Consolidated Financial Statements

Mood Media Corporation

For the year ended December 31, 2017

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, 2017 and 2016, and the consolidated statements of income (loss) and comprehensive income (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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
March 8, 2018

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

Mood Media Corporation

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2017 and December 31, 2016

In thousands of US dollars unless otherwise stated

	Notes	2017	2016
ASSETS			
Current assets			
Cash	18, 23	$8,920	$16,978
Restricted cash		3,174	817
Trade and other receivables, net	18	80,542	84,781
Income taxes recoverable		730	127
Inventory	11	18,273	22,040
Prepayments and other assets		14,343	13,253
Deferred costs		8,023	8,949
Total current assets		**134,005**	**146,945**
Non-current assets			
Deferred costs		7,490	7,898
Property and equipment, net	12	37,615	42,096
Other assets		801	596
Intangible assets	13	158,803	187,287
Goodwill	14	204,213	208,851
Total assets		**542,927**	**593,673**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	18	85,880	96,340
Income taxes payable		554	887
Deferred revenue		12,856	16,928
Other financial liabilities	17	4,246	4,729
Current portion of long-term debt	16, 18	15,777	8,350
Total current liabilities		**119,313**	**127,234**
Non-current liabilities			
Deferred revenue		5,386	5,890
Deferred tax liabilities	19	16,695	22,784
Other payables and financial liabilities	17	1,243	1,915
Long-term debt	16	443,395	610,982
Total liabilities		**586,032**	**768,805**
Equity			
Share capital	21	129,136	328,807
Contributed surplus		345,521	40,811
Foreign exchange translation reserve		2,618	12,383
Deficit		(520,661)	(557,426)
Equity attributable to owners of the parent	23	**(43,386)**	**(175,425)**
Non-controlling interests		281	293
Total equity		**(43,105)**	**(175,132)**
Total liabilities and equity		**$542,927**	**$593,673**
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

Salim Hirji
Director

Mood Media Corporation

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2017 and December 31, 2016

In thousands of US dollars, except per share information and weighted average number of shares

	Notes		2017		2016
Continuing Operations					
Revenue	5		**$397,065**		**$407,033**
Expenses					
Cost of sales			183,354		187,088
Operating expenses			128,656		130,655
Depreciation and amortization			57,088		61,568
Impairment of goodwill	14, 15		-		3,575
Share-based compensation			743		478
Other expenses	6		14,046		12,249
Foreign exchange (gain) loss on financing transactions	18		(23,498)		10,975
Finance costs, net	7		2,938		57,757
Income (loss) for the year before income taxes			**33,738**		**(57,312)**
Income tax (recovery) charge	9		(4,636)		1,774
Income (loss) for the year from continuing operations			**38,374**		**(59,086)**
Discontinued Operations					
(Loss) income after taxes from discontinued operations	8		(1,510)		1,405
Income (loss) for the year			**36,864**		**(57,681)**
Income (loss) attributable to:					
Owners of the parent			36,765		(57,786)
Non-controlling interests			99		105
			$36,864		**$(57,681)**
Earnings (loss) per share attributable to shareholders ("EPS")		**Basic**	**Diluted**	**Basic**	**Diluted**
EPS	10	$0.24	$0.23	$(0.31)	$(0.31)
EPS from continuing operations	10	0.25	0.24	(0.32)	(0.32)
EPS from discontinued operations	10	(0.01)	(0.01)	0.01	0.01
Weighted average number of shares outstanding	10	156,423	158,715	184,535	184,535
Income (loss) for the year			**$36,864**		**$(57,681)**
Items that may be reclassified subsequently to the (loss) income for the year:					
Exchange (loss) gain on translation of foreign operations			(13,479)		5,618
Amounts recognized through the consolidated statements of income (loss)			3,714		-
Other comprehensive (loss) income for the year, net of tax			**(9,765)**		**5,618**
Total comprehensive income (loss) for the year, net of tax			**27,099**		**(52,063)**
Comprehensive income (loss) attributable to:					
Owners of the parent			27,000		(52,168)
Non-controlling interests			99		105
			$27,099		**$(52,063)**

The accompanying notes form part of the consolidated financial statements

Mood Media Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and December 31, 2016

In thousands of US dollars unless otherwise stated

	Notes	2017	2016
Operating activities			
Income (loss) for the year before income taxes – continuing operations		**$33,738**	**$(57,312)**
(Loss) income for the year before income taxes – discontinued operations	8	(1,545)	1,689
		32,193	**(55,623)**
Reconciling adjustments			
Depreciation and amortization		57,957	63,585
Impairment of goodwill	14, 15	-	3,575
Loss (gain) on disposal of property and equipment		48	(2)
Share-based compensation		743	478
Foreign exchange (gain) loss on financing transactions		(23,502)	10,975
Finance costs, net		2,938	57,774
Loss on disposal of asset sales and discontinued operations	6, 8	1,836	3,708
Working capital adjustments			
(Increase) decrease in trade and other receivables		(7,100)	8,455
(Increase) decrease in inventory		(1,882)	2,033
Increase (decrease) in trade and other payables		5,218	(6,692)
(Decrease) increase in deferred revenue		(1,298)	611
		67,151	**88,877**
Income taxes paid		(2,384)	(1,800)
Interest received		67	27
Net cash flows from operating activities		**64,834**	**87,104**
Investing activities			
Purchase of property, equipment and intangible assets		(26,808)	(27,580)
Proceeds from disposal of asset sales and discontinued operations, net		19,047	741
Proceeds from disposal of property, equipment and other assets		26	189
Net cash flows used in investing activities		**(7,735)**	**(26,650)**
Financing activities			
Repayment of borrowings	16	(288,927)	(2,350)
Proceeds from credit facilities		299,574	-
Share Acquisitions		(19,758)	-
DSU redemptions		(855)	-
Financing costs paid		-	(2,033)
Finance lease payments		(1,095)	(1,080)
Interest paid		(55,033)	(55,241)
Dividends from associates and non-controlling interests, net		58	244
Cost of settlement of credit facilities		(40,432)	-
Proceeds from new equity issuance		40,000	-
Settlement of forward contracts, net		(66)	(12)
Net cash flows used in financing activities		**(66,534)**	**(60,472)**
Net decrease in cash		**(9,435)**	**(18)**
Net foreign exchange gain (loss) on cash balances		**1,377**	**(330)**
Cash at beginning of year		**16,978**	**17,326**
Cash at end of year		**$8,920**	**$16,978**

The accompanying notes form part of the consolidated financial statements

Mood Media Corporation
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and December 31, 2016

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, 2017		**$328,807**	**$40,811**	**$12,383**	**$(557,426)**	**$(175,425)**	**293**	**$(175,132)**
Income for the year		-	-	-	36,765	**36,765**	99	**36,864**
Loss on translation of foreign operations		-	-	(13,479)	-	**(13,479)**	-	**(13,479)**
Discontinued operations		-	-	3,714	-	**3,714**	-	**3,714**
Total comprehensive (loss) income		**-**	**-**	**(9,765)**	**36,765**	**27,000**	**99**	**27,099**
Share-based compensation		-	743	-	-	**743**	-	**743**
Dividends to non-controlling interests		-	-	-	-	**-**	(111)	**(111)**
Issuance of new common shares	21	129,136	(514)	-	-	**128,622**	-	**128,622**
Reclassification to contributed surplus	21	(304,936)	304,936	-	-	**-**	-	**-**
Share Acquisitions	21	(23,871)	-	-	-	**(23,871)**	-	**(23,871)**
DSU redemption		-	(455)	-	-	**(455)**	-	**(455)**
As at December 31, 2017		**$129,136**	**$345,521**	**$2,618**	**$(520,661)**	**$(43,386)**	**$281**	**$(43,105)**

	Notes	Share Capital	Contributed Surplus	Foreign Exchange Translation Reserve	Deficit	Total	Non-controlling Interests	Total Equity
As at January 1, 2016		**$328,807**	**$40,333**	**$6,765**	**$(499,640)**	**$(123,735)**	**$249**	**$(123,486)**
(Loss) income for the year		-	-	-	(57,786)	**(57,786)**	105	**(57,681)**
Gain on translation of foreign operations		-	-	5,618	-	**5,618**	-	**5,618**
Total comprehensive income (loss)		**-**	**-**	**5,618**	**(57,786)**	**(52,168)**	**105**	**(52,063)**
Share-based compensation		-	478	-	-	**478**	-	**478**
Dividends to non-controlling interests		-	-	-	-	**-**	(62)	**(62)**
Contributed share capital		-	-	-	-	**-**	1	**1**
As at December 31, 2016		**$328,807**	**$40,811**	**$12,383**	**$(557,426)**	**$(175,425)**	**$293**	**$(175,132)**

The accompanying notes form part of the consolidated financial statements

In thousands of US dollars unless otherwise stated

1. Corporate information

Mood Media Corporation ("Mood Media" or the "Company") is a diversified in-store media company with operations around the globe. The Company previously was a publicly traded company on the Toronto Stock Exchange, domiciled and incorporated in Canada. As of June 28, 2017, the Company became a privately held company incorporated in the State of Delaware. Mood Media is majority owned by funds affiliated with or controlled by Apollo Global Management, LLC and its subsidiaries ("Apollo") (NYSE: APO) and funds advised or sub-advised by GSO / Blackstone Debt Funds Management, LLC or its affiliates ("GSO"). The Company's principal place of business is located at 2100 South IH 35 Frontage Road, Suite 200, Austin, Texas 78704, and its registered office is located at 3411 Silverside Road, Tatnall Building #104, Wilmington, Delaware, 19810, in care of registered agent Corporate Creations Network, Inc.

The Company provides in-store audio, visual, mobile, voice, drive thru, commercial TV, social and scent marketing solutions to a range of businesses globally, including food retail, retail, hospitality, grocery, financial services, auto, and telecom. 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 9, 2017.

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.

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 December 31 as the date when it performs its annual impairment analysis. In 2016, the Company decided to change its annual impairment analysis date from October 1 to December 31 to better align the annual impairment test date with the Company's annual budgeting process. As such, the Company performed its impairment analysis on October 1 and December 31 for the change in policy.

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 testing for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset, CGU or group of CGUs to the carrying amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash flows 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 flows and the growth rate used for extrapolation purposes. Changes in certain assumptions could result in an impairment loss being charged in future periods. 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.

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 the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups, exceeds the CGU's recoverable amount, 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 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.

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

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 expected useful life, 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.

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.

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

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 as described in note 17.

Inventory obsolescence

The Company's obsolescence provision is determined at each reporting period and the changes recorded in the consolidated statements of income (loss) and comprehensive income (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 income and net assets that are not held by the Company and are presented separately in the consolidated statements of income (loss) and comprehensive income (loss) and within equity in the consolidated statements of financial position.

4. Summary of significant accounting policies (continued)

These consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities that 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; 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.

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. 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 income (loss) and comprehensive income (loss).

Assets and liabilities of subsidiaries with functional currencies other than the US dollar 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. Finished goods and components are valued at weighted average cost. 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.

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 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 income (loss) and comprehensive income (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 to which goodwill is allocated is not larger than the level at which management monitors goodwill or the Company's operating segments.

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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (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.

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 income (loss) and comprehensive income (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 income (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 income (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 income (loss)

The Company classifies certain financial assets and financial liabilities as either held for trading or designated at fair value through income (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 income (loss) are carried at fair value. Related realized and unrealized gains and losses are included in the consolidated statements of income (loss) and comprehensive income (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.

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 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 income (loss) (within the consolidated statements of income (loss) and comprehensive income (loss)) unless cash flow hedge accounting is used, in which case changes in fair value are recorded in the consolidated statements of comprehensive income (loss) (within the consolidated statements of income (loss) and comprehensive income (loss)).

4. Summary of significant accounting policies (continued)

Revenue recognition

Revenue is derived from recurring revenue, equipment revenue, installation and services revenue and from other revenue. Recurring revenue primarily relates to the provision of music and visual content, messaging and rental of proprietary equipment. Equipment revenue includes the sale of proprietary and non-proprietary equipment. Installation and services revenue includes maintenance and installation services. Other revenue consists mainly of royalty income earned from the music libraries that are owned by the Company and advertising and related creative services.

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 income is recognized on an accrual basis when collection is reasonably assured.

Revenue for long-term media solution projects is recognized using the percentage-of-completion method. Percentage of completion is normally measured by reference to costs incurred to date as a percentage of total estimated cost for each contract. Periodically, amounts are received from customers in advance of the associated contract work being performed. These amounts are recorded on the consolidated statements of financial position as deferred revenue. Any foreseeable losses on such projects are recognized immediately in income (loss) as identified.

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.

4. Summary of significant accounting policies (continued)

Share-based compensation (continued)

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.

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 where 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, and 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 income (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 income (loss) attributable to common shareholders of the Company 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 (such as 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 flows (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.

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 flows 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 tested at the CGU or a group of CGUs level 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.

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) and comprehensive 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.

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.

In thousands of US dollars unless otherwise stated

4. Summary of significant accounting policies (continued)

Taxation (continued)

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 income (loss) nor taxable income (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 carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against, which the deductible temporary differences and the carryforward 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 income (loss) nor taxable income (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 income 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 income 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 income 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 income (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.

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 income (loss).

4. Summary of significant accounting policies (continued)

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 2, *Share-based Payment* ("IFRS 2")

In June 2016, the IASB issued final amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled. The effective date for this standard is for reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company has completed the review process to assess the impact and application of the aforementioned amendments and has determined it will have no impact on the Company.

IFRS 9, *Financial Instruments: Classification and Measurement* ("IFRS 9")

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, *Financial Instruments: Recognition and Measurement* ("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.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

IFRS 9 also introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis.

4. Summary of significant accounting policies (continued)

IFRS 9, *Financial Instruments: Classification and Measurement* ("IFRS 9") (continued)

The Company has determined that transition disclosures are necessary for:

- The original measurement category and carrying amount determined in accordance with IAS 39.
- The new measurement category and carrying amount determined in accordance with IFRS 9.
- The amount of any financial assets and financial liabilities that were previously designated as fair value through income (loss), but are no longer designated as such.

Due to the nature of the Company's financial instruments, the IFRS 9 impairment requirements do not result in a material change to required allowances for retrospective application.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

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 concerning revenue recognition.

IFRS 15 will be effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Company will not be early adopting IFRS 15. The Company has elected to adopt IFRS 15 using the modified retrospective approach. Under this approach, the Company will recognize transitional adjustments in retained earnings on the date of initial application. The Company is in the process of determining the impact on the consolidated financial statements, if any.

IFRS 16, *Leases* ("IFRS 16")

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. Lessor accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principles.

In thousands of US dollars unless otherwise stated

4. Summary of significant accounting policies (continued)

IFRS 16, *Leases* (“IFRS 16”) (continued)

The new standard will be effective for annual reporting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The Company has not yet determined the impact on its current lease recognition policies.

5. Revenue

The composition of revenue is as follows:

	2017	2016
Recurring	$236,379	$243,339
Equipment	90,650	89,894
Installation and services	46,378	45,389
Other	23,658	28,411
	$397,065	**$407,033**

6. Other expenses

	2017	2016
Transaction costs (i)	$472	$70
Integration costs (ii)	12,559	5,314
Settlements and resolutions (iii)	1,015	3,157
Net loss on disposal of certain assets (iv)	-	3,708
	$14,046	**$12,249**

(i) Transaction costs incurred during 2017 and 2016 primarily relate to costs associated with prior acquisitions.

	2017	2016
Legal, professional, and consultant fees	$19	$164
Technomedia contingent consideration and related expenses (a)	453	(94)
	$472	**$70**

(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.

In thousands of US dollars unless otherwise stated

6. Other expenses (continued)

(ii) Integration costs consist of severance costs, information technology integration, relocation expenses, real estate consolidation, and other integration and transition activities. These integration activities are a result of integrating various businesses and acquisitions.

	2017	2016
Severance costs	$2,806	$2,349
Arrangement remuneration (b)	6,371	-
Other integration costs	3,382	2,965
	$12,559	**$5,314**

(b) On June 28, 2017, the Company completed the terms of an arrangement agreement as further described in note 16 to affect a comprehensive transaction pursuant to which substantially all of the Company's outstanding debt was refinanced or redeemed and all of the Company's outstanding shares at the time were acquired and cancelled. The Company recorded a charge in integration costs for change in control, accrued retention and other related bonuses in connection with this arrangement totaling $6,371 in 2017.

(iii) The 2017 settlements and resolutions comprise of costs and related expenses for various settlements and resolutions related to Mood Media and its subsidiaries. No individual amount is considered significant to the consolidated financial statements. In the comparative 2016 period, settlements and resolution costs relate primarily to a $2,966 charge the Company recorded, which represents management's best estimate for settlements of dissension with various counterparties over certain operational business and contractual interpretations.

(iv) On March 30, 2016, the Company completed the sale of assets related to its speaker business. The $3,708 loss recognized included goodwill and intangible assets attributed to the assets sold totaling $210 and $1,659, respectively. The Company agreed to an inventory purchase commitment totaling €2,700 over a period of three years with a minimum purchase of €800 during each year, consistent with past purchase volumes and future expected inventory requirements.

7. Finance costs, net

	2017	2016
Interest expense	$54,251	$55,239
Change in fair value of financial instruments (i)	254	(929)
Gain on Arrangement agreement (ii)	(55,728)	-
Other finance costs, net (iii)	4,161	3,447
	$2,938	**$57,757**

In thousands of US dollars unless otherwise stated

7. Finance costs, net (continued)

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

	2017	**2016**
Interest rate floor under 2014 First Lien Credit Facilities (a)	$96	$(948)
USD forward contracts (b)	321	16
CAD forward contract (c)	(258)	-
HPS Warrants (d)	95	-
Prepayment option on MMG Notes (e)	-	3
	$254	**$(929)**

(a) The 2014 First Lien credit agreement included an interest rate floor that was considered to be an embedded derivative, which was refinanced as part of the Arrangement discussed in note 16.

(b) In 2016, the Company entered into a series of Euro to USD forward contracts as further described in note 18.

(c) During the three months ended June 30, 2017, the Company entered into a USD to CAD forward contract as further described in note 18.

(d) In 2017, the Company issued HPS Warrants in association with the HPS Term Loan Credit Facility for the purchase of new common shares of the Company to HPS per note 16.

(e) The MMG Notes included a prepayment option that was treated as an embedded derivative financial instrument under IFRS. In 2017, the proceeds from the Arrangement were used to redeem the MMG Notes as further described in note 16.

The above financial instruments are fair valued at each reporting date with the change in fair value recognized within finance costs, net in the consolidated statements of income (loss) and comprehensive income (loss).

(ii) The gain on Arrangement agreement reflects the aggregate effect of the comprehensive transaction pursuant to which substantially all of the Company’s outstanding debt was refinanced or redeemed and all of the Company’s outstanding shares at the time were acquired and cancelled as further described in note 16.

7. Finance costs, net (continued)

Gain on Arrangement agreement per note 16 consists of:

	2017
Accelerated deferred financing costs	$15,465
Accelerated debt premiums from prepayment options	(1,413)
2014 interest rate floor non-cash discount	1,436
Gain on extinguishment of 9.25% Senior Unsecured Notes	(104,019)
2014 interest rate floor extinguishment	(442)
Backstop fee (note 16)	13,528
Early extinguishment fee (a)	1,500
Transaction costs (b)	18,217
	$(55,728)

(a) The early extinguishment fee was paid to the MMG Note holders per the MMG Notes indenture agreement in order to redeem the notes prior to maturity.

(b) Transaction costs incurred for the Arrangement agreement include legal fees, tax fees, due diligence fees and professional and consulting fees.

The gain on the Arrangement agreement per debt and equity components per note 16 is as follows:

	2014 First Lien Credit Facilities	**9.25% Senior Unsecured Notes**	**MMG Notes**	**Total**
Accelerated deferred financing costs	$1,556	$3,737	$10,172	$15,465
Accelerated debt premiums from prepayment options	-	(1,316)	(97)	(1,413)
2014 interest rate floor non-cash discount	1,436	-	-	1,436
Gain on extinguishment of 9.25% Senior Unsecured Notes	-	(104,019)	-	(104,019)
2014 interest rate floor extinguishment	(442)	-	-	(442)
Backstop fee (note 16)	-	13,528	-	13,528
Early extinguishment fee	-	-	1,500	1,500
Transaction costs	5,615	12,074	528	18,217
	$8,165	**$(75,996)**	**$12,103**	**$(55,728)**

In thousands of US dollars unless otherwise stated

7. Finance costs, net (continued)

(iii) Other finance costs, net consist of:

	2017	2016
Accretion of 9.25% Senior Unsecured Notes	$559	$1,113
Accretion of MMG Notes	641	1,225
Accretion of the 2014 First Lien Credit Facilities	787	828
Accretion of the HPS First Lien Credit Facilities	2,002	-
Amortization of the debt premium arising from prepayment options	(204)	(411)
Amortization of the debt discount arising from warrants	110	-
Other	266	692
	$4,161	**$3,447**

8. Discontinued operations

On June 1, 2017, the Company sold Audio Visual Solutions Holding B.V., Aplusk B.V., BIS Bedrijfs Informatie Systemen B.V., and BIS Business Information Systems N.V. (collectively, “BIS”) to Econocom Financial Services International B.V. for €19,950 following a strategic decision to focus on the Company’s core businesses. The sale constitutes the entire BIS reporting segment, which was not previously classified as held-for-sale or as a discontinued operation. BIS is no longer disclosed as a separate reportable segment in note 25. Proceeds of €1,000 were deposited in an escrow account with 50% to be distributed to the Company on the second anniversary from the date of sale and the remainder to be distributed to the Company on the fourth anniversary from the date of sale, net of any valid permitted claims submitted by the purchaser. The $1,836 loss recognized on the sale included goodwill and intangible assets attributed to the assets sold totaling $8,474 and $5,019, respectively.

The results of BIS are as follows:

	2017	2016
Revenue	$23,004	$58,241
Expenses	21,843	54,338
Operating income	**1,161**	**3,903**
Non-operating loss	870	2,214
Loss on sale	1,836	-
(Loss) income before taxes from discontinued operations	**(1,545)**	**1,689**
Income tax (recovery) charge	(35)	284
(Loss) income after taxes from discontinued operations	**$(1,510)**	**$1,405**

The net cash flows generated (incurred) by BIS are as follows:

	2017	2016
Operating activities	$(1,866)	$1,242
Investing activities	18,605	(550)
Net cash generated	**$16,739**	**$692**

In thousands of US dollars unless otherwise stated

9. Income taxes

	2017	2016
Current tax charge		
Current taxes on income for the year	$1,223	$2,293
Total current tax charge	**$1,223**	**$2,293**
Deferred tax recovery		
Origination and reversal of temporary differences	$(5,859)	$(519)
Total deferred tax recovery (note 19)	**$(5,859)**	**$(519)**
Total income tax (recovery) charge	**$(4,636)**	**$1,774**

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

	2017	2016
Income/(loss) for the year before taxes	**$33,738**	**$(57,312)**
Expected tax charge: based on the standard United States domestic corporation tax rate of 40% (2016 - 40%)	13,497	(22,926)
Expenses not deductible for tax purposes net of non-taxable income	2,037	2,408
Change in estimate for over provision in previous years	(324)	(132)
Different tax rates applied in overseas jurisdictions	1,255	3,891
Movement in unprovided deferred taxes on current year losses	(14,537)	17,103
Effect of reduction in US tax rate on prior year's losses	(6,564)	-
Disallowable goodwill impairment	-	1,430
Total income tax (recovery) charge	**$(4,636)**	**$1,774**

The Company was resident in Canada for purposes of the Income Tax Act (Canada) in 2016 and 2017. With the Arrangement discussed in note 16, the Company re-domesticated to the United States. The Company believes that the status of the Company, as being taxable both in Canada and the United States up until the consummation of the Arrangement, has not given rise to any material adverse consequences as of the date hereof, and is not likely to give rise to any material adverse consequences.

In thousands of US dollars, except per share information and weighted average number of shares

10. Loss per share

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

	2017		2016	
	Basic	**Diluted**	**Basic**	**Diluted**
EPS	$0.24	$0.23	$(0.31)	$(0.31)
EPS from continuing operations	0.25	0.24	(0.32)	(0.32)
EPS from discontinued operations	(0.01)	(0.01)	0.01	0.01
Weighted average number of shares outstanding	156,423	158,715	184,535	184,535

11. Inventory

	2017	2016
Finished goods	$16,990	$20,054
Components	1,283	1,986
	$18,273	**$22,040**

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

In thousands of US dollars unless otherwise stated

12. Property and equipment

	Furniture, fittings and leasehold improvements	Rental equipment	Computer and other equipment	Vehicles	Total
Cost					
As at January 1, 2016	**$5,671**	**$102,480**	**$38,833**	**$6,005**	**$152,989**
Additions	353	17,076	1,978	146	19,553
Disposals	(50)	(2,549)	(3,787)	(201)	(6,587)
Exchange differences	(285)	(2,067)	(284)	(79)	(2,715)
As at December 31, 2016	**5,689**	**114,940**	**36,740**	**5,871**	**163,240**
Additions	676	17,009	1,014	105	18,804
Disposals	(111)	(1,589)	(226)	(172)	(2,098)
Discontinued operations	(3,054)	(1,312)	(3,278)	(429)	(8,073)
Exchange differences	750	2,619	945	(34)	4,280
As at December 31, 2017	**3,950**	**131,667**	**35,195**	**5,341**	**176,153**
Depreciation					
As at January 1, 2016	**1,592**	**71,386**	**30,602**	**1,597**	**105,177**
Depreciation	1,102	18,825	2,755	1,616	24,298
Disposals	(50)	(2,337)	(3,717)	(192)	(6,296)
Exchange differences	(178)	(1,645)	(195)	(17)	(2,035)
As at December 31, 2016	**2,466**	**86,229**	**29,445**	**3,004**	**121,144**
Depreciation	1,036	18,205	1,988	1,575	22,804
Disposals	(52)	(1,458)	(114)	(161)	(1,785)
Discontinued operations	(2,859)	(1,186)	(2,494)	(325)	(6,864)
Exchange differences	570	1,928	793	(52)	3,239
As at December 31, 2017	**1,161**	**103,718**	**29,618**	**4,041**	**138,538**
Net book value					
As at December 31, 2017	**$2,789**	**$27,949**	**$5,577**	**$1,300**	**$37,615**
As at December 31, 2016	$3,223	$28,711	$7,295	$2,867	$42,096

In thousands of US dollars unless otherwise stated

13. Intangible assets

	Customer relationships	Music library	Technology platforms and software	Brands	Total
Cost					
As at January 1, 2016	**$240,748**	**$19,266**	**$104,653**	**$39,432**	**$404,099**
Additions	-	-	7,902	125	8,027
Dispositions	-	-	(2,587)	-	(2,587)
Exchange differences	(1,901)	(630)	(2,625)	(795)	(5,951)
As at December 31, 2016	**238,847**	**18,636**	**107,343**	**38,762**	**403,588**
Additions	-	-	7,815	243	8,058
Dispositions	-	-	(20)	-	(20)
Discontinued operations	(4,658)	-	(635)	(811)	(6,104)
Exchange differences	4,417	2,401	5,817	1,521	14,156
As at December 31, 2017	**238,606**	**21,037**	**120,320**	**39,715**	**419,678**
Amortization					
As at January 1, 2016	**88,553**	**10,560**	**65,293**	**15,846**	**180,252**
Amortization	20,482	1,906	12,993	5,159	40,540
Dispositions	-	-	(928)	-	(928)
Exchange differences	(1,073)	(388)	(1,660)	(442)	(3,563)
As at December 31, 2016	**107,962**	**12,078**	**75,698**	**20,563**	**216,301**
Amortization	19,769	1,938	11,265	3,634	36,606
Discontinued operations	(810)	-	(177)	(98)	(1,085)
Exchange differences	2,609	1,493	4,025	926	9,053
As at December 31, 2017	**129,530**	**15,509**	**90,811**	**25,025**	**260,875**
Net book value					
As at December 31, 2017	**$109,076**	**$5,528**	**$29,509**	**$14,690**	**$158,803**
As at December 31, 2016	$130,885	$6,558	$31,645	$18,199	$187,287

Internally generated intangible assets with a net book value of $8,848 (2016 - $9,816) have been included within technology platforms and software as at December 31, 2017.

In thousands of US dollars unless otherwise stated

14. Goodwill

	2017	2016
Balance as at beginning of year	**$208,851**	**$213,979**
Sale of assets	(8,474)	(210)
Impairment	-	(3,575)
Net foreign exchange differences	3,836	(1,343)
Balance as at end of year	**$204,213**	**$208,851**

Pursuant to the BIS sale on June 1, 2017 discussed in note 8, goodwill decreased by the amount ascribed to the assets sold of $8,474. In 2016, goodwill decreased by $210, which was the amount attributed to the assets sold in connection with the Company's sale of assets related to its speaker business. Additionally in 2016, the Company recognized an impairment charge of $3,575 on the goodwill allocated to Technomedia.

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 three (2016 – four) groups of CGUs for impairment testing. BIS was a CGU during the year ended December 31, 2016. In June 2017, BIS was sold at which point it was classified as a discontinued operation and disclosed in note 8.

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

	Mood International		Mood North America		Technomedia		BIS	
	2017	2016	2017	2016	2017	2016	2017	2016
Goodwill	$29,026	$25,096	$170,391	$170,391	$4,796	$4,796	$-	$8,568
Brands	$12,497	$11,063	$-	$-	$-	$-	$-	$-

In addition to the compulsory annual impairment testing on goodwill and intangible assets with indefinite lives that is performed on December 31, 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. Factors considered by the Company when evaluating potential indicators for impairment include the relationship between its enterprise value implied by the Arrangement (note 16) 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.

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.

In thousands of US dollars unless otherwise stated

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

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 14% to 18%.

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 revenue growth over a five-year period, ranging up to 4%, and a terminal growth rate assumption of 3% beyond this period.

As at October 1, 2016, the Company identified that the carrying value of the Technomedia CGU exceeded its calculated recoverable value. Accordingly, the Company recognized an impairment of $3,575 generating a recoverable amount after the impairment charge of $18,275.

In thousands of US dollars unless otherwise stated

16. Loans and borrowings

	2017	2016
Due in less than one year:		
2014 First Lien Credit Facilities	$-	$2,350
2014 First Lien Revolving Credit Facility	-	6,000
HPS First Lien Credit Facilities	15,777	-
	15,777	**8,350**
Due in more than one year:		
9.25% Senior Unsecured Notes	-	350,000
Unamortized discount – financing costs	-	(4,296)
Unamortized premium – prepayment option	-	1,514
	-	**347,218**
Second Lien Senior Secured PIK Notes – principal	175,000	-
Second Lien Senior Secured PIK Notes – PIK	7,117	-
	182,117	**-**
MMG Notes	-	50,000
Unamortized discount – financing costs	-	(8,740)
Unamortized premium – prepayment option	-	95
	-	**41,355**
2014 First Lien Credit Facilities	-	226,188
Unamortized discount – 2014 interest rate floor and financing costs	-	(3,779)
	-	**222,409**
HPS First Lien Credit Facilities	279,408	-
Unamortized discount – financing costs	(17,213)	-
Unamortized discount – fair value	(917)	-
	261,278	**-**
	443,395	**610,982**
Total loans and borrowings	**$459,172**	**$619,332**

Contractual balances for loans and borrowings are as follows:	**2017**	**2016**
2014 First Lien Credit Facilities	$-	$234,538
9.25% Senior Unsecured Notes	-	350,000
MMG Notes	-	50,000
Second Lien Senior Secured PIK Notes	175,000	-
HPS First Lien Credit Facilities	295,185	-
Total contractual balances for loans and borrowings	**$470,185**	**$634,538**

Loans and borrowing terms:	**HPS First Lien Credit Facilities**	**Second Lien Senior Secured PIK Notes**
Closing date	June 28, 2017	June 28, 2017
Maturity date	June 28, 2022	July 1, 2024
Interest rate	3 month LIBOR + 7.25%	6 month LIBOR + 14%
Effective interest rate	10.24%	15.45%

16. Loans and borrowings (continued)

On June 28, 2017, the Company completed the terms of an arrangement agreement (the "Arrangement") with affiliates of several key stakeholders, including affiliates of Apollo and funds advised or sub-advised by GSO, to affect a comprehensive transaction pursuant to which all of the issued and outstanding common shares of the Company's shares were acquired for C$0.17 whole Canadian dollars in cash per share (the "Share Acquisitions") and cancelled, and substantially all of the Company's debt obligations were refinanced or redeemed.

The Arrangement resulted in the refinancing of the 9.25% Senior Unsecured Notes. This was accomplished through the issuance of $175,000 aggregate principal amount of new notes (the "Second Lien Senior Secured PIK Notes") to Company noteholders. For every $1,000 whole dollar aggregate principal amount of 9.25% Senior Unsecured Notes held, $500 whole dollar aggregate principal amount of Second Lien Senior Secured PIK Notes were exchanged with the remaining $500 whole dollar aggregate principal amount of 9.25% Senior Unsecured Notes exchanged for new common shares of the Company, in the following amounts: up to 175 new common shares if the 9.25% Senior Unsecured Note holder elected to participate in the new equity issuance described below or 150 new common shares of the Company if they did not elect to participate.

A total of $339,221 of the total $350,000 9.25% Senior Unsecured Note holders validly elected to participate and made the corresponding election through The Depository Trust Company in the new equity issuance and therefore received 175 new common shares for a total of 59,363,675 new common shares and the remaining Senior Unsecured Note holders that chose not to participate in the new equity issuance, or failed to make a valid election through The Depository Trust Company, received 150 new common shares for a total of 1,616,850 new common shares. The total amount of new common shares of the Company resulting from the exchange of the 9.25% Senior Unsecured Notes was 60,980,525 new common shares.

The Second Lien Senior Secured PIK Notes accrue interest at a rate of LIBOR + 14% (8% of which is payable-in-kind), mature on July 1, 2024, and are governed by the terms of the Second Lien Senior Secured PIK Notes Indenture. The LIBOR rate has a 1% interest rate floor. The Company assessed the interest rate floor embedded derivative and determined it was closely related to the host contract and therefore was not required to be bifurcated. The Second Lien Senior Secured PIK Notes include an optional redemption provision at specified redemption prices throughout the term of the debt. The Company assessed the prepayment option embedded derivative and determined it was closely related to the host contract and therefore was not required to be bifurcated.

Additionally, in connection with the 9.25% Senior Unsecured Notes refinancing, a new equity issuance resulted in 49,999,992 new common shares of the Company being issued in exchange for $40,000 in cash. The proceeds of the new equity issuance were used to refinance or redeem the Company's other debt obligations.

The refinancing of the 9.25% Senior Unsecured Notes was accounted for as an extinguishment with the new debt and equity being recorded at fair value. The Second Lien Senior Secured PIK Notes were recorded at their fair value of $175,000 and the new common shares at a fair value of $110,981. The difference between the principal value of the 9.25% Senior Unsecured Notes of $350,000, the fair value of the Second Lien Senior Secured PIK Notes and new common shares and plus the cash received for the new common shares of $40,000 resulted in a gain on extinguishment of $104,019. In addition, the Company incurred $12,074 in transaction costs and $13,528 related to the backstop fee (note 21) related to the extinguishment. The net amount resulted in a gain on extinguishment of $75,996, which was recorded within finance costs, net (note 7).

In thousands of US dollars unless otherwise stated

16. Loans and borrowings (continued)

Pursuant to the Arrangement, the Company obtained funding from HPS Investment Partners, LLC ("HPS"), for a new first lien credit facility (the "HPS Term Loan Credit Facility") and revolving credit facility (the "HPS Revolving Credit Facility"; collectively the "HPS First Lien Credit Facilities") in order to: (a) fund the refinancing of the 2014 First Lien Credit Facilities; (b) fund the redemption of the MMG Notes; and (c) pay costs and expenses in connection with the Arrangement. The principal amount borrowed at closing under the HPS Term Loan Credit Facility was $292,574 and the amount available to the Company under the HPS Revolving Credit Facility was $15,000. The HPS Term Loan Credit Facility is repayable at $2,194 per quarter, with the remainder payable on June 28, 2022. Interest on the HPS First Lien Credit Facilities accrues at a rate of adjusted LIBOR + 7.25% per annum. The LIBOR rate has a 1% interest rate floor. The Company assessed the interest rate floor embedded derivative and determined it was closely related to the host contract and therefore was not required to be bifurcated. The HPS Term Loan Credit Facility includes an optional redemption provision at specified redemption prices throughout the term of the debt. The Company assessed the prepayment option embedded derivative and determined it was closely related to the host contract and therefore was not required to be bifurcated.

As at December 31, 2017, the Company drew $7,000 on the HPS Revolving Credit Facility and had an additional $8,000 available under the HPS Revolving Credit Facility. The HPS First Lien Credit Facilities are subject to the maintenance of financial covenants and the Company was in compliance with its HPS First Lien Credit Facilities covenants as at December 31, 2017.

As part of the HPS Term Loan Credit Facility, the Company also issued 2,635,432 warrants ("HPS Warrants") for the purchase of new common shares of the Company to HPS. The warrants' exercise price is $1.00 whole dollar per share and expires on June 28, 2022. The HPS Warrants were ascribed a fair value of $1,030 at the time of grant 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. The Company allocated the fair value of the HPS Term Loan Credit Facility of $292,574 on a relative fair value basis using the fair value of the HPS Term Loan Credit Facility and the HPS Warrants, which resulted in an ascribed value of $1,027 to the warrants and $291,536 to the HPS Term Loan Credit Facility. The HPS Warrants are accounted for as a liability at fair value and will be subsequently fair valued with the change in fair value recognized within finance costs, net. In addition, transactions costs incurred related to the HPS First Lien Credit Facilities were netted against the debt ($19,215). The carrying value of the debt will be amortized using the effective interest rate method over the term of the HPS First Lien Credit Facility with the amortization recognized within finance costs, net (note 7).

The Company used the funds received from the HPS First Lien Credit Facilities to fund the refinancing of the 2014 First Lien Credit Facilities. Upon refinancing, the Company repaid the outstanding principal amount and accrued interest in the amount of $245,727. As a result of the refinancing, the Company wrote off the remaining deferred financing costs of $1,556, unamortized discount on the interest rate floor of $1,436, the interest rate floor liability of $442 and incurred transaction costs of $5,615. The net amount resulted in a loss on extinguishment of $8,165, which was recorded within finance costs, net (note 7).

In thousands of US dollars unless otherwise stated

16. Loans and borrowings (continued)

Proceeds from the Arrangement were also used to redeem the MMG Notes prior to maturity. In connection with the redemption of the MMG Notes, the Company accelerated the remaining deferred financing costs and prepayment option premium in the amount of $10,172 and $97, respectively. As part of the early redemption, the Company incurred $1,500 in early redemption fees and transaction costs in the amount of $528. These charges were included within finance costs, net (note 7) and net to a loss on extinguishment of the MMG Notes of $12,103.

Collectively, the Company via the Arrangement obtained the $292,574 HPS Term Loan Credit Facility with a $15,000 revolver facility and issued $175,000 Second Lien Senior Secured PIK Notes which allowed the Company to effectively refinance the 2014 First Lien Credit Facilities, redeem the MMG Notes, deferred share units, options, and shares outstanding, and refinance the 9.25% Senior Unsecured Notes with a debt and equity component thereby reducing the Company's total indebtedness and improving its consolidated statement of financial position. As a result of this comprehensive transaction, the Company recognized a gain of $55,728 as further detailed in note 7.

17. Other financial liabilities

Other financial liabilities	**2017**	**2016**
Finance leases	$1,638	$2,662
Forward contracts	-	3
2014 interest rate floor	-	346
Technomedia contingent consideration (i)	2,724	3,633
HPS Warrants (ii)	1,122	-
Total other financial liabilities	**$5,484**	**$6,644**
Due in less than one year	$4,246	$4,729
Due in more than one year	1,238	1,915
Total other financial liabilities	**$5,484**	**$6,644**

(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 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 income (loss) and comprehensive income (loss) (note 6).

(ii) As part of the HPS Term Loan Credit Facility, the Company also issued 2,635,432 HPS Warrants for the purchase of new common shares of the Company to HPS as further discussed in note 16.

In thousands of US dollars unless otherwise stated

18. Financial instruments

Risk management

The Company is exposed to a variety of financial risks including market risk (encompassing 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 parent Company is the US dollar. 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.

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, 2017, the amount recognized in foreign exchange (gain) loss on financing transactions was a gain of $23,498 (2016 loss - $10,975). A 1% movement in the EUR/USD exchange rate applied to balances outstanding as at December 31, 2017 would, all else being equal, result in a change to the foreign exchange gain or loss on intercompany financing transactions of approximately $1,800.

In June 2017, the Company entered into a 3-day USD to CAD forward contract with the notional amount equal to the CAD Share Acquisition amount used to acquire all of the Company's issued and outstanding common shares pursuant to the Arrangement as further discussed in note 16. In 2016, a subsidiary of the Company with the functional currency of British Pounds entered into a series of Euro to USD forward contracts with a notional amount equal to the USD interest payments related to the MMG Notes.

The following are tables of forward contracts entered into in 2017 and 2016. The 2017 and 2016 contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by counterparties. The changes in fair value and settled gains or losses are included within finance costs, net (note 7).

2017 currency contracts

Forward date	**June 28, 2017**
Reference currency	CAD
Notional	$19,499
Forward rate	1.3214

2016 currency contracts

Forward date	**April 25, 2016**	**October 25, 2016**	**April 25, 2017**	**October 25, 2017**
Reference currency	USD	USD	USD	USD
Notional	$2,500	$2,500	$2,500	$2,500
Forward rate	1.098	1.1033	1.0604	1.0649

In thousands of US dollars unless otherwise stated

18. Financial instruments (continued)

Interest rate risk

The majority of the Company's interest rate risk arises on amounts outstanding under the HPS First Lien Credit Facilities and the Second Lien Senior Secured PIK Notes which bear interest at floating rates. The HPS First Lien Credit Facilities and the Second Lien Senior Secured PIK Notes both carry an interest rate floor which currently is below three-month and six-month LIBOR, respectively.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial obligations. The Company's objective in managing liquidity risk is to manage its capital and 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, through the availability of funding from the committed HPS First Lien Credit Facilities and by continuously monitoring forecast and actual cash flows. As at December 31, 2017, the Company had cash of $8,920 and $8,000 available under the HPS First Lien Credit Facilities. Cash in some of the Company's banks earn interest at floating rates based on daily bank deposit rates. Further information with respect to the Company's managed capital is provided in note 23.

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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (loss).

In thousands of US dollars unless otherwise stated

18. Financial instruments (continued)

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

	2017	2016
Trade and other receivables, before allowance	$82,883	$87,699
Less:		
Allowance for doubtful accounts	(2,341)	(2,918)
Trade and other receivables, net	**$80,542**	**$84,781**
Analysis		
Current	$55,201	$53,864
Past due 1-30 days	12,512	14,226
Past due 31-60 days	5,401	4,153
Past due 61+ days	9,769	15,456
Less:		
Allowance for doubtful accounts	(2,341)	(2,918)
Trade and other receivables, net	**$80,542**	**$84,781**

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

	2017	2016
Allowance for doubtful accounts, beginning of year	$2,918	$3,949
Reduction in allowance, net	(577)	(1,031)
Allowance for doubtful accounts, end of year	**$2,341**	**$2,918**

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

In thousands of US dollars unless otherwise stated

18. Financial instruments (continued)

Financial assets and financial liabilities – classification and measurement

As at December 31, 2017	Cash and receivables	Other financial liabilities	Financial assets and liabilities at fair value through income (loss)	Total
Current financial assets				
Cash	$8,920	$-	$-	$8,920
Trade and other receivables, net	80,542	-	-	80,542
	89,462	**-**	**-**	**89,462**
Current financial liabilities				
Trade and other payables	-	85,880	-	85,880
Finance leases	-	1,522	-	1,522
Technomedia contingent consideration	-	-	2,724	2,724
HPS First Lien Credit Facilities	-	15,777	-	15,777
	-	**103,179**	**2,724**	**105,903**
Non-current financial liabilities				
Finance leases	-	116	-	116
HPS Warrants	-	-	1,122	1,122
Second Lien Senior Secured PIK Notes	-	182,117	-	182,117
HPS First Lien Credit Facilities	-	261,278	-	261,278
	$-	**$443,511**	**$1,122**	**$444,633**

As at December 31, 2016	Cash and receivables	Other financial liabilities	Financial assets and liabilities at fair value through income (loss)	Total
Current financial assets				
Cash	$16,978	$-	$-	$16,978
Trade and other receivables, net	84,781	-	-	84,781
	101,759	**-**	**-**	**101,759**
Current financial liabilities				
Trade and other payables	-	96,340	-	96,340
Finance leases	-	1,092	-	1,092
USD forward contracts	-	-	3	3
Technomedia contingent consideration	-	-	3,633	3,633
2014 First Lien Credit Facilities	-	2,350	-	2,350
2014 First Lien Revolving Credit Facility	-	6,000	-	6,000
	-	**105,782**	**3,636**	**109,418**
Non-current financial liabilities				
Finance leases	-	1,570	-	1,570
2014 First Lien Credit Facilities	-	222,409	-	222,409
9.25% Senior Unsecured Notes	-	347,218	-	347,218
2014 First Lien Interest rate floor	-	-	346	346
MMG Notes	-	41,355	-	41,355
	$-	**$612,552**	**$346**	**$612,898**

In thousands of US dollars unless otherwise stated

18. Financial instruments (continued)

Contractual obligations

The following table outlines the Company's contractual obligations as at December 31, 2017:

Description	Total	Less than one year	Years two and three	Beyond three years
HPS First Lien Credit Facilities	$295,185	$15,777	$17,554	$261,854
HPS First Lien Credit Facilities interest	105,513	24,790	47,352	33,371
Second Lien Senior Secured PIK Notes	175,000	-	-	175,000
Second Lien Senior Secured PIK Notes – PIK interest	109,474	-	-	109,474
Second Lien Senior Secured PIK Notes – cash interest	95,274	13,832	31,143	50,299
Operating leases	46,851	11,496	18,926	16,429
Finance leases	1,638	1,522	116	-
Trade and other payables	85,880	85,880	-	-
Total	**$914,815**	**$153,297**	**$115,091**	**$646,427**

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, 2017 and 2016, with the following exceptions summarized below:

9.25% Senior Unsecured Notes (a)	December 31, 2017	December 31, 2016
Book value	$-	$347,218
Fair value	$-	$208,460

(a) The 9.25% Senior Unsecured Notes were refinanced as part of the Arrangement discussed in note 16.

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

Fair value as at December 31, 2017	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
Technomedia contingent consideration	**$(2,724)**	$-	$(2,724)	$-
HPS Warrants	**(1,122)**	-	(1,122)	-
Fair value as at December 31, 2016				
Technomedia contingent consideration	**$(3,633)**	$-	$(3,633)	$-
2014 First Lien Interest rate floor	**(346)**	-	(346)	-
USD forward contracts	**(3)**	-	(3)	-

There have been no transfers between any levels of the fair value hierarchy during the year ended December 31, 2017 or the comparative year. There were also no changes in the purpose of any financial liability that subsequently resulted in a different classification of that liability.

19. Deferred tax liabilities

	2017	2016
Balance as at beginning of year	**$(22,784)**	**$(23,682)**
Tax credit recognized in consolidated statements of income (loss) and comprehensive income (loss) (note 9)	5,859	519
Disposals	1,149	(76)
Net foreign exchange differences and other movements	(919)	455
Balance as at end of year	**$(16,695)**	**$(22,784)**

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 IAS 12, *Income Taxes*, during the year are shown below. Additionally, details of the deferred tax asset (liability) amounts recognized in the consolidated statements of income (loss) and comprehensive income (loss) and amounts recognized in equity in the consolidated statements of financial position are as follows:

	Asset 2017	Liability 2017	Net 2017	Credited (charged) to income (loss)	Disposals	Foreign exchange movement (charged) credited to other comprehensive income (loss)
Property and equipment	$29	$-	$29	$(560)	$-	$39
Operating losses carried forward	15,471	-	15,471	(10,074)	-	-
Goodwill	-	(18,172)	(18,172)	8,060	-	449
Identifiable intangible assets	-	(15,574)	(15,574)	6,601	1,481	(1,646)
Other temporary and deductible differences	3,010	(1,459)	1,551	1,832	(332)	239
Deferred tax assets (liabilities)	**$18,510**	**$(35,205)**	**$(16,695)**	**$5,859**	**$1,149**	**$(919)**

	Asset 2016	Liability 2016	Net 2016	Credited (charged) to income (loss)	Disposals	Foreign exchange movement (charged) credited to other comprehensive income (loss)
Property and equipment	$550	$-	$550	$148	$-	$57
Operating losses carried forward	25,096	-	25,096	(2,822)	-	(395)
Goodwill	-	(26,232)	(26,232)	(2,800)	-	-
Identifiable intangible assets	-	(22,010)	(22,010)	5,275	-	741
Other temporary and deductible differences	3,097	(3,285)	(188)	718	(76)	52
Deferred tax assets (liabilities)	**$28,743**	**$(51,527)**	**$(22,784)**	**$519**	**$(76)**	**$455**

In thousands of US dollars unless otherwise stated

19. Deferred tax liabilities (continued)

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

	2017	2016
Deductible temporary differences	$29,661	$36,984
Unused tax losses	185,676	249,508
Total unrecognized deferred tax asset	**$215,337**	**$286,492**

As at December 31, 2017, there was nil recognized as deferred tax liability (2016 - 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 prior to 2018 can be carried forward for 20 years.

20. Share-based compensation

Equity-settled share options

The Company had a share option plan for its employees, directors and consultants, which was terminated immediately prior to the closing of the Arrangement referenced herein in note 16. The terms and conditions of the terminated share option plan are included in the Company's annual consolidated financial statements as at and for the year ended December 31, 2016 and the accompanying notes. In accordance with the Arrangement, all the Company's outstanding options, whether vested or unvested, were accelerated and became fully vested and exercisable. Each option holder was entitled to a cash payment to the extent the price paid per option of C$0.17 whole Canadian dollars exceeded the share option exercise price, however, all outstanding options were out-of-the-money and therefore no consideration for the outstanding options was paid. Accordingly, pursuant to the Arrangement immediately prior to the closing, all outstanding options were cancelled, the option plan terminated, and any provisions in any compensation plan providing for interest in respect to the Company's shares were effectively cancelled.

Prior to and after the closing of the Arrangement, the share-based compensation expense recognized for the year ended December 31, 2017 relating to equity-settled share and option transactions was $313 (2016 - $65).

Changes in the number of options, with their weighted average exercise prices during the option plan's effectiveness for the years are summarized below:

	2017		2016	
	Number	**Average Price**	**Number**	**Average Price**
Outstanding at beginning of year	**9,353,300**	**$0.80**	**14,143,300**	**$1.22**
Forfeited /cancelled during the year	(9,353,300)	0.80	(4,790,000)	2.04
Outstanding at end of year	**-**	**-**	**9,353,300**	**0.80**
Exercisable at end of year	**-**	**$-**	**7,240,390**	**$0.85**

In thousands of US dollars unless otherwise stated

20. Share-based compensation (continued)

Deferred Share Units

The Company terminated its Deferred Share Unit ("DSU") plan for directors and employees of the Company and its subsidiaries immediately prior to the closing of the Arrangement referenced herein in note 16. The terms and conditions of the terminated DSU plan are included in the Company's annual consolidated financial statements as at and for the year ended December 31, 2016 and the accompanying notes. In accordance with the Arrangement, all the Company's outstanding DSUs, whether vested or unvested, were accelerated and became fully vested and redeemable for a cash payment of C$0.17 whole Canadian dollars per DSU. The Company paid all outstanding DSUs immediately prior to the closing of the Arrangement and all Company DSUs, DSU plan, and DSU provisions within compensation agreements were terminated and cancelled.

The operating expense recognized for the year ended December 31, 2017 relating to DSU transactions was $385 (2016 - $2). The share-based compensation expense recognized for the year ended December 31, 2017 relating to DSU transactions was $430 (2016 - $413).

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

	December 31, 2017 Number	December 31, 2016 Number
Outstanding at beginning of year	**3,343,008**	**3,542,284**
Granted during the year	2,892,105	-
Redeemed during the year	(6,170,645)	(85,799)
Cancelled during the year	(64,468)	(113,477)
Outstanding at end of year	**-**	**3,343,008**
Vested at end of year	**-**	**1,235,424**

There were no outstanding DSUs as at December 31, 2017 (2016 - the 3,343,008 units outstanding consisted of 3,018,310 equity awards and 324,698 liability awards valued at $16).

Warrants

All outstanding MMG Warrants that were issued in connection with the issuance of the MMG Notes were cancelled and terminated by the Company for no consideration, immediately prior to the closing of the Arrangement, as they were out-of-the-money. New warrants were issued to HPS as part of the new credit facility as further discussed in note 16 and, as such, the following warrants were outstanding as at December 31, 2017:

	Number	Exercise price	Expiry date
HPS Warrants	2,635,432	$1.00	June 2022

In thousands of US dollars unless otherwise stated

20. Share-based compensation (continued)

The HPS Warrants were ascribed a fair value of $1,030 at the time of grant 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. The HPS Warrants' fair value was combined with the fair value of the HPS Term Loan Credit Facility of $292,574 to ratably allocate the principal amount borrowed based on their respective fair values. Accordingly, the allocated value attributed to the HPS Warrants was $1,027 and was recorded as a liability and will be subsequently recorded at fair value. The fair value of the HPS Warrants as at December 31, 2017 is reflected in note 18 with the change in fair value recognized within finance costs, net (note 7). For further discussion on the HPS Warrants see note 16.

21. Shareholders' equity

Share capital

Share capital represents the number of common shares outstanding. Changes to share capital were as follows:

	Number of shares	Amount
Balance as at January 1, 2016 and 2017	**183,694,082**	**$328,807**
Share Acquisitions	(183,694,082)	(23,871)
Reclassification of contributed surplus	-	(304,936)
Issuance of new common shares	129,136,169	129,136
Balance as at December 31, 2017	**129,136,169**	**$129,136**

In June 2017, the Company redeemed and cancelled all the outstanding common shares of the Company totaling 183,694,082 at a price of C$0.17 whole Canadian dollars per share as part of the Arrangement further described in note 16. The remaining share capital of $304,936 was reclassified to contributed surplus at the completion of the Share Acquisitions described in the Arrangement.

In thousands of US dollars unless otherwise stated

21. Shareholders' equity (continued)

During the three months ended June 30, 2017, new common shares were issued in connection with the Arrangement discussed in note 16 as follows:

	Number of shares
9.25% Senior Unsecured Notes refinancing (a)	60,980,525
Private Placement related to 9.25% Senior Unsecured Notes (b)	49,999,992
Backstop fee (c)	13,528,301
Arbiter voting and subscription agreements (d)	4,627,351
Total new common share issuance	**129,136,169**

(a) 60,980,525 new common shares of the Company were issued to the 9.25% Senior Unsecured Note holders in exchange for the redemption of a portion of the 9.25% Senior Unsecured Notes.

(b) 49,999,992 new common shares of the Company were issued in connection with a new private placement with the 9.25% Senior Unsecured Note holders raising $40,000 in cash, which was used to refinance or redeem the Company's other debt obligations.

(c) 13,528,301 new common shares were issued for non-cash in accordance with the backstop agreement entered with Apollo, GSO, and Arbiter Partners Capital Management, LLC ("Arbiter") to backstop the new private placement for a minimum of $25,000 and a maximum amount of $50,000.

(d) 4,627,351 new common shares were issued to Arbiter per the voting and subscription agreements with the Company in exchange for their support and vote of all their Company common shares beneficially owned by them or under their control or direction to vote in favor of the Arrangement at the Company shareholder meeting and any other matters necessary to affect the Arrangement.

As at December 31, 2017, 275,000,000 new common shares were authorized which are divided into two classes, consisting of 225,000,000 common shares with a par value of $0.01 whole dollars per share and 50,000,000 preferred shares with a par value of $0.01 whole dollars. No preferred shares were outstanding as at December 31, 2017.

Deficit

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

In thousands of US dollars unless otherwise stated

22. Commitments and contingencies

Operating leases

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

	2017	2016
Within one year	$11,496	$15,264
After one year but not more than five years	27,951	28,874
More than five years	7,404	4,115
	$46,851	**$48,253**

Finance leases

The Company has finance leases for vehicles and various items of equipment. These leases have terms of renewal and purchase options but no 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:

	2017		2016	
	Minimum payments	Present value	Minimum payments	Present value
Within one year	$1,739	$1,672	$1,438	$1,375
After one year but not more than five years	127	61	1,777	850
Total minimum lease payments	1,866	1,733	3,215	2,225
Less amounts representing finance charges	(228)	(214)	(553)	(363)
Present value of minimum lease payments	**$1,638**	**$1,519**	**$2,662**	**$1,862**

22. Commitments and contingencies (continued)

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 as at December 31, 2017 was immaterial.

On April 2, 2015, SoundExchange filed suit against Muzak LLC (“Muzak”) in the U.S. District Court for the District of Columbia (the “District Court”) alleging that Muzak underpaid royalties for certain of its consumer residential music channels for satellite and cable television subscribers. SoundExchange argues that Muzak is not entitled to pay the royalty rate for “pre-existing subscription services” (“PSS”) for those transmissions. On March 8, 2016, the District Court granted Muzak’s motion to dismiss the case, holding that Muzak was entitled to the PSS rate and therefore that it had not underpaid. SoundExchange appealed, and on April 25, 2017, the United States Court of Appeals for the District of Columbia Circuit reversed the District Court’s ruling and held that certain transmissions by Muzak, which began in May 2014 and in respect of which a lower royalty rate was paid, may be ineligible for such lower royalty rate. SoundExchange had claimed damages against Muzak corresponding to the amount of the underpayment of royalties and late fees, which amount could exceed $10,000. No provision for any liability has been made in these consolidated financial statements as the Company does not believe the threshold for recording a liability in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* has been met. The Company will continue to vigorously defend itself in this matter.

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 manages its capital structure and monitors its change in net debt and makes adjustments to them 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.

In thousands of US dollars unless otherwise stated

23. Management of capital (continued)

Total managed capital was as follows:

	2017	2016
Equity	$(43,386)	$(175,425)
MMG Notes	-	50,000
2014 First Lien Credit Facilities	-	234,538
HPS First Lien Credit Facilities	295,185	-
Second Lien Senior Secured PIK Notes - principal	175,000	-
Finance leases	1,638	2,662
9.25% Senior Unsecured Notes	-	350,000
Total contractual principal of debt	471,823	637,200
Total capital	**$428,437**	**$461,775**

Change in net debt was as follows:	**2017**	**2016**	**Decrease in debt and cash**
Total contractual principal of debt	$471,823	$637,200	$(165,377)
Less cash	8,920	16,978	(8,058)
Net debt	**$462,903**	**$620,222**	**$(157,319)**
Decrease in net debt			**$157,319**

24. Related party disclosures

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. 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, 2017, the total expense and accrual at year-end relating to amounts owed to related parties was nil (2016 - nil).

In thousands of US dollars unless otherwise stated

25. Segment information

The Company reports its continuing operations in three reportable segments, "In-store media – International" and "In-store media – North America" based on the significant business activity of the Company and its subsidiaries and "Other" for the purposes of reconciliation to the Company's 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 in-store audio, visual, mobile, voice, drive thru, commercial TV, social and scent marketing solutions to a range of businesses globally, including special retailers, department stores, supermarkets, financial institutions and fitness clubs as well as hotels, car dealerships and restaurants. 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 operations are based in the Americas.

In-store media – International

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

Other

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

In thousands of US dollars unless otherwise stated

25. Segment information (continued)

Segment information 2017

	In-store media North America	In-store media International	Other	Consolidated Group
Revenue	$253,347	$101,082	$42,636	$397,065
Expenses				
Cost of sales	114,473	38,751	30,130	183,354
Operating expenses	65,536	48,664	14,456	128,656
Segment profit (loss) (i)	**$73,338**	**$13,667**	**$(1,950)**	**$85,055**

Segment information 2016

	In-store media North America	In-store media International	Other	Consolidated Group
Revenue	$257,693	$110,205	$39,135	$407,033
Expenses				
Cost of sales	115,481	44,092	27,515	187,088
Operating expenses	67,050	48,907	14,698	130,655
Segment profit (loss) (i)	**$75,162**	**$17,206**	**$(3,078)**	**$89,290**

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

	2017	2016
Segment profit (i)	**$85,055**	**$89,290**
Depreciation and amortization	57,088	61,568
Impairment of goodwill	-	3,575
Share-based compensation	743	478
Other expenses	14,046	12,249
Foreign exchange (gain) loss on financing transactions	(23,498)	10,975
Finance costs, net	2,938	57,757
Income (loss) for the year before income taxes	**$33,738**	**$(57,312)**

(i) Segment profit 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 prepared on a consistent basis and calculated by reducing revenue by cost of sales and operating expenses.

In thousands of US dollars unless otherwise stated

25. Segment information (continued)

Geographical areas

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

	2017	**2016**
US	$291,777	$292,153
International	105,288	114,880
Total revenue	**$397,065**	**$407,033**

Non-current assets

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

	2017	**2016**
US	$332,647	$354,720
International	76,275	92,008
Total non-current assets	**$408,922**	**$446,728**