HIGHLIGHTS OF THE 2005 SEASON

SCORE MEDIA

YOU'VE EXPERIENCED 'HOME FOR THE HARDCORE'.

YOU'VE SEEN THE HEADLINE-MAKING, SHOW-STOPPING AND GRAND-SLAMMING STORIES OF 2005.

NOW HERE'S THE REST AND THE BEST :

THE SCORE 2005 SEASON HIGHLIGHTS.

GAME PLAN

PROFILE

Score Media Inc. is a media company committed to creating consumer value through creative solutions, technology, and innovation in response to sports fans' growing desire for increased participation in their consumption of sports content. Score Media's main asset is The Score Television Network, a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in more than 5.6 million homes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 2005

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements of Score Media Inc. ("Score" or the "Company") and Notes thereto included elsewhere in this Annual Report. Except for the historical information contained herein, the discussion in this Annual Report contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, strategies, expectations and intentions. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company, or its management, are intended to identify such forward-looking statements. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties such as those related to the nature of the specialty television industry, dependence on broadcasters, programming and production costs, dependence on Broadcast Distribution Undertakings, regulatory environment, dependence on advertisers, reliance on key personnel, management of growth, general economic conditions, competition, possible strategic alliances and acquisitions, Canadian ownership, control and significant interest of concentrated shareholder base, possible volatility of stock price, regulatory approval of certain transactions involving the Corporation and financial risks, which risks and uncertainties are discussed in the Annual Information Form dated November 9, 2005 filed with the Ontario Securities Commission. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. The Company does not intend, and does not assume any obligation, to update these forward-looking statements. All amounts are stated in Canadian dollars unless otherwise noted. The information presented in this MD&A is as of November 9, 2005.

OVERVIEW

The Company is a media company committed to creating consumer value through creative solutions, technology, and innovation in response to sports fans' growing desire for increased participation in their consumption of sports content. Score Media's main asset is The Score Television Network, a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in more than 5.6 million homes.

On February 22, 2005, the Company received shareholder approval to change its name from Headline Media Group Inc. to Score Media Inc. This name change was made to better reflect the Company's focus on the development of The Score and related sports media properties.

During the third quarter of fiscal 2005, the Company launched Score Poker, an interactive, "play for fun" poker Website, that the Company believes is the largest "play-for-fun" poker Website in Canada. With weekly and monthly tournaments targeted to similar demographic markets as The Score, this website and the attendant database of "play-for-fun" poker players complement the Company's other sports media properties.

Subsequent to year-end, the Company announced the launch of two new sports media properties. Score Mobile was launched in October 2005 to extend The Score's brand and content into the wireless medium. The Company believes the Canadian mobile market represents a new business platform for The Score to expand its audience and grow its business with "hardcore" Canadian sports fans.

Concurrent with the launch of Score Mobile, the Company announced that it had reached an agreement with Standard Radio Inc. to launch Hardcore Sports Radio, as part of the introduction of Sirius Satellite Radio to the Canadian market. Hardcore Sports Radio will offer up-to-the-minute sports news and information on a dedicated satellite radio channel across North America. These opportunities extend the Company's reach to sports fans who are increasingly interactive in their consumption of sports.

DEFINITIONS

The Company focuses its analysis on "Net income (loss) from continuing operations before interest, income taxes, depreciation and amortization" and Net income (loss). Net income (loss) from continuing operations before interest, income taxes, depreciation and amortization and Net income (loss) are reconciled in the table below.

Net income (loss) from continuing operations before interest, income taxes, depreciation and amortization is not a measure of performance under Canadian GAAP. Net income (loss) from continuing operations 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) from continuing operations 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) from continuing operations 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 before interest, income taxes, depreciation and amortization for the year ended August 31, 2005 compared to Year ended August 31, 2004:

	Year Ended August 31, 2005	Year Ended August 31, 2004
Income (loss) for the period	$2,753	$(427)
Less:		
Income (loss) from discontinued operations	148	1,625
Add back:		
Depreciation and amortization	1,238	1,336
Interest expense, net	945	1,143
Net income from continuing operations before interest, income taxes, deprection and amortization	$4,788	$ 427

CONSOLIDATED

The following selected financial data of the Company as it relates to the three years ended August 31, 2005, is derived from the audited financial statements of the Company.

Year ended August 31 ($000's except per share amounts)

Earnings Statement Data	2005	2004	2003
Revenue	$25,063	$19,963	$19,245
Income (loss) from continuing operations before interest, depreciation and amortization	4,788	427	(1,818)
Net income (loss)	2,753	(427)	(6,201)
Earnings (loss) per share	0.03	(0.01)	(0.09)
Dividends declared per share	-	-	-
Balance Sheet Data			
Total Assets	$ 9,274	$ 8,042	$ 12,810
Long-term Financial Liabilities	$ 10,000	-	-

Quarterly Results	Revenue	Income (loss) from continuing operations	Income (loss) from discontinued operations	Net Income (loss)	Income (loss) per share from continuing operations	Income (loss) per share
	($000's)	($000's)	($000's)	($000's)	($)	($)
August 31, 2005	6,104	211	-	211	0.00	0.00
May 31, 2005	7,326	1,728	148	1,876	0.02	0.02
February 28, 2005	5,587	153	-	153	0.00	0.00
November 30, 2004	6,046	513	-	513	0.01	0.01
August 31, 2004	4,766	(568)	1,353	785	(0.01)	0.01
May 31, 2004	5,623	161	231	392	0.00	0.00
February 29, 2004	4,383	(617)	117	(500)	(0.01)	(0.01)
November 30, 2003	5,191	(1,027)	(77)	(1,104)	(0.01)	(0.01)

Revenues for the year ended August 31, 2005 increased to $25.1 million from $20.0 million compared to the year ended August 31, 2004, an increase of $5.1 million. The Company's revenues have historically reflected a seasonality trend, with the third quarter (ending May 31st) being the strongest, followed by the first quarter (ending November 30th), the fourth quarter (ending August 31st) and finally the second quarter (ending February 28th). This seasonality reflects general trends for sports media advertising, which in turn reflects the schedules (particularly the playoffs) of the major sports leagues.

Advertising revenues for the year ended August 31, 2005 increased by approximately $1.0 million compared to the prior year. This increase resulted from improved audience ratings and growth in the number of new advertisers on the Company's television network.

This growth was noteworthy during a year when the National Hockey League and its player union were embroiled in a labour dispute, and causing significant declines in viewer audiences for other Canadian sports television networks. Management believes that The Score's audiences remained relatively unaffected due to its unique programming model. Management anticipates that audiences will continue to grow with the return of hockey in fiscal 2006 and the introduction of several new sports news and other new live event programs.

Subscriber fee revenue increased by approximately $4.1 million for the year ended August 31, 2005 compared to the prior period. This increase in subscriber revenue was a result of new basic and discretionary wholesale rates that were implemented with several Broadcast Distribution Undertakings in the first and second quarters of fiscal 2005, as well as an increase in the total number of subscribers. On January 21, 2004, The Score received CRTC approval of its licence renewal for a full term, ending August 31, 2010 and that approval included a new authorized basic wholesale rate of $0.14, an increase of 40% from The Score's previously authorized basic wholesale rate of $0.10.

Operating expenses excluding rights fees were $19.3 million for the year ended August 31, 2005 compared to $17.6 million in the prior year, representing an increase of $1.7 million. This increase resulted from higher marketing expenses associated with media advertising and increased occupancy costs resulting from a new property lease at The Score's facilities, as well as expenses associated with federal tariffs for music rights, higher CRTC licence fees, and increased staffing to support the general increase in business.

Program rights were $1.2 million for the year ended August 31, 2005, compared to $1.9 million in the prior year. Certain program rights for the year ended August 31, 2005 increased for live events such as Toronto Raptors basketball and NCAA basketball, but decreased overall, reflecting lower program rights fees on World Wrestling Entertainment properties as well as lower program rights costs for other programs. In addition, the NHL labour dispute resulted in a one-year deferral of the rights fees payable to the NHL for usage of hockey news highlights.

Interest expense for the year ended August 31, 2005 was $0.9 million compared to the $1.1 million in the prior year. The decrease of approximately $0.2 million reflects lower borrowings of bank debt and related-party debt due to improved cash flow from operations and cash proceeds from the sale of PrideVision's Canadian operations in the prior year. On July 29, 2004, the Company concluded the sale of PrideVision Inc. which had been approved by the Canadian Radio-television and Telecommunications Commission on May 28, 2004. The total consideration was approximately $2.3 million, comprising of $1.4 million cash and the assumption of certain liabilities related to PrideVision TV totaling approximately $0.9 million. As part of the transaction, PrideVision Inc. retained the rights to develop PrideVision TV outside of Canada, and a 9.9% interest in PrideVision TV's Canadian operations.

Depreciation and amortization expense for the year ended August 31, 2005 was $1.2 million compared to $1.3 million in the prior year. This decrease was due in part to the fact that the Company had previously been depreciating approximately $1.7 m of leasehold improvements over the term of its property lease. That lease expired in the prior year on August 31, 2004. For the year ended August 31, 2005, fixed asset additions were approximately $1.7 million compared to $0.8 million in the prior year. The increase in fixed assets resulted primarily from new investment in broadcast studio equipment, information technology and development of new media technologies.

Net income for the year ended August 31, 2005 was $2.8 million, or $0.03 per share based on a weighted average 82.8 million Class A Subordinate Voting Shares and Special Voting Shares outstanding compared to a loss of $0.4 million or $0.01 per share based on a weighted average 82.7 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year, an increase of $3.2 million.

For the year ended August 31, 2005, net income included $0.1 million of income from discontinued operations and for the year ended August 31, 2004, net income included $1.6 million of income from discontinued operations. Prior to July 29, 2004, the Company had operated PrideVision TV, a Category 1 digital specialty television service, focused on the gay, lesbian, bisexual and transgender communities, through its wholly owned subsidiary PrideVision Inc. On July 29, 2004, the Company concluded the sale of PrideVision.

The Company had also operated St. Clair Group Investments Inc. ("St. Clair"), a Canadian sports marketing and specialty publishing company, prior to August 31, 2004. The operations of St. Clair were substantially restructured, and ultimately discontinued in October 2004 as a result of certain sports marketing contracts which were not renewed.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by continuing operations for the year ended August 31, 2005 were $2.2 million compared to $1.2 million provided in the prior year reflecting improvement in operating profit in the current year offset in part by operating working capital movements. Cash flows provided by discontinued operations were $0.5 million compared to $0.7 million in the prior year.

For fiscal 2006, the Company anticipates that cash flows provided by operations will increase compared to fiscal 2005 based on anticipated increases in both advertising and subscriber revenues with more moderate increases in operating expenses. The Company has also launched several new business initiatives which are expected to contribute to operating profitability in fiscal 2006, such as Hardcore Sports Radio and new live event programming such as English Premier League soccer.

On May 26, 2005, the Company entered into a $15 million credit facility with a Canadian chartered bank. The credit facility comprises a $10 million five-year term loan maturing on August 31, 2010, and a $5 million revolving credit facility. The amended credit facility allows the Company to borrow by way of prime rate loans, bankers' acceptances or letters of guarantee. Loans and bankers' acceptances bear interest at rates that are dependent on financial ratios. The provisions of the

Company's new bank credit facility impose restrictions, the most significant of which are restrictions on investments, sales of assets, distributions to shareholders, restrictions on programming rights agreements and the maintenance of certain financial covenants. Financial covenants include total funded debt to EBITDA (earnings before interest, taxes, depreciation and amortization) and maximum capital expenditure amounts.

The proceeds of the loans made under this new credit facility were used to retire all existing credit facilities then in existence. The Score repaid in full its revolving bank operating line of credit, then drawn at $11.5 million, with the proceeds of this new bank credit facility. In addition, the Company repaid $1.2 million, including accrued interest of $262,000 and cancelled the credit facility provided to it by Levfam Finance Inc., a company related by virtue of common control.

As at August 31, 2005, $10.0 million of the five-year loan and $0.7 million of the revolving credit facility had been drawn. The Company was in compliance with all terms of its credit facility during the reporting periods.

The Company believes that this new credit facility provides it with sufficient working capital lines of credit to support its operations for the foreseeable future.

Cash flows used in investment activities for the year ended August 31, 2005 were $2.1 million compared to cash flows used in investment activities of $1.5 million in the prior year. This increase was due primarily to an increase in fixed asset additions. For the year ended August 31, 2005, fixed asset additions were approximately $1.7 million compared to $0.8 million in the prior year. These fixed asset additions resulted primarily from new investment in broadcast studio equipment, information technology and development of new media technologies.

For fiscal 2006, the Company anticipates that expenditures on new and replacement fixed assets will be approximately $1.5 million, which can be financed by cash flows from operations.

Other than the credit facilities described below, the Company has no other financial instruments and thus believes that there are no price, credit or liquidity risks that it could be subject to from such instruments.

CONTRACTUAL OBLIGATIONS

The Company has no debt guarantees, capital leases or long-term obligations other than loans which are disclosed on the Consolidated Balance Sheets as at August 31, 2005, and August 31, 2004 and the Notes to thereto.

Contractual operating obligations are as follows:

Contractual Obligations (in thousands of dollars)	2006	2007	2008	2009	2010	There-after	Total
Operating lease obligations	1,866	777	654	647	469	-	4,413
Programming rights obligations	1,475	306				-	1,781
Long-term debt obligations	-	1,000	1,000	1,500	6,500	-	10,000
Total	3,341	2,083	1,654	2,147	6,969	-	16,194

RELATED PARTY TRANSACTIONS

The Company and Levfam Finance Inc. are related by virtue of common control. Levfam Finance Inc. had provided credit facilities to the Company prior to May 26, 2005. The Company cancelled this credit facility on that date and repaid $1.2 million including accrued interest of $262,000 then outstanding on that credit facility. Interest on the Levfam Finance Inc. credit facility amounted to approximately $71,000 during fiscal 2005, approximately $140,000 in 2004 and the balance in 2003.

During fiscal 2004, the Company has retained legal services from a firm, one of whose partners is a director of the Company. These services were provided in the ordinary course of business and the fees for services rendered amounted to approximately $38,000 in fiscal 2005 compared to approximately $48,000 in the prior year. A second director provided consulting services for the Company during fiscal 2005 and received approximately $27,000 for such services during fiscal 2005 compared to approximately $10,000 in the prior year. All related party transactions have been recorded at their fair values.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the allowance for doubtful accounts, the recoverability of fixed assets and deferred charges. In making such estimates and assumptions, management consults with employees knowledgeable in the area; gathers relevant information; where appropriate, seeks advice from qualified third parties, and, makes judgments, which in the opinion at that time, represent fair, balanced and appropriate conservative estimates and assumptions. Actual results could differ from those estimates.

Stock-based compensation and other stock-based payments

Effective September 1, 2004, GAAP requires the Company to estimate the fair value of stock-based compensation granted to employees and to expense the fair value over the estimated vesting period of the stock options. In accordance with the transition rules, the Company determined the fair value of stock options granted to employees since September 1, 2002, using the Black-Scholes option pricing model. Prior periods were not restated and the Company recorded an adjustment to its opening deficit in the amount of $74,000, representing the expense for the 2003 and 2004 fiscal years. The offset to the deficit is an increase in contributed surplus. The impact of adopting this accounting standard in 2005 was an increase in compensation expense of $262,000 for fiscal 2005. During the year, compensation expense of $16,000 (2004 - $37,000) was recognized for stock options issued to non-employees under the Plan.

During the year ended August 31, 2004, based on stock options issued subsequent to September 1, 2002, the stock-based compensation expense for this period would have been $31,000 and the pro forma loss would have been $458,000 or $0.01 per share.

During the year ended August 31, 2005, 1,645,000 options were granted. The weighted average estimated fair values at the dates of the grant for the options granted were $0.43 and $0.54.

RISKS AND UNCERTAINTIES

Risks Related to the Nature of the Specialty Television Industry

The specialty television industry in which the Company operates involves a substantial degree of risk. There can be no assurance of the economic success of any specialty television channel as revenues depend on audience acceptance, which cannot be accurately predicted. Audience acceptance is impacted by the specialty television service's content, reviews of critics, marketing and promotions, the quality and acceptance of other competing services, the availability of alternative forms of entertainment, leisure time activities, general economic conditions, public tastes generally and other intangible factors. The lack of audience acceptance for its specialty television channels could have an adverse impact on our business, results of operations, prospects or financial condition.

Regulatory Environment

The specialty television services industry is regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC"), which grants and renews licences.

The Company's broadcasting licences must be renewed from time to time, typically every seven years and cannot be transferred without regulatory approval. The Company's inability to renew its licences on favourable terms, or at all, would have an adverse impact on its results of operations, prospects and financial condition. Changes in the regulations governing the specialty television industry, including decisions by regulators affecting the Company's broadcasting operations, such as the granting or renewal of licences or the granting of additional broadcasting licences to competitors or the introduction of new regulations by regulators, could adversely impact operating results, prospects and financial condition.

Dependence on BDU's

The Score is dependent on Broadcast Distribution Undertakings ("BDUs") (including cable, direct to home (DTH) and Multipoint Distribution System (MDS) distributors) for distribution of its specialty television services. If any of the distribution agreements are terminated and the Company is unable to secure similar agreements, there could be a significant negative impact on revenues. There could be a further negative impact on revenues if distribution agreements with BDUs are not renewed on terms at least comparable to current terms.

Programming and Production Costs

Programming costs, including program acquisitions, rights fees, production costs, publishing costs and distribution costs continue to rise and may be subject to future increases. These increases or the inability to renew major programming rights agreements may adversely affect operating results.

General Economic Conditions

The Company's revenues and results of operations are and will continue to be influenced by prevailing general economic conditions. In the event of a general economic downturn or a recession, purchasers and potential purchasers of the Company's advertising inventory may substantially reduce their advertising budgets. In the event of such an economic downturn, there can be no assurance that the Company's operating results, prospects and financial condition would not be materially adversely affected.

A complete discussion of the risk factors affecting the Company's operating results can be found in the Company's Annual Information Form.

OUTLOOK

As we move forward into 2006, the Company will continue to focus on growing its primary asset, The Score Television Network. In addition, the Company plans to pursue growth through the development of related sports media properties and applications such as Hardcore Sports Radio, and interactive initiatives such as Score Poker, Score Mobile and novel web-based initiatives.

MANAGEMENT'S REPORT

The consolidated financial statements and other financial information in this annual report were prepared by the management of Score Media Inc., reviewed by the Audit Committee and approved by the Board of Directors. Management is responsible for the consolidated financial statements and believes that they present fairly the Company's financial condition and results of operations in conformity with generally accepted accounting principles. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable under the circumstances. To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control, which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel, and through the adoption and communication of financial and other relevant policies. The shareholders have appointed KPMG LLP, Chartered Accountants to audit the consolidated financial statements. Their report outlines the scope of their examination and their opinion.

John S. Levy
Chairman and Chief Executive Officer

Patrick G. Michaud
Executive Vice President
and Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Score Media Inc. (formerly Headline Media Group Inc.) as at August 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
October 12, 2005

SCORE MEDIA INC. (Formerly Headline Media Group Inc.)
Consolidated Balance Sheets (in thousands of dollars)
August 31, 2005 and 2004

	2005	2004
Assets		(restated note 2)
Current Assets:		
Cash	$ 26	$ 626
Accounts Receivable	5,214	3,660
Prepaid expenses and deposits	299	308
Current assets of discontinued operations (note 2)	6	626
	5,545	5,220
Fixed assets (note 3)	3,136	2,111
Deferred charges (note 4)	593	711
	$9,274	$8,042
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Operating loan (note 5)	$ 700	$11,865
Accounts payable and accrued liabilities	3,526	3,878
Current liabilities of discontinued operations (note 2)	110	393
	4,336	16,136
Term loan (note 5)	10,000	-
Shareholders' deficiency:		
Capital stock (note 6)	78,812	78,811
Contributed surplus (note 1(i))	1,011	659
Deficit	(84,885)	(87,564)
	(5,062)	(8,094)
Commitments (note 8)		
	$9,274	$ 8,042

See accompanying notes to consolidated financial statements. On behalf of the Board:

John S. Levy
Chairman and Chief Executive Officer

Mark A. Scholes
Director

SCORE MEDIA INC. (Formerly Headline Media Group Inc.)
Consolidated Statements of Operations and Deficit
(in thousands of dollars except per share amount)
August 31, 2005 and 2004

	2005	2004
		(restated note 2)
Revenue	$25,063	$19,963
Production and other direct expenses	11,484	11,118
Selling, general and administration	7,821	6,484
Program rights	1,247	1,934
	20,552	19,536
Income before the undernoted	4,511	427
Gain on sale of investments	277	-
Income from continuing operations before interest, depreciation and amortization	4,788	427
Interest expense	945	1,143
Depreciation	709	843
Amortization	529	493
	2,183	2,479
Income (loss) from continuing operations	2,605	(2,052)
Income from discontinued operations (note 2)	148	1,625
Net income (loss)	2,753	(427)
Deficit, beginning of year	(87,564)	(87,137)
Adjustment for change in accounting for stock-based compensation (note 1(i))	(74)	-
Deficit, end of year	$(84,885)	$(87,564)
Income (loss) per share (note 7):		
Income (loss) per share from continuing operations, basic and diluted	$0.03	$ (0.02)
Income (loss) per share - basic and diluted	0.03	(0.01)
Weighted average number of Class A Subordinated Voting and Special Voting shares outstanding (note 7):		
Basic	82,772,936	82,666,104
Diluted	82,890,778	82,666,104

See accompanying notes to consolidated financial statements.

SCORE MEDIA INC. (Formerly Headline Media Group Inc.)
Consolidated Statements of Cash Flows (in thousands of dollars)
August 31, 2005 and 2004

	2005	2004
		(Restated note 2)
Cash provided by (used in):		
Operations:		
Income (loss) from continuing operations	$ 2,605	$(2,052)
Items not involving cash:		
Depreciation	709	843
Amortization	529	493
Non-cash compensation expense	278	37
Change in non-cash operating working capital:		
Accounts receivable	(1,554)	(224)
Prepaid expenses and deposits	9	946
Account payable and accrued liabilities	(352)	1,163
Cash flows from continuing operations	2,224	1,206
Cash flows from discontinued operations	485	663
	2,709	1,869
Financing:		
Issuance of common shares	1	48
Loan borrowings	11,625	-
Loan Repayments	(12,790)	(2,435)
	(1,164)	(2,387)
Investments:		
Additions to fixed assets	(1,734)	(846)
Deferred charges	(411)	(646)
	(2,145)	(1,492)
Decrease in cash	(600)	(2,010)
Cash, beginning of year	626	2,636
Cash, end of year	$ 26	$ 626
Supplemental cash flow information: Interest paid	$ 945	$1,003

See accompanying notes to consolidated financial statements.

Score Media Inc. is a media company committed to creating consumer value through creative solutions, technology, and innovation in response to sports fans' growing desire for increased participation in their consumption of sports content. Score Media's main asset is The Score Television Network, a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in more than 5.6 million homes.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All significant intercompany balances and transactions have been eliminated upon consolidation.

Certain 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2005.

(b) Fixed assets:

Fixed assets are recorded at cost and depreciated over their estimated useful lives. 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

(c) Impairment of long-lived assets:

Long-lived assets, including fixed assets and intangible assets with finite useful lives, are amortized over their useful lives. The Company reviews long-lived assets for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value. At August 31, 2005 and 2004, no such impairments in the carrying value of these assets existed.

(d) Licence costs and trademarks:

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

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

(e) 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.

(f) Programming:

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.

(g) 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. Income tax expense or benefit is the sum of the Company's provision for current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

(h) 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 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 $195 (2004 - $308).

(i) Stock-based compensation:

Effective September 1, 2004, GAAP requires the Company to estimate the fair value of stock-based compensation granted to employees and to expense the fair value over the estimated vesting period of the stock options. In accordance with the transition rules, the Company determined the fair value of stock options granted to employees since September 1, 2002, using the Black-Scholes option pricing model. Prior periods were not restated and the Company recorded an adjustment to its opening deficit in the amount of $74, representing the expense for the 2003 and 2004 fiscal years. The offset to the deficit is an increase in contributed surplus. The impact of adopting this accounting standard in 2005 was an increase in compensation expense of $262. During the year, compensation expense of $16 (2004 - $37) was recognized for stock options issued to non-employees under the Plan.

During the year ended August 31, 2004, based on stock options issued subsequent to September 1, 2002, the stock-based compensation expense for this period would have increased by $31 and the pro forma loss would have been $458 or $0.01 per share.

During the year ended August 31, 2005, 1,645,000 options were granted. The weighted average estimated fair values at the date of the grant for the options granted were $0.43 and $0.54. The fair value of each option granted was estimated on the dates of the grant using the Black-Scholes 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	50% - 95%
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.

(j) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(k) Income (loss) per share:

Basic income (loss) per share is calculated by dividing the income available to shareholders by the weighted average number of Class A Subordinate Voting shares and Special Voting shares outstanding during the year. Diluted income (loss) per share is calculated using the treasury stock method, which assumes that all stock options with exercise prices below the market prices are exercised with the proceeds used to purchase shares of the Company at the average market price during the year.

2. SALE OF DISCONTINUED OPERATIONS:

On November 28, 2003, the Board of Directors of PrideVision Inc. approved an agreement to sell the Canadian operations of PrideVision TV, a Category 1 digital specialty television service, focused on the gay, lesbian, bisexual and transgender communities. The financial results of PrideVision TV have been reflected as discontinued operations since November 28, 2003. On July 29, 2004, PrideVision Inc. was sold for total cash proceeds of $1,350 and the assumption of approximately $900 in liabilities, for a total gain of $1,600, which was recorded in the fourth quarter of fiscal 2004.

Throughout fiscal 2004, the Company operated St. Clair Group Investments Inc. ("St. Clair"), a Canadian sports marketing and specialty publishing company. During fiscal 2004, the operations of St. Clair were substantially restructured, and ultimately discontinued in October 2004, as a result of certain sports marketing contracts which were not renewed.

The results of PrideVision TV and St. Clair have been excluded from continuing operations in the statements of operations and deficit for all periods presented.

The following summarizes the balance sheets and the statements of operations information for the Company's discontinued operations:

Balance sheets	2005	2004
Current assets	$ 6	$ 626
Current liabilities	110	393
Net assets of discontinued operations	$ (104)	$ 233

Current assets of discontinued operations comprise mainly cash, accounts receivable and prepaid expenses for both 2005 and 2004. Current liabilities comprise mainly trade payables, deferred program rights and accrued liabilities.

2005	St.Clair	PrideVision TV	Total
Recovery of operating expenses	$ -	$ (148)	$(148)
Income from discontinued operations	$ -	$ 148	$ 148
Income per share from discontinued operations: Basic and diluted			$ -

2004	St.Clair	PrideVision TV	Total
Revenue	$ 3,520	$ 309	$3,829
Operating expenses	3,388	164	3,552
Income before interest, depreciation and amortization	132	145	277
Interest income	9	-	9
Depreciation and amortization	(191)	-	(191)
	182		182
Income (loss) from operations	(50)	145	95
Gain on disposition of discontinued operations	-	1,619	1,619
Loss on sale of fixed assets	(89)	-	(89)
Income (loss) from discontinued operations	$ (139)	$1,764	$1,625
Income per share from discontinued operations: Basic and diluted			$ 0.02

3. FIXED ASSETS

2005	Cost	Accumulated depreciation	Net book value
Technical production equipment	$ 8,319	$5,792	$2,527
Computer equipment	808	524	284
Computer software and video	638	555	83
Office equipment and furniture	448	276	172
Leasehold improvements	1,797	1,727	70
	$12,010	$8,874	$3,136

2004	Cost	Accumulated depreciation	Net book value
Technical production equipment	$ 6,980	$5,224	$1,756
Computer equipment	610	456	154
Computer software and video	562	510	52
Office equipment and furniture	399	250	149
Leasehold improvements	1,725	1,725	-
	$10,276	$8,165	$2,111

Depreciation expense for the year ended August 31, 2005 amounted to $709 (2004 - $843).

4. DEFERRED CHARGES

	2005	2004
Licence costs, less accumulated amortization of $671 (2004 - $631)	$ 199	$ 239
Trademarks, less accumulated amortization of $127 (2004 - $126)	2	3
Financing costs, less accumulated amortization of $2,804 (2004 - $2,316)	392	469
	$ 593	$ 711

Amortization of deferred charges for the year ended August 31, 2005 amounted to $529 (2004 - $493).

5. LOANS:

On May 26, 2005, the Company entered into a $15,000 credit facility with a Canadian chartered bank. The credit facility is comprised of a $10,000, five-year term loan maturing on August 31, 2010, and a $5,000 revolving credit facility. The amended credit facility allows the Company to borrow by way of prime rate loans, bankers' acceptances ("BAs") or letters of guarantee. Loans and bankers' acceptances bear interest at rates that are dependent on financial ratios. The provisions of the Company's new bank credit facility impose restrictions, the most significant of which are restrictions on investments, sales of assets, distributions to shareholders, restrictions on programming rights agreements and the maintenance of certain financial covenants. Financial covenants include total funded debt to EBITDA (earnings before interest, taxes, depreciation and amortization) and maximum capital expenditure amounts.

Loans under the new credit facility are secured by a pledge of substantially all the assets of the Company, including a pledge of all the issued and outstanding shares of each of its subsidiaries and the subordination and pledge of shareholder and intercompany loans.

The proceeds of the loans made under this new credit facility were used to retire all existing credit facilities then in existence and for general corporate purposes. The Score repaid in full its revolving bank operating line of credit (then drawn at $11,465) with the proceeds of this new bank credit facility. In addition, the Company repaid $1,200, including accrued interest of $262, and cancelled the credit facility provided to it by Levfam Finance Inc., a company related by virtue of common control.

As at August 31, 2005, $10,000 of the five-year loan and $700 of the revolving credit facility had been drawn. The Company was in compliance with all terms of its credit facility during the reporting periods.

For the year ended August 31, 2005, interest expense includes interest on the bank loans of $874 (2004 - $1,003) and interest on amounts due to related parties of $71 (2004 - $140).

The weighted average interest rate for the year ended August 31, 2005 was 7.3% (2004 - 7.7%).

Future minimum repayments of the term loan credit facility for the fiscal years ended August 31, are as follows:

2007	$ 1,000
2008	1,000
2009	1,500
2010	6,500
	$10,000

6. CAPITAL STOCK

	2005	2004
Authorized:		
Unlimited Senior Preference shares		
Unlimited Junior Preference shares		
10,000 Special Voting shares, convertible into, Class A Subordinate Voting shares on a one-for-one basis at the option of the shareholder		
Unlimited Class A Subordinate Voting shares		
Unlimited Class B Subordinate Voting shares, convertible into Class A Subordinate Voting shares on a one-for-one basis at the option of the shareholder		
Issued:		
10,000 Special Voting shares	$ 30	$ 30
82,763,284 Class A Subordinate Voting shares (2004 - 82,760,784)	78,782	78,781
	$78,812	$78,811

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

	Number of shares issued		Amount credited to capital	
	Class A Subordinate voting	Special voting	Class A Subordinate Voting	Special Voting
Balance, August 31, 2003	82,626,200	10,000	$78,733	$30
Options exercised	134,584	-	48	-
Balance , August 31, 2004	82,760,784	10,000	78,781	30
Options exercised	2,500	-	1	-
Balance, August 31, 2005	82,763,284	10,000	$78,782	$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 Subordinate Voting shares. Of the Class A Subordinate Voting shares issued and outstanding, 5,090,016, 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 Subordinate Voting shares at the date of the grant. An option's maximum term is 10 years and options generally vest over three years.

The following table summarizes the status of the Plan:

	Number	Exercise Price	Weighted average exercise price
Outstanding options August 31, 2003	2,697,499	$ 0.28 - 3.11	$1.84
Granted	-	-	-
Cancelled	(257,915)	1.00 - 3.11	0.96
Exercised	(134,584)	0.28 - 0.36	0.36
Outstanding options, August 31, 2004	2,305,000	0.28 - 3.11	2.02
Granted	1,645,000	0.43 - 0.54	0.50
Cancelled	(1,065,833)	0.28 - 3.00	2.87
Exercised	(2,500)	0.28	0.28
Outstanding options, August 31, 2005	2,881,667	0.28 - 3.11	0.84
Options exercisable, end of year			1,707,500

As at August 31, 2005, the weighted average remaining contractual life of the options exercisable and outstanding was 2.7 years and 3.3 years, respectively.

The following summarizes information about the employee stock options at August 31, 2005:

Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable
$0.28	340,000	2.6	228,333
0.36	200,000	2.4	166,667
0.43	636,667	4.1	107,500
0.54	1,000,000	4.8	500,000
1.00	342,500	1.6	342,500
3.00	342,500	0.7	342,500
3.11	20,000	0.5	20,000
0.84	2,881,667	3.3	1,707,500

In 2005, the Company approved options to acquire 500,000 Class A Subordinate Voting Shares, to be granted to the CEO with a vesting date of July 1, 2007 and at an exercise price per share equal to the market price on July 1, 2007. In addition, options to acquire 500,000 Class A Subordinate Voting shares, to be granted to the CEO with a vesting date of July 1, 2008, and at an exercise price per share equal to the market price on July 1, 2008, were approved.

(b) Employee share purchase plan:

Effective January 1, 2005, the Company established an employee share purchase plan (the "ESPP") in order to facilitate the acquisition of Class A Subordinate Voting Shares of Score Media Inc. and the retention of such Class A Subordinate Voting Shares by eligible employees. The ESPP allows the employees to voluntarily participate in a share purchase program. Under the terms of the ESPP, eligible employees may have up to 5% of their compensation deducted from their pay to contribute towards the purchase of Class A Subordinate Voting Shares. The Company will make a contribution equal to the amount of the compensation contributed by each employee one year from the date of the initial contribution. The Score Media Inc. Class A Subordinate Voting Shares are purchased by an independent broker through the facilities of The Toronto Stock Exchange, and are held by a custodian on behalf of the ESPP participants.

7. BASIC AND DILUTED INCOME (LOSS) PER SHARE:

Basic and diluted income (loss) per share have been calculated using the weighted average and maximum dilutive number of shares outstanding during the year, which amounted to 82,772,936 (2004 - 82,666,104) and 82,890,778 shares (2004 - 82,666,104), respectively.

The following table sets forth the computation of diluted income (loss) per share:

	2005	2004
Numerator:		
Income (loss) available to shareholders	$2,753	$ (427)
Denominator:		
Weighted average shares outstanding - basic	82,772,936	82,666,104
Effect of dilutive stock options	117,842	-
Weighted average shares outstanding - diluted	82,890,778	82,666,104
Income (loss) per share:		
Basic	$ 0.03	$(0.01)
Diluted	0.03	(0.01)

During the year ended August 31, 2005, stock options to purchase 1,705,000 Class A Subordinate Voting Shares were outstanding but not included in the computation of diluted income (loss) per share because the exercise price was greater than the average market price of the Class A Subordinate Voting Shares for the year.

8. 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:

2006	$1,475
2007	306
	$1,781

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

2006	$1,866
2007	777
2008	654
2009	647
2010	469
	$4,413

Operating lease expense for the year ended August 31, 2005 was $1,645 (2004 - $1,415).

(c) The Company is committed under the terms of its licencing agreement for The Score to spend 45% of its preceding year's gross television revenue on Canadian television programming, as defined by the CRTC, for each broadcast year.

The Company's gross television revenue as defined by the CRTC from The Score for the year ended August 31, 2005 was $24,968 (2004 - $19,821).

9. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the short period to maturity of these 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 or BAs.

10. 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:

	2005	2004
Future tax assets:		
Capital loss carryforward	$ 69	$ 111
Non-capital loss carried forward	24,818	25,814
Fixed assets and deferred charges	3,787	3,707
	28,674	29,632
Less valuation allowance	28,657	29,612
	17	20
Future tax liabilities	(17)	(20)
Net future tax assets	$ -	$ -

As at August 31, 2005, the Company had non-capital losses of $68,746 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:

2006	$ 723
2007	2,901
2008	18,334
2009	32,716
2010	7,010
2014	3,712
2015	3,340
	$68,746

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

	2005	2004
Income tax expense (recovery) based on the statutory income tax rate of 36.1% (2004 - 36.1%)	$994	$(154)
Tax effect of non-deductible and non-taxable items	75	-
Tax effect of losses and temporary differences not previously recorded	(1,069)	-
Tax effect of losses and temporary differences not recorded		154
Income tax provision	$ -	$ -

11. RELATED PARTY TRANSACTIONS

During the year, the Company retained legal services from a firm, one partner of which is a director of the Company. In addition, a second director provided consulting services to the Company. The services were provided in the ordinary course of business and amounted to $38 and $27 (2004 - $48 and $10), respectively. All related party transactions have been reported at their fair values.

12. SEGMENTED INFORMATION

As a result of the discontinuance of PrideVision Inc. and St. Clair, the Company has one business unit - The Score, which operates substantially in Canada. Thus, operations are not presented on a segmented basis.

13. SIGNIFICANT CUSTOMERS

During the year ended August 31, 2005, two customers represented 14% and 13% of the Company's consolidated revenue.

BOARD OF DIRECTORS AND OFFICERS

John S. Levy
Chairman and
Chief Executive Officer

Ralph E. Lean, Q.C.
Director

Benjamin D. Levy
Director and Vice President

Kenneth J. Read
Director

Lorry H. Schneider
Director

Mark A. Scholes
Director

William E. Thomson
Director

Mark J. Zega
Director

Patrick G. Michaud
Executive Vice President and
Chief Financial Officer

David B. Errington
Senior Vice President and
General Manager
The Score Television
Network Ltd.

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Toronto, Canada

AUDITORS
KPMG LLP
Toronto, Canada

REGISTRARS AND TRANSFER AGENT
CIBC Mellon Trust Company
Toronto, Canada

INVESTOR RELATIONS
Patrick G. Michaud
Executive Vice President and
Chief Financial Officer

EXCHANGE LISTING
The Class A Subordinate Voting Shares of Score Media Inc. (Ticker: Scr.sv) are listed on the Toronto Stock Exchange.

WEBSITE
For additional corporate information, visit our Website at www.scoremedia.ca

ANNUAL MEETING
The Annual Meeting of Shareholders of Score Media Inc. will be held on January 12, 2006 at 10 a.m., at The Gallery, TSX Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario