



**HEADLINE MEDIA GROUP INC.
ANNOUNCES FISCAL 2003 FINANCIAL RESULTS**

TORONTO, Ontario – December 18, 2003

Headline Media Group Inc. announced its results today for the three and twelve months ended August 31, 2003.

HIGHLIGHTS

- Operating results and net income for the three and twelve months ended August 31, 2003 showed significant improvement over the prior year.
- Net loss before interest, income taxes, depreciation and amortization (see "Definitions") for the year ended August 31, 2003 was \$3.2 million, an improvement of \$29.4 million from a loss of \$32.6 million in the same period last year. For the year ended August 31, 2003, net loss was \$6.2 million, an improvement of \$30.3 million from a loss of \$36.5 million in the same period last year.
- Net loss before interest, income taxes, depreciation and amortization for the three months ended August 31, 2003 was \$0.9 million, an improvement of \$17.9 million from a loss of \$18.8 million in the same period last year. Net loss for the three months ended August 31, 2003 was \$1.6 million, an improvement of \$18.4 million from a loss of \$20.0 million in the same period last year.
- Consolidated revenue for the year ended August 31, 2003 decreased by \$2.1 million to \$30.3 million compared to \$32.4 million in the prior year. Revenue in the Sports and Entertainment Marketing group declined \$4.3 million or 31.3% from \$13.8 million for the year ended August 31, 2002 to \$9.5 million for the year ended August 31, 2003 due to lower advertising revenues. Broadcasting group revenue increased \$2.3 million or 12.2% from \$18.6 million for the year ended August 31, 2002 to \$20.9 million for the year ended August 31, 2003 due to increased subscriber revenue and increased advertising revenue.
- Consolidated revenue for the three months ended August 31, 2003 decreased by \$0.1 million to \$5.3 million compared to \$5.4 million in the prior year. This decrease was due to lower revenue in the Sports and Entertainment Marketing group. Revenue in the Sports

and Entertainment Marketing group declined from \$0.7 million for the three months ended August 31, 2002 to \$0.6 million for the three months ended August 31, 2003 due to lower advertising revenues. In the Broadcasting group, revenues remained flat at \$4.7 million for the three months ended August 31, 2002 and 2003.

- In January 2003, the Company secured \$0.5 million from a non-brokered private placement of 1,428,571 Class A Subordinate Voting shares with Levfam Holdings Inc., the Company's controlling shareholder, at a price of \$0.35 per share.
- In August 2003, the Company issued 16,333,333 Class A Subordinate Voting Shares as part of a non-brokered private placement at a price of \$.30 per share, for gross proceeds of \$4.9 million.
- Following the year ended August 31, 2003, the Company entered into an agreement on December 5, 2003 to sell the Canadian operations of PrideVision TV. The value of the transaction is expected to be approximately \$2.6 million, comprised of \$1.5 million of cash and the assumption by the purchaser of certain liabilities. The Company will retain the rights to develop PrideVision TV outside of Canada, and a 9.9 % interest in PrideVision TV's Canadian operations. The transaction is subject to approval by the Canadian Radio-Television and Telecommunications Commission.

DEFINITIONS

The Company focuses its analysis on "Net income (loss) before interest, income taxes, depreciation and amortization" and Net income (loss). Net income (loss) before interest, income taxes, depreciation and amortization and Net income (loss) are reconciled in the table below. Net income (loss) before interest, income taxes, depreciation and amortization is calculated as earnings (loss) from continuing operations before interest, income taxes, depreciation and amortization. Net loss before interest, income taxes, depreciation and amortization for the quarter ended August 31, 2003 was \$0.9 million compared to a net loss before interest, income taxes, depreciation and amortization of \$18.8 million for the quarter ended August 31, 2002. Net loss before interest, income taxes, depreciation and amortization for the year ended August 31, 2003 and 2002 was \$3.2 million and \$32.6 million respectively.

Net income (loss) before interest, income taxes, depreciation and amortization is not a measure of performance under Canadian GAAP. Net income (loss) before interest, income taxes, depreciation and amortization should not be considered in isolation or as a substitute for Net income (loss) prepared in accordance with Canadian GAAP or as a measure of operating performance or profitability. Net income (loss) before interest, income taxes, depreciation and amortization does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies.

The Company uses Net income (loss) before interest, income taxes, depreciation and amortization to remove acquisition and investment related charges (such as depreciation and

amortization), discontinued operations, and income taxes which in the Company's view do not adequately reflect its core operating results.

The following tables reconcile net income (loss) to net income (loss) before interest, income taxes, depreciation and amortization:

	Three months ended August 31, 2003	Three months ended August 31, 2002
Net Income (loss) for the period	\$ (1,625)	\$ (19,950)
Add back:		
Income taxes	--	24
Depreciation and amortization	321	720
Interest expense, net	455	409
Income (loss) before interest, income taxes, depreciation and amortization	\$ (849)	\$ (18,797)

	Year ended August 31, 2003	Year ended August 31, 2002
Loss for the period	\$ (6,201)	\$ (36,495)
Add back:		
Income taxes	--	94
Depreciation and amortization	1,276	2,922
Interest expense, net	1,703	868
Loss before interest, income taxes, depreciation and amortization	\$ (3,222)	\$ (32,611)

Three Months Ended August 31, 2003

Revenue for the fourth quarter decreased by \$0.1 million to \$5.3 million compared to \$5.4 million in the prior year. The decrease in revenue reflects a decline of \$0.1 million in revenue for the Sports and Entertainment Marketing group due to lower advertising revenues. This advertising revenue decline was due to the loss of the Canadian Hockey League property coupled with the loss of some related package sales contracts that were not renewed in the fiscal year. There was no increase in the revenue for Broadcasting group as higher advertising revenues at The Score were offset by lower advertising revenues at PrideVision TV.

Operating expenses excluding rights fees were \$5.1 million during the quarter, compared to \$6.7 million in the prior year, representing a decrease of \$1.6 million. Operating expenses in the Broadcasting group decreased \$1.3 million compared to the prior year, reflecting significant cost reduction initiatives implemented at PrideVision TV which offset moderate operating expense increases at The Score. Operating expenses for the Sports and Entertainment Marketing group

were \$0.2 million less than the prior year, mitigating the decline in revenues. Operating expenses for the Corporate group were \$0.1 million less than in the prior year.

Program rights were \$1.0 million during the quarter, compared to \$13.2 million in the prior year. Program rights for the quarter were \$1.0 million in the Broadcasting group. The reduction in program rights for the Broadcasting group reflects lower program rights fees for Major League Baseball, as a result of the previously announced termination agreement, as well as lower program rights costs for PrideVision TV as a result of the implementation of cost containment initiatives and gains on settlement of program liabilities of approximately \$0.1 million. Program rights for the quarter were nil in the Sports Entertainment and Marketing Group versus \$0.2 million in the prior year.

Loss before interest, income taxes, depreciation and amortization was \$0.9 million for the fourth quarter of 2003 compared with a loss of \$18.8 million in the same quarter last year, representing an improvement of \$17.9 million over the prior year. The prior year's loss included a program rights termination expense of \$6.7 million at The Score and write-down of certain assets of PrideVision TV, including fixed assets, programming and deferred charges, resulting in a one-time charge of \$4.3 million.

Interest expense for the fourth quarter was approximately \$0.5 million compared to approximately \$0.4 million in the prior year. The increase of approximately \$0.1 million reflects a higher average loan balance outstanding for the period at The Score due to the termination agreement of the Major League Baseball contract and additional Company debt.

Depreciation expense was approximately \$0.3 million in the fourth quarter compared to approximately \$0.4 million in the prior year. The decrease in depreciation expense is due to lower fixed asset additions in the current year. For the fourth quarter of 2003, fixed asset additions were \$2,000 compared to approximately \$106,000 in the prior year.

Amortization expense was \$54,000 in the quarter, compared to \$0.3 million in the prior year. The decrease in amortization reflects a reduction in the amortization of goodwill compared to the prior year as a result of a change in accounting policy. The Company has adopted the provisions of The Canadian Institute of Chartered Accountants' Handbook Section 3062 "Goodwill and Other Intangible Assets", effective September 1, 2002. Section 3062 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually by comparing the carrying value to the respective fair value.

Net loss for the fourth quarter was \$1.6 million or \$0.02 per share based on a weighted average 67.9 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to a net loss of \$20.0 million or \$0.31 per share based on a weighted average 64.9 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

Broadcasting Group

Revenues for the Broadcasting group remained flat at \$4.7 million for the fourth quarter ended August 31, 2003 compared to the fourth quarter ended August 31, 2002. Advertising revenue

decreased by approximately \$0.2 million or 7.4% during the quarter compared to the prior year primarily reflecting a decrease in advertising revenue for The Score as a result of lower client demand and decreased advertising demand at PrideVision TV. Subscriber revenue increased by \$0.2 million, or 11.9 % over the same quarter last year, reflecting an increase in the average number of paying subscribers. As at August 31, 2003, The Score had approximately 5.3 million paying subscribers. PrideVision TV generated \$0.3 million in subscriber revenue during the quarter, compared to \$0.2 million in the previous year. As at August 31, 2003 PrideVision TV had approximately 21,000 paying subscribers.

Operating expenses were \$4.8 million in the quarter, compared to \$11.5 million in the prior year, representing a decrease in operating expenses of \$6.7 million. The Score's operating expenses decreased by \$3.9 million to \$4.4 million in the quarter compared to \$8.3 million in the prior year largely reflecting lower program rights fees for Major League Baseball, as a result of the previously announced termination agreement. Operating expenses for PrideVision TV were approximately \$0.4 million in the quarter, compared to \$3.2 million in the prior year due to lower program rights, gains on settlement of liabilities, and other reduced operating costs due to the implementation of cost reduction initiatives.

Loss before interest, income taxes, depreciation and amortization for the fourth quarter was \$0.1 million versus a loss of \$18.8 million in the prior year, resulting in an improvement in operating performance of \$18.7 million. The prior year's loss included a program rights termination expense of \$6.7 million at The Score and write-down of certain assets of PrideVision TV, including fixed assets, programming and deferred charges, resulting in a one-time charge of \$4.3 million.

Sports and Entertainment Marketing Group

Revenue for St. Clair was \$0.6 million in the fourth quarter compared to \$0.7 million in the prior year. The decrease in revenue of \$0.1 million reflects a decline in print and TV advertising sales. St. Clair did not renew its broadcasting and sponsorship rights for the 2003 Canadian Hockey League season and as a result certain sales contracts that included packaged advertising did not renew.

Operating expenses were \$0.8 million in the quarter, compared to \$1.1 million in the prior year, representing a decrease in operating expenses of \$0.3 million. The decrease in expenses primarily reflects lower printing and production costs, consistent with the lower television advertising sales, as well as reduced promotional and selling expenses as compared to the prior year.

Operating loss before interest, income taxes, depreciation and amortization for the fourth quarter was \$0.2 million compared to \$0.5 million in the prior year.

In the fourth quarter, St. Clair was unsuccessful in renewing a contract to produce the game-night programs for the Toronto Maple Leafs and Toronto Raptors. The loss of this contract is expected to reduce the revenue and operating income of St. Clair in the next fiscal year. Management is working on several initiatives to offset the potential loss from this contract.

Corporate

Operating expenses and the loss before interest, income taxes, depreciation and amortization for the Corporate group were \$0.6 million in the fourth quarter of 2003 compared to \$0.6 million in the fourth quarter of 2002.

Year Ended August 31, 2003

Revenue for the year ended August 31, 2003 decreased by \$2.1 million or 6.3% to \$30.3 million from \$32.4 million for the same period last year. Advertising revenues decreased by \$3.4 million or 13.2% due to a decrease in advertising revenue in the Sports and Entertainment Marketing Group of \$4.3 million, partly offset by an increase in advertising revenue in the Broadcasting Group of \$0.9 million over the prior year. The Sports and Entertainment Marketing Group lost a major contract during the year ended August 31, 2003 which significantly contributed to the decrease in advertising revenue while volumes of magazines for the Toronto Raptors and Toronto Maple Leafs were also adversely affected advertising revenue due to lower spectator demand at those team events.

Subscriber fee revenue increased by \$1.4 million or 22.6%, reflecting an increase average number of paying subscribers for the year. At the end of August 2003, The Score had approximately 5.3 million paying subscribers. In addition, subscriber fee revenue for PrideVision TV was \$1.1 million for the year ended August 31, 2003 compared to \$0.5 million for the year ended August 31, 2002. At the end of August 2003, PrideVision TV had approximately 21,000 paying subscribers.

Operating expenses excluding rights fees were \$26.3 million for the year ended August 31, 2003 compared to \$32.8 million in the prior year, representing a decrease of \$6.5 million during the twelve month period. Operating expenses in the Broadcasting group were \$1.3 million lower in the twelve month period, reflecting cost reduction initiatives implemented in PrideVision TV. Operating expenses for the Sports and Entertainment Marketing group were \$2.8 million less than the prior year, mitigating some of the decline in revenue of that group. Operating expenses for the Corporate group were \$0.3 million less than the prior year.

Program rights were \$7.7 million for the year ended August 31, 2003, compared to \$21.3 million in the prior year. Program rights for the year were \$5.7 million in the Broadcasting group and \$2.0 million in the Sports Entertainment and Marketing Group versus \$18.3 million and \$2.9 million respectively in the prior year. The reduction in program rights for the Broadcasting group reflects lower program rights fees for Major League Baseball as well as lower program rights costs for PrideVision TV as a result of the implementation of cost containment initiatives.

Gain on sale of investment – during the year ended August 31, 2003, the Company sold an investment in a private company for cash proceeds of \$0.4 million (US\$0.3 million). The

carrying value of the investment at August 31, 2002 was nil. Together with other sales of smaller investments, the total gain on sale amounted to \$0.5 million.

Loss before interest, income taxes, depreciation and amortization for the year ended August 31, 2003 was \$3.2 million, compared with \$32.6 million for the same period last year.

Interest income for the period decreased by \$0.6 million to \$37,000 in the current year from \$0.6 million in the prior year, reflecting a decrease in the average cash, cash equivalents and short-term investments outstanding during the period.

Interest expense for the period was \$1.7 million, compared to \$1.5 million in the prior year. The rise in interest expense reflects an increase in the average outstanding bank indebtedness during the period partially offset by lower interest rates.

Net loss for the year ended August 31, 2003 was \$6.2 million or \$0.09 per share based on a weighted average 66.2 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to a net loss of \$36.5 million or \$0.56 per share based on a weighted average 64.9 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

Liquidity and Capital Resources

Cash flow used in operations for the three months ended August 31, 2003 was \$0.4 million compared to \$15.8 million in the prior year, reflecting a net loss of \$1.6 million in the current year as compared to a net loss of \$20.0 million in 2002, combined with lower non-cash operating working capital movements. Cash flow used in operations for the year ended August 31, 2003 was \$4.2 million compared to \$35.9 million in the prior year, again reflecting significantly lower operating losses and lower non-cash operating working capital movements.

Cash flow from financing activities was \$3.3 million for the three months ended August 31, 2003 compared to cash flow from financing activities of \$12.5 million in the prior year. The Company drew down \$0.4 million from a credit facility provided by Levfam Finance Inc. during the three months ended August 31, 2003. In the prior year, the Company completed a credit facility for its subsidiary, The Score and drew down \$12.5 million on that credit facility.

Cash flow from financing activities for the year ended August 31, 2003 was \$4.6 million, as a result of loans from the credit facility provided by Levfam Finance Inc. discussed above, the repayment of a \$2.0 million operating loan at The Score, and two private placement equity issues amounting to \$5.4 million, compared to cash flow from financing activities of \$3.6 million in the prior year.

In January, 2003, the Company secured \$0.5 million from a non-brokered private placement of 1,428,571 Class A Subordinate Voting shares with Levfam Holdings Inc., the Company's controlling shareholder, at a price of \$0.35 per share. In August 2003, the Company issued 16,333,333 Class A Subordinate Voting Shares as part of a non-brokered private placement at a price of \$.30 per share, for gross proceeds of \$4.9 million.

As part of the \$4.9 million equity issue in August 2003, the Company advanced approximately \$2.4 million of the proceeds of the private placement of Class A Subordinate Voting Shares to The Score so that The Score could repay the \$2.0 million operating loan, plus accrued interest, from Levfam Finance Inc. and for working capital purposes. As at August 31, 2003, the entire credit facility amount of \$2.0 million had been repaid in full.

Cash flow used in investment activities for the three months ended August 31, 2003 was approximately \$0.3 million compared to cash flow from investment activities of \$5.5 million in the prior year. The decrease in cash flow from investment activities reflects lower proceeds from the sale of short-term investments, and comparable deferred charges compared to the prior year. Cash flow used in investment activities for the year ended August 31, 2003 was \$0.1 million compared to cash flow from investment activities of \$23.3 million in the prior year. The decrease in cash flow from investment activities reflects lower proceeds from the sale of short-term investments.

With the above credit facilities and financing in place and, assuming the successful execution of its business plan and pending the refinancing of The Score's bank credit facility that matures on February 29, 2004, management believes there are sufficient resources to fund operations until the end of fiscal 2004. During 2002 and continuing into fiscal 2003, the Company has introduced significant cost cutting measures to preserve cash and to strategically realign the Company's resources. Beyond fiscal 2004, the Company will require additional funding in order to continue operations and service the commitments under significant agreements.

The Company is pursuing alternative financing with potential lenders and investors, which if successful, will, in management's view, enable the Company to achieve its business plans in the long-term. No agreements with potential lenders or investors have been reached yet and there can be no assurance that such agreements will be reached. In addition, the Company continues to review other alternatives, which could involve renegotiating existing cash commitments, a restructuring of the business units which may include the divestiture of certain assets of the Company, or attracting a strategic investor that would assist in developing the business of the Company.

The Company's successful execution of its revised business plan is dependant upon a number of factors that involve risks and uncertainty. In particular, revenues in the specialty television industry, including subscription and advertising revenues are dependant upon audience acceptance, which cannot be accurately predicted. In addition, the distribution of the Company's specialty television channel, PrideVision TV, is limited to digital subscribers. The subscriber base for digital services is limited and the rate and extent to which this subscriber base will grow is uncertain. Management expects the digital television market will continue to grow and that the number of subscribers to the service will increase. It remains uncertain that the penetration rates required to ensure profitability will be achieved.

Other

Subsequent to the year end, the Company entered into an agreement on December 5, 2003 to sell the Canadian operations of PrideVision TV. The transaction is subject to approval by the Canadian Radio-Television and Telecommunications Commission. The value of the transaction is expected to be approximately \$2.6 million, comprised of \$1.5 million of cash and the assumption by the purchaser of certain liabilities related to PrideVision TV. The actual amount of liabilities assumed will be determined prior to closing. Had the transaction closed on December 5, 2003, the liabilities that would have been assumed by the purchaser totaled approximately \$1.1 million. As part of the transaction, the Company will retain the rights to develop PrideVision TV outside of Canada, and a 9.9 % interest in PrideVision TV's Canadian operations.

In addition, Alan Friedman has resigned from the Board of Directors of the Company effective December 31, 2003. The Company would like to thank Mr. Friedman for his diligence and valued service.

Please refer to the attached audited Consolidated Financial Statements, including the Notes to the Financial Statements.

About Headline Media Group Inc.

Headline Media Group Inc. (TSX: HMG) is a media company focused on the specialty television sector through its main asset, The Score Television Network ("The Score"). The Score is a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in over 5.3 million homes. HMG also owns PrideVision TV, the world's first 24/7 GLBT television network, and The St. Clair Group, a Canadian sports marketing and specialty publishing company.

Forward-looking (safe harbour) statement

Statements made in this news release that relate to future plans, events or performances are forward-looking statements. Any statement containing words such as "believes", "plans", "expects" or "intends" and other statements which are not historical facts contained in this release are forward-looking, and these statements involve risks and uncertainties and are based on current expectations. Consequently, actual results could differ materially from the expectations expressed in these forward-looking statements.

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Headline Media Group Inc.

Consolidated Balance Sheets

(in thousands of dollars)

	August 31, 2003	August 31, 2002
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,140	\$ 3,842
Short-term investments	-	297
Accounts receivable	4,014	4,528
Prepaid expenses and deposits	1,695	2,699
	<u>9,849</u>	<u>11,366</u>
Fixed assets	2,403	3,401
Deferred charges	558	731
Goodwill	-	3,517
	<u>\$ 12,810</u>	<u>\$ 19,015</u>
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Loans	\$ 14,300	\$ -
Accounts payable and accrued liabilities	6,192	5,313
Program acquisition rights payable	46	1,309
Unearned revenue	24	733
	<u>20,562</u>	<u>7,355</u>
Program acquisition rights payable	-	13
Loans	-	15,100
Shareholders' deficiency		
Capital stock	78,763	73,344
Warrants	-	302
Contributed surplus	622	320
Deficit	(87,137)	(77,419)
	<u>(7,752)</u>	<u>(3,453)</u>
	<u>\$ 12,810</u>	<u>\$ 19,015</u>

See accompanying notes to consolidated financial statements.

Headline Media Group Inc.
Consolidated Statements of Operations and Deficit
(in thousands of dollars, except per share amounts)

	Three months ended		Year ended	
	August 31,		August 31,	
	2003	2002	2003	2002
Revenue	\$ 5,252	\$ 5,382	\$ 30,336	\$ 32,388
Production and other direct expenses	2,981	3,473	16,431	18,875
Selling, general and administrative expenses	2,155	3,216	9,857	13,901
Program rights	967	6,539	7,733	21,271
	<u>6,103</u>	<u>13,228</u>	<u>34,021</u>	<u>54,047</u>
Loss before undernoted	(851)	(7,845)	(3,685)	(21,659)
Program rights termination expense	-	(6,700)	-	(6,700)
Write-down of PrideVision assets	-	(4,252)	-	(4,252)
Gain on sale of investments	-	-	463	-
	<u>-</u>	<u>(10,952)</u>	<u>463</u>	<u>(10,952)</u>
Loss before interest, depreciation and amortization	(851)	(18,797)	(3,222)	(32,611)
Interest income	(10)	(6)	(37)	(650)
Interest expense	463	414	1,740	1,518
Depreciation	266	411	1,065	1,608
Amortization	55	309	211	1,314
	<u>774</u>	<u>1,129</u>	<u>2,979</u>	<u>3,790</u>
Loss before income taxes	(1,625)	(19,925)	(6,201)	(36,401)
Taxes	-	26	-	94
Loss for the period	(1,625)	(19,951)	(6,201)	(36,495)
Deficit, beginning of period	(85,512)	(57,468)	(77,419)	(40,924)
Cumulative effect of adoption of new accounting standards	-	-	(3,517)	-
Deficit, end of period	<u>\$ (87,137)</u>	<u>\$ (77,419)</u>	<u>\$ (87,137)</u>	<u>\$ (77,419)</u>
Loss per share, basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.31)</u>	<u>\$ (0.09)</u>	<u>\$ (0.56)</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding	<u>67,900,693</u>	<u>64,874,296</u>	<u>66,169,403</u>	<u>64,875,893</u>

See accompanying notes to consolidated financial statements.

Headline Media Group Inc.
Consolidated Statements of Cash Flows
(in thousands of dollars)

	Three months ended		Year ended	
	August 31,		August 31,	
	2003	2002	2003	2002
Cash provided by (used in):				
Operations				
Loss for the period	\$ (1,625)	\$ (19,951)	\$ (6,201)	\$ (36,495)
Items not involving cash:				
Depreciation	266	411	1,065	1,608
Amortization	55	309	211	1,314
Interest amortization	273	-	273	-
Write-down of PrideVision assets	-	4,252	-	4,252
Non-cash compensation expense	19	-	19	-
Change in non-cash working capital balances:				
Accounts receivable	1,369	4,155	514	(120)
Prepaid expenses and deposits	198	(1,535)	1,004	(991)
Accounts payable and accrued liabilities	(694)	(3,622)	879	(4,001)
Program acquisition and productions	(124)	300	(1,276)	(222)
Unearned revenue	(113)	(151)	(709)	(1,278)
	<u>(380)</u>	<u>(15,832)</u>	<u>(4,221)</u>	<u>(35,933)</u>
Financing:				
Issuance (repurchase) of common shares	4,900	-	5,400	(5)
Loan advances	390	-	1,200	3,599
Loan repayments	(2,000)	12,500	(2,000)	-
	<u>3,290</u>	<u>12,500</u>	<u>4,600</u>	<u>3,594</u>
Investments:				
Fixed assets	(2)	(106)	(67)	(581)
Sale of short-term investments	-	4,737	297	24,270
Deferred charges	(313)	909	(311)	(391)
	<u>(315)</u>	<u>5,540</u>	<u>(81)</u>	<u>23,298</u>
Increase (decrease) in cash and cash equivalents	2,595	2,208	298	(9,041)
Cash and cash equivalents, beginning of period	1,545	1,634	3,842	12,883
Cash and cash equivalents, end of period	<u>\$ 4,140</u>	<u>\$ 3,842</u>	<u>\$ 4,140</u>	<u>\$ 3,842</u>
Supplemental cash flow information:				
Interest paid	\$ 277	\$ 114	\$ 1,067	\$ 2,601
Taxes paid	\$ -	\$ -	\$ -	\$ 122

See accompanying notes to consolidated financial statements.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

Nature of operations

Headline Media Group Inc. is a media company focused on the specialty television sector through its main asset, The Score Television Network ("The Score"). The Score is a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in over 5.3 million homes. The Company also owns PrideVision TV, the world's first 24/7 gay, lesbian, bisexual and transgender ("GLBT") television network, and The St. Clair Group, a Canadian sports marketing and specialty publishing company. The Broadcasting group consists of the Company's specialty television networks, The Score and PrideVision TV. The Sports and Entertainment Marketing group consists of St. Clair.

The accompanying audited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements.

1. Basis of Presentation

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

With the financing arrangements currently in place, together with the planned execution of its revised business plan and pending the refinancing of The Score's bank credit facility that matures on February 29, 2004 (note 6(a)), the Company believes that there are sufficient resources to fund operations until the end of fiscal 2004.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenue and expenses, and the balance sheet classifications used.

2. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated upon consolidation.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

2. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, deposits with banks and treasury bills with maturities at acquisition of less than three months.

(c) Short-term investments:

Short-term investments consist primarily of government securities, commercial paper and bank deposits with maturities greater than three months. Short-term investments are carried at amortized cost due to the Company's intent to hold the securities to maturity.

(d) Fixed assets:

Fixed assets are stated at cost. Depreciation is provided using the following methods and annual rates:

Asset	Basis	Rate
Technical production equipment	Declining balance	12% - 30%
Computer equipment	Declining balance	30%
Computer software and video	Declining balance	100%
Office equipment and furniture	Declining balance	5% - 20%
Leasehold improvements	Straight line	Over term of lease

(e) Licence costs and trademarks:

The Company obtained licences for The Score and PrideVision TV from the Canadian Radio-television and Telecommunications Commission ("CRTC") to provide broadcasting services across Canada. The licence costs represent amounts incurred to obtain the licences and are being amortized on a straight-line basis over the terms of the respective licences.

Trademarks are being amortized on a straight-line basis over the terms of the respective licences.

(f) Deferred financing costs:

Deferred financing costs represent the unamortized cost of obtaining financing, including financing and legal fees. Amortization is recorded on a straight-line basis over the term of the related debt.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

2. Significant accounting policies (continued):

(g) Pre-operating costs:

Expenses associated with promotional activities and training costs related to the introduction of new television services are deferred until the launch of the television service. Other pre-operating costs are expensed as incurred. Pre-operating costs are amortized on a straight-line basis over the respective licence period.

(h) Program acquisitions and productions:

Program acquisitions and productions represent the unamortized costs of television programs for which the Company has acquired broadcast rights or which have been produced by the Company. Program acquisitions and productions also include television productions in progress. Television broadcast licences and rights and related liabilities are recorded when the licence period begins and the program is available for use.

Multi-year sports rights are charged to expense based on the ratio of the current year's gross revenue to estimated total gross revenue from such programs. Estimates of total gross revenue can change significantly due to a variety of factors, including the level of market acceptance of the products and advertising rates. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted, if necessary.

Television productions and other broadcast rights are amortized over the contracted exhibition period based on the estimated useful life of the program to the Company.

(i) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are determined based on differences between the accounting basis and the tax basis of assets and liabilities and are measured using the currently enacted or substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

2. Significant accounting policies (continued):

(j) Goodwill:

In September 2001, The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3062, "Goodwill and Other Intangible Assets ("Section 3062"). Section 3062 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized but instead be tested for impairment at least annually by comparing the carrying value of a reporting unit with its fair value. If any potential impairment is indicated, then it is quantified by comparing the carrying value of goodwill to its fair value, based on the fair value of the assets and liabilities of the reporting unit.

The Company has adopted the provisions of Section 3062, effective September 1, 2002. During the second quarter of the fiscal year, as required by Section 3062, the Company completed its transitional goodwill impairment test relating to goodwill allocated to the Sports and Entertainment Marketing reporting unit, and determined that unamortized goodwill of \$3,517 as at September 1, 2002 was impaired under the new fair value based methodology. This amount was charged to opening deficit with a corresponding reduction in goodwill.

The amounts presented for prior periods have not been restated for this change in accounting policy. The impact of this change is as follows.

	2003	2002
Loss for the year	\$ (6,201)	\$ (36,495)
Add back goodwill amortization	–	422
	<u>\$ (6,201)</u>	<u>\$ (36,073)</u>
Basic and diluted loss per share:		
Loss for the year	\$ (0.09)	\$ (0.56)
Loss before goodwill amortization	(0.09)	(0.56)

Prior to the adoption of Section 3062, goodwill was amortized on a straight-line basis over periods of up to 10 years. The Company assessed the value of goodwill of businesses based upon estimates of future profitability and cash flows. If the value of goodwill declined below its carrying value and the decline was considered to be permanent, the goodwill was written down to the net recoverable amount.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

2. Significant accounting policies (continued):

(k) Revenue recognition:

Revenue is generated from contracts entered into with broadcast distribution undertakings ("BDUs") and from the sale of advertising. For BDUs, revenue is recognized monthly based on the number of subscribers reported. Advertising revenue is recorded at the time the advertisement appears or is aired. Funds received in advance are recorded as unearned revenue.

The Company recognizes advertising barter transactions at fair value which is determined based on the Company's historical practice of receiving cash or other consideration that is readily convertible to a known amount of cash for similar advertising from buyers unrelated to the counterparty in the barter transaction. Barter transactions for the year were approximately \$1,669 (2002 - \$1,894).

(l) Stock-based compensation:

In December 2001, the CICA issued Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees.

The standard requires that a fair value-based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees.

Consideration paid by employees on the exercise of stock options is recorded as share capital. The standard is effective for the Company's fiscal year beginning September 1, 2002 for awards granted on or after that date. The adoption of this standard has no effect on the consolidated financial statements other than additional pro forma disclosure as if the fair value-based accounting method had been used to account for these awards.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

2. Significant accounting policies (continued):

Had the Company determined compensation expense based on the fair values at grant dates of the stock options granted subsequent to September 1, 2002 consistent with the fair value method, the Company's loss per share would have been reported as the pro forma amounts indicated below:

Loss for the year, as reported	\$ (6,201)
Pro forma loss	(6,244)
Pro forma loss per share, basic and diluted	(0.09)

The weighted average estimated fair value at the date of the grant for options granted for the year ended August 31, 2003 was \$0.23 per share.

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes fair value option-pricing model with the following assumptions:

Risk-free interest rate	4%
Dividend yield	—
Volatility factor of the future expected market price of common shares	110%
Weighted average expected life of the options	5 years

For the purposes of pro forma disclosures, the estimated fair value of the options is amortized and expensed over the options' vesting period on a straight-line basis.

During the year, compensation expense of \$19 was recognized on stock options issued to non-employees under the plan.

(m) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting years. Actual results could differ from those estimates.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

2. Significant accounting policies (continued):

(n) Loss per share:

The Company utilizes the treasury stock method to determine the dilutive effect of options, warrants and other instruments. Diluted loss per share equals basic loss per share as the effect of stock options and other instruments is anti-dilutive.

3. Write-down of PrideVision TV assets:

During 2002, the Company wrote down certain assets of its PrideVision TV subsidiary, including fixed assets, program acquisitions and productions and deferred charges, totaling approximately \$4,252.

4. Fixed assets:

2003	Cost	Accumulated depreciation	Net book value
Technical production equipment	\$ 7,087	\$ 5,549	\$ 1,538
Computer equipment	909	667	242
Computer software and video	602	553	49
Office equipment and furniture	921	601	320
Leasehold improvements	1,888	1,634	254
	\$ 11,407	\$ 9,004	\$ 2,403

2002	Cost	Accumulated depreciation	Net book value
Technical production equipment	\$ 7,077	\$ 5,037	\$ 2,040
Computer equipment	868	571	297
Computer software and video	591	503	88
Office equipment and furniture	918	497	421
Leasehold improvements	1,886	1,331	555
	\$ 11,340	\$ 7,939	\$ 3,401

Depreciation expense for the year ended August 31, 2003 amounted to \$1,065 (2002 - \$1,608).

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

5. Deferred charges:

	2003	2002
Pre-operating costs, less accumulated amortization of \$717 (2002 - \$598)	\$ 119	\$ 239
Licence costs, less accumulated amortization of \$591 (2002 - \$552)	279	39
Trademark, less accumulated amortization of \$122 (2002 - \$93)	7	33
Financing costs, less accumulated amortization of \$1,987 (2002 - \$1,690)	153	420
	<u>\$ 558</u>	<u>\$ 731</u>

Amortization of deferred charges for the year ended August 31, 2003 amounted to \$211 (2002 - \$892). Amortization of financing costs in the amount of \$273 was recorded as interest expense in the current year.

6. Loans:

(a) The Score:

In April 2002, the Company amended the bank credit facility for its subsidiary, The Score, which was initially established December 2001. The credit facility was subsequently amended in August 2002 as part of an agreement between Major League Baseball ("MLB") and The Score to terminate its program rights agreement for the 2003 baseball season (note 9). The amended revolving credit facility allows The Score to borrow up to \$15,000 in prime rate loans, bankers' acceptances ("BAs") or letters of guarantee. The credit facility matures on February 29, 2004. Prime rate loans bear interest at the prime rate plus 3.25%. BAs bear interest at BA rates plus 4.25%.

Loans under the bank credit facility are secured by a pledge of substantially all of the assets of The Score, including a pledge of The Score shares and the subordination and pledge of shareholder loans and inter-company loans from the Company to The Score. Under the terms of the credit facility and subsequent amendments, the Company loaned The Score \$17,000 in December 2001 and \$1,500 in August 2002. The loans are secured and are pledged and subordinated to the credit facility.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

6. Loans (continued):

The provisions of the amended credit facility impose restrictions on The Score, including debt incurrence and debt maintenance costs, restrictions on additional investments, sales of assets, payment of management fees or other distributions to shareholders, restrictions on entering into new or renewed programming rights agreements, and the maintenance of certain financial covenants. Financial covenants include meeting minimum subscriber levels, minimum revenue amounts, maximum earnings before interest, taxes, depreciation and amortization ("EBITDA") losses, maximum capital expenditure amounts and maximum total debt to total contributed capital requirements. In addition, the agreement has a number of events of default, including solvency tests for the Company and The Score. As at August 31, 2003, \$13,100 of the facility had been drawn.

In August 2002, The Score also entered into a credit facility agreement for a \$2,000 operating loan with a company related by virtue of common control. The credit facility bore interest at 17% per annum and was secured by a second ranking general security agreement and a limited recourse guarantee by the Company, supported by a pledge of The Score's shares, subject to the prior security interest discussed above. As at August 31, 2003, the entire facility was repaid in full. The credit facility agreement was terminated and is no longer available to be drawn on.

(b) Headline Media Group Inc.:

In April 2002, the Company entered into a non-revolving secured standby credit facility of up to \$2,300 with a company related by virtue of common control. The credit facility was subsequently amended in November 2002. The credit facility is available to fund operations and working capital requirements commencing November 11, 2002 and matures on August 31, 2004. The credit facility bears interest at 12% per annum, commencing 90 days following the initial advance. The standby credit facility was secured by the assets of PrideVision TV, including a pledge of the PrideVision TV shares, and a first charge over all of the Company's assets, with the exception of its shares in The Score and St. Clair. As at August 31, 2003, \$1,200 of the facility had been drawn.

For the year ended August 31, 2003, interest expense includes interest on the bank loans of \$1,316 (2002 - \$1,471) and interest on amounts due to related parties of \$395 (2002 - nil).

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

7. Capital stock:

	2003	2002
Authorized:		
Unlimited Senior Preference shares		
Unlimited Junior Preference shares		
10,000 Special Voting shares, convertible into Class A Subordinated Voting shares on a one-for-one basis at the option of the shareholder		
Unlimited Class A Subordinated Voting shares		
Unlimited Class B Subordinated Voting shares, convertible into Class A Subordinated Voting shares on a one-for-one basis at the option of the shareholder		
Issued:		
10,000 Special Voting shares	\$ 30	\$ 30
82,626,200 Class A Subordinated Voting shares (2002 - 64,864,296)	78,733	73,314
	<u>\$ 78,763</u>	<u>\$ 73,344</u>

In January 2003, the Company completed a private placement of 1,428,571 Class A Subordinate Voting shares with Levfam Holdings Inc., the Company's controlling shareholder, at a price of \$0.35 per share. The gross proceeds of the private placement were \$500.

In August 2003, the Company completed a private placement of 16,333,333 Class A Subordinate Voting shares at a price of \$0.30 per share. The gross proceeds of the private placement were \$4,900.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

7. Capital stock (continued):

Details of share capital transactions during the year are as follows:

	Number of shares issued		Amount credited to capital	
	Class A Subordinated Voting	Special Voting	Class A Subordinated Voting	Special Voting
Balance, August 31, 2001	64,868,196	10,000	\$ 73,319	\$ 30
Shares purchased for cancellation	(3,900)	—	(5)	—
Balance, August 31, 2002	64,864,296	10,000	73,314	30
Shares issued in private placements	17,761,904	—	5,400	—
Non-cash compensation expense (note 2(l))	—	—	19	—
Balance, August 31, 2003	82,626,200	10,000	\$ 78,733	\$ 30

(a) Stock option plan:

The Company has a stock option plan (the "Plan") under which the Board of Directors, or a committee appointed for such purpose may, from time to time, grant to directors, officers, full-time employees of, or consultants to, the Company, options to acquire Class A Subordinated Voting shares. Of the Class A Subordinated Voting shares issued and outstanding, 5,228,000, from time to time, are reserved for issue under the Plan. Under the Plan, the exercise price must not be less than the market price of the Class A Subordinated Voting shares at the date of the grant. An option's maximum term is 10 years and options vest over three years.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

7. Capital stock (continued):

The following table summarizes the status of the Plan:

	Number	Exercise price	Weighted average exercise price
Outstanding options, August 31, 2001	2,132,333	\$3.00 - 3.13	\$ 3.01
Granted	455,000	1.00	1.00
Cancelled	(624,000)	3.00 - 3.13	3.02
Outstanding options, August 31, 2002	1,963,333	1.00 - 3.13	2.54
Granted	882,500	0.28 - 1.00	0.35
Cancelled	(148,334)	1.00 - 3.13	2.31
Outstanding options, August 31, 2003	2,697,499	0.28 - 3.11	1.84
Options exercisable, end of year			1,478,340

As at August 31, 2003, the weighted average remaining contractual life of the options exercisable and outstanding was 2.1 years and 3.0 years, respectively.

(b) Warrants:

On November 14, 2000, the Company entered into an agreement with World Wrestling Entertainment, Inc. ("WWE"), whereby the Company obtained the right to broadcast certain WWE programs for a period of three years. The broadcast rights fees and advertising and media purchase commitments related to this contract are included in note 9(a)). As part of the agreement, on February 15, 2001, WWE purchased 222,223 Class A Subordinated Voting shares of the Company at a price of \$4.50 per share, with a warrant to subscribe for up to 5,587,193 Class A Subordinated Voting shares at a price of \$4.50 per share which expired on February 28, 2003. As none of these warrants had been exercised by February 28, 2003, the balance was transferred to contributed surplus.

8. Loss per share:

Basic loss per share has been calculated on a weighted average basis of Class A Subordinated Voting shares and Special Voting shares outstanding during the year.

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

9. Commitments:

- (a) The Company has entered into various program acquisition and rights agreements, the most significant of which oblige the Company to make aggregate annual payments for fiscal years as follows:

2004	\$ 4,105
2005	1,484
	<hr/>
	\$ 5,589

In August 2002, the Company's subsidiary, The Score, terminated its telecast rights agreement with MLB, effective at the end of the 2002 baseball season. Under the agreement, The Score made a \$12,000 final payment to MLB in satisfaction of all current and future obligations aggregating \$20,333. This one-time payment resulted in a program rights termination expense of \$6,700.

- (b) The Company is committed to minimum annual payments under operating leases, including satellite transponders, equipment and premises, as follows:

2004	\$ 1,794
2005	1,434
2006	1,293
2007	70
2008	20
Thereafter	–
	<hr/>
	\$ 4,611

- (c) The Company is committed under the terms of its licensing agreement for The Score and PrideVision TV to spend 45% and 49%, respectively, of its preceding year's gross television revenue on Canadian television programming, as defined by the CRTC, for each broadcast year following the first year of operations.

The Company's gross television revenue from The Score for the year ended August 31, 2003 was \$18,719 (2002 - \$16,351). The Company's gross television revenue from PrideVision TV for the year ended August 31, 2003 was \$1,618 (2002 - \$1,208).

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

10. Financial instruments:

The fair values of the Company's cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the short period to maturity of the instruments.

The fair values of the Company's loans under the bank credit facility approximate their carrying amounts as the interest being charged is floating in respect to the prime rate.

The fair value of the Company's loan under the credit facility agreement with a company related by virtue of common control is not determinable due to its terms and related party nature.

11. Income taxes:

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	2003	2002
Future tax assets:		
Capital loss carryforward	\$ 113	\$ -
Non-capital loss carried forward	25,495	21,932
Fixed assets and deferred charges	4,200	4,621
	<u>29,808</u>	<u>26,553</u>
Less valuation allowance	<u>29,741</u>	<u>26,456</u>
Future tax assets	67	97
Future tax liabilities	(67)	(97)
Net future tax assets	<u>\$ -</u>	<u>\$ -</u>

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

11. Income taxes (continued):

As at August 31, 2003, the Company had non-capital losses of approximately \$69,659 available to apply to future years' taxable income. The benefit of these losses has not been recorded in the consolidated financial statements. The losses expire as follows:

2004	\$ 1,623
2005	1,347
2006	1,619
2007	6,752
2008	18,354
2009	32,716
2010	7,248
	<hr/>
	\$ 69,659

The provision for income taxes included in the consolidated statements of operations and deficit differs from the statutory income tax rate as follows:

	2003	2002
Income tax recovery based on the statutory income tax rate of 36.6% (2002 - 37.2%)	\$ (2,270)	\$ (13,578)
Tax effect of losses and temporary differences not recorded	2,063	13,384
Tax effect of non-deductible items	207	194
Large Corporations Tax	–	94
Income tax provision	<hr/> \$ –	<hr/> \$ 94

12. Segmented information:

The Company has three business units which comprise broadcasting, sports and entertainment marketing and other. These operating segments are substantially in Canada. The broadcasting group consists of the Company's specialty television networks, The Score and PrideVision TV. The sports and entertainment marketing group consists of the operations of St. Clair, being advertising and event sponsorship program publications for sports and theatre events. The other group consists of corporate operations. Management measures the results of operations based on the earnings before interest, taxes, depreciation

Headline Media Group Inc.

Notes to Consolidated Financial Statements

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Three months and year ended August 31, 2003 (audited)

and amortization provided by each operating group. The accounting policies of the segments are the same as those described in the significant accounting policies.

Information by operating group is as follows:

Three months ended August 31, 2003	Broadcasting	Sports and entertainment marketing	Other	Consolidated total
Revenue:				
Advertising	\$ 2,794	\$ 548	\$ –	\$ 3,332
Subscriber fees	1,909	–	–	1,909
	\$ 4,703	\$ 548	\$ –	\$ 5,251
Loss before interest, depreciation and amortization	\$ (71)	\$ (234)	\$ (546)	\$ (851)
Interest income				(10)
Interest expense				463
Depreciation and amortization				321
Loss before income taxes				(1,625)
Income taxes				–
Loss for the year				\$ (1,625)
Capital expenditures	\$ 2	\$ –	\$ –	\$ 2
Total assets	\$ 8,394	\$ 1,988	\$ 2,428	\$ 12,810

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

12. Segmented information (continued):

Three months ended August 31, 2002	Broadcasting	Sports and entertainment marketing	Other	Consolidated total
Revenue:				
Advertising	\$ 3,019	\$ 658	\$ –	\$ 3,677
Subscriber fees	1,705	–	–	1,705
	\$ 4,724	\$ 658	\$ –	\$ 5,382
Earnings (loss) before undernoted	\$ (6,776)	\$ (470)	\$ (599)	\$ (7,845)
Program rights termination expense	6,700	–	–	6,700
Write-down of PrideVision TV assets	4,252	–	–	4,252
Earnings (loss) before interest, depreciation and amortization	(17,728)	(470)	(599)	(18,797)
Interest income				(6)
Interest expense				414
Depreciation and amortization				720
Loss before income taxes				(19,925)
Income taxes				26
Loss for the year				\$(19,951)
Capital expenditures	\$ 82	\$ 25	\$ –	\$ 107
Total assets	\$ 10,807	\$ 2,272	\$ 5,936	\$ 19,015

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

12. Segmented information (continued):

Year Ended August 31, 2003	Broadcasting	Sports and entertainment marketing	Other	Consolidated total
Revenue:				
Advertising	\$ 13,284	\$ 9,473	\$ –	\$ 22,757
Subscriber fees	7,579	–	–	7,579
	\$ 20,863	\$ 9,473	\$ –	\$ 30,336
Loss before the undernoted	\$ (1,344)	\$ (21)	\$ (2,320)	\$ (3,685)
Gain on sale of investments	–	–	463	463
Loss before interest, depreciation and amortization	(1,344)	(21)	(1,857)	(3,222)
Interest income				(37)
Interest expense				1,740
Depreciation and amortization				1,276
Loss before income taxes				(6,201)
Income taxes				–
Loss for the year				\$ (6,201)
Capital expenditures	\$ 67	\$ –	\$ –	\$ 67
Total assets	\$ 8,394	\$ 1,988	\$ 2,428	\$ 12,810

Headline Media Group Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months and year ended August 31, 2003 (audited)

12. Segmented information (continued):

Year Ended August 31, 2002	Broadcasting	Sports and entertainment marketing	Other	Consolidated total
Revenue:				
Advertising	\$ 12,410	\$ 13,795	\$ –	\$ 26,205
Subscriber fees	6,183	–	–	6,183
	\$ 18,593	\$ 13,795	\$ –	\$ 32,388
Earnings (loss) before undernoted	\$(19,576)	\$ 507	\$(2,590)	\$(21,659)
Program rights termination expense	6,700	–	–	6,700
Write-down of PrideVision TV assets	4,252	–	–	4,252
Earnings (loss) before interest, depreciation and amortization	(30,528)	507	(2,590)	(32,611)
Interest income				(650)
Interest expense				1,518
Depreciation and amortization				2,922
Loss before income taxes				(36,401)
Income taxes				94
Loss for the year				\$(36,495)
Capital expenditures	\$ 477	\$ 43	\$ 61	\$ 581
Total assets	\$ 10,807	\$ 2,272	\$ 5,936	\$ 19,015

Headline Media Group Inc.

Notes to Consolidated Financial Statements

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13. Subsequent event:

On December 5, 2003, the Company entered into an agreement to sell the Canadian operations of PrideVision TV. The transaction is subject to approval by the Canadian Radio-television and Telecommunications Commission. The value of the transaction is expected to be approximately \$2,600, comprised of \$1,500 of cash and the assumption by the purchaser of certain liabilities related to PrideVision TV to be determined at the final closing of the transaction when regulatory approval is obtained. As at December 5, 2003, the total liabilities that would have been assumed had the transaction closed amounted to approximately \$1,100. As part of the transaction, the Company will retain the rights to develop PrideVision TV outside of Canada, and a 9.9% interest in PrideVision TV's Canadian operations.