

2021



Annual Report 2021

Year Ended March 31, 2021
Stingray Group Inc.



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WORD FROM THE CEO

Dear investors, partners, clients and colleagues,

We certainly will never forget this past year. Thank goodness we had music to get us through 2020.

The COVID-19 pandemic profoundly impacted our lives, communities, families and our business. Like many of you, Stingray was forced to react quickly to protect employees in offices around the globe and ensure business continuity. We worried about our communities as we worked tirelessly to maintain our business momentum against the headwinds and uncertainty of a global pandemic.

In the first few days of the pandemic, we committed to protect our employees, support our local businesses and communities. Stingray actioned protocols to implement global remote work arrangements to better protect our employees and took advantage of government grants made available in several jurisdictions to minimize lay-offs and furloughs. In May, we introduced the Stingray Radio Stimulus plan to help more than 5,000 local businesses access \$20 million worth of advertising grants and kickstart local economies.

Once stabilized, we quickly boasted our efforts to expand distribution of our subscriptions services and launch popular ad-supported TV channels. And in our third quarter, we aggressively entered the US market with Stingray Business and Chatter, our new AI-driven conversational survey solutions.

Our quick and intuitive shift to innovative streaming products and FAST channels contributed to strong organic growth and has positioned Stingray as a leading music-tech distributor in subscription and advertising-based streaming products. Diversifying our business model at this pivotal moment establishes our versatility and resilience and allowed Stingray to complete Fiscal 2021 with very strong results, significantly reduced debt and a healthier overall balance sheet.

Revenues stood at \$249.5 million, Adjusted EBITDA⁽¹⁾ was \$114.3 million and net income was \$45.1 million (\$0.61 per share). Cash flow from operating activities was \$104.2 million and Adjusted free cash flow⁽¹⁾ was \$74.4 million.

As vaccinations roll-out, we can now see the light at the end of the tunnel, and it's clear to me that Stingray will grow even stronger in a post-pandemic environment. I need to thank all of our stakeholders for their unwavering support, our valued customers and clients for their perseverance and encouragement, and especially our employees for their trust, strength, and inspiration.

Your hard work is the reason why investors have renewed their confidence in Stingray's performance and our share price hit a 52-week high this past February. And in Fiscal 2022 we expect to grow from strength to strength.

Wishing renewed health, growth and success for Stingray, and for all of our stakeholders, customers and employees.

⁽¹⁾ Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.



An Explosion of Streaming, Subscriptions & Apps

In 2020, as the world was at home and streaming, Stingray was there. Our streaming subscriptions, both Subscription Video On Demand (SVOD) services and mobile applications led to a 31.4% year-over-year growth rate for Stingray, with our full-year run rate approaching \$50 million in revenues.

Deploying to new markets and collaborating on new distribution platforms throughout the year also led to SVOD launches of several channels with global partners worldwide.

Giving music fans the best seats in the house, we launched the new Qello Concerts app across all major platforms. We partnered with Amazon Prime Video Channels (Italy and Spain), Totalplay and Claro in Mexico, Player + in Poland, Ruutu in Finland and Alteox in Luxembourg. Closer to home, we partnered with Maskatel and Rogers Communications.

We also invited users to safely sing their hearts out. Staying true to our roots, Stingray Karaoke made its debut abroad on Swisscom blue TV in Switzerland and in North America via Optimum and Suddenlink by Altice, Totalplay, Claro and Rogers Communications.

Stingray Classica, the world's premium destination for classical music, opera and ballet, was also picked up by OneHub TV in the United Kingdom and Rogers Communications. The music streaming service grants users VIP access to performances from world-renowned artists playing to packed concert halls and opera houses from around the world.

Finally, our Piano Academy mobile app, a fun and accessible way to teach anyone how to tickle the ivories, is now reaching \$2 million in annual run rate sales. To all the aspiring musicians out there, I say: bravo!

With such a stellar performance, we can confidently and proudly exclaim that Stingray figures among the short list of leading music, media and tech companies. These successes allowed us to stay connected with our global audience of music fans and, more importantly, provided them entertainment, joy and levity during a tiresome year of confinement.

Leading the Connected TV Market

As both technology develops and audience needs evolve, we pursue our commitment to being the leading music provider for connected television sets. In Fiscal 2021, Stingray extended its reach and strengthened its reputation as a preeminent multi-platform service provider through new global TV partnerships.

Distributing over Free, Ad-supported Streaming Television (FAST) channels, we offered audiences access to curated music channels at no cost through existing streaming subscriptions. This move helped make channels like Qello Concerts by Stingray, Stingray Karaoke, Stingray Classica, Stingray DJAZZ, Stingray Naturescape and Stingray Music available to the masses.

Fully supported by advertising, we partnered with major Over-The-Top (OTT) providers across Canada, the United States, Europe and Latin America, growing our reach to over 200 million engaged TV viewers. This impressive feat would not have been possible without the partnership of Comcast Xfinity, ChannelBox, DistroTV, Freebie TV, Freecast, MX Player, Peacock, Pluto TV, Redbox, Samsung TV Plus, STIRR, STV, Vizio Watch Free and Zeasn, who all added Stingray services to their content offering.

The launch of these diverse services across a multitude of platforms in many jurisdictions, especially amidst a global pandemic, truly proves that music knows no boundaries when Stingray technology powers distribution.

Solid Partnerships

The pandemic underscored how important strong business relations are to our continued success. Loyalty, support, respect and a mutual passion for tech and entertainment were the cornerstone of our customer partnerships this year, and we are so grateful for our new and returning customer partners. Together, we were able to keep the music playing.

Within Canada, we renewed and expanded key distribution agreements. With TELUS, a customer partner from our earliest days, we forged a long-term relationship granting TELUS subscribers access to the Stingray suite of music channels. We amplified product offerings for the Canadian Communications System Alliance (CCSA) through a more diverse product portfolio. And we renewed our agreement with our longtime customer partners at Shaw, continuing to offer their audiences a wide selection of audio and video channels across multiple Shaw branded platforms.

We are also thrilled to forge ahead with several new customer relations that were consummated this fiscal year. In Mexico, we created synergies with StarTV, providing their satellite platform subscribers with access to more than 2,000 channels in the Stingray Music app and web player, and 25 audio channels on TV. We also expanded our reach to South-East Asia, offering Stingray Festival 4K, Now 4K, Stingray Naturescape and Stingray DJAZZ channels, to First Media, one of the leading cable TV and fixed broadband internet providers in Indonesia, operated by PT Link Net Tbk.

We are delighted that Stingray continues to offer unparalleled music and entertainment channels to our long-standing customer partners and their subscribers, while expanding its reach around the globe – bringing Stingray's "good vibes" to new territories through innovative customer partnerships.

Extending the Reach of Stingray Business

Among our important accomplishments this fiscal year is the launch of Stingray Business in the United States. Stingray Business can now offer its full array of business services (including streaming background custom curated commercial music, digital signage and AI-driven customer feedback solutions) to its US-based customers. The explosive growth of Stingray Business in the US has been propelled by the hard work of its US-based partner - Space Factory Media. We are delighted to have made important inroads in the US market which reinforces our ability to secure global enterprise brands. We are excited to compete in the US market; we see tremendous opportunities for further growth and we know the future looks bright.

The Pivot is Real

SVOD, FAST, TV and apps... we did it all in Fiscal 2021.

We tailored our product offerings to match the needs of our loyal B2C and B2B customers enduring the pandemic. I am very proud to report that after a tumultuous year, we emerged as a leading music distributor in audio and video with best-in-class asset management, programming, AI and delivery technologies. This is exactly what will enable us to continue to scale our company across all platforms.

Stingray's broadcasting and streaming transformation - culminating in new FAST channels and OTT distribution - led strong organic growth at home and abroad. This growth was further supported by Stingray Business' foray in the US. New markets, new platforms and new services provide Stingray ample opportunities for years to come.

I want to express my gratitude and appreciation especially to Stingray employees for their demonstrated dedication and hard work. I want to thank my Executive Team for their leadership and savvy. And I thank our partners and stakeholders for their trust.

We will emerge from this experience a stronger and more committed organization. And I am still passionate about pushing the needle forward with you, in order to bring joy to people with music and entertainment. Especially now.

May you and your loved ones continue to stay safe as we ride out this global pandemic. Keep your spirits up and keep the music playing. We will get through this together.

Sincerely,



Eric Boyko

President, Co-founder and CEO



WORD FROM THE CHAIRMAN

We are all aware of what an unusual and difficult year this has been, economically and personally. It's therefore notable that our team has managed to grow the business during the pandemic while continuing to put the health and well-being of our employees and customers first. Fiscal 2021 was a time of challenges and incredible upheaval for Stingray and its stakeholders, but we have emerged stronger, more versatile and as committed to our long-term success as ever.

Although the vast majority of staff has been working from home and travel has been near impossible, Stingray has managed to deploy streaming and broadcasting services across the globe, expanding our reach to keep hundreds of millions of captive audiences connected to the music and entertainment they love.

Stingray has proven it can adapt in a difficult business environment and has seized new opportunities – most notably the company has delved even further into the ad space. Despite the uncertainty of the pandemic, we pursued the Direct-To-Consumer (DTC) market at what proved to be a pivotal moment and demonstrated our versatility. The move allowed us to offer streaming subscriptions and FAST channels to platforms around the world, giving audiences the ability to stream iconic concerts, enjoy family karaoke parties or even take a virtual nature walk along stunning landscapes and panoramic vistas, at no cost and without leaving the safety of their home. We are very thankful to several new partners who put their trust in us this year.

I have absolute confidence in Stingray's seasoned management team, and I trust that they will continue to craft and execute on solid business strategies to ensure Stingray enjoys continued and long-term success. And I express sincere gratitude for all Stingray employees who worked diligently and tirelessly through these uniquely difficult times, while themselves enduring the stress and challenges of isolation and family confinement.

To our investors, partners and stakeholders: thank you for your loyalty and trust. It is with your help and support that we have been able to successfully navigate the unprecedented global economic impact of COVID-19.

As we enter a new fiscal year, I am excited to participate in Stingray's ongoing drive to innovate and grow, and to share in its continued success.

On behalf of the Stingray board and the company's management team, I wish you all continued health and prosperity as we move forward together, propelled by great music and all good vibes.



Mark Pathy
Chairman of the Board

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, 2021 and 2020. This MD&A reflects information available to the Corporation as at June 2, 2021. 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 1,000 employees worldwide. Stingray is a premium provider of curated direct-to-consumer and B2B services, including audio television channels, over 100 radio stations, SVOD content, 4K UHD television channels, FAST channels, karaoke products, digital signage, in-store music, and music apps, which have been downloaded over 160 million times. Stingray reaches 400 million subscribers (or users) in 160 countries.

PRODUCTS

Subscription Services Apps & SVOD

B2C Mobile or OTT Apps



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



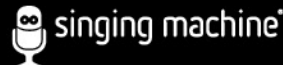
The premium destination for breathtaking classical music concerts, opera, ballet, and music documentaries.



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



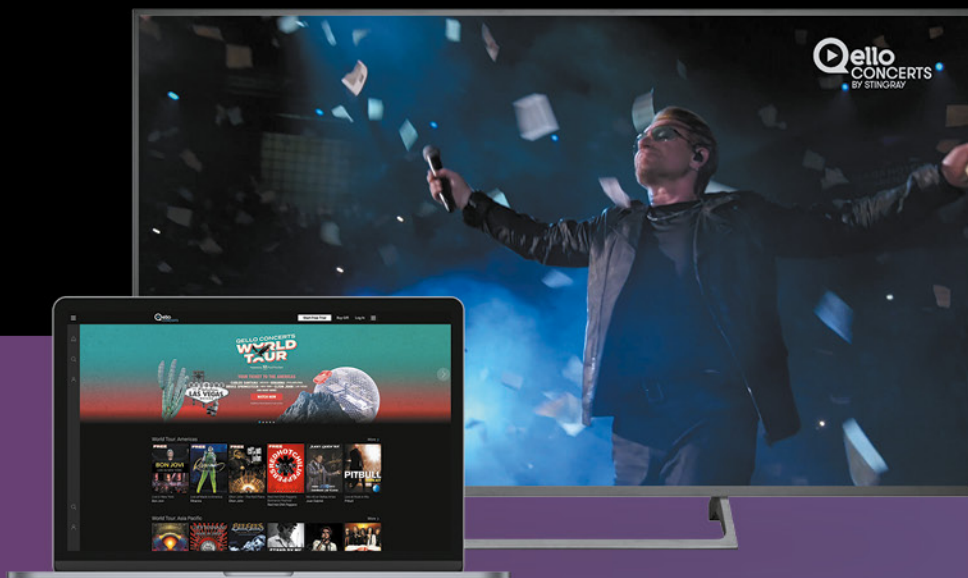
Over 14,000 karaoke songs with on-the-go convenience and easy set-up.



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.



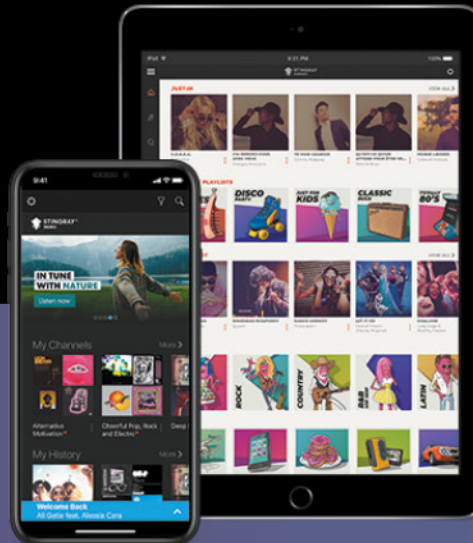
Fun, professionally-designed piano lessons, for all levels, that entertain as well as teach.



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.



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 Optimum and Suddenlink by Altice, OneHub TV, Player+, Claro and Totalplay.

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

Stingray Business

As evolving information regarding COVID-19 restrictions and best practices impacted commercial locations and retail establishments that featured Stingray commercial background music services and digital signage, Stingray Business supported its customers by offering businesses credits if and when they had to temporarily close their premises. Stingray Business was also able to accommodate customer demand (and generate additional incremental revenue) by providing in-store messaging around COVID-19 safety and sanitary measures, particularly for essential services (such as grocery stores and pharmacies). We also managed to win important new enterprise customers this year, including Dollarama, Metro and Sobeys for in-store music.

Celebrating Stingray's entry in the U.S. market and strategic collaboration with Space Factory Media, Stingray Business secured streaming music partnerships with Orangetheory Fitness and ClubCom, which has more than 4,000 health clubs across North America, as well as a digital display partnership with Boston Market. Another major win for Stingray Business in the US was signing an agreement streaming in-store music with FAT Brands, which rolled out in iconic restaurants such as Fatburger and Johnny Rockets.

Stingray Business also saw success further south, acquiring its trusted affiliate Marketing Sensorial Mexico, which services pharmacies and clinics operated by Farmacias del Ahorro as well as 5,800 locations across retail, automotive dealerships and banking, including key clients such as Scotiabank and Santander. The acquisition secured Stingray Business' foothold in Mexico and will help position the company as a leader in the Latin American market.

Now that Stingray Business has dedicated offices in Canada, the US, Mexico, Australia, the Netherlands and Belgium, it is strategically positioned to generate growth with major global enterprise brands. The goal is to continue expanding its suite of commercial services worldwide.

Finally, Stingray continued to build on its AI-driven SMS platform, Chatter, to provide better customer feedback solutions for retailers of all kinds. Chatter launched at Staples Canada, Couche-Tard, Rogers, Metro, Nike locations in the US and expanded with Lush Cosmetics North America to include all online shopping. Chatter was an extraordinary compliment to Stingray Business products.

Stingray Media Solutions

Fiscal 2020 was also a year that the Stingray Media Solutions came to life and formally launched its mission to help advertisers connect to passionate global audiences across its multi-platform music ecosystem, including 100+ Canadian radio stations, connected television sets and audio TV channels, streaming music apps, podcasts and so much more...

Buoyed by a strong partnership with Anthem, Stingray Media Solutions successfully launched national television advertising campaigns across four of Stingray's music video channels. Stingray also infiltrated the connected TV market by distributing its properties over Free Ad-supported Streaming Television (FAST) channels in Smart TVs across Canada, the US, Europe and Latin America — extending its reach by tens of millions of engaged TV viewers.

Stingray Media Solutions developed new advertising products, becoming the exclusive programmatic sales agent for TPX — The Podcast Exchange and developing Stingray on the GO, in collaboration with Ontario-based Metrolinx, to provide music on the GO Train in Toronto. Moving forward, the team is excited for new partnerships and products in the programmatic advertising and retail space that are already in development for the coming year.

A global partnership with dentsu Canada allowed Stingray to team-up with world-class agency brands. Both parties will continue to work together to bring further innovation to the areas of music and audio distribution, consulting services, and sponsorship, all while enabling brands to better connect with passionate music audiences. Both companies believe in the value that music can bring to enterprise brands and will continue to work collaboratively to harness the power of music for advertisers while creating long-lasting synergies that move the industry forward.

In year one, in addition to establishing the operational foundations, we were proud to generate \$3M in new advertising revenue in collaboration with premium brands such as P&G, General Motors and Subway, to name but a few. We are confident that this space will only continue to grow in demand and revenues as we scale across all platforms, products and solutions.

Radio reinvented

COVID-19 presented important challenges for **Stingray Radio**, with Work From Home (WFH) fundamentally changing audience listening habits, while restrictions and closures resulted in a never-before-seen drop in advertising activity as businesses were shuttered because of lockdown mandates.

In the spring of 2020, when Canadians and local businesses were suffering the most, Stingray took action and offered local businesses the opportunity to apply grants in the form of free advertising, via the **Stingray Radio Stimulus Plan**. This initiative was designed to kick-start the local economy and saved many local businesses from going under when the economic forecast appeared darkest and helped to establish committed relationships with local advertisers that will benefit our radio business for years to come.

On the content side, Stingray Radio employees rose to the occasion by quickly pivoting to WFH protocols - broadcasting entire radio shows from their living rooms, bedrooms, dining room tables and makeshift home studios - with some of our top talent continuing to provide world-class audio content from home.

While the need to adapt and turn on a dime tested the technical capabilities of our teams, Stingray is proud that our listeners continued to benefit from a steady flow of critical information and much-needed entertainment from coast to coast. Our radio stations took advantage of the unprecedented circumstances to connect more deeply with the communities and people they proudly serve.

Stations like Boom 97.3 in Toronto, 90.3 AMP Radio in Calgary, K97 in Edmonton and Z95.3 in Vancouver achieved tremendous ratings success during the year. News/talk stations like VPCM in St John's and Radio NL in Kamloops also led the way providing national news coverage, serving six time zones.

Stingray Radio increased the footprint of regional and national brands over the course of the year, and numerous local shows expanded their reach with syndication into other markets. Meanwhile, the Stingray Radio sales team continued its dive into digital, adding Digital Out Of Home (DOOH) to the portfolio. By incorporating varied and broader solutions, Stingray Radio offers its clients and partners a comprehensive advertising plan, combining radio's extensive reach, with digital's ability to hyper-target.



CURRENT COMPANY GOALS

1

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

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

2

Develop ad base product offerings to enter new markets and access new platforms. Free Ad-supported Streaming TV 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.

4

Continue to develop best-in-class video apps, web-based solutions, and mobile app.

5

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

PROVEN ACQUISITION STRATEGY

\$780 M spent on acquisitions since inception

Stingray became the undisputed world-leading provider of 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
Novramedia
DJ Matic
New Glasgow

2019

Drumheller Radio

2020

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

2021

Marketing Sensorial México



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 160 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 160 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.

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 take 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 42 acquisitions representing outlays of approximately \$780 million, which brought new clients, new products and new geographical markets to our business. 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 over 1,000 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, 2021 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 2021, approximately 39.6% 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 pay-TV providers, Stingray expects that all Canadian pay-TV providers will continue to carry Stingray's pay-audio service on the most widely distributed unregulated first-tier package (where available).

Rapid growth in an evolving market

The audio and video entertainment industry is rapidly evolving. The market for online digital music and videos has undergone rapid and dramatic changes in our relatively short history and

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

Competition from other content providers

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

EXECUTIVE OFFICERS



Eric Boyko
President, CEO,
Co-founder and Director



Jean-Pierre Trahan
Chief Financial Officer



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



Mario Dubois
Senior Vice-President and
Chief Technology Officer



Mathieu Péloquin
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



Frédéric Lavole
Director



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



Karinne Bouchard
Director and Audit Committee



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

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, 2021 and 2020. This MD&A reflects information available to the Corporation as at June 2, 2021. 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 shows stable results from its operations which allows users of the financial statements to better assess the trend in the profitability of the business. 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 dividends and reduce debt. The Corporation believes that Net debt and Net debt to Pro Forma Adjusted EBITDA are important to analyse the company's debt repayment capacity on an annualized basis, taking into consideration the annualized adjusted EBITDA of acquisitions made during the last twelve months. 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, 2021 ("Q4 2021"):

\$60.3 M ▼ 11.8% from Q4 2020 Revenues	\$12.1 M Or \$0.17 per share Net income	\$24.5 M ▲ 74.3% from Q4 2020 Cash flow from operating activities Or \$0.34 per share
\$23.6 M ▼ 16.2% from Q4 2020 Adjusted EBITDA	\$12.0 M Or \$0.16 per share Adjusted Net income	\$13.8 M ▼ 23.2% from Q4 2020 Adjusted free cash flow Or \$0.19 per share

For the year ended March 31, 2021 ("Fiscal 2021"):

\$249.5 M ▼ 18.7% from Fiscal 2020 Revenues	\$45.1 M Or \$0.61 per share Net income	\$104.2 M ▲ 18.3% from Fiscal 2020 Cash flow from operating activities Or \$1.42 per share
\$114.3 M ▼ 3.2% from Fiscal 2020 Adjusted EBITDA	\$62.9 M Or \$0.86 per share Adjusted Net income	\$74.4 M ▼ 5.1% from Fiscal 2020 Adjusted free cash flow Or \$1.01 per share

Notes:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the fourth quarter ended March 31, 2021

Compared to the quarter ended March 31, 2020 (“Q4 2020”):

- Revenues decreased 11.8% to \$60.3 million from \$68.4 million, primarily due to the impact of the COVID-19 pandemic on Radio revenues;
- Adjusted EBITDA⁽¹⁾ decreased 16.2% to \$23.6 million from \$28.2 million. Adjusted EBITDA⁽¹⁾ by segment was \$16.3 million or 44.8% of revenues for Broadcasting and Commercial Music, \$8.7 million or 36.0% of revenues for Radio and \$(1.3) million for Corporate;
- Net income was \$12.1 million (\$0.17 per share) compared with a Net loss of \$8.5 million (\$0.11 per share);
- Adjusted Net income⁽¹⁾ of \$12.0 million (\$0.16 per share) compared with \$10.1 million (\$0.13 per share);
- Cash flow from operating activities increased 74.3% to \$24.5 million (\$0.34 per share) compared to \$14.1 million (\$0.19 per share);
- Adjusted free cash flow⁽¹⁾ decreased 23.2% to \$13.8 million (\$0.19 per share) compared to \$18.0 million (\$0.24 per share);
- Net debt to Pro Forma Adjusted EBITDA⁽¹⁾ ratio of 2.81x, and;
- 967,415 shares repurchased and cancelled for a total of \$6.8 million.

Highlights of the year ended March 31, 2021

Compared to the year ended March 31, 2020 (“Fiscal 2020”):

- Revenues decreased 18.7% to \$249.5 million from \$306.7 million, primarily due to the impact of the COVID-19 pandemic on Radio revenues;
- Adjusted EBITDA⁽¹⁾ decreased 3.2% to \$114.3 million from \$118.1 million. Adjusted EBITDA⁽¹⁾ by segment was \$77.5 million or 51.1% of revenues for Broadcasting and Commercial Music, \$41.3 million or 42.2% of revenues for Radio and \$(4.5) million for Corporate;
- Net income was \$45.1 million (\$0.61 per share) compared with \$14.0 million (\$0.18 per share);
- Adjusted Net income⁽¹⁾ of \$62.9 million (\$0.86 per share) compared with \$55.9 million (\$0.74 per share);
- Cash flow from operating activities increased 18.3% to \$104.2 million (\$1.42 per share) compared to \$88.1 million (\$1.16 per share);
- Adjusted free cash flow⁽¹⁾ decreased 5.1% to \$74.4 million (\$1.01 per share) compared to \$78.4 million (\$1.03 per share), and;
- 1,530,180 shares repurchased and cancelled for a total of \$10.2 million.

Notes:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 28 and 33.

Additional business highlights for the fourth quarter and subsequent events:

- During Fiscal 2021, 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 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 Q4 2020, 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, which, combined with the Canadian Emergency Wage Subsidy (CEWS), helped to maintain a solid financial position. The Corporation’s Radio segment, and Broadcast and Commercial Music segment, but to a lesser extent, have been impacted during the first half of 2021. In the second half of 2021, although still impacted, the Corporation noticed progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social distancing. Management expects the situation to continue improving as local businesses resume their normal operations. The extent to which COVID-19 continues to impact the Corporation’s business will depend on future developments, which are uncertain and cannot be predicted at this time. The Corporation’s focus will be to continue to closely monitor its cash position and control its operating expenses while capitalizing on its growth opportunities.
- On May 5, 2021, the Corporation announced the launch of free, ad-supported TV channels and premium SVOD services with thirteen major OTT providers: AlteoX (Luxembourg), Amazon Prime Video Channels (Italy, Spain and Netherlands), ChannelBox (United Kingdom), Maskatel (Canada), Pluto TV (Latin America and United States), Pzaz (Global), Rakuten TV (Europe), Redbox (United States), Rostelecom (Russia), Ruutu (Finland), Samsung TV Plus (Brazil, Mexico, Netherlands and Sweden) Totalplay (Mexico) and Zeasn (Austria and Germany). These distribution agreements grow Stingray’s audience over new platforms in new territories and add millions of potential viewers.
- On April 28, 2021, the Corporation announced that free, ad-supported channels Qello Concerts by Stingray and Stingray Karaoke have become available on Samsung TV Plus Mobile in Germany and the UK. Mobile and tablet users will access both channels on Samsung’s free ad-supported video service through the TV Plus App and the Samsung Free page. The distribution agreements grow Stingray’s potential reach by millions of users. The service is set to launch in June 2021 in Austria and Switzerland.
- On March 24, 2021, 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, 2021, to shareholders on record as of May 31, 2021.
- On March 1, 2021, the Corporation announced it signed an agreement to provide custom music, media, and consumer insights solutions for Orangetheory Fitness, one of the world’s fastest-growing brands, operating 1,400 studios worldwide, in Canada, 50 American states and 25 countries around the globe.
- On February 26, 2021, the Corporation announced that Ms. Karinne Bouchard has been appointed to the Board of Directors, effective immediately. Ms. Bouchard has also joined the Corporation’s Audit Committee. The Corporation also announced that Mr. John Steele has resigned from the board.
- On February 5, 2021, the Corporation launched its Classic Hits brand Rewind in three Maritime markets. In addition to rebranding the popular Classic Hits station Up! 93.1 (CIHI) in Fredericton as Rewind 93.1, the format and brand appears in Miramichi as Rewind 95.9 (CHHI, previously 95.9 Sun FM) and in Nova Scotia’s Annapolis Valley as Rewind 89.3 (CIJK, previously 89.3 K-Rock).
- On February 3, 2021, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend was paid on March 15, 2021 to shareholders on record as of February 28, 2021.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	3 months				12 months					
	March 31, 2021		March 31, 2020		March 31, 2021		March 31, 2020		March 31, 2019	
	Q4 2021		Q4 2020		Fiscal 2021		Fiscal 2020		Fiscal 2019	
(in thousands of Canadian dollars, except per share amounts)	\$	% of revenues	\$	% of revenues	\$	% of revenues	\$	% of revenues	\$	% of revenues
Revenues	60,316	100.0 %	68,398	100.0 %	249,468	100.0 %	306,721	100.0 %	212,650	100.0 %
Operating expenses	38,941	64.6 %	38,932	56.9 %	142,487	57.1 %	190,381	62.0 %	142,877	67.3 %
CRTC Tangible benefits	–	0.0 %	–	0.0 %	–	0.0 %	–	0.0 %	25,306	11.9 %
Depreciation, amortization and write-off	9,821	16.3 %	9,875	14.4 %	38,692	15.5 %	40,302	13.1 %	31,133	14.6 %
Net finance expense (income) ⁽¹⁾	(7,284)	(12.1) %	33,463	49.0 %	(1,199)	(0.5) %	42,822	14.0 %	12,298	5.8 %
Change in fair value of investments	–	0.0 %	(1,914)	(2.8) %	3,787	1.5 %	(6,550)	(2.1) %	(565)	(0.3) %
Acquisition, legal, restructuring and other expenses	2,714	4.5 %	693	1.0 %	4,637	1.9 %	24,104	7.9 %	16,817	7.9 %
Income (loss) before income taxes	16,124	26.7 %	(12,651)	(18.5) %	61,064	24.5 %	15,662	5.1 %	(15,216)	(7.2) %
Income taxes	4,047	6.7 %	(4,165)	(6.1) %	15,960	6.4 %	1,692	0.5 %	(3,228)	(1.5) %
Net income (loss)	12,077	20.0 %	(8,486)	(12.4) %	45,104	18.1 %	13,970	4.6 %	(11,988)	(5.7) %
Adjusted EBITDA⁽²⁾	23,638	39.2 %	28,217	41.3 %	114,268	45.8 %	118,086	38.5 %	72,234	34.0 %
Adjusted Net income⁽²⁾	11,981	19.9 %	10,095	14.8 %	62,855	25.2 %	55,908	18.2 %	39,727	18.7 %
Cash flow from operating activities	24,514	40.6 %	14,062	20.6 %	104,246	41.8 %	88,145	28.7 %	44,703	21.0 %
Adjusted free cash flow⁽²⁾	13,808	22.9 %	17,974	26.3 %	74,359	29.8 %	78,350	25.5 %	38,834	18.3 %
Net debt⁽²⁾	326,405	–	361,251	–	326,405	–	361,251	–	357,821	–
Net debt to Pro Forma Adjusted EBITDA⁽²⁾⁽³⁾	2.81x	–	3.01x	–	2.81x	–	3.01x	–	3.13x	–
Net income (loss) per share basic	0.17	–	(0.11)	–	0.62	–	0.18	–	(0.19)	–
Net income (loss) per share diluted	0.17	–	(0.11)	–	0.61	–	0.18	–	(0.19)	–
Adjusted Net income per share basic ⁽²⁾	0.17	–	0.13	–	0.86	–	0.74	–	0.61	–
Adjusted Net income per share diluted ⁽²⁾	0.16	–	0.13	–	0.86	–	0.74	–	0.61	–
Cash flow from operating activities per share basic	0.34	–	0.19	–	1.42	–	1.16	–	0.69	–
Cash flow from operating activities per share diluted	0.34	–	0.19	–	1.42	–	1.16	–	0.68	–
Adjusted free cashflow per share basic ⁽²⁾	0.19	–	0.24	–	1.01	–	1.03	–	0.60	–
Adjusted free cashflow per share diluted ⁽²⁾	0.19	–	0.24	–	1.01	–	1.03	–	0.59	–
Revenues by segment										
Broadcasting and Commercial Music	36,356	60.3 %	38,483	56.3 %	151,658	60.8 %	154,466	50.4 %	146,741	69.0 %
Radio	23,960	39.7 %	29,915	43.7 %	97,810	39.2 %	152,255	49.6 %	65,227	30.7 %
Corporate	–	0.0 %	–	0.0 %	–	0.0 %	–	0.0 %	682	0.3 %
Revenues	60,316	100.0 %	68,398	100.0 %	249,468	100.0 %	306,721	100.0 %	212,650	100.0 %
Revenues by geography										
Canada	35,594	59.1 %	43,498	63.6 %	150,729	60.5 %	209,843	68.4 %	121,919	57.3 %
United States	10,942	18.1 %	10,236	15.0 %	42,028	16.8 %	37,987	12.4 %	34,439	16.2 %
Other Countries	13,780	22.8 %	14,664	21.4 %	56,711	22.7 %	58,891	19.2 %	56,292	26.5 %
Revenues	60,316	100.0 %	68,398	100.0 %	249,468	100.0 %	306,721	100.0 %	212,650	100.0 %

Notes:

- (1) Interest paid during the Q4 2021 was \$5.1 million (Q4 2020; \$3.8 million) and \$18.1 million Fiscal 2021 (Fiscal 2020; \$17.4 million and Fiscal 2019; \$10.0 million)
- (2) Refer to “Forward-looking statements” and “Supplemental information on Non-IFRS measures” on page 28 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 33.
- (3) Refer to page 44 for a reconciliation of Pro Forma Adjusted EBITDA to the most directly comparable IFRS financial measure.

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 28.

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

	3 months		12 months	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
(in thousands of Canadian dollars)	Q4 2021	Q4 2020	Fiscal 2021	Fiscal 2020
Net income (loss)	12,077	(8,486)	45,104	13,970
Net finance expense (income)	(7,284)	33,463	(1,199)	42,822
Change in fair value of investments	–	(1,914)	3,787	(6,550)
Income taxes	4,047	(4,165)	15,960	1,692
Depreciation and write-off of property and equipment	3,082	2,790	11,653	11,477
Depreciation of right-of-use assets	1,436	1,426	5,660	5,618
Amortization of intangible assets	5,303	5,659	21,379	23,207
Share-based compensation	235	258	851	1,001
Performance and deferred share unit expense	2,028	(1,507)	6,436	745
Acquisition, legal, restructuring and other expenses	2,714	693	4,637	24,104
Adjusted EBITDA	23,638	28,217	114,268	118,086
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(3,214)	(10,976)	(12,619)	(27,122)
Income taxes	(4,047)	4,165	(15,960)	(1,692)
Depreciation of property and equipment and write-off	(3,082)	(2,790)	(11,653)	(11,477)
Depreciation of right-of-use assets	(1,436)	(1,426)	(5,660)	(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, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses	122	(7,095)	(5,521)	(16,269)
Adjusted Net income	11,981	10,095	62,855	55,908

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

	3 months		12 months	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
(in thousands of Canadian dollars)	Q4 2021	Q4 2020	Fiscal 2021	Fiscal 2020
Cash flow from operating activities	24,514	14,062	104,246	88,145
<i>Add / Less :</i>				
Acquisition of property and equipment	(1,929)	(2,153)	(5,690)	(6,704)
Acquisition of intangible assets other than internally developed intangible assets	(194)	(463)	(1,313)	(1,769)
Addition to internally developed intangible assets	(1,367)	(1,534)	(6,428)	(5,902)
Interest paid	(5,142)	(3,819)	(18,053)	(17,442)
Repayment of lease liabilities	(1,099)	(1,180)	(5,011)	(4,873)
Net change in non-cash operating working capital items	(344)	7,262	10,632	(2,169)
Unrealized loss (gain) on foreign exchange	(3,345)	5,106	(8,661)	4,961
Acquisition, legal, restructuring and other expenses	2,714	693	4,637	24,104
Adjusted free cash flow	13,808	17,974	74,359	78,351

The following table shows the calculation of Net debt:

	March 31, 2021	March 31, 2020
(in thousands of Canadian dollars)		
Credit facilities	303,704	324,123
Subordinated debt	31,741	39,640
Cash and cash equivalents	(9,040)	(2,512)
Net debt	326,405	361,251

FINANCIAL RESULTS FOR THE QUARTERS AND YEARS ENDED MARCH 31, 2021 AND 2020

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	% Change	2021	2020	% Change
Revenues by geography						
Canada	35,594	43,498	(18.2)	150,729	209,843	(28.2)
United States	10,942	10,236	6.9	42,028	37,987	10.6
Other Countries	13,780	14,664	(6.0)	56,711	58,891	(3.7)
Revenues	60,316	68,398	(11.8)	249,468	306,721	(18.7)

Global

Revenues in Q4 2021 decreased \$8.1 million or 11.8% to \$60.3 million, from \$68.4 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues, as well as a decrease in equipment and installation sales related to digital signage and the negative impact of foreign exchange, partially offset by the increase in advertising revenues in the Broadcast and Commercial Music segment.

Revenues for Fiscal 2021 decreased \$57.2 million or 18.7% to \$249.5 million, from \$306.7 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage, partially offset by the increase in advertising revenues in the Broadcast and Commercial Music segment, the acquisition of Marketing Sensorial México (MSM) and Chatter Research Inc. and the organic growth in streaming subscriptions.

Canada

Revenues in Canada in Q4 2021 decreased \$7.9 million or 18.2% to \$35.6 million, from \$43.5 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage.

Revenues in Canada for Fiscal 2021 decreased \$59.0 million or 28.2% to \$150.8 million, from \$209.8 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage, partially offset by the increase in advertising revenues in the Broadcast and Commercial Music segment.

United States

Revenues in the United States in Q4 2021 increased \$0.7 million or 6.9% to \$10.9 million, from \$10.2 million for Q4 2020. The increase was primarily due to organic growth in advertising revenues in the Broadcast and Commercial Music segment and in streaming subscriptions, partially offset by the negative impact of foreign exchange.

Revenues in the United States for Fiscal 2021 increased \$4.0 million or 10.6% to \$42.0 million, from \$38.0 million for Fiscal 2020. The increase was primarily due to organic growth in advertising revenues in the Broadcast and Commercial Music segment and in streaming subscriptions.

Other Countries

Revenues in Other countries in Q4 2021 decreased \$0.9 million or 6.0% to \$13.8 million, from \$14.7 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues.

Revenues in Other countries for Fiscal 2021 decreased \$2.2 million or 3.7% to \$56.7 million, from \$58.9 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues and to the decrease in streaming subscriptions, partially offset by the acquisition of MSM.

Operating Expenses

Operating expenses in Q4 2021 remained stable at \$38.9 million. Due to a better performance than initially anticipated, certain accrued liabilities recorded in the first nine months to reflect uncertainty created by the COVID-19 pandemic were adjusted upward in the fourth quarter. This, combined with the reversal of certain accrued liabilities in Q4 2020, had a negative impact on year-over-year operating expenses. The operating expenses increased is also due to increased expense for performance and deferred share unit, largely offset by reduced operating costs, by the CEWS and other subsidies (\$4.0 million) and by reduced variable expenses due to the impact of the COVID-19 pandemic on revenues.

Operating expenses for Fiscal 2021 decreased \$47.9 million or 25.2% to \$142.5 million, from \$190.4 million for Fiscal 2020. The decrease was primarily related to the CEWS and other subsidies (\$25.2 million), to reduced operating costs, to reduced variable expenses due to the impact of the COVID-19 pandemic on revenues and to a settlement with SOCAN (refer to page 45), partially offset by adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on operating expenses as explained above and by increased expense for performance and deferred share unit.

Adjusted EBITDA⁽¹⁾

Adjusted EBITDA in Q4 2021 decreased \$4.6 million or 16.2% to \$23.6 million from \$28.2 million for Q4 2020. Adjusted EBITDA margin was 39.2% compared to 41.3% for Q4 2020. Due to a better performance than initially anticipated, certain accrued liabilities recorded in the first nine months to reflect uncertainty created by the COVID-19 pandemic were adjusted upward in the fourth quarter. This, combined with the reversal of certain accrued liabilities in Q4 2020, had a negative impact on year-over-year Adjusted EBITDA. The decrease in Adjusted EBITDA is also due to the impact of the COVID-19 pandemic on revenues, partially offset by reduced operating costs and by the CEWS and other subsidies.

Adjusted EBITDA for Fiscal 2021 decreased \$3.8 million or 3.2% to \$114.3 million from \$118.1 million for Fiscal 2020. Adjusted EBITDA margin was 45.8% compared to 38.5% for Fiscal 2020. The decrease in Adjusted EBITDA was primarily due to the impact of the COVID-19 pandemic on revenues, to the reversal of certain accrued liabilities in Q4 2020 and to the adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained above, partially offset by the CEWS and other subsidies, by reduced operating costs and by a settlement with SOCAN (refer to page 45).

Depreciation, amortization and write off

Depreciation, amortization and write off decreased \$0.1 million or 0.5% to \$9.8 million from \$9.9 million for Q4 2020. Depreciation, amortization and write off for Fiscal 2021 decreased \$1.6 million or 4.0% to \$38.7 million, from \$40.3 million for Fiscal 2020. The decrease was primarily due to less intangible assets to amortize compared to the prior period.

Net finance expense (income)

Net finance income for Q4 2021 was \$7.3 million compared to a Net finance expense of \$33.5 million for Q4 2020. The variance was mainly related to a mark-to-market gain on derivative instruments and a foreign exchange gain.

Net finance income for Fiscal 2021 was \$1.2 million compared to a Net finance expense of \$42.8 million for Fiscal 2020. The variance was mainly related to a mark-to-market gain on derivative instruments, a foreign exchange gain and a lower negative change in fair value of contingent considerations.

Change in fair value of investments

In Q4 2021, there was no gain or loss on fair value as the securities held in AppDirect Inc. were sold in Q3 2021. In Q4 2020, a gain of \$1.9 million was recorded.

For Fiscal 2021, a loss on fair value of \$3.8 million was recorded compared to a gain of \$6.6 million for Fiscal 2020. The variance is related to the sale of securities held in AppDirect Inc. during Q3 2021 which had a lower proceed than the estimated fair value before the transaction occurred.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

Acquisition, legal, restructuring and other expenses

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	Change \$	2021	2020	Change \$
Acquisition	1,107	166	941	2,439	1,556	883
Legal	424	(1,955)	2,379	623	19,540	(18,917)
Restructuring and other	1,183	2,482	(1,299)	1,575	3,008	(1,433)
Acquisition, legal, restructuring and other expenses	2,714	693	2,021	4,637	24,104	(19,467)

In Fiscal 2020, legal expenses were higher due to a patent litigation with Music Choice, which was settled in Q4 2020.

Income Taxes

The income taxes expense recognized in comprehensive income was \$4.0 million for Q4 2021 compared to an income tax recovery of \$4.2 million for Q4 2020. The effective tax rate for Q4 2021 was 25.1% compared to 32.9% for Q4 2020. The variance in the effective tax rate is mainly due to the increase in the UK corporate income tax rate enacted in Q4 2020, which increased the deferred tax assets.

The income taxes expense recognized in comprehensive income was \$16.0 million for Fiscal 2021 compared to \$1.7 million for Fiscal 2020. The effective tax rate for Fiscal 2021 was 26.1% compared to 10.8% for Fiscal 2020. The variance in the effective tax rate is mainly due to the decrease in the Alberta corporate income tax rate enacted in Q1 2020, which reduced deferred tax liabilities.

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

Net income in Q4 2021 was \$12.1 million (\$0.17 per share) compared to a Net loss of \$8.5 million (\$(0.11) per share) for Q4 2020. The variance was mainly related to a mark-to-market gain on derivative instruments and a foreign exchange gain, partially offset by higher legal expenses, higher income taxes and lower operating results.

Net income for Fiscal 2021 was \$45.1 million (\$0.61 per share) compared to \$14.0 million (\$0.18 per share) for Fiscal 2020. The increase was mainly related to a mark-to-market gain on derivative instruments, to lower legal expenses and to a foreign exchange gain, partially offset by higher income taxes, by a negative change in fair value of investments following the sale of securities held in AppDirect Inc., by higher performance and deferred share unit expense and by lower operating results.

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

Adjusted Net income in Q4 2021 was \$12.0 million (\$0.16 per share), compared to \$10.1 million (\$0.13 per share) for Q4 2020. Adjusted Net income for Fiscal 2021 was \$62.9 million (\$0.86 per share), compared to \$55.9 million (\$0.74 per share) for Fiscal 2020. Both increases were mainly related to a foreign exchange gain, partially offset by lower operating results and higher income taxes.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	% Change	2021	2020	% Change
Revenues	36,356	38,483	(5.5)	151,658	154,466	(1.8)
Operating expenses	20,059	19,501	2.9	74,205	90,765	(18.2)
Adjusted EBITDA⁽¹⁾	16,297	18,982	(14.1)	77,453	63,701	21.6
Adjusted EBITDA margin⁽¹⁾	44.8%	49.3%	(9.1)	51.1%	41.2%	23.8

Revenues

In Q4 2021, Broadcasting and Commercial Music revenues decreased \$2.2 million or 5.5% to \$36.3 million, from \$38.5 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues, as well as a decrease in equipment and installation sales related to digital signage and the negative impact of foreign exchange, partially offset by the increase in advertising revenues.

Broadcasting and Commercial Music revenues for Fiscal 2021 decreased \$2.8 million or 1.8% to \$151.7 million from \$154.5 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 on revenues and to a decrease in equipment and installation sales related to digital signage, partially offset by the increase in advertising revenues, the acquisition of MSM and Chatter Research Inc. and the organic growth in streaming subscriptions.

Adjusted EBITDA⁽¹⁾

In Q4 2021, Broadcasting and Commercial Music Adjusted EBITDA decreased \$2.7 million or 14.1% to \$16.3 million from \$19.0 million for Q4 2020. The decrease in Adjusted EBITDA was primarily due to adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained earlier, partially offset by reduced operating costs.

Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2021 increased \$13.8 million or 21.6% to \$77.5 million from \$63.7 million for Fiscal 2020. The increase in Adjusted EBITDA was primarily due to the CEWS and other subsidies, to a settlement with SOCAN (refer to page 45) and to reduced operating costs, partially offset by the adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained earlier and by the impact of the COVID-19 pandemic on revenues.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

RADIO

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	% Change	2021	2020	% Change
Revenues	23,960	29,915	(19.9)	97,810	152,255	(35.8)
Operating expenses	15,340	20,358	(24.6)	56,528	93,760	(39.7)
Adjusted EBITDA⁽¹⁾	8,620	9,557	(9.8)	41,282	58,495	(29.4)
Adjusted EBITDA margin⁽¹⁾	36.0%	31.9%	12.6	42.2%	38.4%	9.9

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 2021, Radio revenues decreased \$5.9 million or 19.9% to \$24.0 million from \$29.9 million for Q4 2020. Radio revenues for Fiscal 2021 decreased \$54.5 million or 35.8% to \$97.8 million from \$152.3 million for Fiscal 2020. Both decreases were primarily due to the impact of the COVID-19 pandemic on revenues.

Adjusted EBITDA⁽¹⁾

In Q4 2021, Radio Adjusted EBITDA decreased \$0.8 million or 9.8% to \$8.7 million from \$9.5 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues and to adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained earlier, partially offset by the CEWS and other subsidies and by reduced operating costs.

Radio Adjusted EBITDA for Fiscal 2021 decreased \$17.2 million or 29.4% to \$41.3 million from \$58.5 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues, partially offset by the CEWS and other subsidies and by reduced operating costs.

CORPORATE

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	% Change	2021	2020	% Change
Operating expenses	3,542	(927)	(482.1)	11,754	5,856	100.7
<i>Adjust:</i>						
Share-based compensation	(235)	(258)	(8.9)	(851)	(1,001)	(15.0)
Performance and deferred share unit expense	(2,028)	1,507	(234.6)	(6,436)	(745)	763.9
Adjusted EBITDA⁽¹⁾	(1,279)	(322)	297.2	(4,467)	(4,110)	8.7

Adjusted EBITDA⁽¹⁾

Corporate Adjusted EBITDA represents the head office operating expenses less the share-based compensation and performance and deferred share unit expense. The increase in operating expenses is related to adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained earlier. The increase in Performance and deferred share unit expense is due to the increase in the share price and to additional grants.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

Quarterly results

Revenues fluctuated over the last eight quarters from \$80.4 million in the first quarter of Fiscal 2020 to \$60.3 million in the fourth quarter of Fiscal 2021. The 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 and Q1 2021 were due to the impact of the COVID-19 pandemic. The increases in Q2 2021 and Q3 2021 are due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity and to normal business seasonality. The decrease in Q4 2021 is due to normal business seasonality.

Adjusted EBITDA⁽¹⁾ fluctuated over the last eight quarters from \$31.2 million in the first quarter of Fiscal 2020 to \$23.6 million in the fourth quarter of Fiscal 2021. The 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 and Q1 2021 were mainly due to the impact of the COVID-19 pandemic on Radio revenues, which was partially offset by the CEWS and reduced operating costs in Q1 2021. The increase in Q2 2021 is due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity, partially offset by higher operating costs and lower CEWS. The increase in Q3 2021 is due to continuing improvements in Radio advertising bookings and normal business seasonality and to a settlement with SOCAN (refer to page 45), partially offset by a special bonus to employees, lower CEWS and higher operating costs. The decrease in Q4 2021 is due to normal business seasonality and to a settlement with SOCAN in Q3 2021, partially offset by a special bonus to employees in Q3 2021.

Net income (loss) fluctuated over the last eight quarters from a net income of \$9.2 million in the first quarter of Fiscal 2020 to \$12.1 million in the fourth quarter of Fiscal 2021. In Q2 2020, the decrease was due to 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 due to 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 due to 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. In Q1 2021, the increase was due to lower mark-to-market losses on derivative financial instruments and a foreign exchange gain, partially offset by the impact of the COVID-19 pandemic on revenues, higher income taxes expense and negative change in fair value of investments. In Q2 2021, the increase was due to higher operating results and positive change in mark-to-market on derivative financial instruments, partially offset by higher income taxes and legal expenses. In Q3 2021, the increase was due to higher operating results, positive change in fair value of contingent considerations, and higher gain in mark-to-market on derivative financial instruments, partially offset by a negative change in fair value of investments related to the sale of securities held in AppDirect Inc. In Q4 2021, the decrease was due to lower operating results, partially offset by higher gains in mark-to-market on derivative financial instruments.

Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	3 months							
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019
	FY2021	FY2021	FY2021	FY2021	FY2020	FY2020	FY2020	FY2020
Revenues by segment								
Broadcasting and Commercial								
Music	36,356	40,186	39,169	35,947	38,483	39,894	38,742	37,347
Radio	23,960	32,379	25,125	16,346	29,915	41,419	37,831	43,090
Total revenues	60,316	72,565	64,294	52,293	68,398	81,313	76,573	80,437
Revenues by geography								
Canada	35,594	47,368	39,710	28,057	43,498	57,515	52,723	56,107
United States	10,942	10,693	10,091	10,302	10,236	9,575	9,035	9,141
Other countries	13,780	14,504	14,493	13,934	14,664	14,223	14,815	15,189
Total revenues	60,316	72,565	64,294	52,293	68,398	81,313	76,573	80,437
Adjusted EBITDA⁽¹⁾	23,638	33,993	31,156	25,481	28,217	31,033	27,671	31,165
LTM Adjusted EBITDA⁽¹⁾	114,268	118,847	115,887	112,402	118,086	112,276	108,462	92,220
Net income (loss)	12,077	14,118	11,888	7,021	(8,486)	8,089	5,184	9,183
Net income (loss) per share basic and diluted	0.17	0.19	0.16	0.10	(0.11)	0.11	0.07	0.12
Adjusted Net income⁽¹⁾	11,981	21,054	16,311	13,509	10,095	16,710	12,416	16,687
Adjusted Net income per share basic ⁽¹⁾	0.17	0.29	0.22	0.18	0.13	0.22	0.16	0.22
Adjusted Net income per share diluted ⁽¹⁾	0.16	0.29	0.22	0.18	0.13	0.22	0.16	0.22
Cash flow from operations	24,514	16,333	25,406	37,993	14,062	28,833	18,952	26,298
Adjusted free Cash Flow⁽¹⁾	13,808	19,645	22,861	18,045	17,974	21,033	18,756	20,587
Quarterly dividend	0.075	0.075	0.075	0.075	0.075	0.075	0.070	0.070

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33. Last twelve months (LTM) Adjusted EBITDA represents the Adjusted EBITDA of the referenced period, plus the Adjusted EBITDA of the three quarters immediately preceding the referenced period.

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	3 months							
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019
	FY2021	FY2021	FY2021	FY2021	FY2020	FY2020	FY2020	FY2020
Net income (loss)	12,077	14,118	11,888	7,021	(8,486)	8,089	5,184	9,183
Net finance expense (income)	(7,284)	(1,290)	2,774	4,601	33,463	(4,383)	6,362	7,380
Change in fair value of investments	–	2,434	461	892	(1,914)	(4,781)	(188)	333
Income taxes	4,047	4,900	4,654	2,359	(4,165)	1,897	2,479	1,481
Depreciation and write-off of property and equipment	3,082	2,894	2,976	2,701	2,790	2,876	2,989	2,822
Depreciation of right-of-use assets	1,436	1,399	1,413	1,412	1,426	1,402	1,419	1,371
Amortization of intangible assets	5,303	5,478	5,188	5,410	5,659	5,494	5,935	6,119
Share-based compensation	235	231	219	166	258	238	257	248
Performance and deferred share unit expense	2,028	1,780	1,312	1,316	(1,507)	677	794	781
Acquisition, legal, restructuring and other expenses (income)	2,714	2,049	271	(397)	693	19,524	2,440	1,447
Adjusted EBITDA	23,638	33,993	31,156	25,481	28,217	31,033	27,671	31,165
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(3,214)	(1,727)	(4,340)	(3,338)	(10,976)	(4,184)	(5,767)	(6,195)
Income taxes	(4,047)	(4,900)	(4,654)	(2,359)	4,165	(1,897)	(2,479)	(1,481)
Depreciation and write-off of property and equipment	(3,082)	(2,894)	(2,976)	(2,701)	(2,790)	(2,876)	(2,989)	(2,822)
Depreciation of right-of-use assets	(1,436)	(1,399)	(1,413)	(1,412)	(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, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	122	(2,019)	(1,462)	(2,162)	(7,095)	(3,964)	(2,601)	(2,609)
Adjusted Net income	11,981	21,054	16,311	13,509	10,095	16,710	12,416	16,687

(in thousands of Canadian dollars)	3 months							
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019
	FY2021	FY2021	FY2021	FY2021	FY2020	FY2020	FY2020	FY2020
Cash flow from operating activities	24,514	16,333	25,406	37,993	14,062	28,833	18,952	26,298
Acquisition of property and equipment	(1,929)	(1,849)	(1,209)	(703)	(2,153)	(1,479)	(1,459)	(1,613)
Acquisition of intangible assets other than internally developed intangible assets	(194)	(649)	(212)	(258)	(463)	(495)	(292)	(519)
Addition to internally developed intangible assets	(1,367)	(1,838)	(1,671)	(1,552)	(1,534)	(1,286)	(1,559)	(1,523)
Interest paid	(5,142)	(6,312)	(2,912)	(3,687)	(3,819)	(4,150)	(4,493)	(4,980)
Repayment of lease liabilities	(1,099)	(1,255)	(1,443)	(1,214)	(1,180)	(1,295)	(1,303)	(1,095)
Net change in non-cash operating working capital items	(344)	15,858	6,530	(11,412)	7,262	(17,702)	6,143	2,127
Unrealized loss (gain) on foreign exchange	(3,345)	(2,692)	(1,899)	(725)	5,106	(917)	327	445
Acquisition, legal, restructuring and other expenses (income)	2,714	2,049	271	(397)	693	19,524	2,440	1,447
Adjusted free cash flow	13,808	19,645	22,861	18,045	17,974	21,033	18,756	20,587

LIQUIDITY AND CAPITAL RESOURCES FOR THE QUARTERS AND YEARS ENDED MARCH 31, 2021 AND 2020

(in thousands of Canadian dollars)	3 months		12 months	
	2021	2020	2021	2020
Operating activities	24,514	14,062	104,246	88,145
Financing activities	(21,811)	(12,293)	(103,148)	(72,359)
Investing activities	(3,490)	(6,572)	5,430	(17,947)
Net change in cash	(787)	(4,803)	6,528	(2,161)
Cash – beginning of period	9,827	7,315	2,512	4,673
Cash – end of period	9,040	2,512	9,040	2,512
Adjusted free cash flow⁽¹⁾	13,808	17,974	74,359	78,351

Operating Activities

Cash flow generated from operating activities amounted to \$24.5 million for Q4 2021 compared to \$14.1 million for Q4 2020. The increase was mainly due to the positive change in non-cash operating items and to the foreign exchange gain, partially offset by lower operating results.

Cash flow generated from operating activities amounted to \$104.2 million for Fiscal 2021 compared to \$88.1 million for Fiscal 2020. The increase was mainly due to lower legal expenses and to the foreign exchange gain, partially offset by a negative change in non-cash operating items and by lower operating results.

Financing Activities

Net cash flow used in financing activities amounted to \$21.8 million for Q4 2021 compared to \$12.3 million for Q4 2020. The increase was mainly related to the payment of the second installment related to the Fiscal 2020 settlement with Music Choice and to higher repayment of the subordinated debt, partially offset by higher credit facilities borrowing and by less shares repurchased.

Net cash flow used in financing activities amounted to \$103.1 million for Fiscal 2021 compared to \$72.4 million for Fiscal 2020. The increase was mainly due to higher repayment of the credit facilities, to the payment of the second installment related to the Fiscal 2020 settlement with Music Choice and to the repayment of the balance payable for the acquisition of MSM, partially offset by less shares repurchased.

Investing Activities

Net cash flow used in investing activities amounted to \$3.5 million for Q4 2021 compared to \$6.6 million for Q4 2020. The decrease was primarily due to lower business and assets acquisitions.

Net cash flow generated by investing activities amounted to \$5.4 million for Fiscal 2021 compared to net cash flow used in investing activities of \$17.9 million for Fiscal 2020. The positive net change was primarily due to the \$18.9 million proceeds from the sale of securities held in AppDirect Inc. during Q3 2021 and to lower business and assets acquisitions.

Adjusted free cash flow⁽¹⁾

Adjusted free cash flow generated in Q4 2021 amounted to \$13.8 million compared to \$18.0 million for Q4 2020. The decrease was mainly related to lower operating results and higher interest paid, partially offset by lower income taxes paid.

Adjusted free cash flow generated in Fiscal 2021 amounted to \$74.4 million compared to \$78.4 million for Fiscal 2020. The decrease was mainly related to lower operating results, partially offset by lower capital expenditures.

Note:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 28 and 33.

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, 2021, 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	4,787	16,895	16,601	38,283
Operating obligations	5,046	2,399	372	7,817
Broadcast licences commitments	6,373	21,686	12	28,071
Credit facility	27,500	277,184	–	304,684
Subordinated debt	–	32,000	–	32,000
Accounts payables and accrued liabilities	53,146	–	–	53,146
Other liabilities	14,135	18,638	3,018	35,791
Total obligations	110,987	368,802	20,003	499,792

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

Our principal sources of liquidity are our net cash provided by operating activities and borrowings available under our revolving facility. Our principal uses of cash are to repay our debt, finance our acquisitions and capital expenditures, pay dividends, repurchase shares and provide for working capital. We expect that cash generated from operations and borrowings available under our current credit facilities will be sufficient to meet our liquidity needs in the foreseeable future.

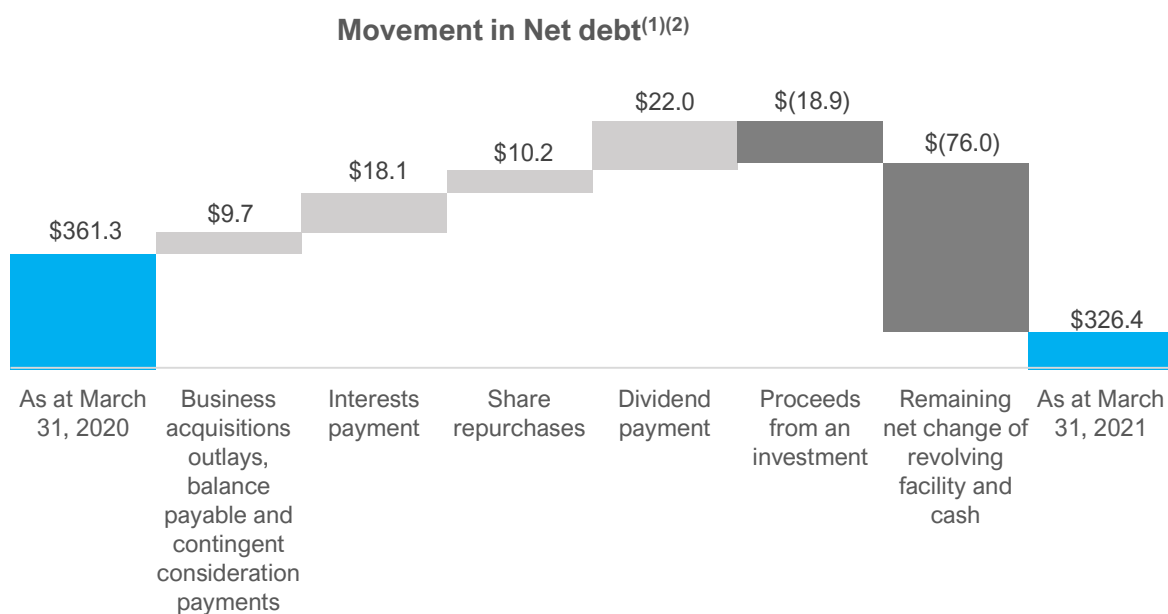
On October 6, 2020, the Corporation amended its existing \$373.8 million credit facilities by increasing the authorized amount up to \$420.0 million. The credit facilities consist of a \$325.0 million revolving credit facility and a \$75.0 million term loan, both maturing in October 2023, and includes the pre-existing \$20.0 million term loan, secured on May 29, 2020 and maturing in May 2021.

The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown of the \$75.0 term loan. The remaining capital balance will be payable on maturity date, on October 25, 2023.

The credit facilities bear interest at either (a) the bank's prime rate plus an applicable margin based on a financial covenant or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.40% and 0.63% based on a financial covenant.

As of March 31, 2021, the Corporation had cash and cash equivalents of \$9.0 million, a subordinated debt of \$31.7 million and credit facilities of \$416.3 million, of which approximately \$110.8 million was available.

The following table summarizes the impact on the Net debt that occurred in the fiscal year ended March 31, 2021 including related ratios:



	March 31, 2021	March 31, 2020
<i>(in thousands of Canadian dollars)</i>		
LTM Adjusted EBITDA ⁽²⁾	114,268	118,086
Synergies and Adjusted EBITDA ⁽²⁾ for the months prior to the business acquisitions which are not already reflected in the results	190	2,037
COVID-19 mandated store closures required anticipated rollouts and deployments to be deferred	1,825	-
Pro Forma Adjusted EBITDA⁽²⁾	116,283	120,123
Net debt to Pro Forma Adjusted EBITDA⁽²⁾	2.81	3.01

Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

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, 2021:

(in thousands of Canadian dollars)	March 31, 2021	March 31, 2020	Variance	Significant contributions
Trade and other receivables	61,114	73,456	(12,342) ▼	Timing of payments by clients and decrease in revenues due to the COVID-19 pandemic, partially offset by the receivable from the settlement with SOCAN
Intangible assets	41,884	54,490	(12,606) ▼	Amortization and disposals of intangible assets, partially offset by additions through internally developed intangible assets and business acquisition
Goodwill	337,897	337,824	73 ▲	Acquisition of Marketing Sensorial Mexico, largely offset by foreign exchange differences
Accounts payables and accrued liabilities	53,146	62,101	(8,955) ▼	Timing of payments to suppliers and decrease in operating expenses
Other liabilities	60,027	81,281	(21,254) ▼	Decrease in negative mark-to-market on derivative financial instruments, payment of the second installment related to the Fiscal 2020 settlement with Music Choice and repayment of contingent consideration from past business acquisitions, partially offset by an increase in CRTC tangible benefits payable
Credit facility	303,704	324,123	(20,419) ▼	Refer to the graph on previous page
Subordinated debt	31,741	39,640	(7,899) ▼	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 was made on 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.

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.

As of December 2020, the Objectors and SOCAN have entered into a binding memorandum of understanding that will result in a partial refund to the Objectors of past royalties paid to Canadian collective societies and a meaningfully reduced tariff burden for the present and future. As a result, \$4.4 million was recognized as a reduction of expenses in Q3 2021.

On May 29, 2021, the Copyright Board released its decision and approval of the Re:Sound and SOCAN – Stingray Pay Audio and Ancillary Services Tariff (2007–2016) (the "Tariff"), which decision confirmed that allocation of revenue amongst the Stingray suite of services is to be done for the entire period of the Tariff (that is, for each year from 2010 to 2016), and also approved a gradual reduction in the rates of the Tariff.

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	
	2021	2020
Short-term employee benefits	5,727	3,568
Share-based compensation	465	783
Performance share units	1,755	208
Deferred share units	2,908	514
	10,855	5,073

Off-Balance Sheet Arrangements

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, 2021	March 31, 2021
<i>Issued and outstanding shares:</i>		
Subordinate voting shares	53,372,162	53,799,462
Subordinate voting shares held in trust through employee share purchase plan	(9,819)	(7,112)
Variable subordinate voting shares	382,040	377,740
Multiple voting shares	17,941,498	17,941,498
	71,685,881	72,111,588
<i>Outstanding stock options:</i>		
Stock options	3,163,253	3,163,253

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 2021, 80,732 options were exercised, 21,008 options were forfeited, and 833,174 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.

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, 2021	Mark-to-market Liabilities as at March 31, 2020
Swaps					
October 25, 2024	CAD	0.81%	\$ 50,000	\$ 945	\$ 1,349
October 25, 2024	CAD	1.33%	50,000	403	904
October 25, 2021	CAD	2.19%	50,000	494	1,164
October 25, 2024	CAD	2.29%	50,000	1,938	2,912
August 29, 2029	CAD	1.73%	40,000	—	2,098
August 31, 2029	CAD	1.73%	60,000	—	2,963
			300,000	3,780	11,390
Swaptions					
October 25, 2024	CAD	—	100,000	642	3,064
October 25, 2024	CAD	—	100,000	948	3,878
			\$ 200,000	\$ 1,590	\$ 6,942
			\$ 500,000	\$ 5,370	\$ 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.

An allowance for expected credit losses is maintained to reflect an impairment risk for trade accounts receivable based on an expected credit loss model. 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.

Estimation of 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.

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

There are no new standard adopted by the Corporation as of March 31, 2021.

Future Accounting Changes

There are no material future accounting changes as of March 31, 2021.

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, 2021, 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, 2021.

As at March 31, 2021, 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, 2021.

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

There are no subsequent events.

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, 2021 and March 31, 2020
- the consolidated statements of comprehensive income 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, 2021 and March 31, 2020, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.



Impairment of goodwill and broadcast licenses for certain cash generating units

Description of the matter

We draw attention to Note 16 of the consolidated financial statements. The Entity's goodwill and broadcast licenses amount to \$337,897 and \$272,988, respectively. For the purposes of impairment testing, broadcast licenses are allocated to groups of cash generating units ("CGUs"). Goodwill and broadcast licenses are tested for impairment annually and when circumstances indicate the carrying value may be impaired. The recoverable amounts of the CGUs have been determined based on their value in use ("VIU"). A significant estimate used in determining the recoverable amount is the measurement of future cash flows expected to be generated. Significant assumptions used to determine the future cash flows include revenue growth rate in operating expenses, margin and discount rate based on experience and expected growth for the industry considering both external sources and internal sources (historical data).

Why the matter is a key audit matter

We identified impairment of goodwill and broadcast licenses for certain CGUs as a key audit matter. This matter represented an area of significant risk of material misstatement for certain groups of CGUs. This is due to the magnitude of the goodwill and the high degree of estimation uncertainty in the measurement of future cash flows used within the determination of the recoverable amount. Significant auditor judgment was required in evaluating the results of our audit procedures. Further, specialized skills and knowledge were needed to evaluate certain significant assumptions used in the determination of the VIU of certain groups of CGUs.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We evaluated the Entity's revenue growth rate assumptions for certain groups of CGUs, by comparing those assumptions to the expected growth rates included analyst reports of the Entity and comparable entities.
- We compared certain groups of CGUs' future cash flows and margins to historical actual results. We obtained and reperformed the sensitivity analyses prepared by management to assess the impact of possible changes to the future cash flows and discount rate assumptions on certain groups of CGUs' recoverable amounts.
- We involved valuation professionals with specialized skills and knowledge. They assisted us in evaluating the reasonableness of the discount rate assumptions used by management in the determination of the VIU by comparing them to discount rate ranges that were independently developed using publicly available market data for comparable entities.



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 Commission.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit 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 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" 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 International Financial Reporting Standards, 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.
- 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Montréal, Canada

June 2, 2021

Consolidated Statements of Comprehensive Income

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, except per share amounts)	Note	2021	2020
Revenues	5	\$ 249,468	\$ 306,721
Operating expenses	6	142,487	190,381
Depreciation, amortization and write-off		38,692	40,302
Net finance expense (income)	8	(1,199)	42,822
Change in fair value of investments	17, 29	3,787	(6,550)
Acquisition, legal, restructuring and other expenses	9	4,637	24,104
Income before income taxes		61,064	15,662
Income taxes	10	15,960	1,692
Net income		\$ 45,104	\$ 13,970
Net income per share — Basic	11	\$ 0.62	\$ 0.18
Net income per share — Diluted	11	\$ 0.61	\$ 0.18
Weighted average number of shares — Basic	11	73,266,886	75,845,030
Weighted average number of shares — Diluted	11	73,435,192	75,958,871
Comprehensive income			
Net income		\$ 45,104	\$ 13,970
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		(7,577)	4,826
<i>Items that will not be reclassified to profit and loss</i>			
Remeasurement loss on pension benefit obligations, net of income tax recovery of \$3 (2020 — \$89)		(7)	(303)
Total other comprehensive income (loss)		(7,584)	4,523
Total comprehensive income		\$ 37,520	\$ 18,493

Net income is entirely attributable to Shareholders.

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

Consolidated Statements of Financial Position

March 31, 2021 and 2020

(In thousands of Canadian dollars)	Note	March 31, 2021	March 31, 2020 Restated (note 3)
Assets			
Current assets			
Cash and cash equivalents		\$ 9,040	\$ 2,512
Trade and other receivables	12	61,114	73,456
Income taxes receivable		3,801	549
Inventories		3,215	3,336
Other current assets		13,439	13,171
		90,609	93,024
Non-current assets			
Property and equipment	13	42,228	45,732
Right-of-use assets on leases	14	28,184	29,460
Intangible assets, excluding broadcast licences	15	41,884	54,490
Broadcast licences	16	272,988	272,910
Goodwill	16	337,897	337,824
Investments	17	3,046	25,732
Other non-current assets		1,335	1,095
Deferred tax assets	10	4,666	10,682
		\$ 822,837	\$ 870,949
Liabilities and Equity			
Current liabilities			
Credit facilities	19	\$ 27,462	\$ 15,000
Accounts payable and accrued liabilities	18	53,146	62,101
Dividend payable	24	5,409	—
Deferred revenues		4,970	4,808
Current portion of lease liabilities	21	4,479	4,517
Current portion of other liabilities	22	15,812	16,672
Income taxes payable		9,211	4,850
		120,489	107,948
Non-current liabilities			
Credit facilities	19	276,242	309,123
Subordinated debt	20	31,741	39,640
Lease liabilities	21	25,733	26,336
Other liabilities	22	44,215	64,609
Deferred tax liabilities	10	49,725	49,397
		548,145	597,053
Shareholders' equity			
Share capital	24	313,951	322,366
Contributed surplus		5,180	4,620
Deficit		(40,172)	(56,407)
Accumulated other comprehensive income (loss)		(4,267)	3,317
		274,692	273,896
Total equity			
Commitments (note 27)			
		\$ 822,837	\$ 870,949

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, 2021 and 2020

(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, 2019	76,237,903	\$ 337,714	\$ 4,344	\$ (53,317)	\$ (1,024)	\$ (182)	\$ 287,535
Issuance of shares upon exercise of stock 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)	—	—	—	—	4,826	(303)	4,523
Balance at March 31, 2020	73,549,454	\$ 322,366	\$ 4,620	\$ (56,407)	\$ 3,802	\$ (485)	\$ 273,896
Issuance of shares upon exercise of stock options (note 24)	80,732	269	(125)	—	—	—	144
Dividends	—	—	—	(27,376)	—	—	(27,376)
Repurchase and cancellation of shares (note 24)	(1,530,180)	(8,700)	—	(1,493)	—	—	(10,193)
Share-based compensation	—	—	700	—	—	—	700
Employee share purchase plan (notes 24 and 26)	11,582	16	(15)	—	—	—	1
Net income	—	—	—	45,104	—	—	45,104
Other comprehensive income (loss)	—	—	—	—	(7,577)	(7)	(7,584)
Balance at March 31, 2021	72,111,588	\$ 313,951	\$ 5,180	\$ (40,172)	\$ (3,775)	\$ (492)	\$ 274,692

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

Consolidated Statements of Cash Flows

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars)	Note	2021	2020
Operating activities:			
Net income		\$ 45,104	\$ 13,970
Adjustments for:			
Depreciation, amortization and write-off		38,692	40,302
Share-based compensation, PSU and DSU expenses		7,287	1,746
Interest expense and standby fees	8	16,151	15,790
Mark-to-market losses (gains) on derivative financial instruments	8	(13,818)	15,700
Change in fair value of investments	17	3,787	(6,550)
Share of results of joint venture	17	38	(6)
Change in fair value of contingent consideration	8	110	1,652
Depreciation, amortization and accretion of other liabilities	8	3,248	2,900
Interest expense on lease liabilities	21	1,628	1,668
Income tax expense		15,960	1,692
Income taxes paid		(3,309)	(2,888)
		114,878	85,976
Net change in non-cash operating items	25	(10,632)	2,169
		104,246	88,145
Financing activities:			
Increase (decrease) of credit facilities		(21,901)	10,234
Decrease of subordinated debt	20	(8,000)	(10,000)
Payment of dividends		(21,967)	(21,218)
Proceeds from the exercise of stock options	24	144	921
Shares repurchased and cancelled	24	(10,193)	(17,621)
Shares purchased under the employee share purchase plan		(339)	(393)
Interest paid		(18,053)	(17,442)
Repayment of lease liabilities	21	(5,011)	(4,873)
Repayment of other payables		(18,318)	(11,967)
Unwind of interest rate swaps	29	490	—
		(103,148)	(72,359)
Investing activities:			
Business acquisitions, net of cash acquired	3	—	(3,572)
Addition to investments in associate	17	—	(450)
Disposal of non-core assets		—	450
Proceeds from the disposal of an investment	17	18,861	—
Acquisition of property and equipment		(5,690)	(6,704)
Acquisition of intangible assets other than internally developed intangible assets		(1,313)	(1,769)
Addition to internally developed intangible assets		(6,428)	(5,902)
		5,430	(17,947)
Increase (decrease) in cash and cash equivalents		6,528	(2,161)
Cash and cash equivalents, beginning of year		2,512	4,673
Cash and cash equivalents, end of year		\$ 9,040	\$ 2,512

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

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(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 years ended March 31, 2021 and 2020, Radio revenues are not expected to follow historical patterns due to the ongoing impact of the 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, 2021:

- Since March 2020, global economies and financial markets have been impacted by the COVID-19 pandemic. Government authorities around the world have taken actions 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 Q4 2020, 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, which, combined with the Canadian Emergency Wage Subsidy (CEWS), helped to maintain a solid financial position. The Corporation’s Radio segment, and Broadcast and Commercial Music segment, but to a lesser extent, have been impacted during the first half of 2021. In the second half of 2021, although still impacted, the Corporation noticed progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social distancing. Management expects the situation to continue improving as local businesses resume their normal operations. The extent to which COVID-19 continues to impact the Corporation’s business will depend on future developments, which are uncertain and cannot be predicted at this time. The Corporation’s focus will be to continue to closely monitor its cash position and control its operating expenses while capitalizing on its growth opportunities.
- In December 2020, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, the “Objectors”), and SOCAN have entered into a binding memorandum of understanding that will result in a partial refund to the Objectors of past royalties paid to Canadian collective societies and a meaningfully reduced tariff burden for the present and future. As a result, \$5,155 was recognized as a reduction of operating expenses during the year ended March 31, 2021.
- On December 21, 2020, the Corporation announced the sale of the securities it held in the capital stock of San Francisco based AppDirect Inc. for a cash consideration of USD14,612 (\$18,861). Refer to note 17 for more information.
- On October 6, 2020, the Corporation amended its existing \$373,750 credit facilities by increasing the authorized amount up to \$420,000. The credit facilities consist of a \$325,000 revolving credit facility and a \$75,000 term loan, both maturing in October 2023, and includes the pre-existing \$20,000 term loan, secured on May 29, 2020 and maturing in May 2021.

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

- On September 23, 2020, the Corporation announced that the Toronto Stock Exchange had approved its normal course issuer bid, authorizing the Corporation to repurchase up to an aggregate 3,485,155 subordinate voting shares and variable subordinate voting shares (collectively, "Subordinate Shares"), representing approximately 10% of the public float of Subordinate Shares as at September 21, 2020.

3. BUSINESS ACQUISITIONS

FISCAL 2021

Marketing Sensorial México

On May 6, 2020, the Corporation purchased all assets of Marketing Sensorial México, ("MSM") for total consideration of MXN 127,759 (\$7,433). MSM is a Mexican leader in point-of-sale marketing solutions. As a result of the acquisition, goodwill of \$2,947 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The intangible assets and goodwill will be deductible for tax purposes.

The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding MXN 44,164 (\$2,570) over the next two years ending in June 2022, 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. Total consideration consists of a balance payable on business acquisition of MXN 90,000 (\$5,236) that was fully settled on December 1, 2020 and a contingent consideration.

The results of the business acquisition of MSM for the period ended March 31, 2021 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to March 31, 2021 were \$2,384 and net income was \$920 the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately \$2,601 and net income would have been \$961.

	Preliminary
Assets acquired:	
Property and equipment	\$ 1,765
Intangible assets	2,721
Goodwill	2,947
Net assets acquired at fair value	\$ 7,433
Consideration given:	
Balance payable on business acquisition	\$ 5,236
Contingent consideration	2,197
	\$ 7,433

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, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

FISCAL 2020

Chatter Research Inc.

On January 27, 2020, the Corporation purchased all of the outstanding shares of Chatter Research Inc. (hereafter "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 \$4,708 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 \$543, 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 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 consolidated statements of financial position as shown below.

	Preliminary as of March 31, 2020	Adjustments	Final
Assets acquired:			
Cash and cash equivalents	\$ 168	\$ —	\$ 168
Trade and other receivables	303	240	543
Intangible assets	5,446	(400)	5,046
Goodwill	4,654	54	4,708
Deferred tax assets	587	—	587
	11,158	(106)	11,052
Liabilities assumed:			
Accounts payable and accrued liabilities	208	—	208
Deferred revenues	14	—	14
Deferred tax liabilities	1,443	(106)	1,337
	1,665	(106)	1,559
Net assets acquired at fair value	\$ 9,493	\$ —	\$ 9,493
Consideration given:			
Cash	\$ 2,140	\$ —	\$ 2,140
Contingent consideration	7,344	—	7,344
Working capital payable	9	—	9
	\$ 9,493	\$ —	\$ 9,493

Purchase price adjustments within the measurement period have been recorded as at March 31, 2020 (recasted).

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(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.

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and no adjustment to the preliminary assessment have been recorded in the consolidated statements of financial position.

	Final
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

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

4. 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 earnings before interest, taxes, depreciation and amortization (thereafter "Adjusted EBITDA"), and for which distinct financial information is available. Adjusted EBITDA excludes from income before income taxes the following expenses: share-based compensation, performance and deferred share unit expense, 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, 2021 and 2020.

Year ended	Broadcasting and commercial music		Radio		Corporate and eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenues	\$ 151,658	\$ 154,466	\$ 97,810	\$ 152,255	\$ —	\$ —	\$ 249,468	\$ 306,721
Operating expenses (excluding Share-based compensation, PSU and DSU expenses)	74,205	90,765	56,528	93,760	4,467	4,110	135,200	188,635
Adjusted EBITDA	77,453	63,701	41,282	58,495	(4,467)	(4,110)	114,268	118,086
Share-based compensation					851	1,001	851	1,001
PSU and DSU expenses					6,436	745	6,436	745
Depreciation, amortization and write-off					38,692	40,302	38,692	40,302
Net finance expense (income)					(1,199)	42,822	(1,199)	42,822
Change in fair value of investments					3,787	(6,550)	3,787	(6,550)
Acquisition, legal, restructuring and other expenses					4,637	24,104	4,637	24,104
Income before income taxes							61,064	15,662
Income taxes							15,960	1,692
Net income							\$ 45,104	\$ 13,970

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

	Broadcasting and commercial music		Radio		Corporate and eliminations		Consolidated	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Total assets	\$ 217,256	\$ 248,955	\$ 605,581	\$ 599,346	\$ —	\$ 22,648	\$ 822,837	\$ 870,949
Total liabilities ⁽¹⁾	\$ 85,194	\$ 90,967	\$ 116,727	\$ 123,625	\$ 346,224	\$ 382,461	\$ 548,145	\$ 597,053

(1) Total liabilities include operating liabilities, the Credit facilities and the Subordinated debt. Total assets as at March 31, 2020 is the investment in AppDirect which was sold during the year ended March 31, 2021.

Year ended	Broadcasting and commercial music		Radio		Consolidated	
	2021	2020	2021	2020	2021	2020
Acquisition of property and equipment	\$ 6,731	\$ 3,258	\$ 1,527	\$ 4,300	\$ 8,258	\$ 7,558
Addition to right-of-use assets on leases	\$ 3,282	\$ 1,168	\$ 1,415	\$ 540	\$ 4,697	\$ 1,708
Acquisition of intangible assets	\$ 11,654	\$ 13,140	\$ —	\$ —	\$ 11,654	\$ 13,140
Acquisition of broadcast licences	\$ —	\$ —	\$ 78	\$ 1,200	\$ 78	\$ 1,200
Goodwill recorded on business acquisitions	\$ 2,947	\$ 4,654	\$ —	\$ —	\$ 2,947	\$ 4,654

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

Approximately 80% of the Corporation's non-current assets are located in Canada.

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

5. 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					
	2021	2020	2021	2020	2021	2020
	Broadcasting and commercial music		Radio		Total revenues	
Geography						
Canada	\$ 52,919	57,588	\$ 97,810	152,255	\$ 150,729	209,843
United States	42,028	37,987	—	—	42,028	37,987
Other countries	56,711	58,891	—	—	56,711	58,891
	151,658	154,466	97,810	152,255	249,468	306,721
Products						
Subscriptions ⁽¹⁾	135,259	138,006	—	—	135,259	138,006
Equipment and labor ⁽²⁾	11,138	14,622	—	—	11,138	14,622
Advertising ⁽²⁾	5,261	1,838	97,810	152,255	103,071	154,093
	\$ 151,658	154,466	\$ 97,810	152,255	\$ 249,468	306,721

⁽¹⁾ Generally recognized over time

⁽²⁾ Generally recognized at a point in time

UNSATISFIED PORTION OF PERFORMANCE OBLIGATIONS

The following table presents the revenues expected to be recognized over the next 3 years and thereafter related to unsatisfied or partially satisfied performance obligations as at March 31, 2021. 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.

	2022	2023	2024	Thereafter	Total
Equipment and labor	\$ 2,487	—	—	—	\$ 2,487
Subscriptions	12,848	8,291	5,138	3,131	29,408
	\$ 15,335	8,291	5,138	3,131	\$ 31,895

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

6. OPERATING EXPENSES

During the year ended March 31, 2021, the Corporation applied and qualified for the Canada Emergency Wage Subsidy ("CEWS"), a Canadian federal government program created in response to the negative economic impact of the COVID-19 pandemic and designed to provide financial assistance to businesses who experienced a certain level of decrease in revenues to help them retain their employees. During the year ended March 31, 2021, the Corporation recognized, as a reduction of operating expenses, the subsidies claimed under the CEWS and other programs amounting to \$25,161. As at March 31, 2021, the Corporation had already received a significant portion of the subsidies claimed and believes that there is reasonable assurance that the amount outstanding would be received from the Canadian federal government.

The Corporation also received tax credits related to its research and development and multimedia activities, which amounted \$3,127 (2020 – \$1,366) and was recorded as a reduction of operating expenses.

7. OTHER INFORMATION

Expenses by nature are as follows:

	2021	2020
Salaries and other short-term employee benefits	\$ 79,013	\$ 88,906
Research and development	7,562	7,245
Equipment costs	4,932	7,131
Share-based compensation	851	1,001
PSU and DSU expenses	6,436	745

8. NET FINANCE EXPENSE (INCOME)

	2021	2020
Interest expense and standby fees	\$ 16,151	\$ 15,790
Mark-to-market losses (gains) on derivative financial instruments	(13,818)	15,700
Change in fair value of contingent consideration	110	1,652
Depreciation, amortization and accretion of other liabilities	3,248	2,900
Interest expense on lease liabilities	1,628	1,668
Foreign exchange (gain) loss	(8,518)	5,112
	\$ (1,199)	\$ 42,822

9. ACQUISITION, LEGAL, RESTRUCTURING AND OTHER EXPENSES

	2021	2020
Acquisition	\$ 2,439	\$ 1,556
Legal	623	19,540
Restructuring and other	1,575	3,008
	\$ 4,637	\$ 24,104

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

10. INCOME TAXES

The income tax expense consists of the following:

	2021	2020
Current income tax:		
Current year	\$ 9,851	\$ 5,360
Adjustment for prior years	(177)	(405)
	9,674	4,955
Deferred income tax:		
Origination and reversal of temporary differences	6,194	(1,353)
Change in substantively enacted tax rate	6	(2,643)
Adjustment for prior years	86	458
Change in recognized tax losses and deductible temporary differences	—	275
	6,286	(3,263)
Total income tax expense	\$ 15,960	\$ 1,692

The following table reconciles income tax computed at the Canadian statutory rate of 26.5% (2020 — 26.6%) and the total income tax expense for the years ended March 31:

	2021	2020
Income before income taxes	\$ 61,064	\$ 15,662
Income tax at the combined Canadian statutory rate	16,182	4,166
(Decrease) increase resulting from:		
Impact of foreign tax rate differences	(1,726)	(1,538)
Income taxes on non-deductible expenses and non-taxable revenues	1,548	948
Change in recognized tax losses and deductible temporary differences	—	275
Change in substantively enacted tax rate	6	(2,643)
Other	(50)	484
Total income tax expense	\$ 15,960	\$ 1,692

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.

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

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

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	\$ 1,837	\$ 2,940	\$ 1,658	\$ 2,884
Intangible assets, goodwill and broadcast licences	934	65,134	1,138	63,948
Financing fees	980	—	1,304	—
Tax losses and Scientific Research and Experimental Development Expenditures ("SR&ED") carried forward	7,670	—	15,491	—
Investments	—	—	—	2,829
CRTC tangible benefits	7,390	—	7,113	—
Performance share unit	2,596	—	1,313	—
Right-of-use assets on leases	—	4,844	—	5,608
Lease liabilities	5,270	—	5,932	—
Accrued pension benefit liability	1,941	—	2,238	—
Other	327	1,086	367	—
Deferred tax assets and liabilities	28,945	74,004	36,554	75,269
Offsetting of assets and liabilities	(24,279)	(24,279)	(25,872)	(25,872)
Net deferred tax assets and liabilities	\$ 4,666	\$ 49,725	\$ 10,682	\$ 49,397

Changes in deferred tax assets and liabilities for the year ended March 31, 2021 are as follow:

	Balance as at March 31, 2020	Recognized in net income	Recognized in other	Exchange rate change	Balance as at March 31, 2021
			comprehensive income (loss)		
Property and equipment	\$ (1,226)	123	—	—	(1,103)
Intangible assets, goodwill and broadcast licences	(62,811)	(1,445)	—	56	(64,200)
Financing fees	1,304	(324)	—	—	980
Tax losses and SR&ED carried forward	15,491	(7,807)	—	(14)	7,670
Investments	(2,829)	2,829	—	—	—
CRTC tangible benefits	7,113	277	—	—	7,390
Performance share unit	1,313	1,283	—	—	2,596
Right-of-use assets on leases	(5,608)	764	—	—	(4,844)
Lease liabilities	5,932	(662)	—	—	5,270
Accrued pension benefit liability	2,238	(300)	3	—	1,941
Other	368	(1,024)	—	(103)	(759)
	\$ (38,715)	(6,286)	3	(61)	(45,059)

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(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 (loss)	Exchange rate change	Business acquisitions	Balance as at March 31, 2020
Property and equipment	\$ (2,255)	1,029	—	—	—	(1,226)
Intangible assets, goodwill and broadcast licences	(64,992)	3,358	—	160	(1,337)	(62,811)
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	—	(5,608)	—	—	—	(5,608)
Lease liabilities	—	5,932	—	—	—	5,932
Accrued pension benefit liability	1,776	373	89	—	—	2,238
Other	1,153	(697)	—	(88)	—	368
	\$ (41,361)	3,263	89	44	(750)	(38,715)

UNRECOGNIZED DEFERRED TAX ASSETS

The Corporation has operating tax losses carried forward of \$43,047 (2020 – \$71,880) that are available to reduce future taxable income. A tax benefit was not recognized for \$6,818 (2020 – \$12,740) 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, 2021 and 2020, the amounts and expiry dates of the tax losses carried forward were as follows:

	2021			
	Canada ⁽¹⁾	Singapore	Switzerland	United Kingdom
2022	\$ —	\$ —	\$ 3,335	\$ —
2023	—	—	2,032	—
2028	—	—	360	—
2036	51	—	—	—
2037	323	—	—	—
2038	2,992	—	—	—
2039	808	—	—	—
2040	4,465	—	—	—
2041	1,535	—	—	—
Indefinite	—	579	—	26,567
	\$ 10,174	\$ 579	\$ 5,727	\$ 26,567

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

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

	2020				
	Canada ⁽¹⁾	Singapore	Netherlands	Switzerland	United Kingdom
2021 ⁽²⁾	\$ —	\$ —	\$ —	\$ 5,176	\$ —
2022	—	—	—	3,775	—
2023	—	—	27	2,241	—
2032	315	—	190	—	—
2033	—	—	310	—	—
2034	589	—	—	—	—
2036	51	—	—	—	—
2037	395	—	—	—	—
2038	6,367	—	—	—	—
2039	2,679	—	—	—	—
2040	7,440	—	—	—	—
Indefinite	—	518	—	—	41,807
	\$ 17,836	\$ 518	\$ 527	\$ 11,192	\$ 41,807

⁽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, 2021.

UNRECOGNIZED DEFERRED TAX LIABILITIES

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

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

11. EARNINGS PER SHARE

	2021	2020
Net income	\$ 45,104	\$ 13,970
Basic weighted average number of subordinate voting shares, variable subordinate voting shares and multiple voting shares	73,266,886	75,845,030
Dilutive effect of stock options	168,306	113,841
Diluted weighted average number of subordinated voting shares, variable subordinated voting shares and multiple voting shares	73,435,192	75,958,871
Earnings per share — Basic	\$ 0.62	\$ 0.18
Earnings per share — Diluted	\$ 0.61	\$ 0.18

12. TRADE AND OTHER RECEIVABLES

	2021	2020
Trade	\$ 45,381	\$ 64,945
Other receivables	6,965	3,915
Settlement receivable	5,155	—
Sales taxes receivable	3,223	1,922
Canada Emergency Wage Subsidy	390	—
Research and development and multimedia tax credits	—	2,674
	\$ 61,114	\$ 73,456

During the year ended March 31, 2021, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, the “Objectors”), and SOCAN have entered into a binding memorandum of understanding that will result in a partial refund to the Objectors of past royalties paid to Canadian collective societies. An amount of \$5,155 was therefore recognized in reduction of operating expenses and was still receivable as at March 31, 2021.

As at March 31, 2021 and 2020, the Corporation had research and development tax credits receivable of \$3,506 and \$2,674, respectively, from the provincial and federal governments, which relate to qualified research and development expenditures under the applicable tax laws. As at March 31, 2021, the research and development tax credits receivable of \$3,506 was booked as a deduction of income tax payable. The amounts are subject to a government tax audit and the final amounts received may differ from those recorded.

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Years ended March 31, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)

13. PROPERTY AND EQUIPMENT

	Land, buildings and leasehold improvements	Broadcasting infrastructure	Furniture, fixtures and equipment	Computer hardware	Other	Total
Cost:						
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 acquisition	—	—	—	—	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
Additions	131	1,119	3,769	1,419	55	6,493
Additions through business acquisition	—	—	—	1,765	—	1,765
Disposals and write-off	(21)	(48)	(4,298)	(71)	(301)	(4,739)
Foreign exchange differences	(40)	—	(126)	105	—	(61)
Balance at March 31, 2021	\$ 15,939	\$ 18,731	\$ 24,416	\$ 18,609	\$ 2,316	\$ 80,011
Accumulated depreciation:						
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
Depreciation for the year	1,409	2,706	4,093	2,596	103	10,907
Disposals and write-off	(12)	(31)	(3,587)	(36)	(15)	(3,681)
Foreign exchange differences	(34)	—	(219)	(11)	—	(264)
Balance at March 31, 2021	\$ 5,429	\$ 5,760	\$ 13,015	\$ 12,885	\$ 694	\$ 37,783
Net carrying amounts:						
March 31, 2020	\$ 11,803	\$ 14,575	\$ 12,343	\$ 5,055	\$ 1,956	\$ 45,732
March 31, 2021	\$ 10,510	\$ 12,971	\$ 11,401	\$ 5,724	\$ 1,622	\$ 42,228

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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
Additions		4,627		70	4,697
Disposals and write-off		(407)		—	(407)
Foreign exchange differences		13		(13)	—
Balance at March 31, 2021	\$	38,487	\$	908	\$ 39,395
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
Depreciation for the year		5,285		329	5,614
Disposals and write-off		(35)		—	(35)
Foreign exchange differences		(4)		(9)	(13)
Balance at March 31, 2021	\$	10,535	\$	676	\$ 11,211
Net carrying amounts:					
March 31, 2020	\$	28,965	\$	495	\$ 29,460
March 31, 2021	\$	27,952	\$	232	\$ 28,184

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15. INTANGIBLE ASSETS, EXCLUDING BROADCAST LICENCES

	Internally developed software and apps	Music catalog	Client list and relationships	Trademark	Licences, website application and computer software	Non- compe- te agreements	Total
Cost:							
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 acquisition	—	—	1,764	—	3,008	274	5,046
Foreign exchange differences	263	23	589	350	725	172	2,122
Balance at March 31, 2020	14,304	12,154	113,323	10,621	25,925	17,901	194,228
Additions	6,428	1,527	—	—	978	—	8,933
Additions through business acquisition	—	—	2,087	253	—	381	2,721
Disposals and write-off	—	(3,574)	(3,587)	—	(1,207)	—	(8,368)
Foreign exchange differences	(336)	(41)	(982)	(392)	(788)	(183)	(2,722)
Balance at March 31, 2021	\$ 20,396	\$ 10,066	\$ 110,841	\$ 10,482	\$ 24,908	\$ 18,099	\$ 194,792
Accumulated depreciation:							
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
Amortization for the year	5,075	862	6,174	1,316	3,976	3,976	21,379
Disposals and write-off	—	(1,299)	(3,587)	—	(1,025)	—	(5,911)
Foreign exchange differences	(259)	(33)	(919)	(198)	(758)	(131)	(2,298)
Balance at March 31, 2021	\$ 9,259	\$ 6,394	\$ 96,580	\$ 6,061	\$ 19,197	\$ 15,417	\$ 152,908
Net carrying amounts:							
March 31, 2020	\$ 9,861	\$ 5,290	\$ 18,411	\$ 5,678	\$ 8,921	\$ 6,329	\$ 54,490
March 31, 2021	\$ 11,137	\$ 3,672	\$ 14,261	\$ 4,421	\$ 5,711	\$ 2,682	\$ 41,884

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(In thousands of Canadian dollars, unless otherwise stated)

16. GOODWILL AND BROADCAST LICENCES

	Goodwill	Broadcast licences
Balance at March 31, 2019	\$ 331,332	\$ 271,710
Additions through business acquisitions (note 3)	4,708	1,200
Foreign exchange differences	1,784	—
Balance at March 31, 2020	337,824	272,910
Additions through business acquisition (note 3)	2,947	—
Additions	—	78
Foreign exchange differences	(2,874)	—
Balance at March 31, 2021	\$ 337,897	\$ 272,988

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 the greater of value-in-use ("VIU") and fair value less cost to sell ("FVLCS") calculations determined by using a discounted cash flow model. VIU and FVLCS of cash generating units ("CGUs") are determined with significant unobservable inputs and are 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 licences 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 comprehensive 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:

	2021	2020
Goodwill		
Radio	\$ 218,404	\$ 218,404
Broadcast and commercial music	119,493	119,420
	\$ 337,897	\$ 337,824
Broadcast licences		
Toronto	\$ 90,270	\$ 90,040
Ottawa	48,568	48,420
Other ⁽¹⁾	134,150	134,450
	\$ 272,988	\$ 272,910

⁽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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(In thousands of Canadian dollars, unless otherwise stated)

RADIO 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 cash flows. The most significant assumptions that form part of the risk adjusted forecasted cash flows relate to estimated growth in revenues and operating expenses. Forecasts are 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.

CGU	Five-year average growth rate in revenues	Five-year average growth rate in operating expenses	Terminal value	Pre-tax discount rate
Toronto	14.9%	12.8%	1.5%	8.9%
Ottawa	14.6%	14.2%	1.5%	8.9%
Other ⁽¹⁾	6.3% to 15.4%	6.2% to 13.9%	1.5%	8.7% to 9.0%

⁽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.

The pre-tax discount rates applied to cash flow projections were derived from the Corporation's weighted average cost of capital ("WACC"). 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.

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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GOODWILL IMPAIRMENT ASSESSMENTS

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 risk adjusted cash flows from financial budgets approved by the Board of Directors covering a five-year period. The Corporation considered past experience, economic trends as well as industry and market trends in assessing the level of cash flows that can be maintained in the future.

The most significant assumptions that form part of the risk adjusted forecasted cash flows relate to estimated growth in revenues and operating expenses. Forecasts are based on the Corporation's estimate of future performance for this mature industry.

CGU	Five-year average growth rate in revenues	Five-year average growth rate in operating expenses	Terminal value	Pre-tax discount rate
Broadcast and Commercial Music	5.8%	2.8%	2.5%	8.6%
Radio ⁽¹⁾	11.4%	11.9%	1.5%	8.9%

⁽¹⁾ The five-year average for Radio is higher due to the fact that, for the next two years, revenues are expected to go back to a pre-COVID volume, followed by a 1.5% normal growth.

The pre-tax discount rate represents the Corporation's 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 associates:

	Investments	Investment in a joint venture	Investments in associates	Total
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
Proceeds from disposal of an investment	(18,861)	—	—	(18,861)
Share of results of joint venture	—	(38)	—	(38)
Change in fair value, including foreign exchange differences	(3,787)	—	—	(3,787)
Balance at March 31, 2021	\$ 900	\$ 590	\$ 1,556	\$ 3,046

INVESTMENTS

As at March 31, 2021, the Corporation has an equity instrument in Nextologies, a private entity. Fair value as at March 31, 2021 and 2020 was \$900. The equity instrument is classified as financial asset at fair value through profit and loss.

During the year ended March 31, 2021, the Corporation disposed of its investment in AppDirect for a cash consideration of USD14,612 (\$18,861) and recognized a loss on disposal of \$3,787 in change in fair value of investments in the consolidated statements of comprehensive income. The fair value of the investment as at March 31, 2020 was \$22,648.

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, 2021, 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 associates had no capital commitments as at March 31, 2021.

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18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade	\$ 15,226	\$ 17,984
Accrued liabilities	34,172	40,101
Sales taxes payable	3,748	4,016
	\$ 53,146	\$ 62,101

19. CREDIT FACILITIES

On October 6, 2020, the Corporation amended its existing \$373,750 credit facilities by increasing the authorized amount up to \$420,000. The credit facilities consist of a \$325,000 revolving credit facility and a \$75,000 term loan, both maturing in October 2023, and includes the pre-existing \$20,000 term loan, secured on May 29, 2020 and maturing in May 2021.

The Credit facilities 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 facilities bears interest at (a) the bank's prime rate (2.45% for the years ended March 31, 2021 and 2020) or US base rate if denominated in US dollars (3.75% for the years ended March 31, 2021 and 2020) plus an applicable margin based on a financial covenant, or (b) the banker's acceptance rate (0.52% and 1.23% as at March 31, 2021 and 2020, respectively) plus an applicable margin based on a financial covenant, or (c) LIBOR (0.11% and 0.99% as at March 31, 2021 and 2020, 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 facilities (0.40% for the years ended March 31, 2021 and 2020). The Credit facilities are secured by guarantees from subsidiaries and first ranking lien on universality of all assets, tangible and intangibles, present and future.

The tables below are a summary of the Credit facilities:

March 31, 2021	Total available	Drawn	Letter of credit	Net available
Committed credit facilities				
Revolving facility	\$ 325,000	\$ 213,434	\$ 750	\$ 110,816
Term facilities	91,250	91,250	—	—
Total committed credit facilities	\$ 416,250	\$ 304,684	\$ 750	\$ 110,816
Less: unamortized deferred financing fees		(980)		
Balance, end of year		303,704		
Current portion		\$ 27,462		
Non-current portion		\$ 276,242		

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March 31, 2020	Total available	Drawn	Letter 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, 2021, letter(s) of credit amounting to \$750 (2020 – \$10,392) reduced the availability on the revolving facility.

The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial term facility drawdown amount and a capital payment of \$20,000 due in May 2021. The remaining capital balance will be payable on maturity date, on October 25, 2023.

	Capital repayments
2022	\$ 27,500
2023	7,500
2024	56,250
	\$ 91,250

As at March 31, 2021, the Corporation was in compliance with all the requirements of its credit agreement.

20. SUBORDINATED DEBT

The subordinated debt has a nominal value of \$50,000 and matures on October 26, 2023. During the years ended on March 31, 2021 and 2020, the Corporation made voluntary capital repayments under its prepayment option of \$8,000 and \$10,000, respectively. The loan is unsecured and bears interest based on a financial covenant (6.95% as at March 31, 2021 and 2020). The remaining capital balance will be payable on maturity date.

Unamortized deferred financing fees amounted to \$259 as at March 31, 2021 (2020 – \$360).

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21. LEASE LIABILITIES

The following table presents a summary of the activity related to the lease liabilities of the Corporation:

	2021	2020
Lease liabilities, beginning of year	\$ 30,853	\$ —
Additions resulting from adoption of IFRS 16	—	34,048
Additions	4,703	1,708
Payment of lease liabilities, including related interest	(6,639)	(6,541)
Reassessment of leases' term	(381)	—
Disposal	32	—
Interest expense on lease liabilities (note 8)	1,628	1,668
Foreign exchange	16	(30)
Lease liabilities, end of year	\$ 30,212	\$ 30,853

Lease liabilities included in the consolidated statements of financial position	March 31, 2021	March 31, 2020
Current portion	\$ 4,479	\$ 4,517
Non-current portion	\$ 25,733	\$ 26,336
	\$ 30,212	\$ 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, 2021:

Less than one year	\$ 4,787
One to five years	16,895
More than five years	16,601
Total undiscounted lease liabilities as at March 31, 2021	\$ 38,283

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22. OTHER LIABILITIES

	2021	2020
CRTC tangible benefits	\$ 27,970	\$ 26,694
Settlement payable	—	9,316
Contingent consideration	14,456	17,831
Balance payable on business acquisitions	100	784
Accrued pension benefit liability (note 23)	6,112	6,139
Derivative financial instruments (note 29)	5,370	18,698
Other	6,019	1,819
	60,027	81,281
Current portion	(15,812)	(16,672)
	\$ 44,215	\$ 64,609

During the year ended March 31, 2020, the Corporation and Music Choice executed and exchanged a settlement agreement to put a definitive end to the parties' patent litigation in the United States and fully and finally settled all claims, counterclaims and defenses asserted in connection with that litigation. During the year ended March 31, 2021, the Corporation paid the second and last payment of US\$6,797 (\$8,622), which resulted in the recognition of a realized gain on foreign exchange of \$694.

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 \$14,456 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 discount rates ranging from 12% to 36%. During the year ended March 31, 2021, 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 totaled \$1,375 (2020 – \$1,667).

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, 2021.

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 funded by the Corporation.

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, 2021 and the 2022 current service cost of the Plans are determined based on membership data as at March 31, 2021.

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

	2021	2020
Consolidated statements of financial position		
Accrued pension benefit liability, included in other liabilities (note 22)	\$ (6,112)	\$ (6,139)
Accrued pension benefit asset, included in other non-current assets	532	10
Net accrued pension liability	\$ (5,580)	\$ (6,129)
Consolidated statements of comprehensive income		
Pension benefit expense, included in net finance expense (income)	\$ 234	\$ 222
Other comprehensive gains and accumulated other comprehensive losses		
Actuarial losses recognized in other comprehensive income (loss)	\$ 10	\$ 392
Cumulative actuarial losses recognized in other comprehensive income (loss)	\$ 584	\$ 574

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

	2021		2020	
	Basic Plan	SRPAs	Basic Plan	SRPAs
Accrued benefit obligations				
Balance, beginning of year	\$ 4,482	\$ 6,139	\$ 4,872	\$ 6,673
Interest cost	151	194	146	188
Benefits paid	(316)	(793)	(338)	(788)
Actuarial gains (losses):				
Impact of changes in financial assumptions	444	364	(265)	(177)
Impact of changes in experience adjustments	44	208	67	243
Balance, end of year	\$ 4,805	\$ 6,112	\$ 4,482	\$ 6,139
Plan assets				
Fair value, beginning of year	\$ 4,492	\$ —	\$ 5,242	\$ —
Interest income	151	—	152	—
Actuarial gains:				
Return on plan assets, excluding interest income	1,050	—	(524)	—
Administrative expenses	(40)	—	(40)	—
Benefits paid	(316)	—	(338)	—
Fair value, end of year	\$ 5,337	\$ —	\$ 4,492	\$ —
Net accrued pension asset (liability)	\$ 532	\$ (6,112)	\$ 10	\$ (6,139)

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 \$765 in 2022.

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

	2021		2020	
	Basic Plan	SRPAs	Basic Plan	SRPAs
Interest cost	\$ 151	\$ 194	\$ 146	\$ 188
Interest income on plan assets	(151)	—	(152)	—
Administrative expenses	40	—	40	—
Defined benefit plan expense	\$ 40	\$ 194	\$ 34	\$ 188

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

	2021			2020		
	Basic Plan	SRPAs	Total	Basic Plan	SRPAs	Total
Cumulative actuarial losses, beginning of year	\$ 353	\$ 221	\$ 574	\$ 27	\$ 155	\$ 182
Recognized actuarial losses during the year	(562)	572	10	326	66	392
Cumulative actuarial losses, end of year	\$ (209)	\$ 793	\$ 584	\$ 353	\$ 221	\$ 574

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The principal actuarial assumptions were as follows:

	2021		2020	
	Basic Plan	SRPAs	Basic Plan	SRPAs
Discount rate for the accrued net benefit obligation	2.8%	2.8%	3.5%	3.5%
Future pension increases	1.7%	0.3%	1.4%	0.1%

As at March 31, 2021 and based on an actuarial review, the net remeasurement loss, before income tax recovery, recorded in other comprehensive income (loss) of \$10 (2020 – \$392) 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:

	2021	2020
Equity funds	68%	65%
Fixed income funds	32%	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 a good portion 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%	\$ (428)	\$ 463
Future pension costs — change of 1.0%	\$ 610	\$ (269)
Life expectancy — change by 1 year	\$ 960	\$ (991)

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 8.3 years.

Notes to Consolidated Financial Statements

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(In thousands of Canadian dollars, unless otherwise stated)

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, 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
Year ended March 31, 2021			
Subordinate voting shares and variable subordinate voting shares			
As at March 31, 2020	55,607,956	\$	304,140
Exercise of stock options	80,732		269
Repurchased and cancelled	(1,530,180)		(8,700)
Purchased and held in trust through employee share purchase plan	11,582		16
As at March 31, 2021	54,170,090	\$	295,725
Multiple voting shares			
As at March 31, 2020 and 2021	17,941,498	\$	18,226
	72,111,588	\$	313,951

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

Notes to Consolidated Financial Statements

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TRANSACTIONS FOR THE YEAR ENDED MARCH 31, 2021

During the period, 80,732 stock options were exercised and consequently, the Corporation issued 80,732 subordinate voting shares. The proceeds amounted to \$144. An amount of \$125 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

During the year ended March 31, 2021, the Corporation declared dividends of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share totalling \$27,376, of which an amount of \$21,967 was paid during the year. A dividend payable of \$5,409 is accrued in the consolidated statement of financial position as at March 31, 2021 as it will be payable on or around June 15, 2021.

Share repurchase program

On September 23, 2020, the Toronto Stock Exchange (the "TSX") approved the implementation of a share repurchase program, which took effect on September 29, 2020. This program allows the Corporation to repurchase up to an aggregate 3,485,155 subordinate voting shares and variable subordinate voting shares (collectively, the "Subordinate Shares"), representing approximately 10% of the Subordinate Shares issued and outstanding as at September 21, 2020. In accordance with TSX requirements, the Corporation is entitled to purchase, on any trading day, up to a total of 32,265 Subordinate Shares, representing 25% of the net average daily trading volume of the Subordinate Shares. 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 September 24, 2021.

The following table summarizes the Corporation's share repurchase activities during the years ended March 31, 2021 and 2020:

	2021	2020
Subordinate voting shares repurchased for cancellation (<i>unit</i>)	1,530,180	2,957,799
Average price per share	\$ 6.6610	\$ 5.9573
Total repurchase cost	\$ 10,193	\$ 17,621
Repurchase resulting in a reduction of:		
Share capital	\$ 8,700	\$ 16,823
Deficit ⁽¹⁾	\$ 1,493	\$ 798

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

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(In thousands of Canadian dollars, unless otherwise stated)

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.

During the year ended March 31, 2020, the Corporation declared and paid dividends of ranging from \$0.07 to \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share totalling \$16,262. The Corporation also paid a dividend of \$4,956 that was declared on March 29, 2019 and accrued in the consolidated statement of financial position as at March 31, 2019.

25. SUPPLEMENTAL CASH FLOW INFORMATION

	2021	2020
Trade and other receivables	\$ 10,236	\$ (2,531)
Inventories	(70)	(607)
Other current assets	(2,308)	(3,870)
Other non-current assets	(240)	272
Accounts payable and accrued liabilities	(18,220)	7
Deferred revenues	3,080	3,198
Income taxes payable	(6,171)	(1,134)
Other payables	3,061	6,834
	\$ (10,632)	\$ 2,169

Additions to property and equipment and intangible assets, excluding broadcast licences, not affecting cash and cash equivalents amounted to \$803 (2020 — \$454) and \$1,192 (2020 — \$23), respectively, during the year ended March 31, 2021.

The comparative figures have been recasted as there was a reclassification of \$3,061 between deferred revenues and other current assets.

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(In thousands of Canadian dollars, unless otherwise stated)

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 are 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, 3,163,253 stock options were outstanding as at March 31, 2021 (2,431,819 as at March 31, 2020). 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, 2021 and 2020:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	2,431,819	\$ 4.99	2,104,100	\$ 6.52
Granted	833,174	4.63	694,303	5.62
Exercised (note 24)	(80,732)	1.79	(275,000)	3.35
Forfeited	(21,008)	8.89	(91,584)	7.05
Options outstanding, end of year	3,163,253	6.30	2,431,819	4.99
Exercisable options, end of year	1,449,918	\$ 7.02	1,045,604	\$ 6.59

The following is a summary of the information on the outstanding stock options as at March 31, 2021 and 2020:

Exercise price	Number of options outstanding	Outstanding options	Exercisable options
		Weighted average outstanding contractual life outstanding (years)	Number
<i>March 31, 2021</i>			
\$ 0.46	35,000	1.17	35,000
4.63	833,173	6.18	—
5.60	672,374	5.18	168,093
6.13	21,929	5.85	5,482
6.25	287,880	4.15	287,880
7.00	25,000	4.36	25,000
7.27	311,047	5.21	311,047
7.62	482,850	6.23	362,138
7.92	43,698	7.60	21,849
8.61	433,746	7.19	216,873
9.00	16,556	5.89	16,556
\$ 6.30	3,163,253	5.78	1,449,918

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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, 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

The weighted average fair value of the stock options granted during the year ended March 31, 2021 was \$0.71 per stock option (2020 — \$0.96). 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:

	2021	2020
Weighted average volatility	35%	30%
Weighted average risk-free interest rate	0.52%	1.34%
Weighted average expected life of options	5 years	5 years
Weighted average value of the subordinate voting share at grant date	\$4.63	\$5.60 — \$6.13
Weighted average expected dividend rate	6.26%	4.24% — 4.57%

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 \$717 for the year ended March 31, 2021 (2020 — \$828).

The weighted average share price at the date of exercise for share options exercised during the year ended March 31, 2021 was \$6.65 (2020 — \$6.49).

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 years ended March 31, 2021 and 2020:

	2021		2020	
	Number of units	Amount	Number of units	Amount
Unvested contributions, beginning of year	18,694	\$ 130	13,044	\$ 88
Contributions	46,988	305	54,976	369
Dividends credited	4,616	28	2,325	14
Vested	(63,186)	(349)	(51,651)	(341)
Unvested contributions, end of year	7,112	\$ 114	18,694	\$ 130

The weighted average fair value of the shares contributed during the year ended March 31, 2021 was \$6.11 (2020 — \$6.64).

Total share-based compensation costs recognized under the ESPP amount to \$134 for the year ended March 31, 2021 (2020 — \$173).

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 after a 3 year vesting period. 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, 2021, 563,837 PSU (2020 — 621,656) were granted at a range of \$4.38 to \$7.05 (2020 — \$5.17 to \$6.51) per unit to executives and employees and no outstanding PSU were vested. As at March 31, 2021, the fair value per unit was \$7.17 (2020 — \$3.52) for a total amount of \$5,705 (2020 — \$2,894) 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, 2021 and 2020:

	2021		2020	
	Number of units	Amount	Number of units	Amount
Balance, beginning of year	1,186,269	\$ 2,894	774,854	\$ 2,612
Granted	563,837	—	621,656	—
Expense and revision of estimates	—	3,669	—	1,492
Liabilities settled	(163,850)	(663)	(126,173)	(993)
Forfeited	(75,743)	(195)	(84,068)	(217)
Balance, end of year	1,510,513	\$ 5,705	1,186,269	\$ 2,894
Balance, vested	—	—	—	—

Total share-based compensation costs recognized under the PSU plan amount to \$3,528 for the year ended March 31, 2021 (2020 — \$1,259).

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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 volume weighted average price of the Corporation’s shares on the last three trading days immediately preceding 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, 2021, 214,369 DSU (2020 — 187,602) were granted at a range of \$4.40 to \$7.73 per unit to directors (2020 — \$5.15 to \$7.30) and 672,827 DSU were vested. The total expense related to DSU plans amounted to \$2,908 in 2021 (2020 — \$514). As at March 31, 2021, the fair value per unit ranged from \$7.12 to \$7.20 (2020 — \$3.99 to \$4.00) for a total amount, including fringes, of \$5,063 (2020 — \$1,948) 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, 2021 and 2020:

	2021		2020	
	Number of units	Amount	Number of units	Amount
Balance, beginning of year	458,458	\$ 1,948	270,856	\$ 2,004
Granted and vested	214,369	1,193	187,602	1,169
Revision of estimates	—	1,922	—	(1,225)
Balance, end of year	672,827	\$ 5,063	458,458	\$ 1,948
Balance, vested	672,827	\$ 5,063	458,458	\$ 1,948

27. COMMITMENTS

The following table is a summary of the Corporation’s operating obligations as at March 31, 2021 that are due in each of the next five years and thereafter.

	Operating obligations
2022	\$ 5,046
2023	1,736
2024	325
2025	169
2026	169
2027 and thereafter	372
	\$ 7,817

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 3 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 3 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.

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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 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.

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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 portion of 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 facilities 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 derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. 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 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, 2021 and 2020. 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, 2021	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 9,040				
Trade and other receivables	57,891				
Financial assets measured at fair value					
Investments	\$ 900	\$ 900	\$ —	\$ —	\$ 900
Financial liabilities measured at amortized cost					
Credit facilities	\$ 303,704				
Subordinated debt	31,741				
Accounts payable and accrued liabilities	49,398				
CRTC tangible benefits and accrued pension benefit liability	34,082				
Balance payable on business acquisitions	100				
Financial liabilities measured at fair value					
Contingent consideration	\$ 14,456	\$ 14,456	\$ —	\$ —	\$ 14,456
Derivative financial instruments	5,370	5,370	—	5,370	—

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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 facilities	\$ 324,123				
Subordinated debt	39,640				
Accounts payable and accrued liabilities	58,085				
CRTC tangible benefits and accrued pension benefit liability	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	—

Fair value measurement (Level 3):

	Investments	Contingent consideration
Balance as at March 31, 2019	\$ 16,998	\$ 12,430
Change in fair value, including foreign exchange differences	6,550	1,652
Addition through business acquisition	—	7,344
Settlements	—	(3,595)
Balance as at March 31, 2020	\$ 23,548	\$ 17,831
Change in fair value, including foreign exchange differences	(3,787)	110
Additions through business acquisition	—	2,197
Settlements	(18,861)	(5,682)
Balance as at March 31, 2021	\$ 900	\$ 14,456

INVESTMENTS

For the year ended March 31, 2021, the Corporation disposed of its investment in AppDirect for a cash consideration of USD14,612 (\$18,861) and recognized a loss on disposal of \$3,787 in change in fair value of investments in the consolidated statements of comprehensive income.

During the year ended March 31, 2020, the Corporation revaluated the fair value of its investment and consequently a gain of US\$3,918 (\$6,550) 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, 2021 and 2020, the equity instrument in a private entity was 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 \$45 and \$1,332 during the years ended March 31, 2021 and 2020 respectively.

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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 \$1,700 and if projected cash flows were 10% lower, the fair value would have decreased by \$1,635. Discount rates ranging from 12% 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 \$119.

The contingent consideration is classified as a financial liability and is included in other liabilities (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, 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.

An allowance for expected credit losses is maintained to reflect an impairment risk for trade accounts receivable based on an expected credit loss model. 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, 2021 and March 31, 2020 were as follows:

	2021		2020
Current	\$ 20,125	\$	31,686
Past due 0-30 days	9,652		13,196
Past due 31-60 days	6,767		6,577
Past due 61-90 days	5,134		8,510
Past due more than 90 days	6,901		7,377
Total trade receivables	48,579		67,346
Less : allowance for expected credit losses	(3,198)		(2,401)
	\$ 45,381	\$	64,945

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

	2021		2020	
Balance, beginning of year	\$	2,401	\$	1,980
Bad debt expense		1,488		933
Write-off against reserve		(691)		(512)
Balance, end of year	\$	3,198	\$	2,401

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 following are the contractual maturities of financial liabilities including estimated interest payments as at March 31, 2021:

	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Credit facilities	\$ 303,704	\$ 304,684	\$ 27,500	\$ 277,184	\$ —
Subordinated debt	31,741	32,000	—	32,000	—
Accounts payables and accrued liabilities	53,146	53,146	53,146	—	—
Other liabilities	60,027	63,862	20,508	40,324	3,030

MARKET RISK

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

CURRENCY RISK

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

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

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

	March 31, 2021		March 31, 2020	
	USD	EURO	USD	EURO
Cash and cash equivalents	877	1,925	327	852
Trade receivables	10,438	3,753	9,286	6,112
Investments	—	—	15,964	—
Credit facilities	(10,421)	(6,000)	(9,500)	(6,000)
Accounts payable and accrued liabilities	(280)	(1,770)	(1,460)	(4,534)
Contingent consideration and balance payable on business acquisitions	—	—	(2,070)	(3,415)
Net balance exposure	614	(2,092)	12,547	(6,985)
Equivalent in Canadian dollars	772	(3,088)	17,800	(10,885)

To manage its currency risk, the Corporation had foreign exchange forward contracts, which all matured during the year ended March 31, 2021. Given the Corporation did not elect to apply hedge accounting, the mark-to-market gains 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:

	2021		2020	
	Average	Reporting	Average	Reporting
USD per CAD	1.3221	1.2575	1.3953	1.4187
EURO per CAD	1.5406	1.4759	1.5417	1.5584

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, assuming that all other variables remained constant:

	March 31, 2021		March 31, 2020	
	USD	EURO	USD	EURO
Increase (decrease) in net income	39	(154)	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.

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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 facilities are variable interest rate instruments 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.

The table below summarize the interest rate contracts effective as at March 31, 2021 and 2020:

Maturity	Currency	Fixed interest rate (when applicable)	Initial nominal value	Mark-to-market liabilities as at March 31, 2021	Mark-to-market liabilities as at March 31, 2020
Swaps					
October 25, 2024	CAD	0.81%	\$ 50,000	\$ 945	\$ 1,349
October 25, 2024	CAD	1.33%	50,000	403	904
October 25, 2021	CAD	2.19%	50,000	494	1,164
October 25, 2024	CAD	2.29%	50,000	1,938	2,912
August 29, 2029	CAD	1.73%	40,000	—	2,098
August 31, 2029	CAD	1.73%	60,000	—	2,963
			300,000	3,780	11,390
Swaptions					
October 25, 2024	CAD	—	100,000	642	3,064
October 25, 2024	CAD	—	100,000	948	3,878
			\$ 200,000	\$ 1,590	\$ 6,942
			\$ 500,000	\$ 5,370	\$ 18,332

During the year ended March 31, 2021, the Corporation unwound two interest rate swaps with maturity dates of August 29, 2029 and August 31, 2029 and received cash payments totaling \$490.

Given the Corporation did not elect to apply hedge accounting, during the year ended March 31, 2021 and 2020, mark-to-market gains of \$13,818 and mark-to-market losses of \$15,334 were recorded in net finance expense (income), respectively.

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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:

	2021		2020
Contingent consideration, including current portion	\$ 14,456	\$	17,831
Balance payable on business acquisitions, including current portion	100		784
Credit facilities	303,704		324,123
Cash and cash equivalents	(9,040)		(2,512)
Net debt, including contingent consideration and balance payable on business acquisition	309,220		340,226
Total equity	274,692		273,896
	\$ 583,912	\$	614,122

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.

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:

	2021		2020
Short-term employee benefits	\$ 5,727	\$	3,568
Share-based compensation	465		783
Performance share units	1,755		208
Deferred share units	2,908		514
	\$ 10,855	\$	5,073

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.

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During the year ended March 31, 2021, the Corporation recognized revenues amounted to \$742 (2020 — \$664) 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 2, 2021.

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

C) FOREIGN CURRENCY TRANSLATION

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.

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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 financial position presented are translated at the closing rate at the date of that financial position;
- income and expenses for each statement of income 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 (loss).

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.

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., 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, SBA Music PTY Ltd., Stingray Music, S.A. de C.V., DJ Matic NV and Stingray Radio Inc. and all these entities' wholly-owned subsidiaries.

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INVESTMENT IN ASSOCIATES

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 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:

- 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.

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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 facilities 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).

IMPAIRMENT OF FINANCIAL ASSETS

The Corporation recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. The maximum period considered when estimating ECLs is the maximum contractual period over which the Corporation is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ECLs on trade and other receivables is assessed by portfolio based on factors that 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.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and is recognized in profit or loss.

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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.

Equipment and labor

For equipment and labor 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.

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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 ASSISTANCE

Government assistance is recognized when there is reasonable assurance that the Corporation will comply with the requirements of the approved grant or subsidy program and the Corporation, based on management's judgment, is reasonably certain that the government assistance will be received. Government assistance related to operating expenses, including salary subsidy such as the Canada Emergency Wage Subsidy, is recorded as a reduction of such expenses. Investment tax credits are accounted for as a reduction of the research and development costs during the year in which the costs are incurred.

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

(F) LEASES AND PAYMENTS

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

(G) FINANCE INCOME AND FINANCE COSTS

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

Finance costs comprise interest expense on credit facilities, 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.

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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, performance share units and deferred share units. The number of additional shares is calculated by assuming that all instruments with a dilutive effect are exercised and that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation which is considered to be assumed proceeds, are used to repurchase subordinate voting shares, variable subordinated voting shares and multiple voting shares at the average share price for the year. For performance 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.

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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

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 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

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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 software and apps	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 amortization methods, useful lives and residual values are reviewed at each reporting year-end and adjusted if appropriate prospectively.

(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 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 50 years for buildings and towers, from 14 to 99 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

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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 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

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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.

(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.

Performance share units and deferred share units plans

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.

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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.

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.

Annual General Meeting of Shareholders

The Annual General Meeting will be held virtually by videoconference on August 4, 2021.

Provisional calendar of results

First quarter of 2022
August 3, 2021

Second quarter of 2022
November 9, 2021

Third quarter of 2022
February 8, 2022

Fourth quarter of 2022
June 7, 2022

Stock exchange

TSX : RAY.A and RAY.B

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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.

Digital Out-of-Home (DOOH): refers to a media network of digital display advertising in commercial spaces and public places.

Audio Out-of-Home (AOOH): similarly to DOOH, Audio Out-of-Home is a new category of Out-of-Home (OOH) advertising developed by Stingray where custom audio ads are inserted in music channels broadcasting inside commercial establishments.

Connected TV: is a device that connects to — or is embedded in — a television to support video content streaming.

stingray.com

