

Consolidated Financial Statements

Mood Media Corporation

For the year ended December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mood Media Corporation

We have audited the accompanying consolidated financial statements of **Mood Media Corporation**, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of loss, comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Mood Media Corporation** as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
March 10, 2016

/s/ Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Mood Media Corporation

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2015

In thousands of US dollars unless otherwise stated

	Notes	2015	2014
ASSETS			
Current assets			
Cash		\$17,326	\$25,573
Restricted cash		817	405
Trade and other receivables, net	18	94,063	97,258
Income taxes receivable		682	2,280
Inventory	11	25,749	30,503
Prepayments and other assets		11,738	11,578
Deferred costs		8,706	8,346
Total current assets		159,081	175,943
Non-current assets			
Deferred costs		8,958	9,103
Property and equipment, net	12	47,812	45,755
Other assets		839	768
Intangible assets	13	223,847	263,255
Goodwill	14	213,979	245,543
Total assets		654,516	740,367
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	18	100,320	109,631
Income taxes payable		1,305	1,127
Deferred revenue		16,106	15,822
Other financial liabilities	17	6,848	6,151
Current portion of long-term debt	16	8,350	51,001
Total current liabilities		132,929	183,732
Non-current liabilities			
Deferred revenue		5,998	6,536
Deferred tax liabilities	19	23,682	29,624
Other financial liabilities	17	3,083	2,931
Long-term debt	16	612,310	573,339
Total liabilities		778,002	796,162
Equity			
Share capital	21	328,807	326,956
Contributed surplus		40,333	34,373
Foreign exchange translation reserve		6,765	2,264
Deficit		(499,640)	(419,618)
Equity attributable to owners of the parent		(123,735)	(56,025)
Non-controlling interests		249	230
Total equity		(123,486)	(55,795)
Total liabilities and equity		\$654,516	\$740,367
Commitments and contingencies	22		

The accompanying notes form part of the consolidated financial statements

On behalf of the Board of Directors:

Steve Richards
CEO, President and Director

Harvey Solursh
Director and Audit Committee Chairman

Mood Media Corporation

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the year ended December 31, 2015

In thousands of US dollars unless otherwise stated

	Notes	2015	2014
Revenue			
	5	\$475,116	\$494,060
Expenses			
Cost of sales		229,946	227,888
Operating expenses		146,783	163,575
Depreciation and amortization		66,648	72,263
Impairment of goodwill	15	25,000	-
Share-based compensation	20	1,264	1,392
Other expenses	6	10,305	28,229
Foreign exchange loss on financing transactions		20,356	17,097
Finance costs, net	7	57,216	70,057
Loss for the year before taxes		(82,402)	(86,441)
Income tax credit	9	(2,439)	(4,067)
Loss for the year		(79,963)	(82,374)
Net loss attributable to:			
Owners of the parent		(80,022)	(82,442)
Non-controlling interests		59	68
		\$(79,963)	\$(82,374)
Net loss per share attributable to shareholders			
Basic and diluted	10	\$(0.44)	\$(0.46)
Loss for the year		\$(79,963)	\$(82,374)
Items that may be reclassified subsequently to the loss for the year:			
Exchange gain (loss) on translation of foreign operations		4,501	(3,392)
Other comprehensive income (loss) for the year, net of tax		4,501	(3,392)
Total comprehensive loss for the year, net of tax		(75,462)	(85,766)
Comprehensive loss attributable to:			
Owners of the parent		(75,521)	(85,834)
Non-controlling interests		59	68
		\$(75,462)	\$(85,766)

The accompanying notes form part of the consolidated financial statements

Mood Media Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2015

In thousands of US dollars unless otherwise stated

	Notes	2015	2014
Operating activities			
Loss for the year before taxes		\$(82,402)	\$(86,441)
Reconciling adjustments			
Depreciation and amortization of property and equipment and intangible assets	12, 13	66,648	72,263
Impairment of goodwill	15	25,000	-
Gain on disposal of property and equipment		(1,656)	(413)
Share-based compensation	20	1,264	1,392
Shares issued in lieu of severance or settlement of liabilities		1,123	2,588
Foreign exchange loss on financing transactions		20,356	17,097
Finance costs, net	7	57,216	70,057
(Gain) loss on disposal of Latin America and DMX Canada assets	6	764	(5,650)
Working capital adjustments			
Decrease in trade and other receivables		330	3,106
Decrease in inventories		4,642	369
Decrease in trade and other payables		(7,253)	(2,447)
Decrease in deferred revenue		(343)	(445)
		85,689	71,476
Income taxes credited (paid)		3	(5,078)
Interest received		160	78
Net cash flows from operating activities		85,852	66,476
Investing activities			
Purchase of property and equipment and intangible assets		(39,091)	(34,015)
Proceeds from disposal of Latin America and DMX Canada assets		2,877	19,515
Proceeds from disposal of property, equipment and other assets		1,813	1,165
Net cash flows used in investing activities		(34,401)	(13,335)
Financing activities			
Repayment of borrowings	16	(34,168)	(219,660)
Proceeds from MMG Notes	16	31,552	-
Proceeds from First Lien Credit Facilities and 2014 Revolving Credit Facility	16	6,000	235,000
Financing costs paid		(5,668)	(9,373)
Proceeds from exercise of share options		-	818
Finance lease payments		(956)	(1,195)
Interest paid		(55,718)	(54,327)
Dividends paid to non-controlling interest		(50)	-
Settlement of forward contracts		395	-
Net cash flows used in financing activities		(58,613)	(48,737)
Net increase (decrease) in cash		(7,162)	4,404
Net foreign exchange loss on cash balances		(1,085)	(1,241)
Cash at beginning of year		25,573	22,410
Cash at end of year		\$17,326	\$25,573

The accompanying notes form part of the consolidated financial statements

Mood Media Corporation
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

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, 2015		\$326,956	\$34,373	\$2,264	\$(419,618)	\$(56,025)	\$230	\$(55,795)
Income (loss) for the year		-	-	-	(80,022)	(80,022)	59	(79,963)
Translation of foreign operations		-	-	4,501	-	4,501	-	4,501
Total comprehensive income (loss)		-	-	4,501	(80,022)	(75,521)	59	(75,462)
Share-based compensation	20	-	1,264	-	-	1,264	-	1,264
Dividends to non-controlling interest		-	-	-	-	-	(40)	(40)
Issuance of share capital	21	1,851	-	-	-	1,851	-	1,851
Issuance of warrants	16	-	4,696	-	-	4,696	-	4,696
As at December 31, 2015		\$328,807	\$40,333	\$6,765	\$(499,640)	\$(123,735)	\$249	(123,486)

The accompanying notes form part of the consolidated financial statements

Mood Media Corporation
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 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 year		-	-	-	(82,442)	(82,442)	68	(82,374)
Translation of foreign operations		-	-	(3,392)	-	(3,392)	-	(3,392)
Total comprehensive income (loss)		-	-	(3,392)	(82,442)	(85,834)	68	(85,766)
Share-based compensation	20	-	1,164	-	-	1,164	-	1,164
Dividends to non-controlling interest		-	-	-	-	-	(66)	(66)
Issuance of share capital	21	2,820	-	-	-	2,820	-	2,820
Exercise of share options	21	818	-	-	-	818	-	818
As at December 31, 2014		\$326,956	\$34,373	\$2,264	\$(419,618)	\$(56,025)	\$230	\$(55,795)

The accompanying notes form part of the consolidated financial statements

Mood Media Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

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 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, mobile, social and scent marketing solutions to a range of businesses including specialist retailers, department stores, supermarkets, financial institutions and fitness clubs, as well as hotels, car dealerships 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies set out below have been consistently applied to all the periods presented.

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

These consolidated financial statements of the Company were approved by the Board of Directors and authorized for issue on March 10, 2016.

3. Summary of estimates, judgments and assumptions

The preparation of the Company’s 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 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes will be reflected in the assumptions when they occur.

Mood Media Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

In thousands of US dollars unless otherwise stated

3. Summary of estimates, judgments and assumptions (continued)

Goodwill and indefinite-lived intangible assets

The Company performs asset impairment assessments for indefinite-lived intangible assets and goodwill on an annual basis or on a more frequent basis when circumstances indicate impairment may have occurred. Under IFRS, the Company selected October 1 as the date when it performs its annual impairment analysis. Goodwill is allocated to a cash generating unit ("CGU") or group of CGUs for the purposes of impairment testing based on the level at which senior management monitors it, which is not larger than an operating segment. The identification of an operating segment involves judgment and is based on the lowest level at which senior management monitors goodwill.

The testing for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset, CGU or group of CGU's to the carrying amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, in which case the asset is assessed as part of the CGU or group of CGUs to which it belongs. The recoverable amount calculations use a discounted cash flow model derived from a five year forecast. The recoverable amount is sensitive to the discount rate used for the model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs or groups of CGUs are disclosed and further explained in note 15.

Property and equipment

The Company has estimated the useful lives of the components of all of its property and equipment based on past experience and industry norms, and is depreciating these assets over their estimated useful lives. Management assesses these estimates at least at each financial year-end and, if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the useful life is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Rental equipment installed at customer premises includes costs directly attributable to the installation process. Judgment is required in determining which costs are considered directly attributable to the installation process and the percentage capitalized is estimated based on work order hours for the year.

Impairment of long-lived assets

Long-lived assets primarily include property and equipment and intangible assets. An impairment loss is recognized when the carrying value of the CGU, which is defined as a unit that has independent cash inflows to which the asset relates, exceeds the CGU's fair value, which is determined using a discounted cash flow method. The Company tests the recoverability of its long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While the Company believes that no provision for impairment is required, management must make certain estimates regarding the Company's cash flow projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in an impairment loss being charged in future periods.

Mood Media Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

In thousands of US dollars unless otherwise stated

3. Summary of estimates, judgments and assumptions (continued)

Fair value of share-based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield and forfeiture rates and making assumptions about them. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in note 20.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingencies

Contingencies, by their nature, are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgment including assessing whether a present obligation exists and providing a reliable estimate of the amount of cash outflow required in settling the obligation. The uncertainty involved with the timing and amount at which a contingency will be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

Fair value measurement of contingent consideration liability

Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration is considered a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. Throughout the year, the Company updated the assumptions on the contingent consideration payable to the former owners of Technomedia (note 17).

Mood Media Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

In thousands of US dollars unless otherwise stated

3. Summary of estimates, judgments and assumptions (continued)

Inventory obsolescence

The Company's obsolescence provision is determined at each reporting period and the changes recorded in the consolidated statements of loss and comprehensive loss. This calculation requires the use of estimates and forecasts of future sales. Qualitative factors including market presence and trends, strength of customer relationships, as well as other factors are considered when making assumptions with regard to recoverability. A change in any of the significant assumptions or estimates used could result in a material change to the provision.

Income taxes

Tax regulations and legislation and the interpretations thereof in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are recognized to the extent that it is probable that the deductible temporary differences or tax losses will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable earnings and the application of tax laws. To the extent that the assumptions used in the recoverability assessment change, there may be a significant impact on the consolidated financial statements of future periods.

4. Summary of significant accounting policies

Basis of measurement and principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries after the elimination of intercompany balances and transactions. Investments in entities over which the Company exercises significant influence are accounted for using the equity method. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition. Non-controlling interests represent the portion of net earnings and net assets that are not held by the Company and are presented separately in the consolidated statements of loss and comprehensive loss and within equity in the consolidated statements of financial position.

These consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are measured at fair value. Management assesses the Company's ability to continue as a going concern at each reporting date, using quantitative and qualitative information available.

Mood Media Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

In thousands of US dollars unless otherwise stated

4. Summary of significant accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in US dollars, which is the Company's functional currency. Each subsidiary consolidated by the Company determines its own functional currency based on the primary economic environment in which the subsidiary operates.

Transactions in foreign currencies are initially recorded by subsidiaries in their respective functional currency on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the date of the consolidated financial statements. Other non-monetary assets and liabilities are translated at their historical exchange rates. Revenue and expense items are translated at average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are recorded in the consolidated statements of loss and comprehensive loss.

Assets and liabilities of subsidiaries with functional currencies other than US dollars are translated at the exchange rate in effect at the date of the consolidated financial statements. Revenue and expense items are translated at average exchange rates prevailing during the year. Exchange gains or losses arising from the translation of these subsidiaries are included as part of other comprehensive income (loss).

Cash and restricted cash

Cash includes cash on hand and balances with banks. Restricted cash is used to collateralize outstanding letters of credit which serve as collateral for various bonds ranging from performance bonds to wage bonds.

Trade receivables

Trade receivables are carried at amounts due, net of a provision for amounts estimated to be uncollectible.

Inventory

Inventory is valued at the lower of cost and net realizable value. Equipment for resale is valued at weighted average cost. Finished goods and components are valued at the standard cost of inventory, which approximates the first-in, first-out basis net of an allocation of volume rebates and other payments received from suppliers. Provisions are made for slow moving and obsolete inventory. Reversals of previous write-downs to net realizable value are required when there is a subsequent increase in the value of the inventory.

Mood Media Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

In thousands of US dollars unless otherwise stated

4. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the remaining estimated useful lives of the assets as outlined below:

Furniture, fittings and leasehold improvements	2 – 5 years
Rental equipment	3 – 5 years
Computer and other equipment	1 – 3 years
Vehicles	3 years

Leasehold improvements are amortized on a straight-line basis over the remaining terms of the leases. Depreciation only commences once the asset is in use.

The useful lives, method of depreciation and the assets' residual values are reviewed at least annually and the depreciation charge is adjusted prospectively, if appropriate.

Intangible assets

Intangible assets are assets acquired that lack physical substance and that meet the specified criteria for recognition apart from goodwill. Intangible assets acquired mainly consist of brands, customer relationships, music library and technology platforms and software. Intangible assets are amortized on a straight-line basis as outlined below:

Customer relationships	5 – 15 years
Music library	5 – 10 years
Technology platforms and software	3 – 10 years
Brands	5 years – Indefinite

Residual values and useful lives are reviewed at least annually and are adjusted, if appropriate.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business or equity method investee at the date of acquisition. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in the consolidated statements of loss and comprehensive loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The group of CGUs is not larger than the level at which management monitors goodwill or the Company's operating segments.

Mood Media Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

In thousands of US dollars unless otherwise stated

4. Summary of significant accounting policies (continued)

Goodwill (continued)

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair value of the operation disposed of and the portion of the CGU retained.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of loss and comprehensive loss, net of any reimbursement.

Deferred revenue and deferred costs

The Company may invoice certain subscribers in advance for contracted music services. Amounts received in advance of the service period are deferred and recognized as revenue in the period services are provided.

The Company recognizes revenue and related cost of goods sold from proprietary equipment sales over the life of the related contract.

Customer acquisition costs

The Company incurs direct and incremental sales commissions in connection with acquiring new customers. As the Company obtains recurring contracts from new customers, the sales commissions are capitalized as part of deferred costs and amortized as a component of operating expenses over the term of the related contract. If a contract is terminated early, any remaining deferred sales commissions are expensed to reflect the termination of the customer contract.

Company as a lessee

Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs, net in the consolidated statements of loss and comprehensive loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Mood Media Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

In thousands of US dollars unless otherwise stated

4. Summary of significant accounting policies (continued)

Company as a lessee (continued)

Operating lease payments are recognized as an operating expense in the consolidated statements of loss and comprehensive loss on a straight-line basis over the lease term.

Financial assets and financial liabilities

The Company classifies its financial assets and liabilities into the following categories:

- Financial assets and financial liabilities at fair value through profit or loss;
- Loans and receivables; and
- Other financial assets and other financial liabilities.

The Company has not classified any financial instruments as available for sale. Appropriate classification of financial assets and financial liabilities is determined at the time of initial recognition or when reclassified on the consolidated statements of financial position. Financial instruments classified at fair value through profit or loss are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset or liability.

i) Financial assets and financial liabilities at fair value through profit or loss

The Company classifies certain financial assets and financial liabilities as either held for trading or designated at fair value through profit or loss. Assets and liabilities in this category include derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships and warrants. Financial assets and financial liabilities designated at fair value through profit or loss are carried at fair value. Related realized and unrealized gains and losses are included in the consolidated statements of loss and comprehensive loss.

ii) Loans and receivables

Loans and receivables include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include trade receivables and are classified as current assets on the consolidated statements of financial position.

Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest rate method less any impairment. Receivables are reduced by provisions for estimated bad debts.

Mood Media Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

In thousands of US dollars unless otherwise stated

4. Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

iii) Other financial liabilities

Other financial liabilities include trade and other payables and long-term debt instruments, including convertible debentures, and are measured at amortized cost using the effective interest rate method. Long-term debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Transaction costs related to the long-term debt instruments are netted against the carrying value of the instruments and amortized using the effective interest rate method.

Determination of fair value

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that are supported by little or no market activity.

Derivatives and hedges

Derivative instruments are recorded in the consolidated statements of financial position at fair value unless exempted from derivative treatment as a normal purchase and sale. Changes in the fair value are recorded in the consolidated statements of loss and comprehensive loss unless cash flow hedge accounting is used, in which case changes in fair value are recorded in the consolidated statements of comprehensive loss and comprehensive loss.

Revenue recognition

Revenues are derived from the sale of goods, the rendering of services and from royalty income. The sale of goods includes the sale of proprietary and non-proprietary equipment. Rendering of services primarily relates to the provision of music and visual content, messaging, maintenance and installation services and the rental of proprietary equipment. Royalty income is earned from the music libraries that are owned by the Company.

Mood Media Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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In thousands of US dollars unless otherwise stated

4. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue is recognized when persuasive evidence of an arrangement exists, prices are fixed or determinable, collectability is reasonably assured and services have been rendered. Revenue from music and messaging services is recognized during the period that the service is provided based on the contract terms. As part of its arrangements for in-store media, the Company provides customers with a proprietary media player that is integral and essential to the related services. This equipment may be sold or leased to customers. Revenue and related costs from proprietary equipment sales is deferred and recognized over the contract term. Revenue for equipment sales of non-proprietary equipment is recognized upon installation. Contracts are typically for a multi-year, non-cancellable period. Royalty revenue is recognized on an accrual basis when collection is reasonably assured. Installation revenue relating to proprietary equipment is deferred and recognized over the term of the contract.

Revenue for media solution projects for which costs can be reasonably estimated and/or the duration of the underlying project is longer than one accounting period are recognized using the percentage of completion method. This method involves the ongoing recognition of revenue and income related to longer-term projects so that a portion from a project can properly be recorded in every accounting period. For these projects, revenue recognized corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

Share-based compensation

The Company accounts for share-based awards and Deferred Share Units (“DSU”) that require the Company to measure and recognize compensation expense for all share-based compensation awards made to employees, consultants and directors based on estimated fair values. The fair value of share-based compensation and DSUs is determined using the Black-Scholes option pricing model, which is affected by the Company’s share price as well as assumptions regarding a number of variables on the date of grant.

A forfeiture rate is incorporated into the Company’s assumptions. Forfeitures are estimated at the time of grant and are based on historical experience. To the extent that the actual forfeiture rate is different from the Company’s estimate, share-based and DSU compensation related to these awards will be different from the Company’s expectation and forfeiture rates for subsequent periods are revised.

Employee share-based compensation is expensed using the straight-line method for each individual tranche over the vesting period. The offsetting entry to the share-based compensation expense is an increase to contributed surplus. Where applicable, non-employee share-based compensation is measured at the earlier of completion of performance, when a performance commitment is reached or when the options have vested. Non-employee share-based compensation is expensed in the same manner and in the same period as if the Company had paid cash for the services.

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4. Summary of significant accounting policies (continued)

Share-based compensation (continued)

Employee DSU compensation is expensed using the straight line method for each individual tranche over the vesting period. Non-employee DSU compensation is expensed immediately. For participants of the DSU plan where, in accordance with the DSU plan, the Company retains discretion on whether payment is made in cash or shares, the fair value of their compensation is recognized in share-based compensation and the offsetting entry is an increase to contributed surplus. For participants of the DSU plan that have the election of redeeming their DSUs for shares or cash, the fair value of their compensation is recorded as an operating expense with the offsetting entry as an increase to liability within other payables, at each reporting period changes in the fair value of their grant are recognized through operating expense until the liability is redeemed.

Earnings (loss) per share

Earnings (loss) per share amounts are calculated by dividing the net earnings (loss) for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the Company (after adjusting for interest on the convertible debentures) by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

Impairment of non-financial assets

Assets that have an indefinite useful life (for example, goodwill) are not subject to amortization and are tested annually for impairment or more frequently when conditions indicating impairment exist.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (CGUs). An impairment loss is recognized for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.

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4. Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

In determining fair value less costs to sell, recent market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is to be used. The recoverable amount of assets that do not generate independent cash inflows is determined based on the CGU to which the asset belongs.

The Company bases its impairment calculation on detailed budgets, forecast calculations, quoted market prices or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses, for assets other than goodwill, may no longer exist or may have decreased.

Goodwill is allocated to CGUs or a group of CGUs for the purpose of impairment testing based on the level at which management monitors it, which is not larger than an operating segment. Impairment losses relating to goodwill cannot be reversed in future periods.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability of the receivable counterparty entering bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Taxation

Current income tax assets and liabilities in the consolidated financial statements are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in other comprehensive income and not in the consolidated statements of income (loss). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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4. Summary of significant accounting policies (continued)

Taxation (continued)

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against, which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income (loss) or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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4. Summary of significant accounting policies (continued)

Taxation (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances change. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

New standards, interpretations and amendments issued but not yet effective

New standards and interpretations issued but not yet effective up to the date of issuance of the Company's 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 its 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 its 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 IASB has decided to defer the effective date of this standard by one year. As a result, IFRS 15 will be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company has commenced a review process to assess any impact on its current revenue recognition policies and reporting processes.

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4. Summary of significant accounting policies (continued)

IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16, which outlines requirements for lessees to recognize assets and liabilities for most leases. Lessees are required to recognize the lease liability for the obligations to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Lease liability is measured at the present value of lease payments to be made over the term of the lease. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for prepayments, direct costs and incentives received.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early recognition is permitted, provided the new revenue standard, IFRS 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. The Company has commenced a review process to assess any impact on its current revenue recognition policies and reporting processes.

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5. Revenue

The composition of revenue is as follows:

	2015	2014
Rendering of services	\$324,148	\$336,653
Sale of goods	148,322	154,407
Royalties	2,646	3,000
	\$475,116	\$494,060

6. Other expenses

	2015	2014
Transaction costs (i)	\$1,016	\$7,417
Restructuring and integration costs (ii)	4,811	21,898
Settlements and resolutions (iii)	3,680	4,626
Net loss (gain) on disposal of certain assets (iv)	798	(5,712)
	\$10,305	\$28,229

(i) Transaction costs incurred during 2015 and 2014 primarily relate to costs associated with prior acquisitions.

	2015	2014
Legal and professional fees	\$391	\$802
Consultant fees	-	614
Technomedia contingent consideration and related expenses (a)	625	6,001
	\$1,016	\$7,417

(a) The amended Technomedia contingent consideration earn-out and related expenses incurred are in connection with the amendment of the securities purchase agreement for Technomedia on October 7, 2014. Contingent consideration is discussed further in note 17.

(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 and acquisitions.

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6. Other expenses (continued)

	2015	2014
Severance costs	\$1,231	\$5,287
Arrangements that have no further utility (a)	247	9,585
Other integration costs	3,333	7,026
	\$4,811	\$21,898

(a) Integration costs during 2014 include onerous leases as a result of various real estate consolidations and \$3,100 for a contract that has no further utility.

iii) Settlements and resolution costs in 2015 relate primarily to a \$2,800 charge the Company recorded which represents management's best estimate for a settlement of a dispute with various counterparties over the interpretation of certain contractual arrangements. Settlements and resolutions in the comparative 2014 period are comprised of costs and expenses for various settlements, resolutions and contract terminations related to DMX, Muzak and Mood Media Corporation. No individual amount is considered significant to the consolidated financial statements.

(iv) The Company recognized gains from various sales and disposals of assets during the year ended December 31, 2015. The primary gains recognized from these sales and disposals include the finalization and receipt in 2015 of consideration related to 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 final gain recognized on these transactions was \$4,886.

7. Finance costs, net

	2015	2014
Interest expense	\$55,557	\$54,131
Change in fair value of financial instruments (i)	(1,894)	(1,428)
Cost of extinguishment of 2011 First Lien Credit Facilities (ii)	-	13,512
Other finance costs, net (iii)	3,553	3,842
	\$57,216	\$70,057

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

	2015	2014
Interest rate floor under 2011 First Lien Credit Facilities (a)	\$ -	(584)
Interest rate floor under 2014 First Lien Credit Facilities (a)	(1,630)	(927)
Forward contract (Note 18)	(395)	-
Prepayment option on 9.25% Senior Unsecured Notes (b)	14	83
Prepayment option on MMG Notes (c)	117	-
	\$(1,894)	\$(1,428)

All financial instruments are fair valued at each reporting date and any change in the fair value is recognized within finance costs, net in the consolidated statements of loss and comprehensive loss.

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7. Finance costs, net (continued)

(a) In connection with the extinguishment of the Company's 2011 First Lien Credit Facilities (as defined in note 16) 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.

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. At December 31, 2015 the fair value of the interest rate floor was a liability of \$1,294 (2014 - \$2,925) (note 17).

(b) 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. At December 31, 2015 the fair value of the prepayment option was nil (2014 - \$14) (note 17).

(c) The Company has the right to prepay the MMG 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. At December 31, 2015 the fair value of the prepayment option was \$3 (2014 - nil) (note 17).

(ii) The 2014 cost of settlement is the result of the extinguishment of the 2011 First Lien Credit Facilities (note 16).

Cost of settlement of the 2011 First Lien Credit Facilities consists of:

	2014
Accelerated 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)	7,210
Extinguishment of 2011 interest rate floor	(5,482)
	\$13,512

(a) Other expenses incurred on extinguishment, during 2014, 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 \$7,210 were cash payments related to the extinguishment of the 2011 First Lien Credit Facilities.

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7. Finance costs, net (continued)

(iii) Other finance costs, net consist of:

	2015	2014
Accretion interest on convertible debentures	\$1,615	\$2,126
Accretion of the 2011 First Lien Credit Facilities	-	376
Accretion of the 9.25% Senior Unsecured Notes	1,108	1,104
Accretion of debt related to MMG notes	502	-
Accretion of debt related to the 2011 interest rate floor	-	221
Accretion of debt related to the 2014 interest rate floor	765	513
Amortization of the debt premium arising from the prepayment options	(403)	(397)
Other	(34)	(101)
	\$3,553	\$3,842

8. Employee benefits expenses

	2015	2014
Wages and salaries	\$74,758	\$78,896
Benefits	16,342	18,089
	\$91,100	\$96,985

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9. Income tax

	2015	2014
Current tax expense		
Current tax on income for the year	\$1,943	\$2,874
Total current tax	\$1,943	\$2,874
Deferred tax expense		
Origination and reversal of temporary differences	\$(4,382)	\$(5,585)
Recognition of previously unrecognized deferred tax assets	-	(1,356)
Total deferred tax recovery (note 19)	\$(4,382)	\$(6,941)
Total income tax recovery	\$(2,439)	\$(4,067)

Corporation tax in the United States applied to loss for the year is as follows:

	2015	2014
Loss for the year before taxes	\$(82,402)	\$(86,441)
Expected tax charge: based on the standard United States domestic corporation tax rate of 40% (2014 - 40%)	(32,960)	(34,577)
Expenses not deductible for tax purposes	493	655
Change in estimate for over provision in previous years	(752)	(1,426)
Different tax rates applied in overseas jurisdictions	4,296	5,992
Recognition of previously unrecognized deferred tax asset	(396)	(1,356)
Tax losses and deductible temporary differences not recognized	16,880	26,463
Disallowable goodwill impairment	10,000	-
US State and other	-	182
Total income tax credit from continuing operations	\$(2,439)	\$(4,067)

The Company is resident in Canada for the purposes of the Tax Act and it believes that it is, and will continue to be, treated as a domestic corporation in the United States under the Internal Revenue Code of 1986 (United States). As a result, the Company (but not the Company's subsidiaries) is generally taxable on its worldwide income in both Canada and the United States (subject to the availability of any tax credits or deductions in either or both jurisdictions in respect of foreign taxes paid by the Company). Management of the Company is of the view that the status of the Company as taxable both in Canada and the United States has not given rise to any material adverse consequences as of the date hereof. Management of the Company is also of the view that such status is not likely to give rise to any material adverse consequences.

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10. Earnings (loss) per share

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

	2015	2014
Weighted average number of common shares (000s)	182,243	177,584
Basic EPS	\$(0.44)	\$(0.46)
Diluted EPS	(0.44)	(0.46)

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

11. Inventory

	2015	2014
Finished goods	\$22,395	\$25,774
Components	3,354	4,729
	\$25,749	\$30,503

Inventory is held at the lower of cost and net realizable value.

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12. Property and equipment

	Furniture, fittings and leasehold improvements	Rental equipment	Computer and other equipment	Vehicles	Total
Cost					
As at January 1, 2014	\$9,877	\$86,495	\$43,341	\$4,333	\$144,046
Additions	686	17,030	4,499	281	22,496
Disposals	(969)	(939)	(205)	(1,024)	(3,137)
Exchange differences	(1,320)	(3,351)	(4,841)	(100)	(9,612)
As at December 31, 2014	8,274	99,235	42,794	3,490	153,793
Additions	2,092	19,159	2,410	4,509	28,170
Disposals	(4,043)	(13,880)	(1,289)	(1,908)	(21,120)
Exchange differences	(652)	(2,034)	(5,082)	(86)	(7,854)
As at December 31, 2015	5,671	102,480	38,833	6,005	152,989
Depreciation					
As at January 1, 2014	5,055	49,553	33,365	2,755	90,728
Depreciation	1,356	20,388	3,771	1,141	26,656
Disposals	(419)	(805)	(165)	(980)	(2,369)
Exchange differences	(931)	(1,906)	(4,064)	(76)	(6,977)
As at December 31, 2014	5,061	67,230	32,907	2,840	108,038
Depreciation	1,390	19,606	3,094	688	24,778
Disposals	(4,025)	(13,789)	(1,263)	(1,887)	(20,964)
Exchange differences	(834)	(1,661)	(4,136)	(44)	(6,675)
As at December 31, 2015	1,592	71,386	30,602	1,597	105,177
Net book value					
As at December 31, 2015	\$4,079	\$31,094	\$8,231	\$4,408	\$47,812
As at December 31, 2014	3,213	32,005	9,887	650	45,755

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13. Intangible assets

	Customer relationships	Music library	Technology platforms and software	Brands	Total
Cost					
As at January 1, 2014	\$257,308	\$23,935	\$93,339	\$40,864	\$415,446
Additions	-	-	12,037	501	12,538
Dispositions	(4,129)	-	-	-	(4,129)
Exchange differences	(8,128)	(2,608)	(6,320)	(932)	(17,988)
As at December 31, 2014	245,051	21,327	99,056	40,433	405,867
Additions	-	-	10,540	381	10,921
Exchange differences	(4,303)	(2,061)	(4,943)	(1,382)	(12,688)
As at December 31, 2015	240,748	19,266	104,653	39,432	404,099
Amortization					
As at January 1, 2014	\$52,407	\$8,234	\$36,857	\$6,687	\$104,185
Amortization	22,785	2,218	16,980	5,106	47,089
Dispositions	(856)	-	-	-	(856)
Exchange differences	(4,613)	(929)	(1,753)	(511)	(7,806)
As at December 31, 2014	69,723	9,523	52,084	11,282	142,612
Amortization	20,458	1,891	15,567	5,114	43,030
Exchange differences	(1,628)	(854)	(2,358)	(550)	(5,390)
As at December 31, 2015	88,553	10,560	65,293	15,846	180,252
Net book value					
As at December 31, 2015	\$152,195	\$8,706	\$39,360	\$23,587	\$223,847
As at December 31, 2014	175,328	11,804	46,972	29,151	263,255

Internally generated intangible assets with a net book value of \$10,600 (2014 - \$8,331) have been included within technology platforms and software as at December 31, 2015.

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14. Goodwill

	2015	2014
Balance beginning of year	\$245,543	\$264,142
Sale of operations	-	(10,129)
Impairment	(25,000)	-
Net exchange differences	(6,564)	(8,470)
Balance end of year	\$213,979	\$245,543

In 2015 the Company recognized an impairment charge of \$25,000 on the goodwill allocated to Mood International as described in note 15.

The 2014 decrease in goodwill from the sale of operations of \$10,129 relates to the Company's sale of its residential Latin America music operations in the amount of \$6,011 and its DMX Canadian commercial account business in the amount of \$4,118.

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

Goodwill acquired through business combinations and brands with indefinite lives have been allocated to four groups of CGUs for impairment testing.

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

	Mood International		Mood North America		Technomedia		BIS	
	2015	2014	2015	2014	2015	2014	2015	2014
Goodwill (a)	\$22,497	\$52,605	\$170,391	\$170,391	\$8,371	\$8,371	\$12,720	\$14,176
Brands	\$11,810	\$12,859	\$-	\$-	\$-	\$-	\$-	\$-

In addition to the annual impairment testing on goodwill and intangible assets with indefinite lives that is performed on October 1, the Company is required to evaluate, at each reporting period, if potential indicators of impairment are present that would require an assessment of whether these assets may be impaired.

The Company considers several factors when evaluating potential indicators for impairment, including the relationship between its market capitalization and its book value, the economic climate in the countries in which it operates and the impact of fluctuations in foreign exchange rates, among others. At December 31, the Company identified indicators for impairment and performed an impairment test by comparing the recoverable amount of each group of CGUs to its carrying value.

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15. Impairment testing of goodwill and intangible assets with indefinite lives (continued)

Valuation

The recoverable amounts of the groups of CGUs have been determined based on a fair value less costs to sell calculation using a discounted cash flow model based on assumptions specific to each group of CGUs.

Key assumptions used in recoverable amount calculations

The calculation of recoverable amount is most sensitive to the following assumptions:

- Discount rates
- Growth rate used to extrapolate cash flows beyond the budgeted period

Discount rates – Discount rates represent the current market assessment of the risks specific to each group of CGUs. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (“WACC”). The WACC reflects a target debt-to-equity ratio. The cost of equity is derived from the expected return on investment by the Company’s investors. The cost of equity considers the risk-free rate, market equity risk premium, size premium and risk specific to each group of CGUs’ underlying assets that have not been considered in the cash flow projections. The risk premiums assigned are evaluated annually based on publicly available market data. The cost of debt is based on the interest bearing borrowings that the Company is obliged to service. The discount rates applied to the cash flow projections range from 13% to 14%.

Growth rate – Growth rates are based on management’s best estimates considering historical and expected operating plans, strategic plans and industry outlook. The projections are prepared for each of the Company’s group of CGUs and are based on financial budgets approved by the Board of Directors. Management has estimated forecasts of growth over a five year period, ranging from 2% to 5%, and a terminal growth rate assumption of 3% beyond this period.

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15. Impairment testing of goodwill and intangible assets with indefinite lives (continued)

As a result of its testing, the Company identified an impairment in the Mood International group of CGUs, where the carrying value of the group of CGUs exceeded its calculated recoverable value. Accordingly, the Company has recognized an impairment charge of \$25,000, the recoverable amount of this CGU after the impairment charge is \$86,540.

For the remaining CGUs no impairment was identified. An increase of 50 basis points to the discount rate, a decrease of 50 basis points to the growth rates or a decrease of 50 basis points to the terminal rate, each in isolation, did not result in a significant change for the evaluation of goodwill impairment in the Mood North America, BIS or Technomedia CGUs.

16. Loans and borrowings

	Prescribed interest rate	2015	2014
Due in less than one year:			
2014 First Lien Credit Facilities (iii)	7.00%	\$2,350	\$2,350
2014 First Lien Revolving Facility	8.50%	6,000	-
10% Unsecured convertible debentures (i)	10.00%	-	48,651
		8,350	51,001
Due in more than one year:			
9.25% Senior Unsecured Notes	9.25%	350,000	350,000
Unamortized discount – financing costs		(5,409)	(6,517)
Unamortized premium – prepayment option		1,910	2,306
		346,501	345,789
MMG Notes (ii)	10.00%	50,000	-
Unamortized discount – financing costs		(10,268)	-
Unamortized premium – prepayment option		113	-
		39,845	-
2014 First Lien Credit Facilities	7.00%	228,538	230,888
Unamortized discount – 2014 interest rate floor		(2,574)	(3,338)
		225,964	227,550
		612,310	573,339
Total loans and borrowings		\$620,660	\$624,340

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16. Loans and borrowings (continued)

Loans and borrowing terms:

	MMG Notes	2014 First Lien Credit Facilities	9.25% Senior Unsecured Notes
Closing date	August 6, 2015	May 1, 2014	October 19, 2012
Maturity date	August 6, 2023	May 1, 2019	October 15, 2020
Interest rate	10%	7%	9.25%
Effective interest rate	12.52%	7.74%	9.46%

	New Debentures	Consideration Debentures	Convertible Debentures
Closing date	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%
Effective interest rate	14.25%	11.84%	10.24%
Conversion price	\$2.43	\$2.43	\$2.80

(i) Unsecured Convertible Debentures

The Unsecured Convertible Debentures were fully repaid upon their maturity on October 31, 2015, with proceeds from the issuance of the MMG Notes as further discussed below. No gain or loss was recognized on the settlement.

(ii) Private Placement of 10% Senior Unsecured Notes by Mood Media Group S.A.

On August 6, 2015 (the "Closing Date"), the Company completed a private placement of \$50,000 aggregate principal amount of 10% senior unsecured notes (the "MMG Notes") by its wholly owned subsidiary Mood Media Group S.A. ("MMG"). MMG is based in Luxembourg and holds Mood Media International's operations. The MMG Notes are guaranteed by substantially all of MMG's subsidiaries and, in addition, the Company has provided a guarantee of up to \$10,000.

Investors in the outstanding Unsecured Convertible Debentures were given the option to irrevocably tender such debentures in exchange for an equivalent amount of principal in the MMG Notes. Of the total MMG Note issuance of \$50,000, \$18,448 was tendered via outstanding Unsecured Convertible Debentures, and the balance was paid in cash of \$31,552. Upon maturity on October 31, 2015, proceeds of the issuance of the MMG Notes were used to repay the outstanding Unsecured Convertible Debentures. All parties who subscribed to the MMG Notes received 0.434 Mood Media common share purchase warrants (the "MMG Warrants") for each \$1.00 of principal value of MMG Notes acquired. A total of 21,700,000 MMG Warrants were issued with an exercise price of CAD\$0.80 and a term of 8 years from date of issue. The MMG Notes have a prepayment option that allows the Company to redeem the MMG Notes at the outstanding principal at the time plus a premium. This option is considered an embedded derivative under IFRS. On initial recognition it was ascribed a fair value of \$120. The prepayment option is measured at fair value at each reporting period and included in other financial assets (note 18).

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16. Loans and borrowings (continued)

Interest accrued on the MMG Notes as of December 31, 2015 is \$833. Financing costs associated with the issuance of the MMG Notes totaling \$11,094 were deducted from the MMG Notes and are being accreted over the life of the debt.

Backstop fee	\$1,728
Warrants issuance expense	4,696
Legal, consulting and other	4,670
Financing costs associated with the MMG Notes	\$11,094

In connection with the issuance of the MMG Notes the Company is subject to certain covenants including, but not limited to, restrictions on mergers and sales of assets, restricted payments and restrictions on debt and lien incurrence. In addition, selected consolidation information for MMG and its subsidiaries is presented below to comply with certain disclosure requirements of the MMG Notes indenture. This information has been extracted from the MMG consolidated financial statements that have been prepared in accordance with IFRS and following accounting policies consistent with the Company's accounting policies. MMG's consolidated financial statements do not include adjustments related to the Company's purchase price allocation related to the Company's acquisition of MMG or its subsidiaries.

MMG's Consolidated Statement of Financial Position

	December 31, 2015
ASSETS	
Net intercompany trade balances	\$565
Current assets	66,094
Property, plant and equipment	11,446
Goodwill and intangible assets	76,366
Other long-term assets	8,015
Total assets	162,486
LIABILITIES AND EQUITY	
Other current liabilities	53,355
Long-term debt	39,845
Intercompany long-term debt	142,187
Other long-term liabilities	3,302
Non-controlling interest	202
Equity attributable to owners of MMG (i)	(76,405)
Total liabilities and equity	\$162,486

(i) Equity attributable to owners of MMG is prepared upon a consolidation basis in accordance with IFRS and does not equate to the aggregate of the legal entities' stated share capital or equity within MMG.

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16. Loans and borrowings (continued)

MMG's Consolidated Statement of Loss

	Year ended December 31, 2015
Revenue	\$171,374
Expenses	
Cost of sales	82,726
Operating expenses	68,785
Depreciation and amortization	9,891
Other expenses	4,082
Foreign exchange loss on financing transactions	15,956
Finance costs, net	13,527
Income tax charge	943
Loss for the period	(24,536)
Segment profit (i)	\$19,863

(i) Segment profit is a non-GAAP metric internally referred to by management 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. It is calculated by reducing revenue by cost of sales and operating expenses. The non-GAAP measure does not have a standardized meaning, and therefore is unlikely to be comparable to similarly titled measures reported by other companies. MMG's segment profit is substantially the same as the collective segment profit of In-store media International and BIS operating segments excluding inter-group revenue and expenses and certain subsidiaries, individually and in the aggregate considered to be immaterial, that are not MMG subsidiaries. Except for finance costs, net, foreign exchange loss on financing transactions and inter-group management charges that are included in other expenses, there are no significant inter-group transactions that have a significant net impact on segment profit in MMG's consolidated statement of loss.

Reconciliation of segment profit to loss for the period:

	Year ended December 31, 2015
Segment Profit	\$19,863
Depreciation and amortization	9,891
Other expenses	4,082
Foreign exchange loss on financing transactions	15,956
Finance costs, net	13,527
Income tax charge	943
Loss for the period	\$(24,536)

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16. Loans and borrowings (continued)

MMG's Consolidated Statement of Cash Flows

	Year ended December 31, 2015
Net cash flows from operating activities	\$19,630
Net cash flows used in investing activities	(7,541)
Net cash flows used in financing activities	(12,133)
Net decrease in cash	(44)
Net foreign exchange loss on cash balances	(1,085)
Cash at beginning of period	10,556
Cash at end of period	\$9,427

(iii) 2011 and 2014 First Lien Credit Facilities

On May 6, 2011, the Company entered into credit facilities agreement ("2011 First Lien Credit Facilities") with Credit Suisse Securities AG ("Credit Suisse"). 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 and therefore this transaction was accounted for as an extinguishment of the 2011 First Lien Credit Facilities. The 2014 First Lien Credit Facilities have more favorable financial covenants as well as provisions that permit the Company to use net asset sales proceeds, within defined limits, to repay unsecured debt. The Company recognized a total loss on extinguishment of the 2011 First Lien Credit Facilities of \$13,512 in 2014 (note 7).

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. During 2015, repayments of \$2,350 were made on the 2014 First Lien Term Loan (2014 repayments on the 2011 and 2014 First Lien Term Loans - \$2,296).

The 2014 First Lien Credit Facilities contain an arrangement whereby LIBOR has a minimum floor of 1.00%. However, at the time of entering this credit agreement, LIBOR was 0.22%. This arrangement is considered an embedded derivative under IFRS. On initial recognition, the 2014 interest rate floor was ascribed a fair value of \$3,852 and recognized within other financial liabilities in the consolidated statements of financial position. The carrying value of the debt was reduced by the same amount, which is being accreted over the term of the debt. The 2014 interest rate floor is measured at fair value at each reporting date with the change in fair value recognized within other finance costs, net in the consolidated statement of loss (Note 7).

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 December 31, 2015, the Company had available \$7,510 under the 2014 Revolving Credit Facility and outstanding letters of credit of \$1,490. 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 December 31, 2015.

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16. Loans and borrowings (continued)

(iv) 9.25% Senior Unsecured Notes

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. The guarantee is an unsecured obligation. The Notes are due on October 15, 2020.

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 consolidated statements of financial position and at inception was valued at \$3,200. The carrying value of the Notes increased by the same amount, which is being amortized over the term of the Notes. The prepayment option is measured at fair value at each reporting date and is included in other financial assets (note 17), with the change recorded within finance costs, net (note 7).

17. Other financial assets and financial liabilities

Other financial assets

	December 31, 2015	December 31, 2014
Prepayment option – 9.25% Senior Unsecured Notes (Note 16)	\$-	\$14
Prepayment option – MMG Notes (Note 16)	3	-
Total other financial assets	\$3	\$14
Due in more than one year	\$3	\$14
Total other financial assets	\$3	\$14

Other financial liabilities

	2015	2014
Finance leases	\$3,413	\$657
2014 interest rate floor (Note 16)	1,294	2,925
Technomedia contingent consideration (i)	5,224	5,500
Total other financial liabilities	\$9,931	\$9,082
Due in less than one year	\$6,848	\$6,151
Due in more than one year	3,083	2,931
Total other financial liabilities	\$9,931	\$9,082

(i) On October 7, 2014, the Company amended the securities purchase agreement for Technomedia. The amendment revised the existing contingent consideration earn-out by stipulating that for the calendar year 2014 and each of the following three years, a cash payment equal to a percentage of the Technomedia’s earnings would be payable in the event that Technomedia achieves certain performance thresholds. The Company records this potential contingent consideration at its fair value at each reporting period by using the probability of expected outcomes. The change in fair value of the Technomedia contingent consideration earn-out is included within other expenses in the consolidated statements of loss (note 6).

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18. Financial instruments

Risk management

The Company is exposed to a variety of financial risks including market risk (including 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.

Currency risk

The functional currency of the Company is US dollars. Currency risk arises because the amount of the local currency revenue, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-US-denominated financial statements of the Company's subsidiaries may vary on consolidation into US dollars ("translation exposures").

The most significant currency exposure arises from the Euro currency. Certain of the Company's foreign subsidiaries hold intercompany loans denominated in US dollars rather than their functional currencies. For the year ended December 31, 2015, the amount recognized in foreign exchange loss on financing transactions, primarily on intercompany transactions, was a loss of \$20,356 and \$17,097 loss for the year ended December 31, 2014. A 1% movement in the EUR/USD exchange rate applied to balances outstanding at December 31, 2015 would, all else being equal, result in a change to the foreign exchange gain or loss on intercompany financing transactions of approximately \$1,400.

During the year ended December 31, 2015, the Company entered into a series of Euro and Australian Dollar ("AUD") average rate forward contracts, as well as into a Euro forward contract. These contracts were not designated as hedges for accounting purposes; they were measured at fair value at each reporting date by reference to prices provided by counterparties.

The following is a table of the Euro and AUD average rate forward contracts of the Company. The changes in fair value and settled gains are included within operating expenses. For the year ended December 31, 2015, the amount reflected in operating expenses was a credit of \$970.

Forward date	March 31, 2015		June 30, 2015		September 30, 2015		December 31, 2015	
	EUR	AUD	EUR	AUD	EUR	AUD	EUR	AUD
Reference currency								
Notional	€3,700	\$700	€4,000	\$700	€3,800	\$700	€5,200	\$700
Forward rate	1.1593	0.8002	1.1589	0.7952	1.1598	0.7892	1.1612	0.7822

The following Euro cash remittance forward contract is reflected as a change in fair value included within finance costs, net. The gain reflected for the year ended December 31, 2015 was \$395.

Forward date	April 14, 2015
Reference currency	EUR
Notional	€4,000
Forward rate	1.1585

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18. Financial instruments (continued)

Interest rate risk

The Company's interest rate risk arises on debt drawn under the 2014 First Lien Credit Facilities, which bears interest at a floating rate. The level of interest rate risk is mitigated by the fact that the 2014 First Lien Credit Facilities carry an interest rate floor which currently exceeds LIBOR.

Liquidity risk

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and through the availability of funding from the committed 2014 First Lien Credit Facilities. As at December 31, 2015, the Company had cash of \$17,326 and \$7,510 available under the First Lien Revolving Credit Facilities. Cash in some of our banks earn interest at floating rates based on daily bank deposit rates.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers on outstanding trade receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Management also monitors payment performance and the utilization of credit limits of customers. The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statements of loss in operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of loss.

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18. Financial instruments (continued)

The following table sets forth details of the aging of receivables and an allowance for doubtful accounts:

	2015	2014
Trade and other receivables, before allowance	\$98,012	\$101,818
Less:		
Allowance for doubtful accounts	(3,949)	(4,560)
Trade and other receivables, net	\$94,063	\$97,258
Analysis		
Current	\$52,752	\$57,711
Past due 1-30 days	16,069	18,197
Past due 31-60 days	6,511	6,702
Past due 61+ days	22,680	19,208
Less:		
Allowance for doubtful accounts	(3,949)	(4,560)
Trade and other receivables, net	\$94,063	\$97,258

The movement in the allowance for doubtful accounts is shown below:

	2015	2014
Allowance for doubtful accounts, beginning of year	\$4,560	\$5,165
Reduction in allowance, net	(611)	(605)
Allowance for doubtful accounts, end of year	\$3,949	\$4,560

Trade and other receivables are non-interest bearing and are generally on 30-90 day terms.

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18. Financial instruments (continued)

Financial assets and financial liabilities – classification and measurement

As at December 31, 2015	Cash and receivables	Other financial liabilities	Financial assets and liabilities at fair value through profit or loss	Total
Current financial assets				
Cash	\$17,326	\$-	\$-	\$17,326
Trade and other receivables, net	94,063	-	-	94,063
	111,389	-	-	111,389
Non-current financial assets				
Prepayment option - MMG Notes	-	-	3	3
	-	-	3	3
Current financial liabilities				
Trade and other payables	-	100,320	-	100,320
2014 First Lien Credit Facilities	-	2,350	-	2,350
2014 First Lien Revolving Credit Facility	-	6,000	-	6,000
	-	108,670	-	108,670
Non-current financial liabilities				
2014 First Lien Credit Facilities	-	225,964	-	225,964
9.25% Senior Unsecured Notes	-	346,501	-	346,501
2014 First Lien Interest rate floor	-	-	1,294	1,294
MMG Notes	-	39,845	-	39,845
	\$-	\$612,310	\$1,294	\$613,604

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18. Financial instruments (continued)

Financial assets and financial liabilities – classification and measurement

As at December 31, 2014	Cash and receivables	Other financial liabilities	Financial assets and liabilities at fair value through profit or loss	Total
Current financial assets				
Cash	\$25,573	\$-	\$-	\$25,573
Trade and other receivables, net	97,258	-	-	97,258
	122,831	-	-	122,831
Non-current financial assets				
Prepayment option	-	-	14	14
	-	-	14	14
Current financial liabilities				
Trade and other payables	-	109,631	-	109,631
2014 First Lien Credit Facilities	-	2,350	-	2,350
Convertible debentures	-	48,651	-	48,651
	-	160,632	-	160,632
Non-current financial liabilities				
2014 First Lien Credit Facilities	-	227,550	-	227,550
9.25% Senior Unsecured Notes	-	345,789	-	345,789
2014 First Lien Interest rate floor	-	-	2,925	2,925
	\$-	\$573,339	\$2,925	\$576,264

Contractual obligations

The following table outlines the Company's contractual obligations as at December 31, 2015:

Description	Total	Less than one year	Years two and three	Beyond three years
2014 First Lien Credit Facilities	\$236,888	\$8,350	\$4,700	\$223,838
2014 First Lien Credit Facilities interest	53,779	16,369	32,147	5,263
9.25% Senior Unsecured Notes	350,000	-	-	350,000
9.25% Senior Unsecured Notes interest	161,875	32,375	64,750	64,750
MMG Notes	50,000	-	-	50,000
MMG Notes interest	39,167	5,000	10,000	24,167
Operating leases	37,443	13,558	14,171	9,714
Finance leases	4,188	2,399	1,789	-
Trade and other payables	100,320	100,320	-	-
Total	\$1,033,660	\$178,371	\$127,557	\$727,732

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18. 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 December 31, 2015, with the following exceptions summarized below:

	December 31, 2015	December 31, 2014
Unsecured Convertible Debentures		
Book value	\$-	\$48,651
Fair value	\$-	\$43,004
9.25% Senior Unsecured Notes		
Book value	\$346,501	\$345,789
Fair value	\$227,500	\$290,500

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 December 31, 2015				
Description	Total	Level 1	Level 2	Level 3
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
2014 First Lien Interest rate floor	\$(1,294)	\$-	\$(1,294)	\$-
Prepayment option - MMG Notes	3	-	3	-

Fair value as at December 31, 2014				
Description	Total	Level 1	Level 2	Level 3
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
2014 First Lien Interest rate floor	\$(2,925)	\$-	\$(2,925)	\$-
Prepayment option - unsecured notes	14	-	14	-

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18. Financial instruments (continued)

During the year ended December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or 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.

19. Deferred tax liabilities

	2015	2014
Balance, at beginning of year	\$(29,624)	\$(38,735)
Tax credit recognized in consolidated statements of loss – continuing operations (note 9)	4,382	6,941
Net foreign exchange differences and other movements	1,560	2,170
Balance, at end of year	\$(23,682)	\$(29,624)

Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where management believes it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by International Accounting Standard (IAS) 12 during the year are shown below.

Details of the deferred tax asset (liability) amounts recognized in the consolidated statements of loss and comprehensive loss and amounts recognized in equity in the consolidated statements of financial position are as follows:

	Asset 2015	Liability 2015	Net 2015	Credited (charged) to profit or loss	Foreign exchange movement (charged) credited to other comprehensive income (loss)
Property and equipment	\$345	\$-	\$345	\$(113)	\$-
Operating losses carried forward	28,313	-	28,313	1,596	(801)
Goodwill	-	(23,432)	(23,432)	(2,800)	-
Identifiable intangible assets	-	(28,025)	(28,025)	5,223	2,096
Other temporary and deductible differences	2,040	(2,923)	(883)	476	265
Deferred tax assets (liabilities)	\$30,698	\$(54,380)	\$(23,682)	\$4,382	\$1,560

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19. Deferred tax asset and liabilities (continued)

	Asset 2014	Liability 2014	Net 2014	Credited (charged) to profit or loss	Foreign exchange movement (charged) credited to other comprehensive income (loss)
Property and equipment	\$458	\$-	\$458	\$187	\$-
Operating losses carried forward	17,718	-	17,718	584	(906)
Goodwill		(10,832)	(10,832)	-	-
Identifiable intangible assets	-	(35,344)	(35,344)	6,444	2,925
Other temporary and deductible differences	1,617	(3,241)	(1,624)	(274)	151
Deferred tax assets (liabilities)	\$19,793	\$(49,417)	\$(29,624)	\$6,941	\$2,170

A deferred tax asset has not been set up for the following:

	2015	2014
Deductible temporary differences	\$35,890	\$45,480
Unused tax losses	229,801	199,095
	\$265,691	\$244,575

As at December 31, 2015, there was nil recognized as deferred tax liability (2014 - nil) for taxes that would be payable on the unremitted earnings of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The unused tax losses and deductible timing differences can be carried forward for 20 years. As a result of the Company's dual residence status, there are also losses available to carry forward at December 31, 2015 in Canada of approximately \$210,000, however there may be offsetting denial of US tax benefits under the US Dual Consolidated Loss rules.

20. Share-based compensation

Equity-settled share options

The Company has a share option plan ("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 Option 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. 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. All of the vested share options must be exercised no later than five years after the grant date. With the adoption of the Company's 2014 Option plan, on May 13, 2014, 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.

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20. Share-based compensation (continued)

During the year ended December 31, 2015, the following assumptions were used: weighted average volatility of 73% (2014 - 72%) based on historic information, expected dividend yield of nil, weighted average expected life of 3.50 years (2014 - 4.49 years), weighted average interest rate of 2.79% (2014 - 3.09%) and a forfeiture rate of 2.21% (2014 - 9.47%) based on historic information. The weighted average fair value of the options granted during the year ended December 31, 2015 was \$0.32 (2014 - \$0.34) per share.

The share-based compensation expense recognized for the year ended December 31, 2015 relating to equity-settled share and option transactions for employees was \$1,000 (2014 – \$1,392).

Changes in the number of options, with their weighted average exercise price for the years ended December 31, 2015 and 2014, are summarized below:

	2015		2014	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at beginning of year	15,333,300	\$1.87	18,818,300	\$1.58
Granted during the year	60,000	0.62	4,210,000	0.58
Exercised during the year	-	-	(3,600,000)	0.21
Forfeited or expired during the year	(1,250,000)	2.52	(4,095,000)	2.71
Outstanding at end of year	14,143,300	1.22	15,333,300	1.32
Exercisable at end of year	9,129,543	\$1.55	6,904,550	\$1.87

The following information relates to share options that were outstanding as at December 31, 2015:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
\$0.00-\$0.30	100,000	2.90	\$0.21
\$0.31-\$1.50	10,518,300	5.39	0.69
\$1.51-\$2.50	525,000	4.73	1.75
\$2.51-\$3.50	3,000,000	5.40	3.01
	14,143,300	5.35	\$1.22

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20. Share-based compensation (continued)

Deferred Share Units

Effective May 7, 2015, the Company adopted a Deferred Share Unit (“DSU”) plan for directors and employees of the Corporation and its subsidiaries. The issuance of DSUs is determined by the Board of Directors of the Company. The aggregate number of DSUs that may be issued under the DSU plan together with the Option plan is limited to 10% of the total number of common shares issued and outstanding of the Company. DSUs issued specifically to non-employee directors have additional limitations. The number of DSUs that a non-employee director is entitled to receive in a fiscal year is based upon the percentage of their annual retainer that the participant has elected to receive in DSUs multiplied by the portion of their annual retainer divided by the share price.

A DSU is equal in value to one common share of the Company. The shares are issued on the basis of the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the five consecutive trading days immediately preceding the date of issue. Additional DSUs are credited to reflect dividends paid on common shares. The Company uses the Black-Scholes option pricing model with market related inputs to determine the fair value of DSUs granted. DSUs granted to employees of the Company vest and are payable at the rate of 33.3% on each of the three subsequent anniversaries of the grant date and are subject to the participant remaining employed with the Company. DSUs granted to non-employee directors vest immediately and are payable upon the participant ceasing to hold any position as a director or employee.

Non-U.S. participants are entitled to redeem their DSUs for (a) common shares, net of withholdings, (b) as a cash payment equal to the fair market value of the equivalent number of common shares, net of withholdings, or (c) a percentage of each. For DSUs granted to Non-U.S. participants that are non-employee directors, a liability and an operating expense are recorded in the year DSUs are granted at fair market value and changes in the fair market value of outstanding DSUs at each reporting date are recorded as an operating expense in the period that they occur. DSUs granted to Non-U.S. participants that are employees of the Company are expensed using the straight-line method for each individual tranche over the vesting period to operating expense. The offsetting entry to operating expense is an increase to liabilities in trade and other payables within the consolidated statement of financial position. The liability is measured initially, and subsequently fair valued at each reporting date through operating expenses until the liability is redeemed.

U.S. participants are only entitled to receive their DSUs in the form of a cash payment equal to the fair market value of the equivalent number of common shares, net of withholdings, however, the Company may elect to make all or any portion of such payment in the form of common shares. DSUs granted at fair market value to U.S. participants that are non-employee directors are expensed immediately to share-based compensation expense with the offset to contributed surplus. DSUs granted at fair market value to US participants that are employees of the Company are expensed using the straight-line method for each individual tranche over the vesting period to share-based compensation expense. The offsetting entry to share-based compensation expense is an increase to contributed surplus. Any changes to fair market value at the time of redemption are also recorded as share-based compensation.

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20. Share-based compensation (continued)

The operating expense recognized for the year ended December 31, 2015 relating to DSU transactions, was \$18 (2014 - nil). The share-based compensation expense recognized for the year ended December 31, 2015 relating to DSU transactions was \$264 (2014 - nil).

A summary of DSU transactions during the year are as follows:

	December 31, 2015
	Number
Granted during the year	3,586,310
Cancelled during the year	(44,026)
Outstanding at end of year	3,542,284
Vested at end of year	210,693

As at December 31, 2015, the 3,542,284 units outstanding consisted of 3,018,310 equity awards and 523,974 liability awards valued at \$55 (2014 - no units were outstanding).

Warrants

The following warrants were outstanding as at December 31, 2015:

	Number	Exercise price	Expiry date
Muzak acquisition warrants	4,407,543	US \$3.50	May 2016
MMG Warrants	21,700,000	CAD \$0.80	August 2023

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.

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21. Shareholders' equity

Share capital

Share capital represents the number of common shares outstanding.

As at December 31, 2015, 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, 2014	171,639,563	\$323,318
Common shares issued, net of issuance costs	4,527,556	2,820
Options exercised	3,600,000	818
Balance as at December 31, 2014	179,767,119	326,956
Common shares issued, net of issue costs	3,926,963	1,851
Balance as at December 31, 2015	183,694,082	\$328,807

During the three months ended March 31, 2015, the Company entered into Minutes of Settlement with PFH Investments Limited ("PFH"). The Minutes resolved PFH's 2008 complaint against the Company and certain former officers of the Company. In accordance with the terms of the settlement, the Company issued 2,300,000 common shares of the Company.

In connection with the issuance of the MMG Notes, the Company entered into a backstop agreement with certain MMG Notes subscribers (the "Backstop Parties"). The Backstop Parties were entitled to receive from MMG a payment equal to 4% of the Maximum Backstop Amount of \$50,000, payable to each Backstop Party in proportion to the total number of unsubscribed MMG Notes purchased by the Backstop Party. The Backstop Parties elected payment of the backstop fee of 50% in cash, with the remaining amount paid in shares. On August 6, 2015, the Company issued 1,626,963 common shares to the Backstop Parties in satisfaction of the backstop fee.

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.

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22. Commitments and contingencies

Operating leases

Future minimum rental payments under non-cancellable operating leases as at December 31 are as follows:

	2015	2014
Within one year	\$13,558	\$14,661
After one year but not more than five years	19,987	26,955
More than five years	3,897	3,128
	\$37,442	\$44,744

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:

	2015		2014	
	Minimum payments	Present value	Minimum payments	Present value
Within one year	\$2,399	\$2,294	\$755	\$722
After one year but not more than five years	1,790	856	6	3
Total minimum lease payments	4,189	3,150	761	725
Less amounts representing finance charges	(776)	(776)	(104)	(104)
Present value of minimum lease payments	\$3,413	\$2,374	\$657	\$621

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 the claims to be without merit and will consult with its legal counsel to vigorously defend its position. The aggregate provision for various claims at December 31, 2015 was immaterial.

On April 2, 2015, SoundExchange filed suit against Muzak LLC in the United States District Court for the District of Columbia alleging that Muzak underpaid royalties for its consumer residential music channels for satellite and cable television subscribers. Mood Media believes that SoundExchange's position is without merit, and Mood Media will continue to vigorously defend itself in this matter.

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23. Management of capital

The Company's objective in managing its capital structure is to ensure a sufficient liquidity position to finance its strategic growth plans, operating expenses, financial obligations as they become due, working capital and capital expenditures. The Company's capital comprises equity, MMG Notes, 2014 First Lien Credit Facilities and 9.25% Senior Unsecured Notes. On October 31, 2015 the unsecured convertible debentures matured and were extinguished (note 16). Total managed capital was as follows:

	2015	2014
Equity	\$(123,735)	\$(56,025)
Convertible debentures	-	50,266
MMG Notes	50,000	-
2014 First Lien Credit Facilities	236,888	233,238
9.25% Senior Unsecured Notes	350,000	350,000
Total Debt (contractual amounts due)	636,888	633,504
Total Capital	\$513,153	\$577,479

The Company manages its capital structure and makes adjustments to it in accordance with its stated objectives with consideration given to changes in economic conditions and the risk characteristics of the underlying assets. Since inception, the Company has issued common shares, convertible debentures and promissory notes to finance its activities. The Company has historically not paid dividends to its shareholders and instead retains cash for future growth and acquisitions.

24. Related party disclosures

Compensation of key management personnel

	2015	2014
Salaries and bonuses	\$4,313	\$3,195
Relocation and termination benefits	125	340
Share-based compensation	820	857
	\$5,258	\$4,392

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period relating to those considered to be key management personnel. Key management personnel are those having authority and responsibility at any time during the year for planning, directing and controlling the activities of the Company, including senior management and members of the Board. The total number of key management personnel was 15 during 2015 (2014 - 17), with the decrease in 2015 relating to the timing of the change in key management personnel, specifically the changes to the composition of the Board.

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24. Related party disclosures (continued)

Terms and conditions of transactions with related parties

Certain non-key members of management are also owners of a limited liability company that sells products to the Company that meet competitive pricing and specification requirements. The purchases from this related party are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for this related party payable. For the year ended December 31, 2015, the total expense and accrual at year end relating to amounts owed to related parties was \$472 (2014, nil).

25. Segment information

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

The Company's chief operating decision maker monitors the operating results 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, Canada and Latin America.

In-store media - International

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

BIS

BIS is the Company's large-scale audio-visual design and integration subsidiary that focuses on corporate and commercial applications. BIS's operations are based in Europe.

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25. Segment information (continued)

Other

The Company's other reportable segment includes its corporate activities and Technomedia, which do not fit in the three reportable segments described above. Technomedia provides audio-visual technology and design for large-scale commercial applications. Technomedia is based in the United States.

Segment information 2015

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
Revenue	\$256,858	113,589	57,468	47,201	475,116
Expenses					
Cost of sales	112,994	47,327	35,504	34,121	229,946
Operating expenses	65,523	50,095	18,285	12,880	146,783
Segment profit (loss) (i)	\$78,341	\$16,167	\$3,679	\$200	\$98,387

Segment information 2014

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
Revenue	\$266,792	\$124,733	\$62,422	\$40,113	\$494,060
Expenses					
Cost of sales	117,117	44,482	36,469	29,820	227,888
Operating expenses	67,514	61,133	22,552	12,376	163,575
Segment profit (loss) (i)	\$82,161	\$19,118	\$3,401	\$(2,083)	\$102,597

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25. Segment information (continued)

Reconciliation of segment profit to Consolidated Group loss for the year before taxes

	2015	2014
Segment profit (i)	\$98,387	\$102,597
Depreciation and amortization	66,648	72,263
Impairment of goodwill	25,000	-
Share-based compensation	1,264	1,392
Other expenses	10,305	28,229
Foreign exchange loss on financing transactions	20,356	17,097
Finance costs, net	57,216	70,057
Loss for the year before income taxes	\$(82,402)	\$(86,441)

(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.

Geographical areas

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

	2015	2014
US	\$295,327	\$297,896
Canada	676	3,283
Netherlands	50,988	56,406
Other international	128,125	136,475
Total revenue	\$475,116	\$494,060

Non-current assets

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

	2015	2014
US	\$376,916	\$403,219
International	118,519	161,205
Total non-current assets	\$495,435	\$564,424