Interim Consolidated Financial Statements

Mood Media Corporation

Unaudited

For the three and nine months ended September 30, 2014

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited
As at September 30, 2014

In thousands of US dollars, unless otherwise stated

	Notes	September 30, 2014	December 31, 2013
ASSETS			
Current assets			
Cash		$29,586	$22,410
Restricted cash		409	713
Trade and other receivables		96,236	97,974
Income taxes recoverable		1,258	1,418
Inventory		33,731	31,033
Prepaid expenses		14,121	11,924
Deferred costs		7,682	8,198
Total current assets		**183,023**	**173,670**
Non-current assets			
Deferred costs		9,412	8,623
Property and equipment		46,475	53,318
Other financial assets	11	10	97
Investment in associates		761	724
Intangible assets		277,351	311,261
Goodwill	16,19	248,403	264,142
Total assets		**765,435**	**811,835**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		114,277	115,038
Income taxes payable		1,627	3,219
Deferred revenue		16,858	15,432
Other financial liabilities	11	776	1,091
Current portion of long-term debt	10	2,350	2,132
Total current liabilities		**135,888**	**136,912**
Non-current liabilities			
Deferred revenue		6,549	7,253
Deferred tax liabilities		31,745	38,735
Other financial liabilities	11	2,854	6,638
Long-term debt	10	621,741	597,062
Total liabilities		**798,777**	**786,600**
Equity			
Share capital	14	326,956	323,318
Contributed surplus		33,972	33,209
Foreign exchange translation reserve		2,869	5,656
Deficit		(397,353)	(337,176)
Equity attributable to owners of the parent		**(33,556)**	**25,007**
Non-controlling interests		214	228
Total equity		**(33,342)**	**25,235**
Total liabilities and equity		**$765,435**	**$811,835**
Commitments and contingencies	17		

The accompanying notes form part of the interim consolidated financial statements

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF LOSS

Unaudited

For the three and nine months ended September 30, 2014

In thousands of US dollars, unless otherwise stated

		Three months ended		Nine months ended	
	Notes	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Continuing operations					
Revenue	5	**$124,137**	**$125,662**	**$367,008**	**$381,017**
Expenses					
Cost of sales (excludes depreciation and amortization)		58,337	57,471	169,107	170,634
Operating expenses		39,520	42,272	124,246	130,844
Depreciation and amortization		17,498	16,925	53,538	51,145
Impairment to goodwill		-	75,000	-	75,000
Share-based compensation	13	379	1,172	991	1,860
Other expenses	6	7,302	11,460	16,641	25,270
Foreign exchange loss (gain) on financing transactions		9,658	(6,634)	10,418	(4,777)
Finance costs, net	7	13,850	13,866	55,370	24,360
Loss for the period before taxes		**(22,407)**	**(85,870)**	**(63,303)**	**(93,319)**
Income tax charge (credit)	8	(2,409)	(16)	(3,175)	6,875
Loss for the period from continuing operations		**(19,998)**	**(85,854)**	**(60,128)**	**(100,194)**
Discontinued operations					
Loss after tax from discontinued operations	15	-	(1,751)	-	(16,487)
Loss for the period		**(19,998)**	**(87,605)**	**(60,128)**	**(116,681)**
Attributable to:					
Owners of the parent		(20,004)	(87,695)	(60,177)	(117,009)
Non-controlling interests		6	90	49	328
		$(19,998)	**$(87,605)**	**$(60,128)**	**$(116,681)**
Net loss per share					
Basic and diluted	9	**$(0.11)**	**$(0.51)**	**$(0.34)**	**$(0.68)**
Basic and diluted from continuing operations	9	(0.11)	(0.50)	(0.34)	(0.58)
Basic and diluted from discontinued operations	9	-	(0.01)	-	(0.10)

The accompanying notes form part of the interim consolidated financial statements

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Unaudited
For the three and nine months ended September 30, 2014

In thousands of US dollars, unless otherwise stated

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Loss for the period	**$(19,998)**	**$(87,605)**	**$(60,128)**	**$(116,681)**
Items that may be reclassified subsequently to the loss for the period				
Exchange differences on translation of foreign operations	(2,748)	3,470	(2,787)	855
Amount recognized through the interim consolidated statements of loss	-	-	-	(1,510)
Other comprehensive income (loss) for the period, net of tax	**(2,748)**	**3,470**	**(2,787)**	**(655)**
Total comprehensive loss for the period, net of tax	**(22,746)**	**(84,135)**	**(62,915)**	**(117,336)**
Attributable to:				
Owners of the parent	(22,752)	(84,235)	(62,964)	(117,672)
Non-controlling interests	6	100	49	336
	$(22,746)	**$(84,135)**	**$(62,915)**	**$(117,336)**

The accompanying notes form part of the interim consolidated financial statements

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
For the three and nine months ended September 30, 2014

In thousands of US dollars, unless otherwise stated

		Three months ended		Nine months ended	
	Notes	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Operating activities					
Loss for the period before taxes - continuing operations		**($22,407)**	**($85,870)**	**($63,303)**	**($93,319)**
Loss for the period before taxes - discontinued operations	15	-	(1,751)	-	(16,487)
		(22,407)	**(87,621)**	**(63,303)**	**(109,806)**
Non-cash adjustments to reconcile loss for the period before taxes to net cash flows					
Depreciation of property and equipment		5,815	6,718	19,208	21,084
Amortization and impairment of intangible assets and goodwill		11,683	85,234	34,330	105,882
Loss (gain) on disposal of property and equipment		87	1,751	(392)	9,145
Share-based compensation	13	379	1,172	991	1,860
Shares issued in lieu of severance or consideration		-	-	2,588	-
Finance costs, net and foreign exchange from financing		23,467	7,237	52,312	22,128
Loss on extinguishment of 2011 First Lien Credit Facility		41	-	13,476	-
Gain on disposal of Latin America and DMX Canada assets	6	-	-	(6,478)	-
Working capital adjustments					
Decrease (increase) in trade and other receivables		(6,919)	(4,005)	2,094	7,716
Increase in inventories		(1,468)	(3,417)	(2,783)	(6,063)
Increase (decrease) in trade and other payables		2,664	7,054	(11,493)	(10,782)
Increase (decrease) in deferred revenue		(3,035)	(157)	662	4,210
		10,307	13,966	41,212	45,374
Income taxes paid		(1,269)	(825)	(3,756)	(2,201)
Interest received		46	17	65	69
Net cash flows from operating activities		**9,084**	**13,158**	**37,521**	**43,242**
Investing activities					
Purchase of property and equipment and intangible assets		(8,030)	(7,600)	(25,701)	(23,440)
Acquisition of businesses, net of cash acquired		-	-	-	(2,347)
Proceeds from disposal of discontinued operations		-	-	-	2,000
Proceeds from disposal of Latin America and DMX Canada assets		-	-	19,515	-
Proceeds from disposal of property, equipment and other assets		-	-	1,138	97
Net cash flows used in investing activities		**(8,030)**	**(7,600)**	**(5,048)**	**(23,690)**
Financing activities					
Repayment of borrowings		(587)	(533)	(219,072)	(1,599)
Proceeds from 2014 First Lien Credit Facility			-	235,000	-
Proceeds from exercise of share options		34	-	819	-
Finance lease payments		(185)	(354)	(877)	(1,208)
Financing costs 2014		(51)	-	(9,256)	-
Interest paid		(4,292)	(3,909)	(31,078)	(29,822)
Cost of extinguishment of interest rate swap		-	-	-	(1,578)
Dividends paid to non-controlling interest		-	(645)	-	(645)
Acquisition of non-controlling interest		-	(4,000)	-	(4,000)
Net cash flows used in financing activities		**(5,081)**	**(9,441)**	**(24,464)**	**(38,852)**
Net increase (decrease) in cash		**(4,027)**	**(3,883)**	**8,009**	**(19,300)**
Net foreign exchange gain		**(702)**	**747**	**(833)**	**589**
Cash at beginning of period		**34,315**	**30,809**	**22,410**	**46,384**
Cash at end of period		**$29,586**	**$27,673**	**$29,586**	**$27,673**

The accompanying notes form part of the interim consolidated financial statements

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

For the nine months ended September 30, 2014

In thousands of US dollars, unless otherwise stated

	Notes	Share Capital	Contributed Surplus	Foreign Exchange Translation Reserve	Deficit	Total	Non-controlling Interests	Total Equity
As at January 1, 2014		**$323,318**	**$33,209**	**$5,656**	**$(337,176)**	**$25,007**	**$228**	**$25,235**
Income (loss) for the period		-	-	-	(60,177)	(60,177)	49	(60,128)
Translation of foreign operations		-	-	(2,787)	-	(2,787)	-	(2,787)
Total comprehensive income (loss)		**-**	**-**	**(2,787)**	**(60,177)**	**(62,964)**	**49**	**(62,915)**
Share-based compensation		-	763	-	-	763	-	763
Issue of share capital	14	2,820	-	-	-	2,820	-	2,820
Dividends paid to non-controlling interests		-	-	-	-	-	(63)	(63)
Exercise of share options	14	818	-	-	-	818	-	818
As at September 30, 2014		**$326,956**	**$33,972**	**$2,869**	**$(397,353)**	**$(33,556)**	**$214**	**$(33,342)**

The accompanying notes form part of the interim consolidated financial statements

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Unaudited
For the nine months ended September 30, 2013

In thousands of US dollars, unless otherwise stated

	Notes	Share Capital	Contributed Surplus	Foreign Exchange Translation Reserve	Deficit	Discontinued Operations	Total	Non-controlling Interests	Total Equity
As at January 1, 2013		**$323,318**	**$30,934**	**$2,163**	**$(204,669)**	**$1,510**	**$153,256**	**$1,593**	**$154,849**
Income (loss) for the period		-	-	-	(117,009)	-	(117,009)	328	(116,681)
Translation of foreign operations		-	-	847	-	-	847	8	855
Discontinued operations		-	-	-	-	(1,510)	(1,510)	-	(1,510)
Total comprehensive income (loss)		**-**	**-**	**847**	**(117,009)**	**(1,510)**	**(117,672)**	**336**	**(117,336)**
Share-based compensation	13	-	1,860	-	-	-	1,860	-	1,860
Dividends paid to non-controlling interests		-	-	-	-	-	-	(645)	(645)
Acquisition of non-controlling interest		-	-	-	(2,958)	-	(2,958)	(1,042)	(4,000)
As at September 30, 2013		**$323,318**	**$32,794**	**$3,010**	**$(324,636)**	**$-**	**$34,486**	**$242**	**$34,728**

The accompanying notes form part of the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
For the three and nine months ended September 30, 2014

In thousands of US dollars, unless otherwise stated

1. Corporate information

Mood Media Corporation ("Mood Media" or the "Company") is a publicly traded company on the Toronto Stock Exchange and the London Alternative Investment Market and is domiciled and incorporated in Canada. The Company's registered office is located at 199 Bay Street, Toronto, Ontario, Canada.

The Company provides in-store audio, visual and scent marketing solutions to a range of businesses including specialist retailers, department stores, supermarkets, financial institutions and fitness clubs, as well as hotels and restaurants. Proprietary technology and software are used to deploy music from a compiled music library to client sites. This library comes from a diverse network of producers including major labels and independent and emerging artists.

2. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Company's annual consolidated financial statements and notes for the year ended December 31, 2013. These interim consolidated financial statements do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2013 and the accompanying notes.

All amounts are expressed in US dollars (unless otherwise specified), rounded to the nearest thousand.

These interim consolidated financial statements of the Company were approved by the Audit Committee and authorized for issue on November 12, 2014.

3. Summary of estimates, judgments and assumptions

The preparation of the Company's interim consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements. However, uncertainty about these estimates, judgments and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

There has been no substantial change in the Company's critical accounting estimates since the publication of the annual consolidated financial statements as at and for the year ended December 31, 2013.

In thousands of US dollars, unless otherwise stated

4. Summary of significant accounting policies

New standards, interpretations and amendments adopted

The Company adopted the following standards on January 1, 2014:

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities

The amendments in IAS 32 clarify certain items regarding offsetting financial assets and financial liabilities. The amendments are to be applied retrospectively and will be effective for periods commencing on or after January 1, 2014 with earlier application permitted. The amendment has had no impact on the Company's financial presentation or performance.

Amendments to IAS 36, Impairment of Assets

These narrow-scope amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for periods beginning on or after January 1, 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The standard has had no impact on the Company's financial position or performance.

IFRIC Interpretation 21, Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The standard has had no impact on the Company's financial position or performance.

4. Summary of significant accounting policies (continued)

New standards, interpretations and amendments thereof not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's interim consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

The Company intends to adopt these standards when they become effective.

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The effective date for this standard is for reporting periods beginning on or after January 1, 2018 with earlier application permitted. The Company will continue to assess any impact on the classification and measurement of the Company's financial assets, as well as any impact on the classification and measurement of financial liabilities.

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, which outlines a single comprehensive model for entities to use in accounting for revenue from customers. The standard outlines the principles an entity must apply to measure and recognize revenue relating to contracts with customers. The core principle is that an entity will recognize revenue when it transfers promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services.

IFRS 15 also significantly expands the current disclosure requirements about revenue recognition. The effective date for this standard is for reporting periods beginning on or after January 1, 2017 with earlier application permitted. The Company has commenced a review process to assess any impact on its current revenue recognition policies and reporting processes.

In thousands of US dollars, unless otherwise stated

5. Revenue

The composition of revenue is as follows:

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Rendering of services	$85,466	$90,062	$253,621	$268,595
Sale of goods	37,804	34,680	110,921	109,561
Royalties	867	920	2,466	2,861
	$124,137	**$125,662**	**$367,008**	**$381,017**

6. Other expenses

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Transaction costs (i)	$29	$2,802	$1,430	$10,080
Restructuring and integration costs (ii)	7,273	5,158	17,582	11,690
Settlements and resolutions (iii)	-	3,500	4,226	3,500
Net gain on disposal of certain assets (iv)	-	-	(6,597)	-
	$7,302	**$11,460**	**$16,641**	**$25,270**

(i) Transaction costs incurred during the three and nine months ended September 30, 2014 and September 30, 2013 primarily relate to the Company's strategic and operational review as well as costs associated with prior acquisitions.

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Legal and professional fees	$-	$1,485	$-	$4,047
Consultant fees	29	473	$1,430	2,670
Other transaction costs (a)	-	844	-	3,363
	$29	**$2,802**	**$1,430**	**$10,080**

(a) Other transaction costs in the comparative period include recognition of Technomedia earn-out, which has been accounted for as compensation, travel related to the strategic and operational review, in addition to miscellaneous expenses incurred during and after the Company's acquisitions.

In thousands of US dollars, unless otherwise stated

6. Other expenses (continued)

Subsequent to the third quarter ended September 30, 2014, on October 7, 2014, the Company amended the securities purchase agreement for Technomedia. The amendment revised the existing contingent consideration earn-out. The amendment stipulates for the calendar year 2014 and each of the following three years a cash payment equal to a percentage of the subsidiary's earnings in the event the subsidiary achieves certain performance thresholds.

(ii) Restructuring and integration costs consist of severance costs, information technology integration, relocation expenses, real estate consolidation, rebranding and other integration and transition activities. These restructuring and integration activities are a result of integrating various businesses, primarily Muzak, DMX and Mood International.

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Severance costs	$2,595	$3,775	$4,099	$8,202
Other integration costs (a)	4,678	1,383	13,483	3,488
	$7,273	**$5,158**	**$17,582**	**$11,690**

(a) Other integration costs include charges for various real estate consolidations during the three and nine months ended September 30, 2014 and September 30, 2013 and $3,100 for an onerous contract during the nine months ended September 30, 2014.

(iii) During the nine months ended September 30, 2014, the Company negotiated and finalized settlements including other liabilities and legal matters related to DMX and Muzak. Settlements and resolutions in the comparative 2013 period include $3,500 for a settlement involving certain terms of our arrangements with independent affiliates that were revised to resolve matters related to the acquired businesses.

(iv) The Company recognized gains from various sales and disposals of assets during the nine months ended September 30, 2014. The primary gains recognized from these sales and disposals include the sale of its residential Latin America music operations on January 10, 2014 and its DMX Canadian commercial account portfolio on June 27, 2014. The initial gain recognized on each transaction was $3,541 and $2,937, respectively, and the final gain calculation is partially contingent on the achievement of certain future key indicators.

In thousands of US dollars, unless otherwise stated

7. Finance costs, net

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Interest expense	$13,648	$13,421	$40,435	$39,448
Change in fair value of financial instruments (i)	(640)	539	(1,500)	(677)
Change in fair value of deferred and contingent consideration (ii)	-	(1,081)	-	(17,591)
Cost of extinguishment of 2011 First Lien Credit Facility (iii)	41	-	13,476	-
Other finance costs, net (iv)	801	987	2,959	3,180
	$13,850	**$13,866**	**$55,370**	**$24,360**

(i) Change in fair value of financial instruments consists of:

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Cross-currency interest rate swap (a)	$-	$-	$-	$(699)
Interest rate floor under 2011 First Lien Credit Facility (b)	-	25	(584)	(3,014)
Interest rate floor under 2014 First Lien Credit Facility (b)	(738)	-	(1,003)	-
Interest rate cap (c)	-	3	-	9
Prepayment option on 9.25% Notes (d)	98	511	87	3,027
	$(640)	**$539**	**$(1,500)**	**$(677)**

(a) The Company entered into a cross-currency interest rate swap on June 4, 2010, which matured on June 4, 2013. The cross-currency interest rate swap had a historical notional amount of $32,375 that converted euros into US dollars at a foreign exchange rate of 1.2350 and converted floating interest to a fixed rate of 8.312%. The change in the fair value during the three and nine months ended September 30, 2013 has been recognized within finance costs, net in the interim consolidated statements of loss.

(b) In connection with the extinguishment of the Company's 2011 First Lien Credit Facilities (as defined in note 10) on May 1, 2014, the Company extinguished the liability related to the 2011 interest rate floor embedded derivative and recognized a 2014 interest rate floor in accordance with the terms of the new 2014 First Lien Credit Facilities.

In thousands of US dollars, unless otherwise stated

7. Finance costs, net (continued)

The 2014 First Lien credit agreement includes an arrangement whereby LIBOR would have a minimum floor of 1.00%. However, at the time of entering this credit agreement, LIBOR was 0.22%. Under IFRS, the 2014 interest rate floor is considered an embedded derivative and was ascribed a fair value at the date of issuance of $3,852. At each subsequent reporting period, any change in fair value is included within finance costs, net in the interim consolidated statements of loss.

(c) On August 2, 2011, in accordance with the Company's 2011 First Lien Credit Facilities, the Company entered into an arrangement where the Company capped LIBOR at 3.5% for 50% of the Credit Facility. This interest rate cap matured on August 4, 2014. Any changes in fair value in the interest rate cap are recorded as finance costs, net in the interim consolidated statements of loss.

(d) The Company has the right to prepay the 9.25% Senior Unsecured Notes early, but will incur a penalty depending on the date of settlement. The prepayment option has been treated as an embedded derivative financial instrument under IFRS. On initial recognition, the prepayment option was ascribed a fair value of $3,200 and is recorded within other financial assets in the interim consolidated statements of financial position (note 10). On initial recognition, the carrying value of the Notes was increased by the same amount, which is amortized over the term of the Notes.

The prepayment option is fair valued at each reporting date and any change in the fair value is recognized within finance costs, net in the interim consolidated statements of loss.

(ii) Change in fair value of deferred and contingent consideration consists of:

	Three months ended		**Nine months ended**	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
ICI deferred consideration	$-	$185	$-	$537
Muzak contingent consideration (a)	-	(1,266)	-	(18,128)
	$-	**$(1,081)**	**$-**	**$(17,591)**

(a) As part of the consideration for the acquisition of Muzak, a maximum of $30,000 cash may be paid in the three years following the closing in the event that the Company achieves minimum earnings before interest, tax and depreciation ("EBITDA") targets. The Company recorded this potential contingent consideration at the established fair value at each reporting period end by using the probability of expected outcomes. The Company finalized its contingent obligation during the three months ended September 30, 2014 resulting in no additional consideration required.

In thousands of US dollars, unless otherwise stated

7. Finance costs, net (continued)

(iii) On May 1, 2014, the Company refinanced its credit facilities. The new facilities have more favorable financial covenants as well as provisions which permit the Company to use net asset sales proceeds, within defined limits, to repay unsecured debt. In connection with the refinancing, the payoff and settlement of the 2011 Credit Facilities was accounted for as an extinguishment as the terms and the lenders of the two credit facilities were substantially different. Therefore, the unamortized costs related to the 2011 Credit Facilities and the 2011 interest rate floor were accelerated and recognized as part of the loss on the extinguishment (note 10). The Company recognized a total loss on extinguishment of the 2011 First Lien Credit Facilities of $13,476.

Cost of extinguishment of the 2011 First Lien Credit Facility consists of:

	Three months ended		**Nine months ended**	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Accelerated discount for deferred financing costs	$-	$-	$6,074	$-
Non-cash discount for the 2011 interest rate floor	-	-	3,636	-
Early extinguishment fee (a)	-	-	2,074	-
Other expenses incurred on extinguishment (a)	41	-	7,174	-
Extinguishment of 2011 interest rate floor	-	-	(5,482)	-
	$41	**$-**	**$13,476**	**$-**

(a) Other expenses incurred on extinguishment include legal fees, credit rating fees and fees to Credit Suisse acting as an agent. The early extinguishment fee of $2,074 and other expenses incurred on extinguishment of $7,174 were cash payments related to the extinguishment of the 2011 First Lien Credit Facilities.

(iv) Other finance costs, net consist of:

	Three months ended		**Nine months ended**	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Accretion interest on convertible debentures	$463	$396	$1,658	$1,177
Accretion of the 2011 First Lien Credit Facilities	-	298	376	898
Accretion of the 9.25% Senior Unsecured Notes	276	275	828	825
Accretion of debt related to the 2011 interest rate floor	-	223	221	668
Accretion of debt related to the 2014 interest rate floor	192	-	321	-
Amortization of the debt premium arising from the prepayment option	(99)	(99)	(298)	(317)
Other (a)	(31)	(106)	(147)	(71)
	$801	**$987**	**$2,959**	**$3,180**

(a) The remaining credit represents interest income and share of profits from associates.

In thousands of US dollars, unless otherwise stated

8. Income taxes

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Current tax expense				
Current taxes on income for the period	$(224)	$1,191	$2,459	$3,642
Total current taxes	**(224)**	**1,191**	**2,459**	**3,642**
Deferred tax expense				
Origination and reversal of temporary differences	(2,185)	(1,207)	(5,634)	3,233
Total deferred tax charge (credit)	**(2,185)**	**(1,207)**	**(5,634)**	**3,233**
Total income tax charge (credit)	**$(2,409)**	**$(16)**	**$(3,175)**	**$6,875**

9. Loss per share

Basic and diluted loss per share ("EPS") amounts have been determined by dividing loss for the period by the weighted average number of common shares outstanding throughout the period.

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Weighted and diluted average common shares (000's)	**179,699**	**171,640**	**176,160**	**171,640**
Total operations				
Basic EPS	$(0.11)	$(0.51)	$(0.34)	$(0.68)
Diluted EPS	(0.11)	(0.51)	(0.34)	(0.68)
Continuing operations				
Basic EPS	$(0.11)	$(0.50)	$(0.34)	$(0.58)
Diluted EPS	(0.11)	(0.50)	(0.34)	(0.58)
Discontinued operations				
Basic EPS	$-	$(0.01)	$-	$(0.10)
Diluted EPS	-	(0.01)	-	(0.10)

Convertible debentures, share options and warrants have not been included in the calculation of diluted EPS because they are anti-dilutive for the periods presented.

In thousands of US dollars, unless otherwise stated

10. Loans and borrowings

	Prescribed interest rate	September 30, 2014	December 31, 2013
Due in less than one year:			
2011 First Lien Credit Facility (iv)	7.00 %	$-	$2,132
2014 First Lien Credit facility (iv)	7.00 %	2,350	-
		$2,350	**$2,132**
Due in more than one year:			
9.25% Senior Unsecured Notes (i)	9.25%	350,000	350,000
Unamortized discount – financing costs (ii)		(6,793)	(7,618)
Unamortized premium – prepayment option (iii)		2,406	2,703
		345,613	**345,085**
2011 First Lien Credit Facility (iv)	7.00-7.75%	-	215,765
Unamortized discount – financing costs (v)		-	(6,455)
Unamortized discount – 2011 interest rate floor (vi)		-	(3,858)
		-	**205,452**
2014 First Lien Credit Facility (iv)	7.00%	231,476	-
Unamortized discount – 2014 interest rate floor (vi)		(3,531)	-
		227,945	**-**
10% Unsecured convertible debentures (vii)	10.00%	48,183	46,525
		621,741	**597,062**
Total loans and borrowings		**$624,091**	**$599,194**

9.25% Senior Unsecured Notes

(i) On October 19, 2012, the Company closed its offering of $350,000 aggregate principal amount of 9.25% Senior Unsecured Notes (the "Notes") by way of a private placement. The Notes are guaranteed by all of Mood Media's existing U.S. subsidiaries (other than Mood Media Entertainment Inc.). The guarantee is an unsecured obligation. The Notes are due on October 15, 2020 and bear interest at an annual rate of 9.25%. The effective interest rate on the Notes is 9.46%.

(ii) The total costs associated with the Notes of $8,942 were recorded as finance costs and deducted from the Notes. The Notes will be accreted back to their principal amount over the term of the Notes. The accretion expense is included within finance costs, net in the interim consolidated statements of loss (note 7).

10. Loans and borrowings (continued)

9.25% Senior Unsecured Notes (continued)

(iii) The Notes contain an option to repay the entire amount prior to October 15, 2020 at a set prepayment fee. This prepayment option has been treated as an embedded derivative financial instrument in the interim consolidated statements of financial position and at inception was valued at $3,200 (October 19, 2012). The prepayment option is measured at fair value at each reporting date and included in other financial assets (note 11), with any change recorded within finance costs, net in the interim consolidated statements of loss (note 7).

The amortization of the debt premium arising from the prepayment option is included in finance costs, net (note 7).

2011 and 2014 First Lien Credit Facilities

(iv) On May 6, 2011, the Company entered into credit facilities with Credit Suisse Securities AG ("Credit Suisse"), as agent, consisting of a $20,000 five-year First Lien Revolving Credit Facility, a $355,000 7-year First Lien Term Loan (collectively, the 2011 First Lien Credit Facilities) and a $100,000 7.5-year Second Lien Term Loan.

The 2011 First Lien Credit Facilities Term Loan was repayable at $533 per quarter, with the remainder repayable on May 6, 2018. Interest on the 2011 First Lien Credit Facilities Term Loan accrued at a rate of adjusted LIBOR plus 5.50% per annum or the alternate base rate plus 4.50% per annum, as applicable. The effective interest rate on the 2011 First Lien Credit Facilities was 7.74%. In October, 2012 the Company used the net proceeds of the $350,000 9.25% Notes to repay $140,000 of its 2011 First Lien Term Loan and the Second Lien Term Loan in its entirety.

On May 1, 2014, the Company completed the extinguishment of its 2011 First Lien Credit Facilities as it entered into a new credit agreement with Credit Suisse, as agent, consisting of a $15,000 5-year Senior Secured Revolving Credit Facility and a $235,000 Senior Secured 5-year Term Loan (collectively, the 2014 First Lien Credit Facilities). The terms and the lenders of the 2011 and 2014 credit facilities were substantially different.

The 2014 First Lien Term Loan is repayable at $588 per quarter, with the remainder repayable on May 1, 2019. Interest on the 2014 First Lien Term Loan accrues at a rate of adjusted LIBOR plus 6% per annum or the alternate base rate plus 5% per annum, as applicable. The effective interest rate on the 2014 First Lien Credit Facilities is 7.33%. During the three months ended September 30, 2014, repayments of $588 were made on the 2014 First Lien Term Loan (three months ended September 30, 2013 - $533) and during the nine months ended September 30, 2014, repayments of $1,708 were made on the 2014 First Lien Term Loan and the 2011 First Lien Term Loan (nine months ended September 30, 2013 - $1,599).

In thousands of US dollars, unless otherwise stated

10. Loans and borrowings (continued)

2011 and 2014 First Lien Credit Facilities (continued)

Credit Suisse, on behalf of the lenders under the 2014 First Lien Credit Facilities, has security over substantially all of the properties and assets based in the United States. As at September 30, 2014, the Company had available $11,810 under the new Revolving Credit Facility and outstanding letters of credit of $3,190. The 2014 First Lien Credit Facilities are subject to the maintenance of financial covenants and the Company was in compliance with its covenants as at September 30, 2014.

The Company utilized proceeds from the 2014 First Lien Credit Facilities to repay the 2011 First Lien Credit Facilities, which consisted of $10,000 under the 2011 First Lien Revolving Credit Facility and $207,364 under the 2011 First Lien Term Loan. In connection with the repayment, the Company accelerated the recognition of unamortized discount related to deferred financing costs and the 2011 interest rate floor of $9,710 relating to the 2011 First Lien Credit Facilities. The payoff and settlement of the 2011 Credit Facilities was accounted for as an extinguishment and the unamortized costs related to the 2011 Credit Facilities were recognized as part of the loss on the extinguishment. The Company recognized a total loss on extinguishment of the 2011 First Lien Credit Facilities of $13,476 (note 7).

On August 2, 2011, in accordance with the terms of the Company's 2011 First Lien Credit Facilities agreement, the Company purchased an interest rate cap for $619, which matured on August 4, 2014. The interest rate cap was measured at fair value at each reporting date and included in other financial assets (note 11), with any change recorded within finance costs, net in the interim consolidated statements of loss (note 7).

(v) The total costs associated with the 2011 First Lien Credit Facilities of $18,786, which include the fee for the 2013 amendment, were recorded as finance costs and were accreted over the term of the 2011 First Lien Credit Facilities using the effective interest rate method. In connection with the repayment of the 2011 First Lien Credit Facilities, the Company accelerated the recognition of unamortized discount related to deferred financing costs and 2011 the interest rate floor of $9,710 relating to the 2011 First Lien Credit Facilities.

Accretion expenses associated with the 2011 First Lien Credit Facilities are included within finance costs, net in the interim consolidated statements of loss (note 7).

(vi) The 2011 First Lien Credit Facilities contained an interest rate floor, which was an embedded derivative. This non-cash liability was recorded within other financial liabilities in the interim consolidated statements of financial position. On initial recognition, the 2011 interest rate floor was ascribed a fair value of $13,234. The carrying value of the debt was reduced by the same amount, which was accreted over the term of the debt. The 2011 interest rate floor was measured at fair value at each reporting date and included in other financial liabilities (note 11).

In thousands of US dollars, unless otherwise stated

10. Loans and borrowings (continued)

2011 and 2014 First Lien Credit Facilities (continued)

In connection with the extinguishment of the Company's 2011 First Lien Credit Facilities on May 1, 2014, the Company extinguished the liability related to the 2011 interest rate floor and recognized a new interest rate floor in accordance with the terms of the 2014 First Lien Credit Facilities. This non-cash liability is recorded within other financial liabilities in the interim consolidated statements of financial position. On initial recognition, the 2014 interest rate floor was ascribed a fair value of $3,852. The carrying value of the new debt was reduced by the same amount, which will be accreted over the term of the debt. The 2014 interest rate floor is measured at fair value at each reporting date and included in other financial liabilities (note 11).

The change in fair value and the accretion of debt related to the 2011 and 2014 interest rate floors are included within finance costs, net in the interim consolidated statements of loss (note 7).

Convertible debentures

(vii) The Company has issued three series of convertible debentures: the New Debentures, the Consideration Debentures and the Convertible Debentures (collectively, the Mood Convertible Debentures). Interest accrues on the Mood Convertible Debentures at the respective interest rate and it is payable semi-annually. The Mood Convertible Debentures are convertible at any time at the option of the holders into common shares at the respective conversion price.

	New Debentures	Consideration Debentures	Convertible Debentures
Date of issuance	October 1, 2010	May 6, 2011	May 27, 2011
Maturity date	October 31, 2015	October 31, 2015	October 31, 2015
Interest rate	10%	10%	10%
Conversion price	$2.43	$2.43	$2.80

The Mood Convertible Debentures have characteristics of both debt and equity. Accordingly, on issuance, fair value was ascribed to the debt component and to the equity component. Fair value was determined by reference to similar debt instruments and market transactions of the Mood Convertible Debentures.

	New Debentures	Consideration Debentures	Convertible Debentures	Total
Debt component	$28,112	$4,602	$12,085	$44,799
Equity component	4,656	398	1,246	6,300
Discount on issuance	-	-	169	169
Principal at issuance	**$32,768**	**$5,000**	**$13,500**	**$51,268**

In thousands of US dollars, unless otherwise stated

10. Loans and borrowings (continued)

Convertible debentures (continued)

The Convertible Debentures were issued for a subscription price of $0.9875 per $1 principal amount. A deferred tax liability of $658 was recorded on the equity component of the Convertible Debentures issued in 2011; the corresponding entry was a reduction to contributed surplus.

Costs associated with the issuance of the Mood Convertible Debentures have been recorded as finance costs and are recognized over the term of the related facilities. These costs have been prorated against the debt and equity components.

	New Debentures	Consideration Debentures	Convertible Debentures	Total
Principal at issuance	**$32,768**	**$5,000**	**$13,500**	**$51,268**
2011 Conversions	646	-	-	646
2012 Conversions	-	356	-	356
Principal as at September 30, 2014	**$32,122**	**$4,644**	**$13,500**	**$50,266**

Reconciliation of carrying value and outstanding principal as at September 30, 2014

	New Debentures	Consideration Debentures	Convertible Debentures	Total
Carrying value as at December 31, 2013	**$29,236**	**$4,490**	**$12,799**	**$46,525**
Accretion interest for the period	1,330	62	266	1,658
Carrying value as at September 30, 2014	**30,566**	**4,552**	**13,065**	**48,183**
Unamortized balance	1,556	92	435	2,083
Principal outstanding as at September 30, 2014	**$32,122**	**$4,644**	**$13,500**	**$50,266**

The unamortized balance for the New Debentures includes unamortized financing costs as at September 30, 2014 of $414 (December 31, 2013 - $725).

Accretion interest is included within finance costs, net in the interim consolidated statement of loss (note 7).

In thousands of US dollars, unless otherwise stated

11. Other financial assets and financial liabilities

Other financial assets

	September 30, 2014	December 31, 2013
Prepayment option	$10	$97
Total other financial assets	**$10**	**$97**
Due in more than one year	$10	$97
Total other financial assets	**$10**	**$97**

Other financial liabilities

	September 30, 2014	December 31, 2013
Finance leases	$782	$1,663
2011 Interest rate floor	-	6,066
2014 Interest rate floor	2,848	-
Total other financial liabilities	**$3,630**	**$ 7,729**
Due in less than one year	$776	$1,091
Due in more than one year	2,854	6,638
Total other financial liabilities	**$3,630**	**$7,729**

With the exception of the 2014 interest rate floor in connection with the 2014 refinancing of the Company's 2011 First Lien Credit Facility (as discussed in note 10), there have been no significant changes to the terms of the other financial assets and liabilities as stated in the underlying agreements as at September 30, 2014 since the publication of the annual consolidated financial statements as at and for the year ended December 31, 2013.

The change in the fair value of the other financial assets and liabilities that are carried at fair value is included within finance costs, net in the interim consolidated statements of loss (note 7).

12. Financial instruments

Risk management

The Company is exposed to a variety of financial risks including market risk (comprising currency risk and interest rate risk), liquidity risk and credit risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's policies and processes for managing these risks have not changed since the publication of the annual consolidated financial statements as at and for the year ended December 31, 2013.

In thousands of US dollars, unless otherwise stated

12. Financial instruments (continued)

Fair value of financial instruments

The book values of the Company's financial assets and financial liabilities approximate the fair values of such items as at September 30, 2014, with the exception of the convertible debentures and the 9.25% Senior Unsecured Notes. The September 30, 2014 book value of the convertible debentures outstanding was $48,183 (December 31, 2013 - $46,525) and the fair value was $44,266 (December 31, 2013 - $43,670). The September 30, 2014 book value of the 9.25% Senior Unsecured Notes was $345,613 (December 31, 2013 - $345,085) and the fair value was $287,875 (December 31, 2013 - $309,056).

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques used to determine such fair values.

	Fair value as at September 30, 2014			
Description	**Total**	**Level 1 Quoted prices in active markets for identical assets**	**Level 2 Significant other observable inputs**	**Level 3 Significant unobservable inputs**
2014 First Lien Interest rate floor	$(2,848)	$-	$(2,848)	$-
Prepayment option	10	-	10	-

	Fair value as at December 31, 2013			
Description	**Total**	**Level 1 Quoted prices in active markets for identical assets**	**Level 2 Significant other observable inputs**	**Level 3 Significant unobservable inputs**
2011 First Lien Interest rate floor	$(6,066)	$-	$(6,066)	$-
Prepayment option	97	-	97	-

During the three and nine months ended September 30, 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative year. There were also no changes in the purpose of any financial asset/liability that subsequently resulted in a different classification of that asset/liability.

In thousands of US dollars, unless otherwise stated

13. Share-based compensation

Equity-settled share options

The Company has a share option plan for its employees, directors and consultants, whereby share options may be granted subject to certain terms and conditions. The issuance of share options is determined by the Board of Directors of the Company. The aggregate number of shares of the Company that may be issued under the Plan is limited to 10% of the number of issued and outstanding common shares at the time. The exercise price of share options must not be less than the fair market value of the common shares on the date that the option is granted. On May 13, 2014, the Company received approval for its 2014 option plan, in accordance with the Toronto Stock Exchange (“TSX”) rules requiring reapproval of option plans every three years. Two changes were made to the former option plan. Share options issued under the 2014 option plan vest at the rate of 33.3% on each of the three subsequent anniversaries of the grant date and are subject to the recipient remaining employed with the Company. Share options issued under the 2011 option plan vest at the rate of 25% on each of the four subsequent anniversaries of the grant date and are also subject to the recipient remaining employed with the Company. Under the 2014 option plan, all of the vested share options must be exercised no later than 5 years after the grant date. Under the 2011 option plan, all the vested share options must be exercised no later than 10 years after the grant date. With the adoption of the Company’s 2014 share option plan, no further grants of options were made pursuant to the former option plans. Options previously granted under former plans will continue to vest. The Company uses the Black-Scholes option pricing model to determine the fair value of options issued.

On August 19, 2014, 1,200,000 share options were granted with an exercise price of CDN$0.52 (US$0.48). On May 12, 2014, 2,005,000 share options were granted with an exercise price of CDN$0.60 (US$0.55). On March 10, 2014, 925,000 share options were granted with an exercise price of CDN$0.88 (US$0.79). On September 25, 2013, 2,000,000 share options were granted with an exercise price of CDN$0.65 (US$0.63).

The expense recognized for the three months ended September 30, 2014 relating to equity-settled share and option transactions for employees was $379 and for the nine months ended September 30, 2014 was $991 (the three months ended September 30, 2013 was $1,172 and for the nine months ended September 30, 2013 was $1,860.

In thousands of US dollars, unless otherwise stated

13. Share-based compensation (continued)

Changes in the number of options, with their weighted average exercise prices for the nine months ended September 30, 2014 and 2013, are summarized below:

	Number	September 30, 2014 Weighted average exercise price	Number	September 30, 2013 Weighted average exercise price
Outstanding at beginning of period	**18,818,300**	**$1.58**	**15,590,800**	**$1.92**
Granted during the period	4,130,000	0.58	2,000,000	0.63
Exercised during the period	(3,600,000)	0.21	-	-
Forfeited/expired during the period	(1,995,000)	2.40	(337,500)	2.81
Outstanding at end of period	**17,353,300**	**1.53**	**17,253,300**	**1.75**
Exercisable at end of period	**8,423,300**	**$2.24**	**10,233,300**	**$1.48**

The following information relates to share options that were outstanding as at September 30, 2014:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
$0.00-$0.30	100,000	4	$0.21
$0.31-$1.50	10,663,300	7	0.70
$1.51-$2.50	540,000	6	1.75
$2.51-$3.50	6,050,000	7	3.01
	17,353,300	**7**	**$1.53**

Warrants

The following warrants were outstanding as at September 30, 2014:

	Number	Exercise price	Expiry date
Muzak acquisition warrants	4,407,543	$3.50	May 2016

Warrants are recorded at the time of the grant for an amount based on the Black-Scholes option pricing model, which is affected by the Company's share price, as well as assumptions regarding a number of subjective variables.

In thousands of US dollars, unless otherwise stated

14. Shareholders' equity

Share capital

Share capital represents the number of common shares outstanding.

As at September 30, 2014, an unlimited number of common shares with no par value were authorized.

Changes to share capital were as follows:

	Number of Shares	Amount
Balance as at January 1, 2013 and December 31, 2013	**171,639,563**	**$323,318**
Balance as at January 1, 2014	**171,639,563**	**$323,318**
Common shares issued, net of issue costs	4,527,556	2,820
Options exercised	3,600,000	818
Balance as at September 30, 2014	**179,767,119**	**326,956**

During March 2014, the Company entered into agreements with two former employees to issue a total of 367,440 common shares pursuant to their severance agreements. During April 2014, the Company negotiated a total issuance of 4,160,116 common shares in full satisfaction of the remaining obligations under a consulting agreement for the integration of DMX.

Deficit

Deficit represents the accumulated loss of the Company attributable to the shareholders to date.

In thousands of US dollars, unless otherwise stated

15. Discontinued operations

During March 2012, the Company decided to dispose of the assets of Mood Media Entertainment ("MME"). On May 31, 2013, the Company sold substantially all of the assets of MME for proceeds of $2,000. As part of the disposition, the Company exited any residual activities.

The results of MME are as follows:

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Revenue	$-	$-	$-	$10,117
Expenses	-	-	-	16,675
Operating loss	**-**	**-**	**-**	**(6,558)**
Loss on sale	-	1,751	-	9,145
Impairment	-	-	-	784
Loss before and after taxes from discontinued operations	**$-**	**$(1,751)**	**$-**	**$(16,487)**

During the nine months ended September 30, 2013, the Company impaired property and equipment of $784.

The net cash flows incurred by MME are as follows:

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Operating activities	$-	$1,525	$-	$(2,906)
Investing activities	-	-	-	1,216
Net cash outflow	**$-**	**$1,525**	**$-**	**$(1,690)**

MME is no longer disclosed as a separate reportable segment in note 18.

In thousands of US dollars, unless otherwise stated

16. Goodwill

	September 30, 2014	December 31, 2013
Cost, beginning of period	**$344,560**	**$336,400**
Goodwill arising on acquisitions	-	2,347
Sale of operations	(10,129)	-
Net exchange differences	(5,610)	5,813
Cost, end of the period	**328,821**	**344,560**
Accumulated impairment losses, beginning of period	**(80,418)**	**(5,418)**
Impairment loss in the period	-	(75,000)
Accumulated impairment losses, end of period	**(80,418)**	**(80,418)**
Net book value, end of the period	**$248,403**	**$264,142**

The decrease in goodwill from the sale of operations of $10,129 relates to the Company's sale of assets for its residential Latin America music operations completed on January 10, 2014 in the amount of $6,011 and its DMX Canadian commercial account portfolio on June 27, 2014 in the amount of $4,118.

On October 19, 2012, Muzak, a subsidiary of the Company, acquired certain assets and liabilities of Independent Communications Inc. ("ICI"), one of its largest franchisees. ICI offers a range of in-store audio, visual and scent solutions and operates in the mid-Atlantic region of the United States.

On December 24, 2012, the Company acquired 100% of the issued and outstanding shares of the following private entities: Technomedia NY, LLC; Technomedia Solutions, LLC; ServiceNET Exp, LLC; and Convergence, LLC (collectively, Technomedia). Technomedia provides advanced media and technology innovations for multiple industries, including retail, hospitality, theme parks, performing arts, museums, special venue and education.

During the three months ended September 30, 2013, goodwill arising on acquisitions of $2,347 relate to working capital adjustments in ICI of $1,822 and Technomedia of $525.

Management identified indicators for impairment as at September 30, 2013. As a result, the Company recognized an impairment charge of $75,000 in Mood International.

In thousands of US dollars, unless otherwise stated

17. Commitments and contingencies

Operating leases

Future minimum rental payments under non-cancellable operating leases are as follows:

	September 30, 2014	December 31, 2013
Within one year	$15,375	$16,470
After one year but not more than five years	30,807	33,840
More than five years	2,232	3,652
	$48,414	**$53,962**

Finance leases

The Company has finance leases for various items of equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	September 30, 2014		December 31, 2013	
	Minimum payments	Present value	Minimum payments	Present value
Within one year	$973	$930	$1,468	$1,374
After one year but not more than five years	6	3	573	268
Total minimum lease payments	979	933	2,041	1,642
Less amounts representing finance charges	(197)	(197)	(378)	(378)
Present value of minimum lease payments	**$782**	**$736**	**$1,663**	**$1,264**

Contingencies

From time to time, the Company encounters disputes and is sometimes subject to claims from third parties in relation to its normal course of operations. The Company generally believes such claims to be without merit and will consult with its legal counsel to vigorously defend its position. The aggregate provision for various claims as at September 30, 2014 was immaterial.

In thousands of US dollars, unless otherwise stated

17. Commitments and contingencies (continued)

Contingencies (continued)

PFH litigation

In August 2008, the Company received notification that PFH Investments Limited ("PFH") had filed a complaint with the Ontario Superior Court of Justice against the Company and certain officers under Section 238 of the Canada Business Corporations Act ("CBCA") alleging that the Company, when negotiating amendments to convertible debentures first issued to PFH in 2006, withheld data related to the issuance of share options at a strike price of $0.30 per share, such conversion price to which PFH was then entitled. In addition to damages of $35,000 and among other things, PFH is seeking a declaration that the amendments to the original debenture agreement are void and that the original debenture be reinstated. The Company believes it acted properly and in accordance with the original and amended debenture agreements when it fully repaid the debenture in the amount of $1,620 on June 19, 2008 and has responded accordingly. On July 2, 2009, the Company extended a confidential settlement offer to PFH. Among the various proposed obligations of the parties under the offer, pursuant thereto, but subject to regulatory approval, the Company would have issued to PFH, 3,333,333 shares at $0.30 per share. This offer has since expired. Mood Media continues to consult with legal counsel and intends to continue to vigorously defend the claim, which it believes to be without merit.

In thousands of US dollars, unless otherwise stated

18. Segment information

The Company reports its continuing operations in three reportable segments: "In-store media - International", "In-store media - North America" based on the significant business activity of the Company and its subsidiaries, and "Other" for the purposes of reconciliation to the Company's interim consolidated financial statements.

The Company's chief operating decision maker monitors the operating result of these business units separately for the purposes of assessing performance and allocating resources.

In-store media

The Company provides multi-sensory in-store media and marketing solutions to a wide range of customer-facing businesses in the retail, financial services, hospitality, restaurant and leisure industries internationally. Revenue is derived predominantly from the provision of audio, visual, messaging and maintenance services and the sale and lease of proprietary and non-proprietary equipment.

In-store media - North America

The Company's In-store media North America's operations are based in the United States and Canada.

In-store media - International

The Company's In-store media International's operations are based in Europe, Asia and Australia.

Other

The Company's other segment includes the Company's corporate activities and Technomedia, which do not fit in the two segments described above.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
For the three and nine months ended September 30, 2014

In thousands of US dollars, unless otherwise stated

18. Segment information (continued)

Segment information, three months ended September 30, 2014

	In-store media North America	In-store media International	Other	Consolidated Group
Revenue	$67,649	$45,886	$10,602	$124,137
Expenses				
Cost of sales	30,001	20,285	8,051	58,337
Operating expenses	16,518	20,123	2,879	39,520
Segment profit (loss) (i)	**$21,130**	**$5,478**	**$(328)**	**$26,280**

Segment information, three months ended September 30, 2013

	In-store media North America	In-store media International	Other	Consolidated Group
Revenue	$72,446	$44,978	$8,238	$125,662
Expenses				
Cost of sales	31,902	19,405	6,164	57,471
Operating expenses	18,231	20,898	3,143	42,272
Segment profit (loss) (i)	**$22,313**	**$4,675**	**$(1,069)**	**$25,919**

In thousands of US dollars, unless otherwise stated

18. Segment information (continued)

Segment information, nine months ended September 30, 2014

	In-store media North America	In-store media International	Other	Consolidated Group
Revenue	$200,644	$138,744	$27,620	$367,008
Expenses				
Cost of sales	88,672	59,840	20,595	169,107
Operating expenses	51,523	63,053	9,670	124,246
Segment profit (loss) (i)	**$60,449**	**$15,851**	**$(2,645)**	**$73,655**

Segment information, nine months ended September 30, 2013

	In-store media North America	In-store media International	Other	Consolidated Group
Revenue	$217,054	$134,935	$29,028	$381,017
Expenses				
Cost of sales	93,595	55,831	21,208	170,634
Operating expenses	58,871	62,003	9,970	130,844
Segment profit (loss) (i)	**$64,588**	**$17,101**	**$(2,150)**	**$79,539**

Reconciliation of segment profit to Consolidated Group loss for the period before taxes from continuing operations

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Segment profit (loss) (i)	**$26,280**	**$25,919**	**$73,655**	**$79,539**
Depreciation and amortization	17,498	16,925	53,538	51,145
Impairment of goodwill	-	75,000	-	75,000
Share-based compensation	379	1,172	991	1,860
Other expenses	7,302	11,460	16,641	25,270
Foreign exchange loss (gain) on financing transactions	9,658	(6,634)	10,418	(4,777)
Finance costs, net	13,850	13,866	55,370	24,360
Loss for the period before taxes from continuing operations	**$(22,407)**	**$(85,870)**	**$(63,303)**	**$(93,319)**

In thousands of US dollars, unless otherwise stated

18. Segment information (continued)

Geographical areas

(i) Segment profit is management's additional GAAP metric internally referred to as Adjusted EBITDA and is prepared on a consistent basis. Adjusted EBITDA is considered by executive management as one of the key drivers for the purpose of making decisions about performance assessment and resource allocation of each operating segment.

Revenue is derived from the following geographic areas based on where the customer is located:

	Three months ended		Nine months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
U.S.	$74,041	$76,378	$219,493	$231,695
Canada	260	1,505	2,949	4,387
Netherlands	13,037	14,502	42,282	41,671
Other international	36,799	33,277	102,284	103,264
Total revenue	**$124,137**	**$125,662**	**$367,008**	**$381,017**

Non-current assets

Non-current assets are derived from the following geographic areas based on the location of the individual subsidiaries of the Company:

	September 30, 2014	**December 31, 2013**
U.S.	$410,980	$435,174
Canada	-	7,689
International	171,432	195,302
Total non-current assets	**$582,412**	**$638,165**

In thousands of US dollars, unless otherwise stated

19. Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations and brands with indefinite lives have been allocated to three groups of CGUs for impairment testing as follows:

- Mood International
- Mood North America
- Technomedia

Carrying amount of goodwill and intangible assets with indefinite lives allocated to each CGU

	Mood International		Mood North America		Technomedia	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Goodwill	$69,641	$75,249	$170,391	$180,522	$8,371	$8,371
Brands	13,569	14,530	-	-	-	-

Valuation

At September 30, 2014 management did not identify any indicators for impairment.

In the prior year, at September 30, 2013 management identified indicators for impairment. The Company considers the relationship between its market capitalization and its book value, amongst other factors, when reviewing for indicators of impairment. As a result, the Company recognized an impairment charge of $75,000 in Mood International.

The recoverable amounts of the CGUs have been determined based on a fair value less costs to sell calculation using cash flow projections from financial budgets approved by senior management covering a one-year period. Cash flows beyond the budgeted period are extrapolated using a growth rate that does not exceed the long-term average growth rate for the industry.

20. Business combinations

Acquisition of DMX, ICI and Technomedia

On August 14, 2013 the Company acquired the remaining 30.84% non-controlling interest of one of DMX's subsidiaries, AEI Collingham Holdings Company Ltd, for $4,000. The difference of $2,958 between the consideration and the carrying value of the additional interest acquired has been recognized as part of retained deficit within equity.

In thousands of US dollars, unless otherwise stated

20. Business combinations (continued)

On December 24, 2012, the Company acquired 100% of the issued and outstanding shares of Technomedia. The Technomedia sale and purchase agreement contained a working capital adjustment, which resulted in an additional payment of $525 in the three months ended June 30, 2013.

On October 9, 2012, Muzak acquired certain assets and liabilities of ICI, one of its largest franchises. The ICI sale and purchase agreement contained a working capital adjustment, which resulted in an additional payment of $1,822 for the three months ended June 30, 2013.