15, 2020, to shareholders on record as of May 29, 2020.

Additional term loan

On May 29, 2020, the Corporation secured an additional term loan of \$20.0 million, with a maturity date of May 29, 2021. The additional loan amount was applied against the revolving facility.

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 Group Inc.

Opinion

We have audited the consolidated financial statements of Stingray Group Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at March 31, 2020 and March 31, 2019,
- the consolidated statements of comprehensive income (loss) for the years then ended,
- the consolidated statements of changes in equity for the years then ended,
- the consolidated statements of cash flows for the years then ended,
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2020 and March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2020".

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.



Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2020" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Alain Bessette.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Montréal, Canada

June 3, 2020

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

Consolidated Statements of Comprehensive Income (Loss)

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, except per share amounts)	Note	2020	2019
Revenues	6	\$ 306,721	\$ 212,650
Operating expenses		190,381	142,877
CRTC tangible benefits	22	—	25,306
Depreciation, amortization and write-off		40,302	31,133
Net finance expense (income)	8	42,822	12,298
Change in fair value of investments	17, 29	(6,550)	(565)
Acquisition, legal, restructuring and other expenses	9	24,104	16,817
Income (loss) before income taxes		15,662	(15,216)
Income tax expense (recovery)	10	1,692	(3,228)
Net income (loss)		\$ 13,970	\$ (11,988)
Net income (loss) per share — Basic	11	0.18	(0.19)
Net income (loss) per share — Diluted	11	0.18	(0.19)
Weighted average number of shares — Basic	11	75,845,030	64,709,965
Weighted average number of shares — Diluted	11	75,958,871	64,709,965

Comprehensive income (loss)

Net income (loss)		\$ 13,970	\$ (11,988)
Other comprehensive income (loss), net of tax			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations		4,826	(2,450)
<i>Items that will not be reclassified to profit and loss</i>			
Remeasurement loss on pension benefit obligations, net of income tax recovery of \$89 (2019 — \$62)		(303)	(120)
Total other comprehensive income (loss)		4,523	(2,570)
Total comprehensive income (loss)		\$ 18,493	\$ (14,558)

Net income (loss) is entirely attributable to Shareholders.

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

Consolidated Statements of Financial Position

March 31, 2020 and 2019

(In thousands of Canadian dollars)	Note	March 31, 2020	March 31, 2019 Restated (note 4)
Assets			
Current assets			
Cash and cash equivalents		\$ 2,512	\$ 4,673
Trade and other receivables	12	73,216	68,844
Income taxes receivable		549	972
Inventories		3,336	2,620
Other current assets		10,110	9,033
		89,723	86,142
Non-current assets			
Property and equipment	13	45,732	50,326
Right-of-use assets on leases	14	29,460	—
Intangible assets, excluding broadcast licences	15	54,890	64,395
Broadcast licences	16	272,910	271,710
Goodwill	16	337,770	331,332
Investments	17	25,732	18,738
Other non-current assets		1,095	1,367
Deferred tax assets	10	10,682	10,672
Total assets		\$ 867,994	\$ 834,682
Liabilities and Equity			
Current liabilities			
Credit facility	19	\$ 15,000	\$ 14,086
Accounts payable and accrued liabilities	18	62,101	61,956
Dividend payable	24	—	4,956
Deferred revenues		1,747	1,634
Current portion of lease liabilities	21	4,517	—
Current portion of other liabilities	22	16,672	16,186
Income taxes payable		4,850	3,889
		104,887	102,707
Non-current liabilities			
Credit facility	19	309,123	298,869
Subordinated debt	20	39,640	49,539
Lease liabilities	21	26,336	—
Other liabilities	22	64,609	43,999
Deferred tax liabilities	10	49,503	52,033
Total liabilities		594,098	547,147
Shareholders' equity			
Share capital	24	322,366	337,714
Contributed surplus		4,620	4,344
Deficit		(56,407)	(53,317)
Accumulated other comprehensive income (loss)		3,317	(1,206)
Total equity		273,896	287,535
Commitments (note 27)			
Subsequent events (note 3)			
Total liabilities and equity		\$ 867,994	\$ 834,682

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, 2020 and 2019

(In thousands of Canadian dollars, except number of share capital)	Share Capital		Contributed surplus	Deficit	Accumulated other comprehensive income (loss)		Total shareholders' equity
	Number	Amount			Cumulative Translation Account	Defined Benefit Plans	
Balance at March 31, 2018	56,305,753	\$ 146,354	\$ 3,825	\$ (21,936)	\$ 1,364	\$ —	\$ 129,607
Issuance of shares upon exercise of options (note 24)	147,500	618	(279)	—	—	—	339
Dividends	—	—	—	(19,393)	—	—	(19,393)
Issuance of subordinate voting shares and variable subordinate voting shares (note 24)	18,144,470	178,559	—	—	—	—	178,559
Issuance of multiple voting shares (note 24)	1,647,213	17,110	—	—	—	—	17,110
Share issuance costs, net of income taxes of \$1,780 (note 24)	—	(4,899)	—	—	—	—	(4,899)
Share-based compensation	—	—	941	—	—	—	941
Employee share purchase plan (notes 24 and 26)	(7,033)	(28)	5	—	—	—	(23)
Realized loss on sales of treasury shares held by the Corporation	—	—	(148)	—	—	—	(148)
Net loss	—	—	—	(11,988)	—	—	(11,988)
Other comprehensive loss	—	—	—	—	(2,388)	(182)	(2,570)
Balance at March 31, 2019	76,237,903	\$ 337,714	\$ 4,344	\$ (53,317)	\$ (1,024)	\$ (182)	\$ 287,535
Issuance of shares upon exercise of options (note 24)	275,000	1,517	(596)	—	—	—	921
Dividends	—	—	—	(16,262)	—	—	(16,262)
Repurchase and cancellation of shares (note 24)	(2,957,799)	(16,823)	—	(798)	—	—	(17,621)
Share-based compensation	—	—	792	—	—	—	792
Employee share purchase plan (notes 24 and 26)	(5,650)	(42)	80	—	—	—	38
Net income	—	—	—	13,970	—	—	13,970
Other comprehensive income (loss)	—	—	—	—	4,915	(392)	4,523
Balance at March 31, 2020	73,549,454	\$ 322,366	\$ 4,620	\$ (56,407)	\$ 3,891	\$ (574)	\$ 273,896

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

Consolidated Statements of Cash Flows

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars)	Note	2020	2019
Operating activities:			
Net income (loss)		\$ 13,970	\$ (11,988)
Adjustments for:			
CRTC tangible benefits	22	—	25,306
Depreciation, disposal and write-off of property and equipment		11,477	7,703
Depreciation of right-of-use assets	14	5,618	—
Amortization of intangible assets	15	23,207	23,430
Share-based compensation, PSU and DSU expenses		1,746	2,461
Interest expense and standby fees	8	15,790	10,295
Mark-to-market losses on derivative financial instruments	8	15,700	2,998
Change in fair value of investments	17	(6,550)	(565)
Share of results of joint venture	17	(6)	200
Change in fair value of contingent consideration	8	1,652	534
Write-off of balance payable on business acquisition	8	—	(4,264)
Depreciation, amortization and accretion of other liabilities	8	2,900	1,886
Interest expense on lease liabilities	21	1,668	—
Income tax expense (recovery)		1,692	(3,228)
Income taxes paid		(2,888)	(6,006)
		85,976	48,762
Net change in non-cash operating items	25	2,169	(4,059)
		88,145	44,703
Financing activities:			
Increase of credit facility		10,234	276,540
Increase (decrease) of subordinated debt	20	(10,000)	50,000
Issuance of shares	24	—	165,111
Share issuance costs	24	—	(6,679)
Deferred financing fees		—	(3,089)
Payment of dividend		(21,218)	(16,007)
Proceeds from the exercise of stock options	24	921	339
Proceeds from disposal of treasury shares held by a subsidiary		—	565
Share repurchased and cancelled	24	(17,621)	—
Shares purchased under the employee share purchase plan	26	(393)	(199)
Interest paid		(17,442)	(9,950)
Repayment of lease liabilities	21	(4,873)	—
Repayment of other payables		(11,967)	(16,441)
		(72,359)	440,190
Investing activities:			
Business acquisitions, net of cash acquired	4	(3,572)	(473,624)
Addition to investments in associate	17	(450)	—
Acquisition of an investment	17	—	(900)
Disposal of non-core assets	13	450	11,500
Acquisition of property and equipment		(6,704)	(7,623)
Intangible assets acquired through asset acquisitions		—	(3,100)
Acquisition of intangible assets other than internally developed intangible assets		(1,769)	(3,671)
Addition to internally developed intangible assets		(5,902)	(6,164)
		(17,947)	(483,582)
Increase (decrease) in cash and cash equivalents		(2,161)	1,311
Cash and cash equivalents, beginning of year		4,673	3,362
Cash and cash equivalents, end of year		\$ 2,512	\$ 4,673

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

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

1. BUSINESS DESCRIPTION

Stingray Group Inc. (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 radio stations, premium television channels, digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles. A portion of the Corporation’s revenue is derived from the sale of advertising airtime, which is subject to the seasonal fluctuations of the Canadian radio industry. Accordingly, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. However, for the year ended March 31, 2020 advertising revenues are not expected to follow historical patterns due to the impact of the ongoing coronavirus (“COVID-19”) pandemic.

2. SIGNIFICANT CHANGES AND HIGHLIGHTS

The consolidated financial position and performance of the Corporation was particularly affected by the following events and transactions during the year ended March 31, 2020:

- During the fourth quarter of 2020, global economies and financial markets were impacted by the COVID-19 outbreak as it quickly spread around the world and on March 11, 2020, the World Health Organization declared it a global pandemic. Government authorities around the world have taken actions in an effort to slowdown the spread of COVID-19, including measures such as the closure of non-essential businesses and social distancing. The tangible impact on the Corporation started in the Radio segment towards the end of the fourth quarter, as many non-essential local businesses were forced to temporarily close leading to a decrease in advertising and related revenues. In the early days of the crisis, the decision was made by the Corporation’s management to implement significant cost saving measures to maintain a solid financial position. Management expects that the Corporation’s Radio segment, and Broadcast and Commercial Music segment, but to a lesser extent, will be further impacted during the first quarter of 2021. Beyond that period, the extent to which COVID-19 will impact the Corporation’s business will depend on future developments, which are highly uncertain and cannot be predicted at this time. The Corporation’s focus will be to closely monitor its cash position and control its operating expenses.
- On February 3, 2020, the Corporation and Music Choice executed and exchanged a settlement agreement which puts a definitive end to the parties’ patent litigation in the United States and fully and finally settles all claims, counterclaims and defenses asserted in connection with that litigation. The settlement amount of US\$13,250 (\$17,209), is payable in two equal instalments; the first payment was made on the date of settlement and the second payment is to be made on or before February 15, 2021. Accordingly, the Corporation recognized an expense of \$17,050 as part of acquisition, legal, restructuring and other expenses (note 9) and the related accrual is presented in other liabilities (note 22).
- On January 27, 2020, the Corporation purchased all of the outstanding shares of Chatter Research Inc., a Toronto-based leader in the design, development, and implementation of artificial intelligence driven real-time customer feedback solutions for retail and hospitality businesses, for total consideration of \$9,493. It resulted in the recognition of goodwill (note 16), intangible assets (note 15) and contingent consideration (note 22).
- On August 26, 2019, the Corporation entered into an agreement to acquire the assets of CHOO-FM, a radio station in Drumheller, Alberta, for total consideration of \$1,640. It resulted in the recognition of property and equipment (note 13) and broadcast licences (note 16).
- On August 14, 2019, the Corporation announced that the Toronto Stock Exchange (the “TSX”) had approved its share repurchase program, authorizing the Corporation to repurchase up to an aggregate 2,924,220 subordinate voting shares and variable subordinate voting shares (collectively, the “Subordinate Shares”), representing approximately

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

5% of the 58,484,449 Subordinated Shares issued and outstanding as at August 7, 2019. On March 20, 2020, the TSX approved an increase in the maximum number of Subordinate Shares from 2,924,220 to 4,903,887 Subordinate Shares, representing approximately 10% of the public float as at August 7, 2019. For more information, refer to note 24.

- On August 19, 2019, the Corporation renegotiated the fixed interest rates and maturities of some of its existing interest rate swap agreements and entered into new derivative financial instrument agreements. For more information, refer to note 29.
- On July 9, 2019, the Corporation extended the maturity of its revolving facility by one year, with a new maturity date of October 25, 2022 and reduced its authorized amount by \$70,000 bringing it down to \$230,000. The interest pricing grid was also reviewed for both the revolving facility and the term facility, which will reduce future interest expense (note 19).
- Effective April 1, 2019, the Corporation adopted IFRS 16 - Leases, which supersedes IAS 17 - Leases and its related interpretations. IFRS 16 introduces a single lease accounting model under which most of the lease-related assets and liabilities are recognized in the statement of financial position. The Corporation has recognized an asset related to the right of use and a liability at the present value of future lease payments. Depreciation of the right-of-use asset and interest expense on the lease obligation have replaced rent expense related to operating leases. This applies to the lease contracts that convey the right to control the use of an identified asset in exchange for consideration, unless the Corporation elects to exclude short term leases (lease term of twelve months or less) and leases of low-value assets. The standard also specifies how to recognize, measure, present, and disclose leases.

Under IAS 17- Leases and IFRIC 4 - Determining whether an arrangement contains a lease, the Corporation's accounting policy was to record all leases, as either operating or finance, based on the substance of the transaction at the inception of the lease. The Corporation classified all leases as operating leases prior to April 1, 2019. Payments made under operating leases (net of any incentives received from the lessor) are charged to net earnings on a straight-line basis over the lease term.

The Corporation adopted IFRS 16 using the modified retrospective method with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively and the comparatives figures from Fiscal 2019 are not restated. Upon transition, for leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at April 1, 2019. Right-of-use assets have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

At transition, the Corporation has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Corporation applied the definition of a lease under IFRS 16 to contracts entered into or modified on or after April 1, 2019. The Corporation has also elected to apply the following practical expedients to leases previously classified as operating leases under IAS17:

- Application of a single discount rate to a portfolio of leases with similar characteristics;
- Exclusion of initial direct costs from measuring the right-of-use asset as at April 1, 2019;
- Use of hindsight in determining the lease term where the contract contains purchase, extension, or termination options; and
- Exclusion of leases for which the lease term ends within twelve months of the date of the initial application.

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

As at April 1, 2019, the Corporation recorded lease liabilities of \$34,048 and right-of-use assets of \$33,411, net of the deferred lease inducements and lease payments made on or before the commencement of the lease, with no net impact on deficit. For more information, refer to notes 14 and 21.

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Corporation has discounted future lease payments using its incremental borrowing rate as at April 1, 2019. The weighted-average rate applied is 5.03%.

3. SUBSEQUENT EVENTS

- On May 29, 2020, the Corporation secured an additional term loan of \$20,000, with a maturity date of May 29, 2021. The additional loan amount was applied against the revolving facility.
- On May 20, 2020, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around June 15, 2020, to shareholders on record as of May 29, 2020
- On May 6, 2020 (the “Effective Date”), the Corporation entered into an agreement to acquire the assets of Marketing Sensorial Mexico (the “Seller”), a curated background music and state-of-the-art digital content and technology business. Total consideration consists of an initial amount of MXN45,000 (\$2,701) to be paid upon the latest of a) 30 days following the Effective Date and b) 2 business days following the delivery by the Seller of the closing deliverables, and contingent consideration.

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

4. BUSINESS ACQUISITIONS

FISCAL 2020

Chatter Research Inc.

On January 27, 2020, the Corporation purchased all of the outstanding shares of Chatter Research Inc. (thereafter "Chatter"), a Toronto-based leader in the design, development, and implementation of artificial intelligence driven real-time customer feedback solutions for retail and hospitality businesses, for total consideration of \$9,493. As a result of the acquisition, goodwill of \$4,654 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 \$303, which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding \$14,000 over the next three years ending in January 2023, based on the recurring monthly revenues 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 results of the business acquisition of Chatter for the period of March 31, 2020 are included in the result since the date of acquisition. Revenues recorded from the acquisition date to March 31, 2020 were \$133 and the net loss was \$558. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately \$4,255 and net loss would have been \$(729).

	Preliminary
Assets acquired:	
Cash and cash equivalents	168
Trade and other receivables	303
Intangible assets	5,446
Goodwill	4,654
Deferred tax assets	587
	11,158
Liabilities assumed:	
Accounts payable and accrued liabilities	208
Deferred revenues	14
Deferred tax liabilities	1,443
	1,665
Net assets acquired at fair value	\$ 9,493
Consideration given:	
Cash	2,140
Contingent consideration	7,344
Working capital payable	9
	\$ 9,493

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.

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

Drumheller

On August 26, 2019, the Corporation purchased the assets of CHOO-FM, a radio station in Drumheller, Alberta, from Golden West Broadcasting Ltd., for total consideration of \$1,640.

	Preliminary
Assets acquired:	
Trade and other receivables	70
Property and equipment	400
Broadcasting licences	1,200
	1,670
Liabilities assumed:	
Accounts payable and accrued liabilities	30
Net assets acquired at fair value	\$ 1,640
Consideration given:	
Cash	1,600
Working capital payable	40
	\$ 1,640

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.

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

FISCAL 2019

New Glasgow

On November 26, 2018, the Corporation purchased the assets of two radio stations, CKEC-FM and CKEZ-FM, located in New Glasgow, Nova Scotia (referred as “New Glasgow” acquisition) from Hector Broadcasting Company Limited for total consideration of \$2,846.

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 have been recorded in the statement of financial position.

	Preliminary and Final
Assets acquired:	
Trade and other receivables	237
Property and equipment	676
Broadcasting licences	1,885
Deferred tax assets	52
Goodwill	100
	2,950
Liabilities assumed:	
Accounts payable and accrued liabilities	104
	104
Net assets acquired at fair value	\$ 2,846
Consideration given:	
Cash	2,194
Balance payable on business acquisitions	652
	\$ 2,846

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

Newfoundland Capital Corporation

On October 26, 2018, the Corporation acquired all of the issued and outstanding shares of Newfoundland Capital Corporation (thereafter “NCC”) for total consideration of \$484,252, of which \$453,694 was paid in cash and the remaining \$30,558 through the issuance of 3,887,826 subordinate voting shares of the Corporation. NCC is a radio broadcaster that operates radio stations across Canada. As a result of the acquisition, goodwill of \$218,304 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 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.

	As of March 31, 2019	Adjustments	Final
Assets acquired:			
Cash and cash equivalents	\$ 909	\$ —	\$ 909
Trade and other receivables	33,224	—	33,224
Other current assets	1,768	—	1,768
Property and equipment	48,432	—	48,432
Broadcast licences	268,670	1,155	269,825
Goodwill	219,138	(834)	218,304
Other non-current assets	1,325	—	1,325
Deferred tax assets	2,045	—	2,045
	575,511	321	575,832
Liabilities assumed:			
Accounts payable and accrued liabilities	20,328	—	20,328
Income taxes payable	3,264	—	3,264
Other liabilities	10,712	—	10,712
Deferred tax liabilities	56,955	321	57,276
	91,259	321	91,580
Net assets acquired at fair value	\$ 484,252	\$ —	\$ 484,252
Consideration given:			
Cash	453,694	—	453,694
Share capital	30,558	—	30,558
	\$ 484,252	\$ —	\$ 484,252

Purchase price adjustments within the measurement period have been recorded as at March 31, 2019 (recasted).

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

DJ-Matic

On October 12, 2018, the Corporation purchased all of the outstanding shares of DJ-Matic, a European provider of in-store media solutions for businesses for total consideration of EUR\$10,163 (\$15,775). As a result of the acquisition, goodwill of \$12,344 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 \$1,088 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding EUR\$7,473 (\$11,118) over the next three years ending in October 2021, based on an adjusted EBITDA ratio. 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.

	As of March 31, 2019	Adjustments	Final
Assets acquired:			
Cash and cash equivalents	\$ 543	\$ —	\$ 543
Trade and other receivables	1,088	—	1,088
Inventories	312	—	312
Property and equipment	589	—	589
Intangible assets	9,951	(716)	9,235
Goodwill	12,339	5	12,344
	24,822	(711)	24,111
Liabilities assumed:			
Accounts payable and accrued liabilities	5,821	(416)	5,405
Deferred revenues	652	—	652
Other liabilities	—	416	416
Income taxes payable	30	—	30
Deferred tax liabilities	2,544	(711)	1,833
	9,047	(711)	8,336
Net assets acquired at fair value	\$ 15,775	\$ —	\$ 15,775
Consideration given:			
Cash	13,692	—	13,692
Contingent consideration	2,083	—	2,083
	\$ 15,775	\$ —	\$ 15,775

Purchase price adjustments within the measurement period have been recorded as at March 31, 2019 (recasted).

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

Novramedia

On August 1, 2018, the Corporation purchased all of the outstanding shares of Novramedia Inc. (“Novramedia”) for total consideration of \$7,755. Novramedia is a Canadian provider of digital media solution. As a result of the acquisition, goodwill of \$3,460 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 \$737 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding \$2,500 over the next 12 months if certain revenues-based targets are met. 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.

	As of March 31, 2019	Adjustments	Final
Assets acquired:			
Cash and cash equivalents	\$ 4	\$ —	\$ 4
Trade and other receivables	754	(17)	737
Inventories	863	(4)	859
Other current assets	142	—	142
Property and equipment	50	—	50
Intangible assets	5,827	—	5,827
Goodwill	3,431	29	3,460
	11,071	8	11,079
Liabilities assumed:			
Accounts payable and accrued liabilities	942	(10)	932
Deferred revenues	842	—	842
Deferred tax liabilities	1,550	—	1,550
	3,334	(10)	3,324
Net assets acquired at fair value	\$ 7,737	\$ 18	\$ 7,755
Consideration given:			
Cash	5,500	—	5,500
Working capital receivable	(171)	18	(153)
Contingent consideration	2,408	—	2,408
	\$ 7,737	\$ 18	\$ 7,755

Purchase price adjustments within the measurement period have been recorded as at March 31, 2019 (recasted).

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

5. SEGMENT INFORMATION

OPERATING SEGMENTS

The Corporation's operating segments are aggregated in two segments: *Broadcasting and commercial music* and *Radio*. The operating segments reflect how the Corporation manages its operations, resources and assets and how it measures its performance. Both operating segment's financial results are reviewed by the Chief operating decision maker ("CDOM") to make decisions about resources to be allocated to the segment and assess its performance based on adjusted EBITDA, and for which distinct financial information is available. Adjusted EBITDA excludes from income (loss) before income taxes the following expenses: share-based compensation, PSU and DSU expenses, CRTC tangible benefits, depreciation, amortization and write-off, net finance expense (income), change in fair value of investments and acquisition, legal, restructuring and other expenses. There are no inter-segment revenues for the periods.

The Broadcasting and commercial music segment specializes in the broadcast of music and videos on multiple platforms and digital signage experiences and generates revenues from subscriptions or contracts.

The Radio segment operates several radio stations across Canada and generates revenues from advertising.

Corporate and eliminations is a non-operating segment comprising corporate and administrative functions that provide support and governance to the Corporation's operating business units.

The following tables present financial information by segment for years ended March 31, 2020 and 2019.

Year ended	Broadcasting and commercial music		Radio		Corporate and eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues	\$ 154,466	\$ 146,741	\$ 152,255	\$ 65,227	\$ —	\$ 682	\$ 306,721	\$ 212,650
Operating expenses (excluding Share-based compensation, PSU and DSU expenses)	90,765	93,913	93,760	41,209	4,110	5,294	188,635	140,416
Adjusted EBITDA	63,701	52,828	58,495	24,018	(4,110)	(4,612)	118,086	72,234
Share-based compensation					1,001	1,093	1,001	1,093
PSU and DSU expenses					745	1,368	745	1,368
CRTC tangible benefits					—	25,306	—	25,306
Depreciation, amortization and write-off					40,302	31,133	40,302	31,133
Net finance expense (income)					42,822	12,298	42,822	12,298
Change in fair value of investments					(6,550)	(565)	(6,550)	(565)
Acquisition, legal, restructuring and other expenses					24,104	16,817	24,104	16,817
Income (loss) before income taxes							15,662	(15,216)
Income taxes							1,692	(3,228)
Net income (loss)							\$ 13,970	\$ (11,988)

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

	Broadcasting and commercial music		Radio		Corporate and eliminations		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Total assets	\$ 268,648	\$ 262,010	\$ 599,346	\$ 572,672	\$ —	\$ —	\$ 867,994	\$ 834,682
Total liabilities ⁽¹⁾	\$ 88,012	\$ 72,255	\$ 123,625	\$ 104,444	\$ 382,461	\$ 370,448	\$ 594,098	\$ 547,147

(1) Total liabilities include operating liabilities, the Credit facility and the Subordinated debt

Year ended	Broadcasting and commercial music		Radio		Corporate and eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Acquisition of property and equipment	\$ 3,258	\$ 8,280	\$ 4,300	\$ 50,684	\$ —	\$ —	\$ 7,558	\$ 58,964
Addition to right-of-use assets on leases	\$ 1,168	\$ —	\$ 540	\$ —	\$ —	\$ —	\$ 1,708	\$ —
Acquisition of intangible assets	\$ 13,140	\$ 34,378	\$ —	\$ —	\$ —	\$ —	\$ 13,140	\$ 34,378
Acquisition of broadcast licences	\$ —	\$ —	\$ 1,200	\$ 271,710	\$ —	\$ —	\$ 1,200	\$ 271,710
Goodwill recorded on business acquisitions	\$ 4,654	\$ 15,804	\$ —	\$ 218,404	\$ —	\$ —	\$ 4,654	\$ 234,208

Acquisition of property and equipment, intangible assets, broadcast licences and goodwill, includes those acquired through business acquisitions, whether they were paid or not.

Approximately 79% of the Corporation's non-current assets are located in Canada.

Notes to Consolidated Financial Statements

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(In thousands of Canadian dollars, unless otherwise stated)

6. REVENUES

DISAGGREGATION OF REVENUES

The following table presents the Corporation's revenues disaggregated by reportable segment, primary geographical market and product.

Year ended	Reportable segments								
	2020	2019	2020	2019	2020	2019	2020	2019	
	Broadcasting and commercial music		Radio		Corporate		Total revenues		
Geography									
Canada	\$ 57,588	56,010	\$ 152,255	65,227	\$ —	682	\$ 209,843	121,919	
United States	37,987	34,439	—	—	—	—	37,987	34,439	
Other countries	58,891	56,292	—	—	—	—	58,891	56,292	
	154,466	146,741	152,255	65,227	—	682	306,721	212,650	
Products									
Subscriptions ⁽¹⁾	130,437	127,991	—	—	—	—	130,437	127,991	
Media solutions ⁽²⁾	22,191	18,194	—	—	—	—	22,191	18,194	
Advertising ⁽³⁾	1,838	556	152,255	65,227	—	—	154,093	65,783	
Other	—	—	—	—	—	682	—	682	
	\$ 154,466	146,741	\$ 152,255	65,227	\$ —	682	\$ 306,721	212,650	

⁽¹⁾ Generally recognized over time

⁽²⁾ Approximately 50% of revenues are recognized overtime and 50% at a point in time

⁽³⁾ Generally recognized at a point in time

UNSATISFIED PORTION OF PERFORMANCE OBLIGATIONS

The following table presents the revenues expected to be recognized in the future related to unsatisfied or partially satisfied performance obligations as at March 31, 2020. The table below excludes i) contracts with a duration of one year or less and ii) variable consideration, such as revenues based on a number of subscribers or location as they will likely vary throughout the term of the contracts.

The unsatisfied portion of the transaction price of the performance obligations relates to monthly services expected to be recognize over the next 3 years and thereafter.

	2021	2022	2023	Thereafter	Total
Media solutions	\$ 3,398	—	—	—	\$ 3,398
Subscriptions	13,023	8,305	3,969	2,451	27,748
	\$ 16,421	8,305	3,969	2,451	\$ 31,146

Upon adoption of, and transition to, IFRS 15, the Corporation elected to utilize the following practical expedients and not disclose:

- The unsatisfied portions of performance obligations related to contracts with a duration of one year or less;
- The unsatisfied portions of performance obligations where the revenue recognized corresponds to the amount invoiced to customers.

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

7. OTHER INFORMATION

Expenses by nature are as follows:

	2020	2019
Salaries and other short-term employee benefits	\$ 90,164	\$ 55,949
Research and development	7,245	7,244
Equipment costs	7,131	5,849
Share-based compensation	1,001	1,093
PSU and DSU expenses	745	1,368

8. NET FINANCE EXPENSE (INCOME)

	2020	2019
Interest expense and standby fees	\$ 15,790	\$ 10,295
Mark-to-market losses on derivative financial instruments	15,700	2,998
Change in fair value of contingent consideration	1,652	534
Write-off of balance payable on business acquisition	—	(4,264)
Depreciation, amortization and accretion of other liabilities	2,900	1,886
Interest expense on lease liabilities	1,668	—
Foreign exchange loss	5,112	849
	\$ 42,822	\$ 12,298

9. ACQUISITION, LEGAL, RESTRUCTURING AND OTHER EXPENSES

	2020	2019
Acquisition	\$ 1,556	\$ 13,738
Legal	19,540	2,099
Restructuring and other	3,008	980
	\$ 24,104	\$ 16,817

10. INCOME TAXES

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

	2020	2019
Current income tax:		
Current year	\$ 5,360	\$ 4,956
Adjustment for prior years	(405)	(331)
	4,955	4,625
Deferred income tax:		
Origination and reversal of temporary differences	(1,353)	(8,635)
Change in substantively enacted tax rate	(2,643)	—
Adjustment for prior years	458	(242)
Change in recognized tax losses and deductible temporary differences	275	1,024
	(3,263)	(7,853)
Total income tax expense (recovery)	\$ 1,692	\$ (3,228)

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

The following table reconciles income tax computed at the Canadian statutory rate of 26.6% (2019 — 26.7%) and the total income tax expense for the years ended March 31:

	2020	2019
Income (loss) before income taxes	\$ 15,662	\$ (15,216)
Income tax at the combined Canadian statutory rate	4,166	(4,063)
(Decrease) increase resulting from:		
Impact of foreign tax rate differences	(1,538)	(1,798)
Income taxes on non-deductible expenses and non-taxable revenues	948	1,722
Change in recognized tax losses and deductible temporary differences	275	1,024
Change in substantively enacted tax rate	(2,643)	—
Other	484	(113)
Total income tax expense (recovery)	\$ 1,692	\$ (3,228)

SIGNIFICANT ESTIMATE

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

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:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	\$ 1,658	\$ 2,884	\$ 1,117	\$ 3,372
Intangible assets and goodwill	1,138	64,054	302	65,294
Financing fees	1,304	—	2,708	—
Tax losses and Scientific Research and Experimental Development Expenditures ("SR&ED") carried forward	15,491	—	11,424	—
Investments	—	2,829	—	1,973
CRTC tangible benefits	7,113	—	9,490	—
Restricted and performance share unit	1,313	—	1,308	—
Right-of-use assets on leases	324	—	—	—
Accrued pension benefit liability	2,238	—	1,776	—
Other	367	—	1,233	80
Tax assets and liabilities	30,946	69,767	29,358	70,719
Offsetting of assets and liabilities	(20,264)	(20,264)	(18,686)	(18,686)
Net deferred tax assets and liabilities	\$ 10,682	\$ 49,503	\$ 10,672	\$ 52,033

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

Changes in deferred tax assets and liabilities for the year ended March 31, 2020 are as follow:

	Balance as at March 31, 2019	Recognized in net income	Recognized in other comprehensive income	Exchange rate change	Business acquisitions	Balance as at March 31, 2020
Property and equipment	\$ (2,255)	1,029	—	—	—	(1,226)
Intangible assets and goodwill	(64,992)	3,358	—	160	(1,443)	(62,917)
Financing fees	2,708	(1,404)	—	—	—	1,304
Tax losses and SR&ED carried forward	11,424	3,508	—	(28)	587	15,491
Investments	(1,973)	(856)	—	—	—	(2,829)
CRTC tangible benefits	9,490	(2,377)	—	—	—	7,113
Performance share unit	1,308	5	—	—	—	1,313
Right-of-use assets on leases	—	324	—	—	—	324
Accrued pension benefit liability	1,776	373	89	—	—	2,238
Other	1,153	(697)	—	(88)	—	368
	\$ (41,361)	3,263	89	44	(856)	(38,821)

Changes in deferred tax assets and liabilities for the year ended March 31, 2019 are as follow:

	Balance as at March 31, 2018	Recognized in net loss	Recognized in equity	Exchange rate change	Business acquisitions	Balance as at March 31, 2019
Property and equipment	\$ 1,184	445	—	—	(3,884)	(2,255)
Intangible assets and goodwill	(7,301)	(6)	—	291	(57,976)	(64,992)
Financing fees	1,523	(595)	1,780	—	—	2,708
Tax losses and SR&ED carried forward	11,416	(672)	—	(534)	1,214	11,424
Investments	(1,897)	(76)	—	—	—	(1,973)
CRTC tangible benefits	845	8,645	—	—	—	9,490
Performance share unit	1,127	181	—	—	—	1,308
Balance payable on business acquisitions	729	(695)	—	(34)	—	—
Accrued pension benefit liability	—	(110)	62	—	1,824	1,776
Other	168	736	—	(10)	259	1,153
	\$ 7,794	7,853	1,842	(287)	(58,563)	(41,361)

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

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UNRECOGNIZED DEFERRED TAX ASSETS

The Corporation has operating tax losses carried forward of \$89,269 that are available to reduce future taxable income. A tax benefit was not recognized for \$30,129 of these tax losses carried forward. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits therefrom.

As at March 31, 2020 and 2019, the amounts and expiry dates of the tax losses carried forward were as follows:

	2020				
	Canada ⁽¹⁾	Singapore	Netherlands	Switzerland	United Kingdom
2020	\$ —	\$ —	\$ —	\$ —	\$ —
2021	—	—	—	5,176	—
2022	—	—	—	3,775	—
2023	—	—	27	2,241	—
2024	—	—	—	—	—
2027	—	—	—	—	—
2032	315	—	190	—	—
2033	—	—	310	—	—
2034	589	—	—	—	—
2036	51	—	—	—	—
2037	395	—	—	—	—
2038	6,367	—	—	—	—
2039	2,679	—	—	—	—
2040	7,440	—	—	—	—
Indefinite	—	518	—	—	59,196
	\$ 17,836	\$ 518	\$ 527	\$ 11,192	\$ 59,196

⁽¹⁾ Represents tax losses carried forward as per federal jurisdiction and tax losses available as per provincial jurisdictions may differ.

	2019				
	Canada ⁽¹⁾	Singapore	Netherlands	Switzerland	United Kingdom
2020 ⁽²⁾	\$ —	\$ —	\$ —	\$ 4,984	\$ —
2021	—	—	—	4,804	—
2022	—	—	—	3,445	—
2023	—	—	—	2,045	—
2024	—	—	—	—	—
2027	25	—	—	—	—
2032	355	—	—	—	—
2033	—	—	—	—	—
2034	589	—	—	—	—
2036	51	—	—	—	—
2037	432	—	—	—	—
2038	3,416	—	—	—	—
2039	8,703	—	—	—	—
2040	—	—	—	—	—
Indefinite	—	484	—	—	63,631
	\$ 13,571	\$ 484	\$ —	\$ 15,278	\$ 63,631

⁽¹⁾ Represents tax losses carried forward as per federal jurisdiction and tax losses available as per provincial jurisdictions may differ.

⁽²⁾ These losses expired during the year ended March 31, 2020.

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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.

11. EARNINGS PER SHARE

	2020	2019
Net income (loss)	\$ 13,970	\$ (11,988)
Basic weighted average number of subordinate voting shares, variable subordinate voting shares and multiple voting shares	75,845,030	64,709,965
Dilutive effect of stock options	113,841	—
Diluted weighted average number of subordinated voting shares, variable subordinated voting shares and multiple voting shares	75,958,871	64,709,965
Earnings per share — Basic	\$ 0.18	\$ (0.19)
Earnings per share — Diluted	\$ 0.18	\$ (0.19)

As at March 31, 2019, 801,855 stock options were excluded from the diluted weighted average number of subordinated voting shares, variable subordinated voting shares and multiple voting shares as their effect would have been anti-dilutive.

12. TRADE AND OTHER RECEIVABLES

	2020	2019
Trade	\$ 64,705	\$ 62,816
Other receivables	3,915	3,858
Sales taxes receivable	1,922	863
Research and development tax credits	2,674	1,307
	\$ 73,216	\$ 68,844

Tax credits receivable of \$2,674 (2019 – \$1,307) 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.

Notes to Consolidated Financial Statements

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13. PROPERTY AND EQUIPMENT

	Land, buildings and leasehold improvements	Broadcasting infrastructure	Furniture, fixtures and equipment	Computer hardware	Other	Total
Cost:						
Balance at March 31, 2018	\$ 1,963	\$ —	\$ 13,832	\$ 8,442	\$ —	\$ 24,237
Additions	1,330	466	4,905	2,516	—	9,217
Additions through business acquisitions	23,286	15,504	6,266	2,890	1,801	49,747
Disposals and write-off	(11,177)	—	(1,166)	(6)	—	(12,349)
Foreign exchange differences	—	—	(135)	(114)	—	(249)
Balance at March 31, 2019	15,402	15,970	23,702	13,728	1,801	70,603
Additions	891	1,690	2,525	1,691	361	7,158
Additions through business acquisitions	—	—	—	—	400	400
Disposals and write-off	(458)	—	(718)	(3)	—	(1,179)
Foreign exchange differences	34	—	(438)	(25)	—	(429)
Balance at March 31, 2020	15,869	17,660	25,071	15,391	2,562	76,553
Accumulated depreciation:						
Balance at March 31, 2018	1,334	—	5,891	5,877	—	13,102
Depreciation for the year	1,050	715	3,451	2,051	188	7,455
Disposals and write-off	—	—	(252)	—	—	(252)
Foreign exchange differences	3	—	52	(83)	—	(28)
Balance at March 31, 2019	2,387	715	9,142	7,845	188	20,277
Depreciation for the year	1,687	2,370	3,860	2,531	418	10,866
Disposals and write-off	(36)	—	(113)	—	—	(149)
Foreign exchange differences	28	—	(161)	(40)	—	(173)
Balance at March 31, 2020	\$ 4,066	\$ 3,085	\$ 12,728	\$ 10,336	\$ 606	\$ 30,821
Net carrying amounts:						
March 31, 2019	\$ 13,015	\$ 15,255	\$ 14,560	\$ 5,883	\$ 1,613	\$ 50,326
March 31, 2020	\$ 11,803	\$ 14,575	\$ 12,343	\$ 5,055	\$ 1,956	\$ 45,732

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

14. RIGHT-OF-USE ASSETS ON LEASES

	Land and buildings	Vehicles	Total
Cost:			
Balance at March 31, 2019	\$ —	\$ —	\$ —
Additions resulting from adoption of IFRS 16	32,763	648	33,411
Additions	1,548	160	1,708
Foreign exchange differences	(57)	43	(14)
Balance at March 31, 2020	34,254	851	35,105
Accumulated depreciation:			
Balance at March 31, 2019	—	—	—
Depreciation for the year	5,179	439	5,618
Foreign exchange differences	110	(83)	27
Balance at March 31, 2020	\$ 5,289	\$ 356	\$ 5,645
Net carrying amounts:			
March 31, 2019	\$ —	\$ —	\$ —
March 31, 2020	\$ 28,965	\$ 495	\$ 29,460

Notes to Consolidated Financial Statements

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15. INTANGIBLE ASSETS, EXCLUDING BROADCAST LICENCES

	Internally developed intangible assets	Music catalog	Client list and relationships	Trademark	Licences, website application and computer software	Non- compete agreement	Total
Cost:							
Balance at March 31, 2018	\$ 1,975	\$ 11,243	\$ 99,285	\$ 10,518	\$ 19,435	\$ 6,488	\$ 148,944
Additions	6,164	469	—	2	3,581	—	10,216
Additions through business acquisitions	—	—	12,474	—	618	1,970	15,062
Additions through asset acquisition	—	—	—	—	—	9,100	9,100
Disposals and write-off	—	—	—	—	(2,538)	—	(2,538)
Foreign exchange differences	1	(10)	(789)	(256)	(261)	(103)	(1,418)
Balance at March 31, 2019	8,140	11,702	110,970	10,264	20,835	17,455	179,366
Additions	5,901	429	—	7	1,357	—	7,694
Additions through business acquisitions	—	—	1,609	—	3,008	829	5,446
Foreign exchange differences	263	23	589	350	725	172	2,122
Balance at March 31, 2020	14,304	12,154	113,168	10,621	25,925	18,456	194,628
Accumulated depreciation:							
Balance at March 31, 2018	—	5,028	73,705	2,713	9,011	4,132	94,589
Amortization for the year	1,144	891	11,021	1,050	5,951	3,373	23,430
Disposals and write-off	—	—	—	—	(2,538)	—	(2,538)
Foreign exchange differences	14	2	(450)	(57)	(2)	(17)	(510)
Balance at March 31, 2019	1,158	5,921	84,276	3,706	12,422	7,488	114,971
Amortization for the year	3,112	924	10,073	1,093	4,035	3,970	23,207
Foreign exchange differences	173	19	563	144	547	114	1,560
Balance at March 31, 2020	\$ 4,443	\$ 6,864	\$ 94,912	\$ 4,943	\$ 17,004	\$ 11,572	\$ 139,738
Net carrying amounts:							
March 31, 2019	\$ 6,982	\$ 5,781	\$ 26,694	\$ 6,558	\$ 8,413	\$ 9,967	\$ 64,395
March 31, 2020	\$ 9,861	\$ 5,290	\$ 18,256	\$ 5,678	\$ 8,921	\$ 6,884	\$ 54,890

Notes to Consolidated Financial Statements

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(In thousands of Canadian dollars, unless otherwise stated)

16. GOODWILL AND BROADCAST LICENCES

	Goodwill	Broadcast licences
Balance at March 31, 2018	\$ 98,467	\$ —
Additions through business acquisitions (note 4)	234,208	271,710
Foreign exchange differences	(1,343)	—
Balance at March 31, 2019	331,332	271,710
Additions through business acquisitions (note 4)	4,654	1,200
Foreign exchange differences	1,784	—
Balance at March 31, 2020	\$ 337,770	\$ 272,910

ANNUAL IMPAIRMENT ASSESSMENTS

Goodwill and broadcast licences are tested for impairment annually and when circumstances indicate the carrying value may be impaired. The Corporation's impairment test for goodwill and broadcast licences having indefinite useful lives was based on value-in-use ("VIU") and fair value less cost to sell ("FVLCS") calculations determined by using a discounted cash flow model. As VIU and FVLCS of cash generating units ("CGUs") is determined with significant unobservable inputs, it is considered level 3 within the fair value hierarchy.

CASH-GENERATING UNITS

For the purposes of assessing impairment, goodwill is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Corporation at which management monitors goodwill.

Broadcast licences are grouped at the CGU level, which is the lowest level for which there are largely independent cash inflows. For broadcast licence impairment testing purposes, the Corporation has identified 14 CGUs, based on geographical areas where interdependent cash inflows exist. Impairment charges and reversals, if any, are included as a separate line on the consolidated statements of income.

The carrying amounts of goodwill and broadcast licences allocated to each CGU and/or group of CGUs are set out in the following tables:

	2020	2019
Goodwill		
Radio	\$ 218,404	\$ 219,238
Broadcast and commercial music	119,366	112,094
	\$ 337,770	\$ 331,332
Broadcast licences		
Toronto	\$ 90,040	\$ 90,040
Ottawa	48,420	48,420
Other ⁽¹⁾	134,450	133,250
	\$ 272,910	\$ 271,710

⁽¹⁾ The carrying value of broadcast licences in each of the other CGUs is less than 10% of the total carrying value of broadcast licences. Consequently, these other CGUs are grouped together for the purpose of note disclosure.

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RADIO GOODWILL AND BROADCAST LICENCES IMPAIRMENT ASSESSMENTS

The recoverable amounts of the CGUs have been determined based on their VIU. The recoverable values have been determined to be higher than the carrying amounts. As a result, no impairment was recorded.

The VIUs were calculated using unobservable (Level 3) inputs such as cash flow projections from financial budgets approved by the Board of Directors. Growth rates used over the budget period are based on management's estimates of performance, which is established by considering historical growth rates achieved as well as anticipated fluctuations including those resulting from the current economic environment. The growth rates depend also on whether the CGU includes mature market stations versus start-up or evolving stations. Management assesses how the CGU's market position, relative to its competitors, might change over the budget period. The key assumptions used in the estimation of the recoverable amount for the CGUs are the risk adjusted forecasted adjusted EBITDA and the adjusted EBITDA multiples. For most CGUs, the adjusted EBITDA margin used in the five-year budget period ranged between 17.5% and 53.8% and the adjusted EBITDA multiples ranged between 7.7x and 9.2x. The most significant assumptions that form part of the risk adjusted forecasted adjusted EBITDA relate to estimated growth in revenues and savings in operating expenses.

Cash flows beyond the five-year period were extrapolated using growth rate of 1.5%, which is based on the Corporation's estimate of future performance for this mature industry. Management expects the Corporation's share of the market to be stable over the long-term budget period, despite that changes in rating results could affect local market shares and relating growth rates.

The pre-tax discount rates applied to cash flow projections, which were derived from the Corporation's weighted average cost of capital ("WACC"), ranged from 9.7% to 10.0% as at the date of the assessment. The discount rate calculation is based on the specific circumstances of the Corporation and its CGUs and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Corporation's investors. The cost of debt is based on the interest-bearing borrowings the Corporation is obliged to service. CGU-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

The possibility of new market entrants can have an impact on growth rate assumptions, as can adverse ratings results, which would impact market share. However, management does not believe these would have a significant adverse effect on the forecasts included in the budget and management's conclusions on impairment would not be materially different as a result. The determination of VIU is sensitive to the discount rates used and therefore management's conclusions on impairment could be materially different if the assumptions used to determine the discount rates changed.

A quantitative sensitivity analysis of the significant assumptions for the impairment test is presented below, showing the impact of a 50 basis point change in each of the assumptions listed:

	Goodwill impairment charge - Radio	Broadcast licences impairment charge
Assumption change		
Increase in pre-tax discount rate	\$ 26,534	\$ —
Decrease in growth rate during five-year budget period	12,370	—
Decrease in terminal growth rate	19,744	—
Decrease in EBITDA multiples	28,546	—

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BROADCAST AND COMMERCIAL MUSIC GOODWILL IMPAIRMENT ASSESSMENT

The recoverable amount of the CGU has been determined based on its VIU. The recoverable amount has been determined to be higher than the carrying amount. As a result, no impairment was recorded.

The VIU was calculated using unobservable (Level 3) inputs such as revenues and EBITDA margins from financial budgets approved by the Board of Directors covering a five-year period. 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 the level of revenues and EBITDA that can be maintained in the future and derived cash flow projections from these assumptions.

An average growth rate of 3.7% was used to estimate revenues in the five-year period and cash flows beyond the five-year period were extrapolated using a 2.5% growth rate, which is based on the Corporation's estimate of future performance for this industry.

The Corporation also applied a pre-tax discount rate of 9.6% to cash flow projections, which represents WACC as at the date of the assessment. Refer to the section above for more information on discount rates calculation.

By their nature, these estimates and assumptions are subject to measurement uncertainty, and consequently, actual results could differ from estimates used. However, it has been determined that there is no reasonable change in assumptions that would cause the carrying amount to exceed the estimated recoverable amount.

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17. INVESTMENTS

The table below provides a continuity of investments, investment in a joint venture and investments in associate:

	Investments	Investment in a joint venture	Investments in associates	Total
Balance at March 31, 2018	\$ 15,533	\$ 834	\$ 1,106	\$ 17,473
Addition	900	—	—	900
Share of results of joint venture	—	(200)	—	(200)
Change in fair value, including foreign exchange differences	565	—	—	565
Balance at March 31, 2019	16,998	634	1,106	18,738
Addition	—	—	450	450
Share of results of joint venture	—	(6)	—	(6)
Change in fair value, including foreign exchange differences	6,550	—	—	6,550
Balance at March 31, 2020	\$ 23,548	\$ 628	\$ 1,556	\$ 25,732

INVESTMENTS

As at March 31, 2020, the Corporation has two equity instruments in private entities: AppDirect and Nextologies. Fair value as at March 31, 2020 was \$22,648 (2019 — \$16,098) and \$900 (2019 — \$900), respectively. Both equity instruments are classified as financial assets at fair value through profit and loss.

During the year ended March 31, 2020, the Corporation revalued the fair value of its investment in AppDirect and consequently a gain of US\$3,918 (\$5,089) was recognized as part of the change in fair value through profit and loss. The fair value was measured by using the latest external equity transaction, minus a liquidity discount of 15%. 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.

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 29.

INVESTMENTS IN ASSOCIATES

As at March 31, 2020, the Corporation has two investments in associates: a 40% interest in Business Transportation Services Limited Partnership, a partnership formed to own and operate one or more airplanes for the benefit of the limited partners and third parties and a 30% interest in The Podcast Exchange (“TPX”), a Canadian leader in podcast advertising.

The investment of \$450 in TPX was made on March 2, 2020.

The associates had no capital commitments as at March 31, 2020.

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18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020		2019	
Trade	\$	17,984	\$	13,334
Accrued liabilities		40,101		46,340
Sales taxes payable		4,016		2,282
	\$	62,101	\$	61,956

19. CREDIT FACILITY

The Credit facility consists of a revolving credit facility (the “revolving facility”) for an authorized amount up to \$230,000 and a non-revolving term facility (the “term facility”) in the amount of \$135,000. On July 9, 2019, the Corporation extended the maturity of its revolving facility by one year, with a new maturity date of October 25, 2022 and reduced its authorized amount by \$70,000 bringing it down to \$230,000.

The Credit facility may be drawn in Canadian dollars in the form of prime rate loan or banker’s acceptances, in US dollars in the form of US base rate loans or LIBOR loans, or in Euro and British Pound in the form of LIBOR loans and in Australian dollars in the form of BBSY loans.

The Credit facility bears interest at (a) the bank’s prime rate (2.45% and 3.95% as at March 31, 2020 and 2019, respectively) or US base rate if denominated in US dollars (3.75% and 6.00% as at March 31, 2020 and 2019, respectively) plus an applicable margin based on a financial covenant, or (b) the banker’s acceptance rate (1.23% and 1.98% as at March 31, 2020 and 2019, respectively) plus an applicable margin based on a financial covenant, or (c) LIBOR (0.99% and 2.50% as at March 31, 2020 and 2019, respectively) plus an applicable margin based on a financial covenant, at the Corporation’s option.

In addition, the Corporation incurs standby fees based on a financial covenant, on the unused portion of the Credit facility (0.40% and 0.48% as at March 31, 2020 and 2019, respectively). The Credit facility is secured by guarantees from subsidiaries and first ranking lien on universality of all assets, tangible and intangibles, present and future.

The table below is a summary of the Credit facility at March 31, 2020:

	Total available		Drawn	Letters of credit	Net available			
Committed credit facilities								
Revolving facility	\$	230,000	\$	194,380	\$	10,392	\$	25,228
Term facility		135,000		131,250		—		—
Total committed credit facilities	\$	365,000	\$	325,630	\$	10,392	\$	25,228
Less: unamortized deferred financing fees				(1,507)				
Balance, end of year				324,123				
Current portion			\$	15,000				
Non-current portion			\$	309,123				

As at March 31, 2020, letters of credit amounting to \$10,392 (2019 – \$1,050) reduced the availability on the revolving facility.

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The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown amount of \$150,000 of its term facility. Additionally, the Corporation must make an annual capital repayment, equivalent to 50% of the excess cash flow, defined in the credit facility agreement, if a certain financial covenant target is not met. The remaining capital balance will be payable on maturity date, on October 25, 2021. Minimum capital repayments to be made by the Corporation on the term facility in the forthcoming years are as follows:

	Capital repayments
2021	\$ 15,000
2022	116,250
	\$ 131,250

As at March 31, 2020, the Corporation was in compliance with all the requirements of its credit agreement.

20. SUBORDINATED DEBT

On July 11, 2018, effective October 26, 2018, the Corporation entered into a loan agreement in the amount of \$50,000. During the year ended March 31, 2020, the Corporation made a capital repayment of \$10,000. The loan is unsecured and bears interest at an annual rate of 6.95% based on a financial covenant (6.95% as at March 31, 2020 and 2019). The loan matures on October 26, 2023 and is entirely payable on maturity date.

Unamortized deferred financing fees amounted to \$360 as at March 31, 2020 (2019 – \$461).

21. LEASE LIABILITIES

The following table presents a summary of the activity related to the lease liabilities of the Corporation for year ended March 31, 2020:

	2020
Lease liabilities as at March 31, 2019	\$ —
Additions resulting from adoption of IFRS 16	34,048
Additions	1,708
Payment of lease liabilities, including related interest	(6,541)
Interest expense on lease liabilities	1,668
Foreign exchange differences	(30)
Lease liabilities as at March 31, 2020	\$ 30,853

The following table presents the maturity analysis of contractual undiscounted cashflows related to the lease liabilities of the Corporation as of March 31, 2020:

Less than one year	\$ 4,587
One to five years	18,403
More than five years	15,285
Total undiscounted lease liabilities as at March 31, 2020	\$ 38,275
Lease liabilities included in the Interim Consolidated Statements of Financial Position as at March 31, 2020	\$ 30,853
Current portion	\$ 4,517
Non-current portion	\$ 26,336

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The following table presents the reconciliation of the Corporation's commitments as of March 31, 2019 to the lease liabilities recognized on initial application of IFRS 16 as at April 1, 2019:

Commitments as at March 31, 2019	\$	39,162
Non-lease commitments		(17,248)
Renewal options reasonably certain to be exercised		23,613
Variable commitments excluded from the lease liabilities		(1,866)
Commitments relating to short-term and low-value assets		(767)
Discount impact		(8,846)
Lease liabilities as at April 1, 2019	\$	34,048

22. OTHER LIABILITIES

	2020	2019
CRTC tangible benefits	\$ 26,694	\$ 31,797
Settlement payable	9,316	—
Contingent consideration	17,831	12,430
Balance payable on business acquisitions	784	3,359
Accrued pension benefit liability (note 23)	6,139	6,673
Derivative financial instruments (note 29)	18,698	2,998
Other	1,819	2,928
	81,281	60,185
Current portion	(16,672)	(16,186)
	\$ 64,609	\$ 43,999

CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION (CRTC) TANGIBLE BENEFITS

On October 23, 2018, the CRTC approved the change in ownership and effective control of NCC, a subsidiary of the Corporation since October 26, 2018. Pursuant to the decision, the CRTC requires the Corporation to pay tangible benefits corresponding to an amount of \$30,963 over a seven-year period in equal annual payments. The Corporation recognized an expense of \$25,306 during the year ending March 31, 2019, which reflects the fair value of the payment stream using a discount rate of 5.70%, which was the Corporation's effective interest rate plus a risk premium for a similar financial instrument.

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 \$17,831 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 29. The estimates are based on discounts rates ranging from 18% to 36%. During the year ended March 31, 2020, the Corporation reassessed certain contingent consideration, as the actual sales revenues expected to be achieved by the acquired companies were either above or below the maximum threshold, contingent services to be received are not expected to be received in the future for one acquired company, and because of contractual rights to offset an amount against a claim made by the Corporation to sellers of an acquired company.

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23. EMPLOYEE BENEFIT PLANS

The Corporation maintains a defined contribution pension plan and defined benefit pension plans.

DEFINED CONTRIBUTION PENSION PLAN

The defined contribution pension plan covers the majority of the Corporation's employees. The Corporation's contributions to the defined contribution pension plan are based on percentages of gross salaries and totalled \$1,667 (2019 – \$711).

DEFINED BENEFIT PENSION PLANS

The Corporation maintains a defined benefit pension plan (the "Basic Plan") for a small group of the Corporation's former employees, which is not accepting new entrants at this time. The Basic Plan provides pension benefits based on the length of service and the last five years of average earnings of each member.

The Basic Plan meets the definition of a designated plan under the Income Tax Act (Canada). The most recent funding actuarial valuation for the Basic Plan was as of March 31, 2020.

In addition, the Corporation has two individual Supplementary Retirement Pension Arrangements ("SRPAs"), which each provide pension benefits to a retired executive. These SRPAs provide benefits above the Income Tax Act (Canada) limit. These plans are not funded and are paid from the Corporation's operations.

The Corporation measures its accrued benefit obligations and fair value of plan assets for accounting purposes as of March 31 of each year. The obligation as at March 31, 2020 and the 2021 current service cost of the Plans are determined based on membership data as at March 31, 2020.

Items related to the Corporation's defined benefit pension plans are presented as follows in the consolidated financial statements:

	2020	2019
Consolidated statements of financial position		
Accrued pension benefit liability, included in other liabilities (note 22)	\$ (6,139)	\$ (6,673)
Accrued pension benefit asset, included in other non-current assets	10	370
Net accrued pension liability	\$ (6,129)	\$ (6,303)
Consolidated statements of comprehensive income		
Pension benefit expense, included in net finance expense (income)	\$ 217	\$ 116
Other comprehensive gains and accumulated other comprehensive losses		
Actuarial losses recognized in other comprehensive income	\$ 392	\$ 182
Cumulative actuarial losses recognized in other comprehensive income	\$ 574	\$ 182

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The following summarizes the movements in the defined benefit pension plan balances:

	2020		2019	
	Basic Plan	SRPAs	Basic Plan	SRPAs
Accrued benefit obligations				
Balance, beginning of year	\$ 4,872	6,673	\$ —	—
Assumed through business acquisition	—	—	6,576	6,744
Current service cost	—	—	12	—
Interest cost	146	188	88	96
Benefits paid	(338)	(788)	(2,040)	(322)
Actuarial losses (gains):				
Impact of changes in financial assumptions	(265)	(177)	242	155
Impact of changes in experience adjustments	67	243	(6)	—
Balance, end of year	\$ 4,482	6,139	\$ 4,872	6,673
Plan assets				
Fair value, beginning of year	\$ 5,242	—	\$ —	—
Acquired through business acquisition	—	—	6,993	—
Interest income	152	—	94	—
Actuarial gains:				
Return on plan assets, excluding interest income	(524)	—	209	—
Administrative expenses	(40)	—	(14)	—
Employee contributions	—	—	—	—
Benefits paid	(338)	—	(2,040)	—
Fair value, end of year	\$ 4,492	—	\$ 5,242	—
Net accrued pension asset (liability)	\$ 10	(6,139)	\$ 370	(6,673)

The Corporation determined that there was no limit on the defined benefit asset (asset ceiling) because the Corporation has unimpaired rights to the surplus in the Basic Plan and it has the right to take contribution holidays when available.

Employer contributions to the SRPAs are estimated to be \$605 in 2021.

Pension benefit expense recognized in the consolidated statements of comprehensive income (loss) as net finance expenses (income) is as follows:

	2020		2019	
	Basic Plan	SRPAs	Basic Plan	SRPAs
Current service costs, net of employee contributions	—	—	12	—
Interest cost	146	188	88	96
Interest income on plan assets	(152)	—	(94)	—
Administrative expenses	40	—	14	—
Defined benefit plan expense	34	188	20	96

Actuarial gains and losses recognized in other comprehensive income are as follows:

	2020			2019		
	Basic Plan	SRPAs	Total	Basic Plan	SRPAs	Total
Cumulative actuarial losses, beginning of year	\$ 27	155	182	—	—	—
Recognized actuarial losses during the year	326	66	392	27	155	182
Cumulative actuarial losses, end of year	\$ 353	221	574	27	155	182

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The principal actuarial assumptions were as follows:

	2020		2019	
	Basic Plan	SRPAs	Basic Plan	SRPAs
Discount rate for the accrued net benefit obligation	3.5%	3.5%	3.1%	3.1%
Future pension increases	1.4%	0.1%	1.4%	0.1%

As at March 31, 2020 and based on an actuarial review, the net remeasurement loss recorded in other comprehensive income (loss) of \$392 (2019 – \$182) was primarily reflective of an increase in the estimated discount rate for both plans and an actuarial loss on plan assets.

Plan assets for the Basic Plan consist of:

	2020	2019
Equity funds	65%	65%
Fixed income funds	35%	35%
	100%	100%

The pension plan has no direct investments in the Corporation nor any of its affiliates. Investments are diversified such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although there is 40% also invested in bonds and other highly liquid assets. All assets are invested in funds where the underlying securities have quoted market prices in an active market. The Corporation believes that equities offer the best returns over the long-term with an acceptable level of risk.

Since the benefit payments are adjusted to the Consumer Price Index, the pension plan is exposed to inflation. It is also exposed to interest rate risks and changes in life expectancy of pensioners. A large portion of the plan assets consist of equity securities, which are exposed to equity market risk.

SIGNIFICANT ESTIMATE

The cost of defined benefit pension plans and the present value of the net pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and future salary and pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the net pension obligation is highly sensitive to changes in these assumptions. Management engages the services of external actuaries to assist in the determination of the appropriate discount rate. Management, with the assistance of actuaries, determines the applicable discount rates using the interest rates on high quality corporate bonds that have terms to maturity approximating the terms related to the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Changes in assumptions of all plans would have resulted in an increase (decrease) in the net defined benefit obligation as presented below:

	Change in assumption	
	Increase	Decrease
Discount rate — change of 0.5%	(398)	(457)
Future pension costs — change of 1.0%	564	697
Life expectancy — change by 1 year	810	798

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.9 years.

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24. 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, 2019			
Subordinate voting shares and variable subordinate voting shares			
As at March 31, 2018	40,011,468	\$	145,238
Conversion of subscription receipts issued through a bought deal offering	7,981,000		83,002
Conversion of subscription receipts issued through a private placement	3,846,100		39,999
Equity element of NCC purchase price	3,887,826		30,558
Private placement	2,429,544		25,000
Exercise of stock options	147,500		618
Purchased and held in trust through employee share purchase plan	(7,033)		(28)
Share issuance costs, net of income taxes of \$1,780	—		(4,899)
As at March 31, 2019	58,296,405	\$	319,488
Multiple voting shares			
As at March 31, 2018	16,294,285		1,116
Conversion of subscription receipts issued upon exercise of subscription rights	1,452,850		15,110
Issuance	194,363		2,000
As at March 31, 2019	17,941,498		18,226
	76,237,903	\$	337,714
Year ended March 31, 2020			
Subordinate voting shares and variable subordinate voting shares			
As at March 31, 2019	58,296,405	\$	319,488
Exercise of stock options	275,000		1,517
Repurchased and cancelled	(2,957,799)		(16,823)
Purchased and held in trust through employee share purchase plan	(5,650)		(42)
As at March 31, 2020	55,607,956	\$	304,140
Multiple voting shares			
As at March 31, 2019 and 2020	17,941,498	\$	18,226
	73,549,454	\$	322,366

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

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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, 2020

During the period, 275,000 stock options were exercised and consequently, the Corporation issued 275,000 subordinate voting shares. The proceeds amounted to \$921. An amount of \$596 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On February 5, 2020, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. The dividend of \$5,600 was paid on March 16, 2020.

On November 7, 2019, the Corporation declared a dividend of \$0.07 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. The dividend of \$5,317 was paid on December 13, 2019.

On August 6, 2019, the Corporation declared a dividend of \$0.07 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. The dividend of \$5,345 was paid on September 13, 2019.

On June 15, 2019, the Corporation paid a dividend of \$4,956. The dividend was declared on March 29, 2019 and therefore accrued in the consolidated statement of financial position as at March 31, 2019.

Share repurchase program

On August 14, 2019, the Toronto Stock Exchange (the "TSX") approved the implementation of a share repurchase program, which took effect on August 16, 2019. This program allows the Corporation to repurchase up to an aggregate 2,924,220 subordinate voting shares and variable subordinate voting shares (collectively, the "Subordinate Shares"), representing approximately 5% of the 58,484,449 Subordinate Shares issued and outstanding as at August 7, 2019. In accordance with TSX requirements, the Corporation is entitled to purchase, on any trading day, up to a total of 16,004 Subordinate Shares, representing 25% of the net average daily trading volume of the Subordinate Shares for the six-month period preceding August 1, 2019. When making such repurchases, the number of Subordinate Shares in circulation is reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital is increased on a pro rata basis. All shares repurchased under the share repurchase program will be cancelled upon repurchase. The share repurchase period will end no later than August 15, 2020.

On March 20, 2020, the Corporation has received approval of the TSX to amend its share repurchase program to increase the maximum number of subordinate voting shares and variable subordinate voting shares from 2,924,220 Subordinate Shares to 4,903,887 Subordinate Shares, representing approximately 10% of the public float of Subordinate Voting Shares as at August 7, 2019. All other terms and conditions of the share repurchase program remain unchanged.

The following table summarizes the Corporation's share repurchase activities during the year ended March 31, 2020:

	2020
Subordinate voting shares repurchased for cancellation (<i>unit</i>)	2,957,799
Average price per share	\$ 5.9573
Total repurchase cost	\$ 17,621
Repurchase resulting in a reduction of:	
Share capital	\$ 16,823
Retained earnings ⁽¹⁾	\$ 798

⁽¹⁾ The excess of net repurchase cost over the average book value of the Subordinate voting shares.

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TRANSACTIONS FOR THE YEAR ENDED MARCH 31, 2019

During the year, 147,500 stock options were exercised and consequently, the Corporation issued 147,500 subordinate voting shares. The proceeds amounted to \$339. An amount of \$279 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On March 27, 2019, the Corporation declared a dividend of \$0.065 per subordinate voting share, variable subordinate voting share and multiple voting share, totalling \$4,956 that will be payable on or around June 15, 2019. The dividend payable is accrued in the consolidated statement of financial position as at March 31, 2019.

On February 6, 2019, the Corporation declared a dividend of \$0.065 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of \$4,956 was paid on March 15, 2019.

On November 13, 2018, the Corporation completed a private placement with Irving West and issued from treasury 2,429,544 subordinate voting shares at a price of \$10.29 per subordinate voting shares for total gross proceeds of \$25,000.

On November 7, 2018, the Corporation declared a dividend of \$0.06 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of \$4,571 was paid on December 14, 2018.

On October 26, 2018, concurrently with the closing of the acquisition of NCC (note 4), the holders of the outstanding subscription receipts exercised their conversion rights and consequently the Corporation issued 11,827,100 subordinate voting shares and 1,452,850 multiple voting shares for total gross proceeds of \$138,111 and net proceeds of \$133,191. Additionally, the Corporation issued from treasury 3,887,826 subordinate voting shares at a price of \$7.86 per subordinate voting shares to finance the equity portion of the purchase price, equivalent to \$30,558. On the same day, the Corporation also issued 194,363 multiple voting shares at a price of \$10.29 per multiple voting shares for gross proceeds of \$2,000.

On August 7, 2018, the Corporation declared a dividend of \$0.06 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. The dividend of \$4,179 was paid on September 14, 2018, of which an amount of \$797 was paid with restricted cash.

On June 15, 2018, the Corporation paid a dividend of \$3,097. The dividend was declared on March 29, 2018 and therefore accrued in the consolidated statement of financial position as at March 31, 2018.

25. SUPPLEMENTAL CASH FLOW INFORMATION

	2020	2019
Trade and other receivables	\$ (2,531)	\$ 1,319
Inventories	(607)	304
Other current assets	(809)	(2,166)
Other non-current assets	272	300
Accounts payable and accrued liabilities	7	(10,779)
Deferred revenues	137	(1,401)
Income taxes payable	(1,134)	(612)
Other payables	6,834	8,976
	\$ 2,169	\$ (4,059)

Additions to property and equipment and intangible assets, excluding broadcast licences, not affecting cash and cash equivalents amounted to \$454 (2019 — \$1,594) and \$23 (2019 — \$381), respectively, during the year ended March 31, 2020.

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26. SHARE-BASED COMPENSATION

STOCK OPTION 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, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserved 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, 2,431,819 stock options were outstanding as at March 31, 2020 (2,104,100 as at March 31, 2019). 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, 2020 and 2019:

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	2,104,100	\$ 6.52	1,965,227	\$ 5.99
Granted	694,303	5.62	567,146	8.56
Exercised (note 24)	(275,000)	3.35	(147,500)	2.30
Forfeited	(91,584)	7.05	(280,773)	7.91
Options outstanding, end of year	2,431,819	4.99	2,104,100	6.52
Exercisable options, end of year	1,045,604	\$ 6.59	985,950	\$ 5.30

The following is a summary of the information on the outstanding stock options as at March 31, 2020 and 2019:

Exercise price	Number of options outstanding	Outstanding options	Exercisable options
		Weighted average outstanding contractual life outstanding (years)	Number
<i>March 31, 2020</i>			
\$ 0.46	45,000	2.17	45,000
1.46	25,000	3.63	25,000
2.26	45,731	4.40	45,731
5.60	672,374	6.18	—
6.13	21,929	6.85	—
6.25	287,880	5.15	287,880
7.00	25,000	5.36	25,000
7.27	311,047	6.21	233,285
7.62	482,850	7.23	241,425
7.92	43,698	8.60	10,925
8.61	433,746	8.19	108,437
8.89	21,008	7.41	10,504
9.00	16,556	6.89	12,417
\$ 4.99	2,431,819	6.55	1,045,604

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Exercise price	Number of options outstanding	Outstanding options	Exercisable options
		Weighted average outstanding contractual life outstanding (years)	Number
<i>March 31, 2019</i>			
\$ 0.46	45,000	3.18	45,000
1.46	25,000	4.63	25,000
2.26	245,731	5.69	245,731
6.25	362,880	6.12	297,160
7.00	100,000	6.36	75,000
7.27	327,631	8.21	163,816
7.62	482,850	8.23	120,713
7.92	43,698	9.61	—
8.61	433,746	9.20	—
8.89	21,008	8.42	5,252
9.00	16,556	7.90	8,278
\$ 6.52	2,104,100	7.40	985,950

The weighted average fair value of the stock options granted during the year ended March 31, 2020 was \$0.96 per stock option (2019 — \$1.91). 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:

	2020	2019
Weighted average volatility	30%	30%
Weighted average risk-free interest rate	1.34%	2.14% — 2.46%
Weighted average expected life of options	5 years	5 years
Weighted average value of the subordinate voting share at grant date	\$5.60 — \$6.13	\$7.92 — \$8.61
Weighted average expected dividend rate	4.24% — 4.57%	2.56% — 2.78%

The weighted average volatility used is calculated based on the Corporation's historical volatility.

Total share-based compensation costs recognized under this stock option plan amount to \$828 for the year ended March 31, 2020 (2019 — \$1,072).

The weighted average share price at the date of exercise for share options exercised during the year ended March 31, 2020 was \$6.49 (2019 — \$7.64).

EMPLOYEE SHARE PURCHASE PLAN

The Corporation has 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.

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The following summarizes the changes in the plan's position for the year ended March 31, 2020 and 2019:

	2020		2019	
	Number of units	Amount	Number of units	Amount
Unvested contributions, beginning of year	13,044	\$ 88	6,011	\$ 60
Contributions	54,976	369	25,890	199
Dividend credited	2,325	14	534	7
Vested	(51,651)	(341)	(19,391)	(178)
Unvested contributions, end of year	18,694	\$ 130	13,044	\$ 88

The weighted average fair value of the shares contributed during the year ended March 31, 2020 was \$6.64 (2019 — \$7.80).

Total share-based compensation costs recognized under the ESPP amount to \$173 for the year ended March 31, 2020 (2019 — \$140).

PERFORMANCE SHARE UNIT PLAN

The Corporation has 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 volume weighted average price of the Corporation's shares on the last five trading days immediately preceding the vesting 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. The fair value is amortized over the vesting period, being three years.

During the year ended March 31, 2020, 621,656 PSU (2019 — 528,440) were granted at a range of \$5.17 to \$6.51 (2019 — \$6.35 to \$9.20) per unit to executives and employees and no outstanding PSU were vested. As at March 31, 2020, the fair value per unit was \$3.52 (2019 — \$7.31) for a total amount of \$2,894 (2019 — \$2,612) 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, 2020 and 2019:

	2020		2019	
	Number of units	Amount	Number of units	Amount
Balance, beginning of year	774,854	\$ 2,612	284,480	\$ 1,244
Granted	621,656	—	528,440	—
Expense and revision of estimates	—	1,492	—	1,421
Liabilities settled	(126,173)	(993)	—	—
Forfeited	(84,068)	(217)	(38,066)	(53)
Balance, end of year	1,186,269	\$ 2,894	774,854	\$ 2,612
Balance, vested	—	—	—	—

Total share-based compensation costs recognized under the PSU plan amount to \$1,259 for the year ended March 31, 2020 (2019 — \$1,368).

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DEFERRED SHARE UNIT PLAN

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

During the year ended March 31, 2020, 187,602 DSU (2019 — 88,487) were granted at a range of \$5.15 to \$7.30 per unit to directors (2019 — \$6.29 to \$9.19) and 458,458 DSU were vested. The total expense related to DSU plans amounted to \$514 in 2020 (2019 — nil). As at March 31, 2020, the fair value per unit ranged from \$3.99 to \$4.00 (2019 — \$6.98 to \$7.01) for a total amount, including fringes, of \$1,948 (2019 — \$2,004) 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, 2020 and 2019:

	2020		2019	
	Number of units	Amount	Number of units	Amount
Balance, beginning of year	270,856	\$ 2,004	182,369	\$ 2,004
Granted and vested	187,602	1,169	88,487	718
Liabilities settled	—	—	—	—
Revision of estimates	—	(1,225)	—	(718)
Balance, end of year	458,458	\$ 1,948	270,856	\$ 2,004
Balance, vested	458,458	\$ 1,948	270,856	\$ 2,004

27. COMMITMENTS

The following table is a summary of the Corporation’s operating obligations as at March 31, 2020 that are due in each of the next five years and thereafter.

	Operating obligations
2021	\$ 3,044
2022	635
2023	325
2024	325
2025	170
2026 and thereafter	373
	\$ 4,872

OPERATING OBLIGATIONS

The Corporation’s significant operating obligations are for licensing and other long-term contracts that do not meet the definition of a lease under IFRS 16. The Corporation must also 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.

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BROADCAST LICENCES

A condition of the broadcast licences owned by the Corporation is to commit to fund Canadian Content Development (“CCD”) over the initial term of the licences, which is usually 7 years.

28. 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 differing from actual outcomes. Detailed information about each of these estimates and judgments is included in notes 4 to 27 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 10
- Recognition of deferred tax assets for tax losses available for carry-forward — note 10
- Estimation of cost of defined benefit pension plans and present value of the net pension obligation — note 23
- Estimated fair value of certain investments — note 17
- Estimated value in use and/or fair value less costs to sell of CGUs used in goodwill and broadcasting licences impairment testing — note 16
- Estimation of fair value of identified assets, liabilities and contingent consideration recorded in business acquisitions — notes 4 and 22
- Estimation of lease term of contracts with renewal options – notes 14 and 21

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

CRITICAL JUDGMENTS

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

- *Impairment of non-current assets*

For the purpose of impairment testing of property and equipment, intangible assets, broadcast licences 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

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from estimates used. The impact of COVID-19 on the Corporation was also considered in calculating the future cash flows. Depending on the measures taken by the federal and provincial authorities to slow or stop the spread of COVID-19, such as the closure of non-essential businesses and social distancing, actual results could differ materially from estimates used.

- *Useful lives of broadcast licences*

The Corporation has concluded that broadcast licences are indefinite life intangible assets because they are renewed every seven years without significant cost and there is a low likelihood of the renewal being denied.

- *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 in 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.

- *Lease term of contracts with renewal options*

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Corporation reassesses the lease term for whether significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy) has occurred.

29. 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 liabilities 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 credit facility bearing interest at variable rates approximates its carrying value, as it bears interest at prime or banker's acceptance rates plus a credit spread which approximate current rates that could be obtained for debts with similar terms and credit risk. The fair value of the subordinated debt approximates its carrying value as its interest rate approximates current rates that could be obtained for debts with similar terms and credit risk. The carrying amount of CRTC tangible benefits and balance payable on business acquisitions is a reasonable approximation of their fair value as they are discounted using the effective interest rate, which approximate current rates that could be

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obtained with similar terms and credit risk. The tables below summarize the carrying and fair value of financial assets and liabilities, including their level in the fair value hierarchy, as at March 31, 2020 and 2019. The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs that have a significant effect in the recorded value are observable, either directly or indirectly; and
- Level 3: Techniques which uses inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at March 31, 2020	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,512				
Trade and other receivables	68,620				
Financial assets measured at fair value					
Investments	\$ 23,548	\$ 23,548	\$ —	\$ —	\$ 23,548
Financial liabilities measured at amortized cost					
Credit facility	\$ 324,123				
Subordinated debt	39,640				
Accounts payable and accrued liabilities	58,085				
CRTC tangible benefits and post-employment benefit obligations	32,833				
Balance payable on business acquisitions	784				
Financial liabilities measured at fair value					
Contingent consideration	\$ 17,831	\$ 17,831	\$ —	\$ —	\$ 17,831
Derivative financial instruments	18,698	18,698	—	18,698	—
<hr/>					
As at March 31, 2019	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 4,673				
Trade and other receivables	66,674				
Financial assets measured at fair value					
Investments	\$ 16,998	\$ 16,998	\$ —	\$ —	\$ 16,998
Financial liabilities measured at amortized cost					
Credit facility	\$ 312,955				
Subordinated debt	49,539				
Accounts payable and accrued liabilities	59,674				
CRTC tangible benefits and post-employment benefit obligations	38,470				
Balance payable on business acquisitions	3,359				
Financial liabilities measured at fair value					
Contingent consideration	\$ 12,430	\$ 12,430	\$ —	\$ —	\$ 12,430
Derivative financial instruments	2,998	2,998	—	2,998	—

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Fair value measurement (Level 3):

	Investments		Contingent consideration	
Balance as at March 31, 2018	\$	15,533	\$	15,596
Additions through business acquisitions		—		4,491
Addition through asset acquisition		900		—
Change in fair value		565		534
Settlements		—		(8,191)
Balance as at March 31, 2019	\$	16,998	\$	12,430
Change in fair value		6,550		1,652
Addition through asset acquisition		—		7,344
Settlements		—		(3,595)
Balance as at March 31, 2020	\$	23,548	\$	17,831

INVESTMENTS

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

For the year ended March 31, 2019, the fair value has been measured by using the valuation from the most recent financing round, minus a liquidity discount of 25%. During the year ended March 31, 2020, the Corporation revaluated the fair value of its investment and consequently a gain of US\$3,918 (\$5,089) was recognized as part of the change in fair value through profit and loss. The fair value was measured by using the latest external equity transaction, minus a liquidity discount of 15%. 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, 2020 and 2019, 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 \$1,332 and \$1,073 during the years ended March 31, 2020 and 2019, respectively.

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 increased by \$1,569 and if projected cash flows were 10% lower, the fair value would have decreased by \$1,569. Discount rates ranging from 18% to 36% 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 \$107.

The contingent consideration is classified as a financial liability and is included in other payables (note 22). The change in fair value is recognized in net finance expense (income) (note 8).

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 expected credit risk, 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. Generally,

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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.

During these unprecedented market challenges as a result of COVID-19, collection of accounts receivable remains a priority of the Corporation. A substantial portion of the Corporation's accounts receivable are subject to normal industry credit risks. As at March 31, 2020, there was no counterparty whose accounts receivable individually accounted for more than 10% of the total accounts receivable balance.

An allowance for expected credit losses is maintained to reflect an impairment risk for trade accounts receivable based on an expected credit loss model which factors in changes in credit quality since the initial recognition of trade accounts receivable based on customer risk categories. Bad debts are also provided for based on collection history and specific risks identified on a customer-by-customer basis.

The aging of trade receivable balances and the allowance for doubtful accounts as at March 31, 2020 and March 31, 2019 were as follows:

	2020	2019
Current	\$ 31,446	\$ 30,687
Past due 0-30 days	13,196	12,006
Past due 31-60 days	6,577	6,008
Past due 61-90 days	8,510	4,418
Past due more than 90 days	7,377	11,694
Total trade receivables	67,106	64,813
Less : allowance for expected credit losses	2,401	1,980
	\$ 64,705	\$ 62,833

The movement in the allowance for expected credit losses in respect of trade receivables was as follows:

	2020	2019
Balance, beginning of year	\$ 1,980	\$ 566
Addition through business acquisitions	—	960
Bad debt expense	933	794
Write-off against reserve	(512)	(340)
Balance, end of year	\$ 2,401	\$ 1,980

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 manages liquidity risk by continuously monitoring actual and budgeted cash flows under both normal and stressed conditions. The Board of Directors also 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 unprecedented market challenges as a result of COVID-19 may adversely affect the Corporation's liquidity. In the early days of the crisis, the decision was made by the Corporation's management to implement significant cost saving measures

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to maintain a solid financial position. Subsequent to March 31, 2020, the Corporation also obtained an additional term loan in the amount of \$20,000 (refer to note 3 for further information). The Corporation's focus remains to closely monitor its cash position and control its operating expenses.

The following are the contractual maturities of financial liabilities including estimated interest payments as at March 31, 2020:

	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Credit facility	\$ 324,123	\$ 325,630	\$ 15,000	\$ 310,630	\$ —
Subordinated debt	39,640	40,000	—	40,000	—
Accounts payables and accrued liabilities	62,101	62,101	62,101	—	—
Other liabilities	81,281	87,415	27,682	33,464	24,803

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 (loss).

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

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

	March 31, 2020		March 31, 2019	
	USD	EURO	USD	EURO
Cash and cash equivalents	327	852	794	1,238
Trade receivables	9,286	6,112	11,562	7,116
Investments	15,964	—	12,046	—
Credit facility	(9,500)	(6,000)	(4,500)	(7,200)
Accounts payable and accrued liabilities	(1,460)	(4,534)	(1,347)	(2,524)
Contingent consideration and balance payable on business acquisitions	(2,070)	(3,415)	(5,089)	(3,356)
Net balance exposure	12,547	(6,985)	13,466	(4,726)
Equivalent in Canadian dollars	17,800	(10,885)	17,995	(7,090)

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To manage its currency risk, during the year ended March 31, 2020, the Corporation entered foreign exchange forward contracts. The table below summarizes the foreign exchange forward contracts effective as at March 31, 2020:

Maturity	Type	Contract exchange rate	Contractual amount	Mark-to-market liabilities as at March 31, 2020
0 to 12 months	USD Sale	1.3909	\$ 24,000	\$ 366

Given the Corporation did not elect to apply hedge accounting, the mark-to-market losses related to these foreign exchange forward contracts amounted to \$366 was booked in net finance expense (income).

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

	2020		2019	
	Average	Reporting	Average	Reporting
USD per CAD	1.3953	1.4187	1.3343	1.3363
EURO per CAD	1.5417	1.5584	1.5090	1.5002

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 the following impacts on net income (loss), assuming that all other variables remained constant:

	March 31, 2020		March 31, 2019	
	USD	EURO	USD	EURO
Decrease (increase) in net loss	—	—	919	(334)
Increase (decrease) in net income	890	(545)	—	—

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

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation 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 credit 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. To manage its interest rate risk, the Corporation entered into interest rate swap agreements.

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The table below summarize the interest rate contracts effective as at March 31, 2020:

Maturity	Currency	Fixed interest rate (when applicable)	Initial nominal value	Mark-to-market liabilities as at March 31, 2020
Swaps				
October 25, 2024	CAD	0.81%	\$ 50,000	\$ 1,349
October 25, 2024	CAD	1.33%	50,000	904
October 25, 2024	CAD	2.19%	50,000	1,164
October 25, 2024	CAD	2.29%	50,000	2,912
August 29, 2029	CAD	1.73%	40,000	2,098
August 31, 2029	CAD	1.73%	60,000	2,963
			300,000	11,390
Swaptions				
October 25, 2024	CAD	—	100,000	3,064
October 25, 2024	CAD	—	100,000	3,878
			\$ 200,000	\$ 6,942
				\$ 18,332

Given the Corporation did not elect to apply hedge accounting, the mark-to-market losses related to these interest rate swap agreements amounted to \$15,334 was recorded in net finance expense (income).

30. 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:

	2020	2019
Contingent consideration, including current portion	\$ 17,831	\$ 12,430
Balance payable on business acquisitions, including current portion	784	3,359
Credit facility	324,123	312,955
Cash and cash equivalents	(2,512)	(4,673)
Net debt, including contingent consideration and balance payable on business acquisition	340,226	324,071
Total equity	273,896	287,535
	\$ 614,122	\$ 611,606

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.

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31. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

KEY MANAGEMENT PERSONNEL

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:

	2020		2019
Short-term employee benefits	\$ 3,568	\$	4,497
Share-based compensation	783		630
Restricted and performance share units	208		811
Deferred share units	514		—
	\$ 5,073	\$	5,938

RELATED PARTIES

Related parties of the Corporation include Directors and key management personnel, their family members and companies over which they have significant influence or control. The Corporation has transacted with related parties during the reporting period. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties having normal trade terms.

During the year ended March 31, 2020, the Corporation recognized revenues amounted to \$664 (2019 — \$610) for advertising sold to companies controlled by directors of the Corporation.

32. 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 3, 2020.

B) BASIS OF MEASUREMENT

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

- Contingent consideration payable which is 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;
- Cost of defined benefit pension plans and present value of the net pension obligation measured at fair value in accordance with IAS 19;
- 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.

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C) FOREIGN CURRENCY TRANSLATION

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.

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.

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.

33. 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.

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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., 4445694 Canada Inc., Pay Audio Services Limited Partnership, Music Choice Europe Limited, Stingray Digital International Ltd., Stingray Europe B.V., Transmedia Communications SA, Think inside the box LLC (Nature Vision TV), SBA Music PTY Ltd., Stingray Music, S.A. de C.V., Novramedia Inc., DJ Matic NV, Stingray Radio Inc. (formerly Newfoundland Capital Corporation Limited) and Chatter Research Inc., and all of these entities' wholly-owned subsidiaries.

INVESTMENT IN AN ASSOCIATE

An associate is an entity over which the Corporation has significant influence. The Corporation 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 Corporation 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 (loss) 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

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:

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

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

Financial assets measured at fair value

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

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

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

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

Financial liabilities

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

Financial liabilities are initially measured at fair value. If the financial liabilities 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.

Derivative financial instruments

The Corporation use derivative financial instruments to manage its interest rate risk on its credit facility and does not use these instruments for speculative or trading purposes. The Corporation does not apply hedge accounting and therefore mark-to-market gains or losses are recognized in net finance expense (income).

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IMPAIRMENT OF FINANCIAL ASSETS

The Corporation recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. 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 an amount equal to the lifetime expected credit losses. 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

CONTRACTS WITH CUSTOMERS

The Corporation records revenues from contracts with customers in accordance with the five steps in *IFRS 15 Contracts with customers* as follows:

- 1) Identify the contract with a customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price, which is the total consideration provided by the customer;
- 4) Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- 5) Recognize revenues when the relevant criteria are met for each performance obligation.

Revenues are measured based on the value of the expected consideration in a contract with a customer and are recognized when control of a product or service is transferred to a customer.

A contract asset is recognized in the consolidated statement of financial position when revenues are earned without having been invoiced. Contract assets are presented in "Other current assets". A contract liability is recognized when the Corporation has received consideration in advance of the transfer of products or services to a customer.

Broadcasting and commercial music segment

The Broadcasting and commercial music segment specializes in the broadcast of music and videos on multiple platforms and digital signage experiences and generates revenues from subscriptions or contracts.

Subscriptions

The Corporation recognize revenues related to continuous music and video distribution over time, as the customer receives and consumes the benefits of the music supply at the same time it is broadcasted. On-demand products, primarily music and concerts services, are also recognized over time as the customer receives and consumes the benefits of the on-demand product at the same time it is broadcasted. The Corporation records contract liabilities when customers pay their subscription fees in advance.

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Media solutions

For media solutions projects, mainly bundled arrangements, the Corporation accounts for individual products and services when they are separately identifiable, and the customer can benefit from the product or service on its own or with other readily available resources. The total arrangement consideration is allocated to each product or service on its own or with other readily available resources based on its stand-alone selling price.

The Corporation generally determines stand-alone selling prices based on the observable prices for products sold separately without a service contract, adjusted for market conditions and other factors, as appropriate. When similar products and services are not sold separately, the Corporation uses the expected cost plus margin approach to determine stand-alone selling prices. The Corporation recognizes revenues for each individual product or service, when the related performance obligations are satisfied, which is usually at a point in time for sale of equipment and over time for music related services.

Radio segment

The radio segment operates radio stations across Canada and generates revenues from advertising. Advertising revenues are recognized at a point in time when the advertising airs on the Corporation's radio stations. Revenues are recorded net of any agency commissions as these charges are paid directly to the agency by the advertiser.

(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.

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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

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shares at the average share price for the year. For restricted share units, only the unrecognized share-based compensation is considered assumed proceeds since there is no exercise price paid by the holder.

(J) CASH AND CASH EQUIVALENTS

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

(K) INVENTORIES

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

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

(L) PROPERTY AND EQUIPMENT

RECOGNITION AND MEASUREMENT

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

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in 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
Building	20-60 years
Broadcasting infrastructure	8 to 25 years
Furniture, fixtures and equipment	3 to 10 years
Computer hardware	4 to 6 years
Leasehold improvements	Lease term

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

(M) INTANGIBLE ASSETS, EXCLUDING BROADCAST LICENCES

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 less 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 to 15 years
Client list and relationships	3 to 15 years
Trademarks	2 to 20 years
Licences, 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.

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(N) LEASES

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties for which it is a lessee, the Corporation has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component. The right-of-use asset and a lease liability are recognized at the lease commencement date.

RIGHT-OF-USE ASSETS ON LEASES

The right-of-use asset is measured at cost. The cost is based on the initial amount of the lease liability plus initial direct costs incurred, less any lease incentives received, if any,

The cost of right-of-use assets is periodically reduced by amortization expenses and impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are amortized to reflect the expected pattern of consumption of the future economic benefits which is based on the lesser of the useful life of the asset or the lease term using the straight-line method. The lease term includes the renewal option only if it is reasonably certain to be exercised. The lease terms range from 1 to 19 years for buildings and towers, from 6 to 57 years for land and from 1 to 5 years for vehicles.

The Corporation elected not to recognize a right-of-use asset and liability for leases where the total lease term is less than or equal to twelve months and for leases of low value assets; such as but not limited to, office equipment. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

LEASE LIABILITIES

At the commencement date of the lease, the Corporation recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating a lease, if the lease term reflects the Corporation exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggered the payment has occurred.

In calculating the present value of lease payments, the Corporation uses the incremental borrowing rate as at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced to reflect the lease payments made. In addition, the carrying amount of the lease liability is remeasured if there has been a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(O) BUSINESS COMBINATION, GOODWILL AND BROADCAST LICENCES

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed and included in acquisition, legal, restructuring and other expenses. The cost of a business combination is allocated to the fair value of the related net identifiable tangible and intangible assets. The excess of the cost of the

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acquired businesses over the fair value of the related net identifiable tangible and intangible assets acquired is allocated to goodwill. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized in the consolidated statements of comprehensive income (loss).

To receive approval to launch a new broadcast licence pursuant to applications made by the Corporation to the CRTC, the CRTC may require the Corporation to commit to fund Canadian Content Development (“CCD”) during the initial term of the licence over and above the prescribed annual requirements. These obligations are considered to be part of the costs related to the award of new broadcast licences and are recognized as a liability upon the launch of the new broadcast licence. Any other direct costs related to the award and launch of new broadcast licences are also capitalized as broadcast licences. CCD that arises from a business acquisition is considered a transaction cost and is expensed in the consolidated statements of comprehensive income (loss).

After initial recognition, goodwill and broadcast licences are recorded at cost less any accumulated impairment losses. Both goodwill and broadcast licences have indefinite useful lives and are not amortized, but they are subject to an impairment evaluation. Broadcast licences are deemed indefinite life assets since they are renewed every seven years without significant cost, with the unlikely chance that the renewal will be denied; therefore, there is no foreseeable limit to the period over which broadcast licences are expected to generate net cash flows for the Corporation.

(P) 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 and broadcast licences are 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.

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(Q) 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.

(R) EMPLOYEE BENEFITS

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.

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.

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.

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

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.

PENSION BENEFITS

The Corporation maintains a defined contribution pension plan and defined benefit pension plans. The Corporation does not provide any non-pension post-retirement benefits to employees.

Defined contribution pension plan

The Corporation matches employee contributions under the defined contribution pension plan. Under this plan, contributions are funded to a separate entity and the Corporation has no legal or constructive obligation to pay further amounts. The Corporation's portion is recorded as compensation expense as contributions are made, which coincides with the periods during which services are rendered by employees.

Defined benefit pension plans

The cost of providing benefits under the defined benefit pension plans is determined on an annual basis by independent actuaries separately for each plan using the projected unit credit costing method. Actuarial gains and losses for both defined benefit plans are recognized immediately in full in the period in which they occur in OCI. Actuarial gains and losses are not reclassified to the consolidated statements of income in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of: (i) the date of the plan amendment or curtailment, and (ii) the date that the Corporation recognizes restructuring-related costs.

The discount rate is applied to the net defined benefit asset or liability to determine net interest expense or income. The Corporation recognizes the following changes in the net defined benefit obligation under operating expenses in the consolidated statements of income: (i) service costs comprising current service costs, past service costs, gains and losses on curtailments and settlements, and (ii) net interest expense or income.

The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

(S) 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.

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.

Free Ad-Supported Streaming Television (FAST): FAST channels are a new category of IPTV content which consists of subscription-free linear programming supported by advertising (requires an Internet subscription).

Artificial Intelligence (AI): Sometimes called machine intelligence, is, generally speaking, algorithms designed to make human-like decisions, often using real-time data.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting will be held virtually by videoconference on August 5, 2020.

PROVISIONAL CALENDAR OF RESULTS

First quarter of 2021
August 4, 2020

Second quarter of 2021
November 4, 2020

Third quarter of 2021
February 3, 2021

Fourth quarter of 2021
June 2, 2021

STOCK EXCHANGE

TSX : RAY.A and RAY.B

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