



*S C O R E*  
*M E D I A*

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**Q1 – 2008**  
**Consolidated Financial Statements**  
**For the Three Months Ended**  
**November 30, 2007**

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SCORE  
MEDIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
For the Three Months Ended November 30, 2007**

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Score Media Inc. ("Score Media" or the "Company") and our financial performance for the three months ended November 30, 2007. The MD&A should be read in conjunction with the interim consolidated financial statements of Score Media as at and for the three months ended November 30, 2007. All amounts are in Canadian dollars unless otherwise stated. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts.

The discussion and analysis set out in this MD&A may contain certain forward-looking statements that involve risks and uncertainties. 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, risks related to online poker, and financial risks, which risks and uncertainties are discussed in the Company's Annual Information Form dated November 13, 2007. 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. Unless otherwise stated, the information in this MD&A is presented as of January 9, 2008.

## HIGHLIGHTS

- *Revenue* for the three months ended November 30, 2007 was \$9.3 million, compared to \$9.2 million in the prior year, an increase of \$0.1 million.
- *EBITDA* (see "Definitions") for the three months ended November 30, 2007, was \$1.2 million compared to \$2.0 million in the same period last year, a decrease of \$0.8 million. These results were in line with the Company's expectations, as during the three months ended November 30, 2007, operating costs increased as planned reflecting increased spending for high definition television programming, increased rights fees, and increased investment in the Company's new business units.
- *Net income* for the three months ended November 30, 2007 was \$0.1 million, compared to \$0.9 million in the prior year, reflecting increased operating costs referred to above.
- In October 2007, Hardcore Sports Radio and The Score launched 'Hardcore Hockey Talk', a cross-platform interactive hockey talk show featuring Steve Kouleas.
- On November 23, 2007, The Score broadcasted the Canadian Interuniversity Sports football championship, the Vanier Cup, in high definition and achieved a record audience.
- The Score's website underwent a major site redesign in fiscal 2007, and transformed from a complementary source of data for The Score Television Network to a sports portal with its own unique peer-driven culture and user generated content. The first component of the new website, a March Madness portal featuring exclusive video content and tournament analysis, was launched in March 2007, concurrent with Score Media's cross platform coverage of NCAA March Madness. New site features, including full data feeds, live game logs and web-exclusive video content were introduced during the NHL and NBA playoffs. By the end of October 2007, the site re-launch was complete and the site was re-named *theScore.com*.

## Overview

Score Media 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. The Company's main asset is The Score Television Network ("The Score"), a national specialty television service providing sports, news, information, highlights and live event programming, available across Canada in more than 6.2 million homes. Score Media also operates Hardcore Sports Radio, a satellite radio network available across North America on Sirius Satellite Radio, and other interactive assets including theScore.com, Score Mobile, and Score Poker.

## Definitions

The Company focuses its analysis on EBITDA and net income. EBITDA and net income are reconciled in the table below.

EBITDA is not a measure of performance under Canadian generally accepted accounting principles (“GAAP”) and should not be considered in isolation or as a substitute for net income prepared in accordance with Canadian GAAP, or as a measure of operating performance or profitability. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies.

The Company uses EBITDA 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 and is a standard measure that is commonly reported and widely used in the industry to assist in understanding and comparing operating results. The Company utilizes EBITDA to measure operating performance and assess compliance with certain debt covenants.

The following table reconciles net income to EBITDA:

	<b>Three months ended November 30, 2007</b>	<b>Three months ended November 30, 2006</b>
	(000's)	(000's)
Net income for the period	\$ 148	\$ 871
Add back:		
Depreciation and amortization	572	368
Interest expense (net)	12	40
Income tax expense	475	758
<b>EBITDA</b>	<b>\$ 1,207</b>	<b>\$ 2,037</b>

## Consolidated Results

The following selected quarterly financial data of the Corporation relates to the eight quarters ended November 30, 2007.

Quarterly Results	Revenue	Income from continuing operations	Income from discontinued operations	Net income	Income per share from continuing operations	Income per share
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$)	(\$)
November 30, 2007	9,290	148	-	148	0.00	0.00
August 31, 2007	7,218	931	-	931	0.01	0.01
May 31, 2007	9,364	723	-	723	0.01	0.01
February 28, 2007	7,731	262	-	262	0.00	0.00
November 30, 2006	9,221	871	-	871	0.01	0.01
August 31, 2006	6,935	9,805	-	9,805	0.11	0.11
May 31, 2006	8,010	1,618	91	1,709	0.02	0.02
February 28, 2006	6,750	413	-	413	0.00	0.00

The Company's revenues have historically reflected a seasonality trend, with the third quarter (ending May 31<sup>st</sup>) being the strongest, followed by the first quarter (ending November 30<sup>th</sup>), the fourth quarter (ending August 31<sup>st</sup>), and finally the second quarter (ending February 28<sup>th</sup>). This seasonality reflects general trends for sports media advertising, which in turn reflects the schedules (particularly the playoffs) of the major sports leagues.

### *Three Months Ended November 30, 2007*

*Revenue* for the three months ended November 30, 2007 increased by \$0.1 million to \$9.3 million compared to \$9.2 million in the prior year. This revenue increase was due to a combination of greater television subscriber revenue and increased revenues from Hardcore Sports Radio and Score Media's interactive properties that were launched during the past 2 years, which was partially offset by decreases in television advertising revenue relating to interactive poker.

Television subscriber revenue increased approximately \$0.1 million in the first quarter reflecting continued growth in the subscriber base with several broadcast distribution undertakings, compared to the first quarter of fiscal 2007. The new business units provided increased revenue of approximately \$0.4 million compared to the first three months of fiscal 2007. Television advertising revenue decreased by approximately \$0.4 million in the first quarter of fiscal 2008 compared to the prior year, reflecting successes in broadcasting several live event sports programs in fiscal 2007 and interactive poker advertising that were not replicated in the first quarter of fiscal 2008.

*Production and other direct expenses* were \$4.4 million for the three months ended November 30, 2007 compared to \$3.7 million in the prior year, an increase of \$0.7 million. This increase in operating expenses resulted from higher programming expenses associated with the Company's new business initiatives and more live event programming expenses (particularly high definition costs) amounting to \$0.6 million, and increased sports data acquisition expenses amounting to \$0.1 million.

*Selling, general and administrative expenses* were \$2.5 million for the three months ended November 30, 2007 compared to \$2.7 million in the prior year, a decrease of \$0.2 million. This decrease resulted from reduced license fees of \$0.1 million, as well reductions in marketing expenses during the quarter in the amount of \$0.1 million.

*Program rights expenses* were \$1.1 million during the quarter, an increase of \$0.4 million compared to \$0.7 million in the prior year. The increase in program rights at The Score reflects higher program rights fees for EPL soccer, NBA basketball, and NCAA football.

*EBITDA* was \$1.2 million compared to \$2.0 million in the same period last year, a decrease of \$0.8 million which was in line with the Company's expectations. During the three months ended November 30, 2007, operating costs increased as planned reflecting increased spending for high definition television programming, increased rights fees, and increased investment in the Company's new business units.

*Interest expense (net)* for the first quarter was approximately nil compared to approximately nil in the same period last year.

*Depreciation and amortization expense* increased \$0.2 million in the first quarter to \$0.6 million compared to \$0.4 million in the prior year, reflecting the depreciation of new fixed assets in The Score as well as in Hardcore Sports Radio and Score Media's interactive properties that were launched in the past 2 years. For the first quarter, fixed asset additions were \$1.2 million compared to \$1.7 million in the prior year; fixed asset additions were due to upgrading television broadcasting infra-structure in preparation for the introduction of a "high definition" rebuild, and for new software and computer equipment to support the new interactive properties.

*Net income* for the three months ended November 30, 2007 was \$0.1 million or \$0.00 per share based on a diluted weighted average 99.0 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$0.9 million or \$0.01 per share based on a diluted weighted average 96.6 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the three months ended November 30, 2007, net income was net of income tax expense of \$0.5 million compared to \$0.8 million in the same period last year, a decrease of \$0.3 million. The Company's effective tax rate was approximately 76% (2006 - 47%), compared to a statutory tax rate of 35%, due to a valuation allowance being recorded against operating losses of certain entities in the consolidated group.

In December 2007, a federal corporate tax rate reduction was implemented by the government. The Company estimates that the impact of this rate reduction in the second quarter of 2008 will be a reduction of the future tax asset by \$0.5 million.

## **Liquidity and Capital Resources**

*Cash flows provided by operations* for the three months ended November 30, 2007 were \$1.3 million compared to \$1.8 million in the prior year. The decrease in cash flows provided by operations of \$0.5 million reflects a decline in net income, which was partially offset by movements in non-cash working capital.

*Cash flows used in financing activities* for the three months ended November 30, 2007 were \$4.0 million compared to \$0.2 million in the prior year, an increase of \$3.8 million. During the first quarter of 2008 the Company reduced borrowings under its bank credit facility by \$4.0 million.

On August 28, 2007, the Company entered into a new \$25 million revolving three-year term credit facility with a Canadian chartered bank. On August 31, 2007, the Company drew \$9.3 million from the credit facility with the proceeds used to retire the existing term loan then in existence. The revolving credit facility is available to fund capital improvements and for general corporate purposes. The credit facility allows the Company to borrow by way of prime rate loans, bankers' acceptances ("BAs") or letters of guarantee. Loans and BAs bear interest at rates that are dependent on financial ratios. The provisions of the Company's bank credit facility impose restrictions, the most significant of which are restrictions on investments, sales of assets, 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 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 operating subsidiaries and the subordination and pledge of shareholder and inter-company loans.

As of November 30, 2007 the Company had drawn \$5.2 million from the credit facility. The Company believes that its cash and cash equivalents, together with the bank credit facility provides it with sufficient working capital to support its operations for the foreseeable future.

*Cash flows used in investing activities* for the three months ended November 30, 2007 were \$1.2 million compared to \$1.7 million in the prior year, a decrease of \$0.5 million. Fixed asset expenditures during the first quarter of fiscal 2008 totaled \$0.3 million for technical production equipment – primarily for high definition television broadcasting, \$0.1 million for computer equipment, \$0.4 million for computer software and video – primarily relating to the Company's development of *thescore.com*, and \$0.4 million for leasehold improvements.

For fiscal 2008, the Company anticipates its capital expenditure program will amount to approximately \$15 million. These expenditures include the completion of a new high definition television studio and high definition television equipment, developing a 'street-front' presence at The Score's location, and continued development expenditures for Score Mobile, theScore.com

and other interactive initiatives. The 2008 capital expenditure program will be financed by cash flows from operations, and cash and cash equivalents on hand.

Other than the credit facilities described above, 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 November 30, 2007, and August 31, 2007 and the notes thereto.

Contractual operating obligations as at November 30, 2007 for the fiscal years noted below are as follows:

Contractual Obligations (in thousands of dollars)	2008	2009	2010	2011	2012	There-after	Total
Operating lease obligations	1,486	1,452	1,230	728	578	1,167	6,641
Programming rights obligations	2,309	1,938	2,026	30	-	-	6,303
Long-term debt obligations	-	-	5,235	-	-	-	5,235
<b>Total</b>	<b>3,795</b>	<b>3,390</b>	<b>8,491</b>	<b>758</b>	<b>578</b>	<b>1,167</b>	<b>18,179</b>

### **Related Party Transactions**

During the three months ended November 30, 2007, the Company obtained consulting services from a director of the Company. The services were provided in the ordinary course of business and amounted to \$8,000 (2006 - \$8,000).

The Company entered into a lease in December 2005 for a property partially owned by a director and officer of the Company. The lease ended August 31, 2006 and continued on a month-to-month basis until May 15, 2007 when the Company entered into a five year lease for such premises; the aggregate rent paid during the three months ended November 30, 2007 amounted to \$8,000 (2006 - \$35,000).

All related party transactions have been reported at their fair values.

The Company announced on June 20, 2007 that its controlling shareholder, Levfam Holdings Inc. ("Levfam") had delivered a notice to CW Media Inc. ("CW Media"), a shareholder of the Company, offering to sell all of the Class A Subordinate Voting Shares and Special Voting Shares of the Company held by Levfam and its affiliates and associates for a price of \$2.90 per share.

Levfam's notice was provided pursuant to a Respective Rights Agreement made November 24, 2000, to which Levfam, CW Media and the Company are parties. The provisions of the Respective Rights Agreement provided that CW Media had a 30 day period in which to choose to accept the offer set forth in the notice, and as CW Media did not accept the offer, Levfam had a period of 120 days during which it could have entered into a binding agreement to sell its shares in the Company to one or more third parties, provided that such sale was made for a price and on terms and conditions no more favourable than those offered to CW Media in the notice. The 120 day period expired on November 17, 2007.

### **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, but not limited to, the allowance for doubtful accounts, income tax valuation allowances, the useful lives of depreciable assets and 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; and 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.

#### Allowance for doubtful accounts

The Company has an accounts receivable balance of \$8.1 million at November 30, 2007 (\$6.6 million at August 31, 2007). The valuation of accounts receivable requires significant estimates to be made by management and the valuation of these balances could have a significant impact on the Company's consolidated financial statements. These accounts receivable are comprised of amounts arising from: (a) contractual arrangements with major cable and direct-to-home ("DTH") satellite companies for distribution of its standard definition and high definition television service, each of which varies in length; and (b) a large and diverse base of advertisers that contract with the Company's television, radio, internet and other interactive operations. The Company determines an allowance for doubtful accounts based on knowledge of the financial conditions of its customers, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience. At November 30, 2007, management has consistently applied this methodology and the Company has had a history of minimal bad debt loss. A change in any of the factors impacting the estimate of the allowance for doubtful accounts will directly impact the amount of bad debt expense recorded in selling, general and administrative expenses.

### Income tax estimates

Management continually reviews the estimates of the valuation of future income tax assets recorded on the balance sheet to ensure they are appropriate. This involves the use of judgment in the estimation of future income projections on an entity by entity basis, actual tax exposures, assessing temporary differences that result from differing treatments in items for accounting purposes versus tax purposes, and in estimating the recoverability of the benefits arising from tax loss carry-forwards. The Company is required to assess whether it is more likely than not that future income tax assets will be realized prior to the expiration of the related tax loss carry forwards.

Changes in the forecasts of future profitability, the utilization of income tax loss carry forwards, the valuation allowance, and changes in tax rates could have a material impact on the reported amounts for future income tax assets and future income tax expense.

### Acquired program rights

Acquired program rights are carried at the lower of cost less accumulated amortization and net realizable value. Acquired program rights and the related liabilities are recorded when the license period begins and the program is available for use.

The cost of acquired program rights are charged to expense over their estimated useful life based on the current year's 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.

### Stock based compensation

The Company records stock based compensation expense over the vesting period of the options based on the estimated fair value of the stock options granted. The Company's policy is to determine the exercise price of an option based on the average trading price for five days prior to the grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options on the grant date and the amount is expensed over the vesting period of the stock options. The assumptions used in the calculation of fair value include the risk free interest rate, dividend yield, volatility factor and expected life of the options.

The risk free interest rate is based on the then current risk free interest rate for the expected life of the option. The dividend yield is based on the Company's historical practice of dividend payments. The volatility factor is based on analysis of the history of the Company's share price and management's estimate of the expected volatility over the respective terms of the options. The expected life of the option is based on the expected length of time options are estimated to remain outstanding.

### Useful lives of depreciable assets

The Company depreciates the cost of fixed assets over their respective estimated useful lives. These estimates of useful lives involve estimation and judgment. In determining the estimates of useful lives, the Company considers industry trends and changing technologies. On an annual basis, the Company reassesses the estimated useful lives to ensure they correspond with the

anticipated life of the respective assets. If a technological change happens more quickly than anticipated, the Company may have to revise the estimates of useful lives of fixed assets which could result in higher depreciation expense in future periods or an impairment charge to write-down the value of the fixed assets.

#### Recoverability of long-lived assets

Long-lived assets, including fixed assets and intangible assets with finite useful lives, are depreciated over their estimated useful lives. The Company reviews 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 undiscounted 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. These analyses involve estimates of future cash flows and estimated periods of use. If the undiscounted net cash flows associated with a group of long-lived assets exceed the carrying amounts, impairment losses are measured as the excess of the carrying amount over the fair value.

#### **Adoption of new accounting pronouncements**

In 2005, The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, Handbook Section 1530, *Comprehensive Income*, Handbook Section 3251, *Equity*, and Handbook Section 3865, *Hedges*. The new standards are effective for the Company's interim and annual financial statements commencing September 1, 2007. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these new standards had no impact on opening retained earnings as of September 1, 2007.

Under Section 3855, financial instruments must be classified in one of these five categories: i) held-for-trading; ii) loans and receivables; iii) held-to-maturity; iv) available for sale; or v) other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of the new standards, the Company has designated its cash and cash equivalents as held-for-trading which are measured at fair value with changes recorded in the statement of operations and retained earnings. Accounts receivable are classified as loans and receivables,

which are measured at amortized cost. The Company had no held-to-maturity or available for sale financial assets during the period ending November 30, 2007.

The revolving credit facility and accounts payable and accrued liabilities have been classified as other financial liabilities, which are accounted for at amortized cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception. Transaction costs associated with the revolving credit facility have been recorded as an asset on the balance sheet in deferred charges and are being amortized over the term of the facility.

The Company had no "other comprehensive income or loss" transactions during the period ended November 30, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

The Company reviewed significant contracts in effect on September 1, 2007 and during the period ended November 30, 2007 and determined that there are no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheet on the transition date of September 1, 2007 or at November 30, 2007.

In 2006, the CICA issued Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These new standards will become effective for the Company beginning September 1, 2008. The Company is currently assessing the impact of these two new standards.

## **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 activities, general economic conditions, public tastes generally and other intangible factors. The lack of audience acceptance for the Company's specialty television channels could have an adverse impact on the Company's 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 licenses. The Company's

broadcasting licenses 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 licenses 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 licenses or the granting of additional broadcasting licenses to competitors or the introduction of new regulations by regulators, could adversely impact operating results, prospects and financial condition of the Company.

The CRTC is undertaking a review of the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services. The Public Hearing associated with this review will likely address in detail a number of areas of regulation impacting specialty television license holders including genre exclusivity, the authorization of non-Canadian satellite services, access and preponderance, distribution and linkage, and programming obligations. The results of this Public Hearing, including possible changes to the regulatory framework and the timing of the implementation of any such changes, cannot be predicted.

#### *Dependence on Broadcast Distribution Undertakings*

The Score is dependent on BDU's (including cable, 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 of the Company.

#### *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.

#### *Reliance on Key Personnel*

The Company relies to a significant degree on the experience, leadership and skills of John Levy and other members of the executive management team. If any of these individuals were to be

unavailable, the Company could find it difficult to locate replacement individuals with similar skills and knowledge of the industry. There are other senior executives and production personnel engaged by the Company who provide useful services and who would be difficult for the Company to replace on short notice. A loss of any of these key personnel could have an adverse impact on the business, results of operations, and financial condition of the Company.

### *Management of Growth*

Growth in the Company's businesses will place demands on its managerial and operations resources. If the Company is unable to manage its growth effectively, this could have a material adverse effect on its financial condition and results of operations.

### *Competition*

The television broadcasting business, in which the Company is engaged is intensely competitive, fragmented and subject to rapid technological change and frequent new content and service introductions and enhancements. Many of the Company's existing competitors are significantly larger and have substantially greater financial, technical, personnel, marketing and other resources than the Company and may have more established reputations for success in their respective businesses. The Company may also face future competition from new services. There can be no assurance that the Company will be able to successfully compete with such competitors and competitive pressures may result in downward pressure on subscriptions, subscription rates and advertising revenues.

### *Canadian Ownership*

In order for the Company's broadcasting subsidiaries to renew or amend their broadcasting licenses, the Company must meet certain Canadian ownership requirements as established in the Governor General in Council specifications (the "Direction"). In addition, the Company must be controlled by Canadians. Failure to comply with the Direction will prevent the Company's broadcasting subsidiaries from being issued broadcasting licenses or from having these licenses renewed or amended which would materially adversely affect the business of the Company. Provisions in the Company's articles permit the board of directors to impose certain restrictions on the ownership and transfer of the Company's voting shares if in the view of the directors restrictions are necessary to ensure the Company's broadcasting subsidiaries remain eligible to be issued CRTC licenses or renew or amend these licenses. These restrictions include prohibiting the issuance of the Company's shares or refusing to register the transfer of such shares in certain circumstances. Such provisions may have the effect of limiting transactions involving a change of control of the Company to those undertaken only by Canadian acquirers. Any amendment of certain provisions of the Company's articles (including provisions regarding the issuance or transfer of shares) will require the affirmative vote of at least 66 2/3% of the outstanding shares voting thereon.

### *Control and Significant Interest of Concentrated Shareholder Base*

Entities controlled by John Levy own 55.7% of the Company's Special Voting Shares and approximately 37.6% of the Company's Class A Shares. In addition, CW Media owns 44.3% of the Special Voting Shares and approximately 21.9% of the Class A Shares. Through John Levy's indirect ownership of the Special Voting Shares and the rights of John Levy, and Levfam in the Respective Rights Agreement and the Voting Rights Agreement, John Levy controls the Company and is entitled to nominate a majority of the members of the board of directors of the Company. As a result of Levfam's rights of first refusal in the Respective Rights Agreement, and CW Media's rights of first offer in the same agreement, each of these entities will have significant influence over any sale of the Company's shares or any sale of the assets, or all or substantially all of the assets of, the Company or any other specialty channel owned directly or indirectly by the Company.

In addition, if John Levy divests his indirect ownership interest in Class A Shares below the Threshold Amount (as defined in "Principal Shareholders — Respective Rights Agreement and Voting Rights Agreement — Deemed Conversion") following which the Special Voting Shares indirectly owned by him are deemed to have been converted to Class A Shares, CW Media (for so long as it owns Class A Shares at least equal to the Threshold Amount) will hold a majority of the Special Voting Shares, will acquire the rights of John Levy and Levfam in the Respective Rights Agreement and Voting Rights Agreement and will control the Company.

Due to the shareholdings and contractual rights of John Levy and Levfam referred to above, John Levy will be in a position to determine whether the Company or its operations are acquired by a third party, to significantly influence the election of the boards of directors of the Company and its subsidiaries, and to generally direct the affairs of the Company.

### *Possible Volatility of Stock Price*

The market price of the Company's Class A Shares has been volatile due to the emerging nature of the Company as well as general stock market volatility in the past year. There is no guarantee this volatility will subside in the future. Hence, a potential investor in the Company's shares must be prepared to incur a loss and should generally have a longer investment time horizon. The Company believes it can build significant shareholder value over time by applying its growth strategies and focusing on the markets in which it operates.

### *Regulatory Approval of Certain Transactions Involving the Company*

Transfers of ownership or control of a licensed broadcasting undertaking such as a specialty television service are subject to prior CRTC approval. In addition, the acquisition of certain levels of ownership in a licensed broadcasting undertaking must receive prior approval by the CRTC. Attempts by the Company to undertake selective acquisitions of licensed broadcasting undertakings are subject to prior CRTC approval. Future strategic alliances and partnership opportunities may also be subject to CRTC approval. CRTC approval for such initiatives cannot

be guaranteed. Should the CRTC not grant any necessary approvals or should it impose costly conditions on such approvals, the Company's growth strategy will be adversely affected.

*Risks Related to Online Poker*

Although the Company believes that the operation of a play-for-fun poker website is lawful in Canada, there remains a risk that the legality of such activity, and the advertising of the same or similar activities, may be challenged by Canadian legal authorities, or by authorities in other jurisdictions. If such a challenge were to occur and be upheld, it could involve substantial litigation expense, penalties, or other remedies or restrictions being imposed on the Company.

**Other**

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

John Levy  
Chairman and C.E.O.

**Score Media Inc.**  
**Consolidated Balance Sheets**  
(in thousands of dollars)  
(unaudited)

	November 30, 2007	August 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,580	\$ 11,564
Accounts receivable	8,079	6,642
Prepaid expenses and deposits	680	853
Future tax assets	1,964	1,963
	<u>18,303</u>	<u>21,022</u>
Fixed assets (note 3)	8,669	8,034
Deferred charges	372	332
Future tax assets	5,842	6,317
	<u>\$ 33,186</u>	<u>\$ 35,705</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	4,317	3,037
Current portion of capital lease obligation	36	37
	<u>4,353</u>	<u>3,074</u>
Revolving credit facility (note 4)	5,235	9,250
Capital lease obligation	43	52
Shareholders' equity (note 5)	23,555	23,329
	<u>\$ 33,186</u>	<u>\$ 35,705</u>

See accompanying notes to consolidated financial statements

**Score Media Inc.****Consolidated Statements of Operations and Retained Earnings (Deficit)****(in thousands of dollars, except per share amounts)****(unaudited)**

	<b>Three months ended November 30, 2007</b>	<b>Three months ended November 30, 2006</b>
Revenue	\$ 9,290	\$ 9,221
Production and other direct expenses	4,438	3,743
Selling, general and administration	2,540	2,713
Program rights	1,105	748
	<u>8,083</u>	<u>7,204</u>
Income before undernoted	1,207	2,017
Gain on sale of investments	-	20
Income before the undernoted	1,207	2,037
Interest expense, net	12	40
Depreciation	544	330
Amortization	28	38
	<u>623</u>	<u>1,629</u>
Income before income taxes	623	1,629
Future income tax expense (note 7)	475	758
	<u>148</u>	<u>871</u>
Net income and comprehensive income for the period	\$ 148	\$ 871
Retained earnings (deficit), beginning of period	1,654	(71,849)
Retained earnings (deficit), end of period	<u>\$ 1,802</u>	<u>\$ (70,978)</u>
Income per share - basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding (note 6) Basic	97,802,472	96,388,206
Diluted	<u>98,961,017</u>	<u>96,588,766</u>

See accompanying notes to consolidated financial statements

**Score Media Inc.**  
**Consolidated Statements of Cash Flows**  
(in thousands of dollars)  
(unaudited)

	Three months ended November 30, 2007	Three months ended November 30, 2006
Cash provided by (used in):		
Operations:		
Net income for the period	\$ 148	\$ 871
Items not involving cash:		
Depreciation	544	330
Amortization	28	38
Non-cash compensation expense	64	36
Future income tax expense	475	758
Change in non-cash operating working capital:		
Accounts receivable	(1,437)	(1,480)
Prepaid expenses and deposits	173	(421)
Accounts payable and accrued liabilities	1,280	1,624
	<u>1,275</u>	<u>1,756</u>
Financing:		
Issuance of common shares	13	17
Loan repayments	(4,015)	(250)
Capital lease obligation repayments	(10)	(11)
	<u>(4,012)</u>	<u>(244)</u>
Investing:		
Additions to fixed assets	(1,179)	(1,699)
Deferred charges	(68)	-
	<u>(1,247)</u>	<u>(1,699)</u>
Decrease in cash and cash equivalents	(3,984)	(187)
Cash and cash equivalents, beginning of period	11,564	11,101
Cash and cash equivalents, end of period	<u>\$ 7,580</u>	<u>\$ 10,914</u>
Supplemental Cash Flow information		
Interest paid	\$ 115	\$ 159
Income taxes paid	-	-

See accompanying notes to consolidated financial statements

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

### **1. Nature of operations**

Score Media Inc. (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. The Company's main asset is The Score Television Network Ltd. ("The Score"), a national specialty television service providing sports news, information, highlights and live event programming, available across Canada in more than 6.2 million homes.

The Company also operates Hardcore Sports Radio, a satellite radio network available across North America on SIRIUS Satellite Radio, and is growing its interactive platform, with assets including theScore.com, Score Mobile, Canada's leading wireless sports application, and Score Poker, an interactive play-for-fun poker site.

The Company's revenues have historically reflected a seasonality trend, with the third quarter (ending May 31<sup>st</sup>) being the strongest, followed by the first quarter (ending November 30<sup>th</sup>), the fourth quarter (ending August 31<sup>st</sup>), and finally the second quarter (ending February 28<sup>th</sup>). This seasonality reflects general trends for sports media advertising, which in turn reflects the schedules (particularly the playoffs) of the major sports leagues. Therefore, one quarter's operating results is not necessarily indicative of the performance for the balance of the year.

The unaudited interim consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial position of the Company as of November 30, 2007, and the results of operations and cash flows, for the three months ended November 30, 2007 and November 30, 2006.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

### **2. Significant accounting policies**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2007. These unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year ended August 31, 2007, except for the adoption of new accounting policies described below.

In 2005, The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, Handbook Section 1530, *Comprehensive Income*, Handbook Section 3251, *Equity*, and Handbook Section 3865, *Hedges*. The new standards are effective for the Company's interim and annual financial statements commencing September 1, 2007. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these new standards had no impact on opening retained earnings as of September 1, 2007.

Under Section 3855, financial instruments must be classified in one of these five categories: i) held-for-trading; ii) loans and receivables; iii) held-to-maturity; iv) available for sale; or v) other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

### **2. Significant accounting policies (cont'd):**

Upon adoption of the new standards, the Company has designated its cash and cash equivalents as held-for-trading which are measured at fair value with changes recorded in the statement of operations and retained earnings. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. The Company had no held-to-maturity or available for sale financial assets during the period ending November 30, 2007.

The revolving credit facility and accounts payable and accrued liabilities have been classified as other financial liabilities, which are accounted for at amortized cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception. Transaction costs associated with the revolving credit facility have been recorded as an asset on the balance sheet in deferred charges and are being amortized over the term of the facility.

The Company had no "other comprehensive income or loss" transactions during the period ended November 30, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

The Company reviewed significant contracts in effect on September 1, 2007 and during the period ended November 30, 2007 and determined that there are no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheet on the transition date of September 1, 2007 or at November 30, 2007.

In 2006, the CICA issued Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These new standards will become effective for the Company beginning September 1, 2008. The Company is currently assessing the impact of these two new standards.

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

**3. Fixed assets:**

November 30, 2007	Cost	Accumulated depreciation	Net book value
Technical production equipment	\$ 11,516	\$ 7,991	\$ 3,525
Computer equipment	1,412	790	622
Computer software and video	2,325	1,163	1,162
Office equipment and furniture	1,086	397	689
Office equipment - capital lease	145	38	107
Leasehold improvements	4,496	1,932	2,564
	<u>\$ 20,980</u>	<u>\$ 12,311</u>	<u>\$ 8,669</u>

August 31, 2007	Cost	Accumulated depreciation	Net book value
Technical production equipment	\$ 11,217	\$ 7,736	\$ 3,481
Computer equipment	1,288	747	541
Computer software and video	1,933	1,012	921
Office equipment and furniture	1,108	369	739
Office equipment - capital lease	145	32	113
Leasehold improvements	4,110	1,871	2,239
	<u>\$ 19,801</u>	<u>\$ 11,767</u>	<u>\$ 8,034</u>

Depreciation expense for the three months ended November 30, 2007 amounted to \$544 (2006 - \$330).

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

### **4. Revolving credit facility:**

On August 28, 2007, the Company entered into a new \$25,000 revolving three-year term credit facility with a Canadian chartered bank. The credit facility allows the Company to borrow by way of prime rate loans, bankers' acceptances ("BAs") or letters of guarantee. Loans and BAs bear interest at rates that are dependent on financial ratios. The provisions of the Company's bank credit facility impose restrictions, the most significant of which are restrictions on investments 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 revolving credit facility is available to fund capital improvements and for general corporate purposes. On August 31, 2007, the Company drew \$9,250 from the revolving credit facility with the proceeds used to retire the balance of the term loan then in existence. As at November 30, 2007, \$5,235 was drawn under the revolving credit facility.

Loans under the 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 operating subsidiaries and the subordination and pledge of shareholder and intercompany loans.

The Company was in compliance with the financial covenants included in the loan agreement as at November 30, 2007.

For the three months ended November 30, 2007, interest expense includes interest on the bank loans of \$115 (2006 - \$159). Interest expense is net of interest income of \$103 (2006 - \$119).

The weighted average interest rate for the three months ended November 30, 2007 was 5.8% (2006 - 6.6%).

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

**5. Shareholders' Equity:**

	November 30, 2007	August 31, 2007
Capital stock (a)	\$19,778	\$19,753
Contributed surplus	1,975	1,922
Retained earnings	1,802	1,654
	\$23,555	\$23,329

**(a) Capital Stock**

	November 30, 2007	August 31, 2006
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		
Issued:		
10,000 Special Voting shares	\$ 30	\$ 30
97,816,849 Class A Subordinate Voting shares (August 31, 2007 – 97,800,182)	19,748	19,723
	\$ 19,778	\$ 19,753

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

**5. Shareholders' Equity (cont'd):**

Details of capital stock transactions during the period 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, 2007	97,800,182	10,000	\$ 19,723	\$ 30
Options exercised	16,667	-	25	-
<b>Balance, November 30, 2007</b>	<b>97,816,849</b>	<b>10,000</b>	<b>\$ 19,748</b>	<b>\$ 30</b>

## (b) Stock Option Plan:

The following table summarizes the status of the Plan:

	Number	Exercise price	Weighted average exercise price
Outstanding options, August 31, 2007	3,558,419	0.28 – 2.30	0.80
Granted	750,000	1.46	1.46
Cancelled	(52,500)	0.55 – 0.84	0.78
Exercised	(16,667)	0.43 – 0.84	0.80
<b>Outstanding options, November 30, 2007</b>	<b>4,239,252</b>	<b>0.28 – 2.30</b>	<b>0.92</b>
Options exercisable, November 30, 2007			2,905,917
Options exercisable, August 31, 2007			2,647,998

The maximum number of Class A Subordinate Voting Shares issuable under the Company's stock option plan is 8,000,000.

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

**5. Shareholders' Equity (cont'd):**

As at November 30, 2007, 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 November 30, 2007:

Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable
\$0.28	272,500	0.4	272,500
0.36	200,000	0.1	200,000
0.43	482,834	1.8	482,834
0.54	1,000,000	2.6	1,000,000
0.55	365,167	3.0	231,833
0.84	668,761	3.9	218,750
1.46	750,000	4.9	-
2.30	500,000	4.5	500,000
<b>\$0.92</b>	<b>4,239,252</b>	<b>3.3</b>	<b>2,905,917</b>

During the three months ended November 30, 2007, 750,000 options were granted. The weighted average estimated fair value at the date of the grant for the options granted was \$1.46. The fair value of each option granted was estimated on the date 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%
Weighted average expected life of the options	4 years

The estimated fair value of the options is amortized to expense over the vesting period. During the three months ended November 30, 2007, the Company recorded stock-based compensation expense of \$64 (2006 - \$36).

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

**6. Basic and diluted income per share:**

Basic and diluted income per share have been calculated using the weighted average and maximum dilutive number of shares outstanding during the period, which amounted to 97,802,472 and 98,961,017 (November 30, 2006 – 96,388,206 and 96,588,766) shares, respectively.

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

	November 30, 2007	November 30, 2006
Numerator:		
Net income available to shareholders	\$ 148	\$ 871
Denominator:		
Weighted average shares outstanding - basic	97,802,472	96,388,206
Effect of dilutive stock options	1,158,545	200,560
<b>Weighted average shares outstanding - diluted</b>	<b>98,961,017</b>	<b>96,588,766</b>
Income per share:		
Basic	\$ 0.00	\$ 0.01
Diluted	0.00	0.01

During the three months ended November 30, 2007, options to purchase 500,000 (2006 – 320,000) Class A Subordinate Voting shares were outstanding but not included in the computation of diluted income per share because the exercise price was greater than the average market price of the Class A Subordinate Voting shares for the year.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2007 and 2006 (unaudited)

### **7. Income taxes**

During the three months ended November 30, 2007, net income was net of income tax expense of \$475 compared to \$758 in the same period last year. The Company's effective tax rate was approximately 76% (2006 - 47%) compared to its statutory tax rate of 35% due to a valuation allowance being recorded against the losses of certain entities in the consolidated group.

In December 2007, a federal corporate tax rate reduction was implemented by the government. The Company estimates that the impact of this rate reduction in the second quarter of 2008 will be to reduce the future tax asset by \$512.

### **8. Related party transactions:**

During the three months ended November 30, 2007, the Company obtained consulting services from a director of the Company. The services were provided in the ordinary course of business and amounted to \$8 (2006 - \$8).

The Company entered into a lease in December 2005 for a property partially owned by a director and officer of the Company. The lease ended August 31, 2006 and continued on a month-to-month basis until May 15, 2007 when the Company entered into a five year lease for such premises; the aggregate rent paid during the three months ended November 30, 2007 amounted to \$8 (2006 - \$35).

All related party transactions have been reported at their fair values.

The Company announced on June 20, 2007 that its controlling shareholder, Levfam Holdings Inc. ("Levfam") had delivered a notice to CW Media Inc. ("CW Media"), a shareholder of the Company, offering to sell all of the Class A Subordinate Voting Shares and Special Voting Shares of the Company held by Levfam and its affiliates and associates for a price of \$2.90 per share.

Levfam's notice was provided pursuant to a Respective Rights Agreement made November 24, 2000, to which Levfam, CW Media and the Company are parties. The provisions of the Respective Rights Agreement provided that CW Media had a 30 day period in which to choose to accept the offer set forth in the notice, and as CW Media did not accept the offer, Levfam had a period of 120 days during which it could have entered into a binding agreement to sell its shares in the Company to one or more third parties, provided that such sale was made for a price and on terms and conditions no more favourable than those offered to CW Media in the notice. The 120 day period expired on November 17, 2007.