



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

---

**Q3 – 2009**  
**Consolidated Financial Statements**  
**For the Three and Nine Months Ended**  
**May 31, 2009**

---



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
For the Three and Nine Months Ended May 31, 2009**

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 and nine months ended May 31, 2009. The MD&A should be read in conjunction with the interim consolidated financial statements of Score Media as at and for the three and nine months ended May 31, 2009. 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 20, 2008. 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 July 15, 2009.

## HIGHLIGHTS

- On April 7, 2009, Score Media completed its previously announced Issuer Bid to purchase for cancellation 17,301,169 million Class A subordinate voting shares (“Class A Shares”) at a price per share of \$0.40 or \$6.9 million. This represented 17.6% of Score Media’s issued and outstanding Class A shares.
- Score Media’s March Madness coverage achieved record levels across all of the Company’s platforms including a 22% growth in average tournament television viewership, over 1.4 million views on theScore.com’s March Madness pages and 1.2 million views of NCAA basketball pages on ScoreMobile iPhone Edition.
- The Company began a nation-wide search for the finest undiscovered sports broadcaster in Canada. Gillette DRAFTED: The Search for Canada’s Next Sportscaster is the first Canadian endeavour with an unprecedented prize at stake: a contract with Score Media as a multi-platform sportscaster, contributing to the growth of the Company’s television network, website and digital platforms.
- Revenue for the quarter ended May 31, 2009 increased by \$0.6 million to \$10.8 million compared to \$10.2 million in the quarter ended May 31, 2008, as a result of continued growth in advertising revenue in Score Media’s television and digital media properties.
- EBITDA for the quarter ended May 31, 2009 was \$1.7 million, compared to \$2.2 million in the quarter ended May 31, 2008, on account of continued, planned investment in HD programming and marketing initiatives.
- theScore.com web traffic continues to grow rapidly. In the third quarter of 2009, unique visitors and page views were up approximately 23% compared to the same period in the year prior.
- ScoreMobile iPhone Edition, The Score’s mobile sports application optimized specifically for the iPhone and its touch-screen capabilities, has been downloaded over 500,000 times since its launch in July 2008 and generated approximately 10 million monthly page views in the quarter.
- The Score launched NBA video highlights on theScore.com and on Score Mobile iPhone Edition.

## **Overview**

Score Media is a media company committed to delivering interactive and authentic sports entertainment. Created in 1997 in response to the growing desire for increased participation in the consumption of sports, the Company has now established itself as the home for hardcore sports fans. Score Media's primary asset, The Score Television Network ("The Score"), is a national specialty television service providing sports news, information, highlights and live event programming in more than 6.5 million homes across Canada. 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 and Score Mobile. Growing from a team of 60 in 1997 to over 220 employees in 2009, Score Media is a revolutionizing interactive media company.

## **Definitions**

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

EBITDA is not a measure of performance under Canadian 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), restructuring charges, gains and losses from investment and fixed asset sales, interest, 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 tables reconcile net income to EBITDA:

|                                  | <b>Three months<br/>ended<br/>May 31,<br/>2009</b> | <b>Three months<br/>ended<br/>May 31,<br/>2008</b> |
|----------------------------------|--|--|
|                                  | (000's)  | (000's)  |
| Net income for the period        | \$ 8   | \$ 684   |
| Add back:                        |  |  |
| Restructuring charges            | -  | 37   |
| Depreciation and amortization    | 1,149  | 818  |
| Interest expense (net)           | 138  | 15   |
| Loss on disposal of fixed assets | 39   | -  |
| Income tax expense               | 320  | 631  |
| <b>EBITDA</b>                    | <b>\$ 1,654</b>                                    | <b>\$ 2,185</b>                                    |

|                                  | <b>Nine months<br/>ended<br/>May 31,<br/>2009</b> | <b>Nine months<br/>ended<br/>May 31,<br/>2008</b> |
|----------------------------------|---|---|
|                                  | (000's)   | (000's)   |
| Net income (loss) for the period | \$ (780)  | \$ 866  |
| Less:                            |   |   |
| Gain on sale of investments      | -   | 462   |
| Add back:                        |   |   |
| Restructuring charges            | -   | 966   |
| Depreciation and amortization    | 3,408   | 2,057   |
| Interest expense (net)           | 261   | 24  |
| Loss on disposal of fixed assets | 39  | -   |
| Income tax expense               | 149   | 880   |
| <b>EBITDA</b>                    | <b>\$ 3,077</b>                                   | <b>\$ 4,331</b>                                   |

## Consolidated Results

The following selected quarterly financial data of the Corporation relates to the eight quarters ended May 31, 2009.

| <b>Quarterly Results</b> | <b>Revenue</b>   | <b>EBITDA</b>    | <b>Net income<br/>(loss)</b> | <b>Income (loss) per share<br/>– basic and diluted</b> |
|--------------------------|------------------|------------------|------------------------------|--|
|                          | <b>(\$000's)</b> | <b>(\$000's)</b> | <b>(\$000's)</b>             | <b>(\$)</b>  |
| May 31, 2009             | 10,816           | 1,654            | 8                            | 0.00   |
| February 28, 2009        | 8,662            | 204              | (1,026)                      | (0.01)   |
| November 30, 2008        | 10,498           | 1,220            | 239                          | 0.00   |
| August 31, 2008          | 8,524            | 1,565            | 1,160                        | 0.01   |
| May 31, 2008             | 10,206           | 2,185            | 684                          | 0.01   |
| February 28, 2008        | 8,363            | 939              | 34                           | 0.00   |
| November 30, 2007        | 9,290            | 1,207            | 148                          | 0.00   |
| August 31, 2007          | 7,218            | 788              | 931                          | 0.01   |

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 May 31, 2009***

*Revenue* for the three months ended May 31, 2009 increased by \$0.6 million to \$10.8 million compared to \$10.2 million in the prior year. This revenue increase was due to a combination of greater television, web, and mobile advertising revenue and increased television subscriber revenue.

Television advertising and subscriber revenue increased by \$0.3 million and \$0.1 million, respectively, in the third quarter reflecting continued growth in audience and the subscriber base with several broadcast distribution undertakings, compared to the third quarter of fiscal 2008. The emerging business units provided increased revenue of \$0.2 million compared to the third quarter of fiscal 2008 primarily due to increased advertising on theScore.com and the Company's mobile application.

*Production and other direct expenses* were \$3.9 million for the three months ended May 31, 2009 compared to \$3.7 million in the prior year, an increase of \$0.2 million. This increase resulted from higher technical and HD related studio costs that were anticipated in connection with the Company's new street-front presence and increased levels of HD content.

*Selling, general and administrative expenses* were \$3.4 million for the three months ended May 31, 2009 compared to \$3.0 million in the prior year, an increase of \$0.4 million. This increase was primarily due to increased professional expenses and Part II license fees in the amount of \$0.2 million, in addition to increased contra marketing costs of \$0.2 million.

*Program rights expenses* were \$1.9 million during the quarter, an increase of \$0.6 million compared to \$1.3 million in the prior year. The increase primarily reflects increased fees associated with NBA television and interactive rights compared to the prior year.

*EBITDA* was \$1.7 million for the three months ended May 31, 2009 compared to \$2.2 million in the same period in the prior year. Increased revenue as compared to the comparative period was offset by increased programming and production, marketing and administrative expenses, and rights fees.

*Interest expense (net)* for the third quarter was \$0.1 million compared to nil in the same period last year. Interest expense for the Company relates to increased drawings from the credit facility to finance the issuer bid completed April 7, 2009 as well as the last phase of the recently completed HD studio and street-front exterior.

*Depreciation and amortization expense* increased \$0.3 million in the third quarter to \$1.1 million compared to \$0.8 million in the prior year reflecting the depreciation of capital assets purchased in the latter portion of fiscal 2008 and 2009 in connection with the Company's new HD studio and street-front exterior.

*Net income* for the three months ended May 31, 2009 was nil or \$0.00 per share based on a diluted weighted average 91.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$0.7 million or \$0.01 per share based on a diluted weighted average 99.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the three months ended May 31, 2009, net income included \$0.3 million of future income tax expense compared to a \$0.6 million of future income tax expense in the same period in the prior year, a decrease of \$0.3 million.

### ***Nine Months Ended May 31, 2009***

*Revenue* for the nine months ended May 31, 2009 increased by \$2.1 million to \$30.0 million compared to \$27.9 million in the prior year. This revenue increase was due to a combination of greater television advertising and subscriber revenue as well as increased revenues from Score Media's emerging web and mobile properties.

Television advertising and subscriber revenue increased by \$1.0 million and \$0.5 million, respectively, in the first nine months reflecting continued growth in audience and the subscriber base with several broadcast distribution undertakings, compared to the first nine months of fiscal 2008. Revenue from the emerging business units increased by \$0.6 million compared to the first nine months of fiscal 2008 primarily due to increased advertising on theScore.com and the Company's mobile application.

*Production and other direct expenses* were \$11.9 million for the nine months ended May 31, 2009 compared to \$11.7 million in the prior year, an increase of \$0.2 million. This increase resulted from higher technical and HD related studio costs that were anticipated in connection with the Company's new street-front presence and increased levels of HD content.

*Selling, general and administrative expenses* were \$10.6 million for the nine months ended May 31, 2009 compared to \$8.0 million in the prior year, an increase of \$2.6 million. This increase was primarily due to increased contra marketing costs, marketing research, and the Company's studio launch event which totaled \$1.8 million, in addition to increased professional expenses and Part II license fees of \$0.8 million compared to the same period in the prior year.

*Program rights expenses* were \$4.4 million during the nine months ended May 31, 2009 compared to \$3.8 million in the same period in the prior year, an increase of \$0.6 million. The increase primarily reflects increased fees associated with NBA television and digital media rights compared to the prior year.

*EBITDA* was \$3.1 million for the nine months ended May 31, 2009 compared to \$4.3 million in the same period in the prior year. Increased revenue as compared to the comparative period was offset by increased programming, production, marketing and administrative expenses, and rights fees.

*Interest expense (net)* for the first nine months of fiscal 2009 was \$0.3 million compared to nil in the same period last year. Interest expense for the Company relates to increased drawings from the credit facility to finance the issuer bid completed April 7, 2009 as well as the last phase of the recently completed HD studio and street-front exterior.

*Depreciation and amortization expense* increased by \$1.3 million in the first nine months of fiscal 2009 to \$3.4 million compared to \$2.1 million in the prior year reflecting the depreciation of capital assets purchased in the latter portion of fiscal 2008 and 2009 in connection with the Company's new HD studio and street-front exterior.

*Net loss* for the nine months ended May 31, 2009 was \$0.8 million or (\$0.01) per share based on a diluted weighted average 96.0 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to net income of \$0.9 million or \$0.01 per share based on a diluted weighted average 99.3 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the nine months ended May 31, 2009, net income included future income tax expense of \$0.1 million compared to \$0.9 million in the same period in the prior year, a variance of \$0.8 million. Income tax expense for the nine months ended May 31, 2009 was offset by a release of valuation allowance resulting from the Company's tax re-organization plan which began in 2008 and remains ongoing. In connection with this plan, the Company is converting expiring non-capital losses into cumulative eligible capital which can be amortized for tax purposes at a rate of 7% per annum.

## Liquidity and Capital Resources

*Cash flows provided by operations* for the three and nine months ended May 31, 2009 were \$0.8 million and \$3.7 million, respectively, compared to \$0.7 million and \$2.8 million in the prior year. The increase of \$0.1 million for the three months ended May 31, 2009 reflects increased non-cash expenses which was partially offset by reduced net income and movements in non-cash working capital. The increase of \$0.9 million for the nine months ended May 31, 2009 reflects movements in non-cash working capital and increased non-cash expenses which were partially offset by reduced net income.

*Cash flows used by financing activities* for the three months ended May 31, 2009 were \$0.4 million compared to cash flows provided in financing activities of \$2.2 million, a change of \$2.6 million. Cash flows provided by financing activities for the nine months ended May 31, 2009 were \$1.4 million compared to cash flows used in financing activities \$5.3 million in the prior year, a change of \$6.7 million. During the first three quarters of 2009, the Company drew additional funds from the credit facility to finance the Company's issuer bid as well as the final phase of the recently completed HD studio and street-front exterior.

On August 28, 2007, the Company entered into a \$25 million revolving three-year term credit facility with a Canadian chartered bank. On December 19, 2008, the Company amended this credit facility by extending the term by one year. The revolving credit facility is available to fund capital improvements, an issuer bid, 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 May 31, 2009, the Company had drawn \$12.5 million from the credit facility through a combination of its line of credit and bankers' acceptance notes. The Company believes that its cash and cash equivalents, in addition to the bank credit facility, provide it with sufficient working capital to support its operations for the foreseeable future.

*Cash flows used in investing activities* for the three and nine months ended May 31, 2009 were \$0.4 million and \$5.2 million compared to \$4.7 million and \$8.5 million in the prior year. The change of \$4.3 million and \$3.3 million, respectively, for the three and nine months ended May 31, 2009 reflects reduced capital expenditures in the current year as the Company's investment in its street-front presence, HD studio and related television broadcasting equipment was largely complete towards the end of fiscal 2008.

Other than the credit facility and interest rate swap described below, the Company has no other significant financial instruments other than trade related items and thus believes that there are no significant price, credit or liquidity risks that it could be subject to from such instruments.

## **Issuer Bid**

On February 24, 2009, the Company announced that its Board of Directors authorized management to proceed with an offer to purchase for cancellation up to 18,000,000 of its Class A Subordinate voting shares (“Class A shares”) at a price per share of \$0.40 (the “Offer”) for an aggregate amount of \$7.2 million.

The Offer expired on April 6, 2009 and on April 7, 2009 Score Media purchased 17,301,169 Class A shares tendered to the Offer which included 16,560,902 shares previously held by CW Media Inc. and CanWest Global Communications Corp. This represented approximately 17.6% of Score Media’s issued and outstanding Class A shares.

In anticipation of this Offer, the Company amended the terms of its \$25 million revolving credit facility, which was used to finance the Offer. Under the terms of the amended credit facility the Company secured an additional year of financing and modified certain financial covenants. The Company does not anticipate any future issues in its ability to service and repay the debt associated with this transaction.

This transaction reflects Score Media’s continued commitment to enhancing shareholder value and positions the Company to continue growing in the competitive media space.

## **Interest Rate Swap**

On May 13, 2009, the Company entered into an interest rate swap agreement with a notional amount of \$7 million in order to limit its exposure to variability in forecasted cash flows due to changes in the general level of market interest rates. For accounting purposes, the Company designated \$6.7 million of the swap as an effective cash flow hedge against the designated BA based borrowings under the credit facility.

As of May 31, 2009, the fair value of the swap was a \$40 liability and is recorded in accounts payable and accrued liabilities.

## Contractual Obligations

The Company has no debt guarantees, significant capital leases or long-term obligations other than the credit facility which is disclosed on the Consolidated Balance Sheet as at May 31, 2009, and August 31, 2008, and the commitments which are disclosed in the notes to the Consolidated financial statements.

Contractual operating obligations as at May 31, 2009 for the fiscal years noted below are as follows:

| Contractual Obligations (in thousands of dollars) | 2009  | 2010  | 2011   | 2012 | 2013 | Thereafter | Total  |
|---|-------|-------|--------|------|------|------------|--------|
| Operating lease obligations                       | 385   | 1,275 | 743    | 620  | 583  | 583        | 4,189  |
| Programming rights obligations                    | 1,283 | 5,129 | 35     | -    | -    | -          | 6,447  |
| Long-term debt obligations                        | -     | -     | 12,498 | -    | -    | -          | 12,498 |
| Total   | 1,668 | 6,404 | 13,276 | 620  | 583  | 583        | 23,134 |

## Related Party Transactions

During the three and nine months ended May 31, 2009, the Company obtained consulting services from a director of the Company. The services were provided in the ordinary course of business and amounted to nil and \$3,000 (2008 - \$6,000 and \$23,000), respectively.

The Company entered into a lease in May 2007 for a property partially owned by a director and officer of the Company. The aggregate rent paid during the three and nine months ended May 31, 2009 amounted to \$8,000 and \$26,000 (2008 - \$8,000 and \$24,000), respectively.

All related party transactions have been reported at their exchange amounts agreed to by the parties which the Company believes is representative of 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, 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.

In our 2008 Annual Audited Consolidated Financial Statements and Notes thereto, as well as in our 2008 Annual MD&A, we have identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. For the three and nine months ended May 31, 2009 there are no changes to the critical accounting policies and estimates from those found in our 2008 Annual MD&A.

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

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS"). The Company will adopt IFRS effective September 1, 2011. The Company is currently evaluating accounting policy differences between Canadian GAAP and IFRS; however, the impact of the transition to IFRS on the Company's consolidated financial statements is not yet determinable.

In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("Section 3064"). Section 3064 replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs. It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing September 1, 2009. The Company is currently assessing the impact of the new standard.

### **Risks and Uncertainties**

Our significant risks and uncertainties are summarized in our 2008 Annual MD&A. There have been no significant changes to those risks and uncertainties since August 31, 2008.

### **Other**

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

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

|   | May 31,<br>2009  | August 31,<br>2008 |
|---|------------------|--------------------|
| <b>Assets</b>                               |                  |                    |
| Current assets:                             |                  |                    |
| Cash and cash equivalents                   | \$ 213           | \$ 292             |
| Accounts receivable                         | 8,107            | 7,651              |
| Prepaid expenses and deposits               | 729              | 569                |
| Future tax assets                           | 1,665            | 1,665              |
|   | <u>10,714</u>    | <u>10,177</u>      |
| Fixed assets (note 3)                       | 18,908           | 19,551             |
| Deferred charges                            | 368              | 344                |
| Future tax assets                           | 6,025            | 6,174              |
|   | <u>\$ 36,015</u> | <u>\$ 36,246</u>   |
| <b>Liabilities and Shareholders' Equity</b> |                  |                    |
| Current liabilities:                        |                  |                    |
| Accounts payable and accrued liabilities    | 5,310            | 6,358              |
| Revolving credit facility (note 4)          | 12,498           | 3,803              |
| Shareholders' equity (note 5)               | 18,207           | 26,085             |
| Contingent liability (note 9)               |                  |                    |
|   | <u>\$ 36,015</u> | <u>\$ 36,246</u>   |

See accompanying notes to unaudited interim consolidated financial statements

**Score Media Inc.****Consolidated Statements of Operations**

(in thousands of dollars, except per share amounts)

(unaudited)

|   | Three months ended<br>May 31,<br>2009 | Three months ended<br>May 31,<br>2008 | Nine months ended<br>May 31,<br>2009 | Nine months ended<br>May 31,<br>2008 |
|---|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Revenue   | \$ 10,816                             | \$ 10,206                             | \$ 29,976                            | \$ 27,859                            |
| Production and other direct expenses  | 3,911                                 | 3,711                                 | 11,862                               | 11,735                               |
| Selling, general and administration   | 3,365                                 | 2,962                                 | 10,650                               | 7,995                                |
| Program rights  | 1,886                                 | 1,348                                 | 4,387                                | 3,798                                |
|   | <u>9,162</u>                          | <u>8,021</u>                          | <u>26,899</u>                        | <u>23,528</u>                        |
| Income before undernoted  | 1,654                                 | 2,185                                 | 3,077                                | 4,331                                |
| Interest expense, net   | 138                                   | 15                                    | 261                                  | 24                                   |
| Depreciation  | 1,102                                 | 782                                   | 3,264                                | 1,960                                |
| Amortization  | 47                                    | 36                                    | 144                                  | 97                                   |
| Loss on disposal of fixed assets  | 39                                    | -                                     | 39                                   | -                                    |
| Gain on sale of investments   | -                                     | -                                     | -                                    | (462)                                |
| Restructuring charges   | -                                     | 37                                    | -                                    | 966                                  |
| Income (loss) before income taxes   | 328                                   | 1,315                                 | (631)                                | 1,746                                |
| Future income tax expense (note 7)  | 320                                   | 631                                   | 149                                  | 880                                  |
| Net income (loss) for the period  | <u>\$ 8</u>                           | <u>\$ 684</u>                         | <u>\$ (780)</u>                      | <u>\$ 866</u>                        |
| Income (loss) per share - basic and diluted   | <u>\$ 0.00</u>                        | <u>\$ 0.01</u>                        | <u>\$ (0.01)</u>                     | <u>\$ 0.01</u>                       |
| Weighted average number of Class A Subordinate Voting<br>and Special Voting Shares outstanding (note 6) Basic | 91,282,248                            | 98,320,327                            | 96,009,200                           | 98,045,713                           |
| Diluted   | 91,357,758                            | 99,371,691                            | 96,009,200                           | 99,255,411                           |

See accompanying notes to unaudited interim consolidated financial statements

**Score Media Inc.**  
**Consolidated Statements of Shareholders' Equity**  
(in thousands of dollars)  
(unaudited)

|   | Special Voting Shares |                  | Class A Subordinate Voting Shares |                   | Contributed surplus | Retained Earnings (Deficit) | Accumulated other comprehensive income (loss) | Total Shareholders' Equity |
|---|-----------------------|------------------|-----------------------------------|-------------------|---------------------|-----------------------------|---|----------------------------|
|   | Amount                | Number of Shares | Amount                            | Number of Shares  |                     |                             |   |                            |
|   |                       |                  |                                   |                   |                     |                             |   |                            |
| <b>Nine months ended May 31, 2009</b>           |                       |                  |                                   |                   |                     |                             |   |                            |
| Balances, August 31, 2008                       | \$ 30                 | 10,000           | \$ 20,128                         | 98,411,849        | \$ 2,247            | \$ 3,680                    | -   | \$ 26,085                  |
| Stock based compensation expense for the period | -                     | -                | -                                 | -                 | 198                 | -                           | -   | 198                        |
| Net income (loss) for the period                | -                     | -                | -                                 | -                 | -                   | (780)                       | -   | (780)                      |
| Change in fair value of interest rate swap      | -                     | -                | -                                 | -                 | -                   | -                           | (38)  | (38)                       |
| Stock repurchase (note 5)                       | -                     | -                | (3,459)                           | (17,301,169)      | (345)               | (3,467)                     | -   | (7,271)                    |
| Conversion of Special Voting Shares (note 5)    | (13)                  | (4,434)          | 13                                | 4,434             | -                   | -                           | -   | -                          |
| Shares issued on exercise of stock options      | -                     | -                | 13                                | 31,667            | -                   | -                           | -   | 13                         |
| <b>Balances, May 31, 2009</b>                   | <b>\$ 17</b>          | <b>5,566</b>     | <b>\$ 16,695</b>                  | <b>81,146,781</b> | <b>\$ 2,100</b>     | <b>\$ (567)</b>             | <b>\$ (38)</b>                                | <b>\$ 18,207</b>           |
| <b>Nine months ended May 31, 2008</b>           |                       |                  |                                   |                   |                     |                             |   |                            |
| Balances, August 31, 2007                       | \$ 30                 | 10,000           | \$ 19,723                         | 97,800,182        | \$ 1,922            | \$ 1,654                    | -   | \$ 23,329                  |
| Stock based compensation expense for the period | -                     | -                | -                                 | -                 | 224                 | -                           | -   | 224                        |
| Net income for the period                       | -                     | -                | -                                 | -                 | -                   | 866                         | -   | 866                        |
| Shares issued on exercise of stock options      | -                     | -                | 226                               | 591,667           | -                   | -                           | -   | 226                        |
| <b>Balances, May 31, 2008</b>                   | <b>\$ 30</b>          | <b>10,000</b>    | <b>\$ 19,949</b>                  | <b>98,391,849</b> | <b>\$ 2,146</b>     | <b>\$ 2,520</b>             | <b>\$ -</b>                                   | <b>\$ 24,645</b>           |

See accompanying notes to unaudited interim consolidated financial statements

**Score Media Inc.**  
**Consolidated Statements of Comprehensive Income**  
(in thousands of dollars)  
(unaudited)

|   | Three months ended<br>May 31,<br>2009 | Three months ended<br>May 31,<br>2008 | Nine months ended<br>May 31,<br>2009 | Nine months ended<br>May 31,<br>2008 |
|---|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Net income (loss) for the period                    | \$ 8                                  | \$ 684                                | \$ (780)                             | \$ 866                               |
| Other comprehensive income (loss):                  |                                       |                                       |                                      |                                      |
| Cash flow hedging derivative instruments:           |                                       |                                       |                                      |                                      |
| Change in fair value of interest rate swap (note 5) | \$ (38)                               | \$ -                                  | \$ (38)                              | \$ -                                 |
| Comprehensive income (loss) for the period          | <u>\$ (30)</u>                        | <u>\$ 684</u>                         | <u>\$ (818)</u>                      | <u>\$ 866</u>                        |

See accompanying notes to unaudited interim consolidated financial statements

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

|  | Three months ended<br>May 31,<br>2009 | Three months ended<br>May 31,<br>2008 | Nine months ended<br>May 31,<br>2009 | Nine months ended<br>May 31,<br>2008 |
|--|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Cash provided by (used in):                                |                                       |                                       |                                      |                                      |
| Operations:  |                                       |                                       |                                      |                                      |
| Net income (loss) for the period                           | \$ 8                                  | \$ 684                                | \$ (780)                             | \$ 866                               |
| Items not involving cash:                                  |                                       |                                       |                                      |                                      |
| Depreciation   | 1,102                                 | 782                                   | 3,264                                | 1,960                                |
| Amortization   | 47                                    | 36                                    | 144                                  | 97                                   |
| Loss on disposal of fixed assets                           | 39                                    | -                                     | 39                                   | -                                    |
| Non-cash compensation expense                              | 96                                    | 70                                    | 198                                  | 224                                  |
| Gain on sale of investments                                | -                                     | -                                     | -                                    | (462)                                |
| Future income tax expense                                  | 320                                   | 631                                   | 149                                  | 880                                  |
| Change in non-cash operating working capital:              |                                       |                                       |                                      |                                      |
| Accounts receivable  | (670)                                 | (1,189)                               | (456)                                | (2,097)                              |
| Prepaid expenses and deposits                              | 1,323                                 | 158                                   | (160)                                | 387                                  |
| Accounts payable and accrued liabilities                   | (1,426)                               | (497)                                 | 1,283                                | 935                                  |
|  | <u>839</u>                            | <u>675</u>                            | <u>3,681</u>                         | <u>2,790</u>                         |
| Financing:   |                                       |                                       |                                      |                                      |
| Draw from (repayment of) credit facility                   | 6,844                                 | 2,153                                 | 8,695                                | (5,539)                              |
| Repurchase of Class A subordinate voting shares (note 5)   | (7,271)                               | -                                     | (7,271)                              | -                                    |
| Issuance of Class A subordinate voting shares              | 13                                    | 96                                    | 13                                   | 226                                  |
|  | <u>(414)</u>                          | <u>2,249</u>                          | <u>1,437</u>                         | <u>(5,313)</u>                       |
| Investing:   |                                       |                                       |                                      |                                      |
| Additions to fixed assets                                  | (549)                                 | (6,156)                               | (2,698)                              | (10,501)                             |
| Change in non-cash working capital related to fixed assets | 136                                   | 1,485                                 | (2,331)                              | 1,731                                |
| Deferred charges   | -                                     | (7)                                   | (168)                                | (145)                                |
| Proceeds on sale of investments                            | -                                     | -                                     | -                                    | 462                                  |
|  | <u>(413)</u>                          | <u>(4,678)</u>                        | <u>(5,197)</u>                       | <u>(8,453)</u>                       |
| Increase (decrease) in cash and cash equivalents           | 12                                    | (1,754)                               | (79)                                 | (10,976)                             |
| Cash and cash equivalents, beginning of period             | 201                                   | 2,342                                 | 292                                  | 11,564                               |
| Cash and cash equivalents, end of period                   | <u>\$ 213</u>                         | <u>\$ 588</u>                         | <u>\$ 213</u>                        | <u>\$ 588</u>                        |
| Supplemental Cash Flow information                         |                                       |                                       |                                      |                                      |
| Interest paid  | <u>\$ 88</u>                          | <u>\$ 21</u>                          | <u>\$ 207</u>                        | <u>\$ 187</u>                        |

See accompanying notes to unaudited interim consolidated financial statements

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2009 and May 31, 2008 (unaudited)

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

Score Media Inc. (the “Company”) is a media company committed to delivering interactive and authentic sports entertainment. Created in 1997 in response to the growing desire for increased participation in the consumption of sports, the Company has now established itself as the home for hardcore sports fans. The Company’s primary asset, The Score Television Network, is a national specialty television service providing sports news, information, highlights and live event programming in more than 6.5 million homes across Canada. The Company also operates Hardcore Sports Radio, a satellite radio network available across North America on Sirius Satellite Radio, and other interactive assets including theScore.com and Score Mobile.

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 May 31, 2009, and the results of operations and cash flows for the three and nine months ended May 31, 2009 and May 31, 2008.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2009 and May 31, 2008 (unaudited)

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

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of GAAP 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, 2008. 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, 2008.

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

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS"). The Company will adopt IFRS effective September 1, 2011. The Company is currently evaluating accounting policy differences between Canadian GAAP and IFRS; however, the impact of the transition to IFRS on the Company's consolidated financial statements is not yet determinable.

In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("Section 3064"). Section 3064 replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs. It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing September 1, 2009. The Company is currently assessing the impact of the new standard.

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2009 and May 31, 2008 (unaudited)

**3. Fixed assets:**

| May 31, 2009                   | Cost             | Accumulated depreciation | Net book value   |
|--------------------------------|------------------|--------------------------|------------------|
| Technical production equipment | \$ 22,711        | \$ 11,242                | \$ 11,469        |
| Computer equipment             | 2,027            | 1,110                    | 917              |
| Computer software and video    | 3,525            | 2,348                    | 1,177            |
| Office equipment and furniture | 1,125            | 524                      | 601              |
| Leasehold improvements         | 7,331            | 2,587                    | 4,744            |
|                                | <u>\$ 36,719</u> | <u>\$ 17,811</u>         | <u>\$ 18,908</u> |

| August 31, 2008                | Cost             | Accumulated depreciation | Net book value   |
|--------------------------------|------------------|--------------------------|------------------|
| Technical production equipment | \$ 21,379        | \$ 9,157                 | \$ 12,222        |
| Computer equipment             | 1,616            | 939                      | 677              |
| Computer software and video    | 3,047            | 1,787                    | 1,260            |
| Office equipment and furniture | 1,262            | 528                      | 734              |
| Leasehold improvements         | 6,867            | 2,209                    | 4,658            |
|                                | <u>\$ 34,171</u> | <u>\$ 14,620</u>         | <u>\$ 19,551</u> |

Depreciation expense for the three and nine months ended May 31, 2009 amounted to \$1,102 and \$3,264 (2008 - \$782 and \$1,960), respectively.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2009 and May 31, 2008 (unaudited)

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

On August 28, 2007, the Company entered into a \$25,000 revolving three-year term credit facility with a Canadian chartered bank. On December 19, 2008, the Company amended this credit facility by extending the term by one year. 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, the issuer bid (described in note 5), and for general corporate purposes. As at May 31, 2009, \$12,498 was drawn under the 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 May 31, 2009.

For the three and nine months ended May 31, 2009, interest expense includes interest on the bank loans of \$142 and \$265 (2008 - \$21 and \$187), respectively. Interest expense is net of interest income and other charges of \$4 and \$4 (2008 - \$6 and \$163) respectively.

The weighted average interest rate for the three and nine months ended May 31, 2009 was 4.2% and 5.0% (2008 - 7.6% and 7.4%), respectively.

On May 13, 2009, the Company entered into an interest rate swap agreement with a notional amount of \$7,000 in order to limit its exposure to variability in forecasted cash flows due to changes in the general level of market interest rates. For accounting purposes, the Company designated \$6,700 million of the swap as an effective cash flow hedge against the designated BA based borrowings under the credit facility.

As of May 31, 2009, the fair value of the swap was a \$40 liability and is recorded in accounts payable and accrued liabilities. Included in net income (loss) for the period is \$2 charge resulting from the portion of the swap that was excluded from the assessment of hedge effectiveness.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2009 and May 31, 2008 (unaudited)

### 5. Shareholders' Equity:

#### (a) Capital Stock

On February 24, 2009, the Company announced that its Board of Directors authorized management to proceed with an offer to purchase for cancellation up to 18,000,000 of its Class A Subordinate voting shares ("Class A shares") at a price per share of \$0.40 (the "Offer") or an aggregate amount of \$7,200.

The Offer expired on April 6, 2009 and on April 7, 2009 the Company repurchased 17,301,169 Class A shares tendered to the Offer which included 16,560,902 shares previously held by CW Media Inc. and CanWest Global Communications Corp. As part of the Offer, CW Media Inc. converted their 4,434 Special Voting Shares with a stated value of \$13 to 4,434 Class A Subordinate Voting Shares. The Class A shares were purchased for approximately \$6,920 exclusive of \$351 in related transaction costs. The aggregate amount of \$7,271 was allocated to Capital Stock, Contributed Surplus, and Retained Earnings in the amount \$3,459, \$345, and \$3,467, respectively. This represented approximately 17.6% of Score Media's issued and outstanding Class A shares as of April 7, 2009.

In anticipation of this Offer, the Company amended the terms of its \$25,000 revolving credit facility which was used to finance the Offer. Under the terms of the amended credit facility the Company secured an additional year of financing and modified certain financial covenants. The Company does not anticipate any future issues in its ability to service and repay the debt associated with this transaction.

#### (b) Stock Options

The following table summarizes the status of the Company's stock option plan:

|                                      | <b>Number</b> | <b>Exercise price</b> | <b>Weighted average exercise price</b> |
|--------------------------------------|---------------|-----------------------|--|
| Outstanding options, August 31, 2008 | 3,795,918     | \$ 0.43 – 2.30        | \$ 0.96                                |
| Granted                              | 1,702,500     | 0.56                  | 0.56                                   |
| Cancelled                            | (1,315,834)   | 0.43 – 2.30           | 1.88                                   |
| Exercised                            | (31,667)      | 0.43                  | 0.43                                   |
| Outstanding options, May 31, 2009    | 4,150,917     | \$ 0.43 – 0.84        | \$ 0.60                                |
| Options exercisable, May 31, 2009    |               |                       | 2,432,166                              |
| Options exercisable, August 31, 2008 |               |                       | 3,063,003                              |

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 and nine months ended May 31, 2009 and May 31, 2008 (unaudited)

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

As at May 31, 2009, the weighted average remaining contractual life of the options exercisable and outstanding was 2.1 years and 3.7 years, respectively. The following summarizes information about the employee stock options at May 31, 2009:

| <b>Exercise price</b> | <b>Number of options outstanding</b> | <b>Weighted average remaining contractual life (years)</b> | <b>Number of options exercisable</b> |
|-----------------------|--------------------------------------|--|--------------------------------------|
| \$0.43                | 287,000                              | 0.4  | 287,000                              |
| 0.54                  | 1,000,000                            | 1.1  | 1,000,000                            |
| 0.55                  | 231,000                              | 1.5  | 231,000                              |
| 0.56                  | 1,702,500                            | 9.7  | 81,250                               |
| 0.71                  | 35,000                               | 4.1  | 5,833                                |
| 0.82                  | 500,000                              | 4.1  | 500,000                              |
| 0.84                  | 395,417                              | 2.4  | 327,083                              |
| <b>\$0.60</b>         | <b>4,150,917</b>                     | <b>3.7</b>   | <b>2,432,166</b>                     |

On April 7, 2009 the Company modified the terms of 162,500 stock options to non-executive employees issued in November 2007 with an exercise price of \$1.46. The Company re-priced the options with an exercise price of \$0.56 and extended the life of the options to 10 years.

On April 7, 2009 the Company cancelled 797,500 stock options to certain executives issued in July and November 2007 with exercise prices ranging from \$1.46 to \$2.30. The Company plans to re-issue an additional 702,500 options in July 2009 at the current market price on the date of re-issue and extend the life of these options to 10 years at the date of re-issuance.

On April 7, 2009 the Company granted 1,540,000 stock options. The weighted average estimated fair value at the date of the grant for the options granted was \$0.30. 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  | 2% - 3%      |
| Dividend yield   | —            |
| Volatility factor of the future expected market price of common shares | 68%          |
| Weighted average expected life of the options                          | 4 - 10 years |

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2009 and May 31, 2008 (unaudited)

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

The estimated fair value of the options is amortized over the vesting period. During the three and nine months ended May 31, 2009, the Company recorded stock-based compensation expense of \$96 and 198 (2008 –\$70 and \$224), respectively.

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

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

|  | <b>Three months<br/>ended May 31,</b> |               | <b>Nine months<br/>ended May 31,</b> |               |
|--|---------------------------------------|---------------|--------------------------------------|---------------|
|  | <b>2009</b>                           | <b>2008</b>   | <b>2009</b>                          | <b>2008</b>   |
| <b>Numerator:</b>                                    |                                       |               |                                      |               |
| Net income (loss) available to shareholders          | \$ 8                                  | \$ 684        | \$ (780)                             | \$ 866        |
| <b>Denominator (000's):</b>                          |                                       |               |                                      |               |
| Weighted average shares outstanding – basic          | 91,282                                | 98,320        | 96,009                               | 98,046        |
| Effect of dilutive stock options                     | 76                                    | 1,052         | -                                    | 1,209         |
| <b>Weighted average shares outstanding – diluted</b> | <b>91,358</b>                         | <b>99,372</b> | <b>96,009</b>                        | <b>99,255</b> |
| <b>Income (loss) per share:</b>                      |                                       |               |                                      |               |
| Basic and diluted                                    | \$ 0.00                               | \$0.01        | \$(0.01)                             | \$0.01        |

During the three and nine months ended May 31, 2009, options to purchase 2,632,917 and 3,858,917 (2008 – 1,026,667 and 1,026,667, respectively) 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 period.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three and nine months ended May 31, 2009 and May 31, 2008 (unaudited)

### **7. Income taxes:**

During the nine months ended May 31, 2009, net loss includes future income tax expense of \$149. Future income tax expense of \$448 for the nine months ended May 31, 2009 was offset by a \$299 recovery in future income taxes in connection with the tax re-organization strategy being implemented by the Company.

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

During the three and nine months ended May 31, 2009, the Company obtained consulting services from a director of the Company. The services were provided in the ordinary course of business and amounted to nil and \$3 (2008 - \$6 and \$23), respectively.

The Company entered into a lease in May 2007 for a property partially owned by a director and officer of the Company. The aggregate rent paid during the three and nine months ended May 31, 2009 amounted to \$8 and \$26 (2008 - \$8 and \$24), respectively.

All related party transactions have been reported at their exchange amounts, as agreed to between the parties.

### **9. Contingent liability:**

The CRTC collects two different types of fees from broadcast licencees, which are known as Part I and Part II fees. In 2003 and 2004, lawsuits were commenced in the Federal Court alleging that Part II fees were taxes as opposed to fees and that regulation authorizing them was unlawful. On December 14, 2006, the Federal Court ruled that the CRTC did not have the authority to charge Part II fees. Both the Crown and the applicants brought this case to the Federal Court of Appeal. On April 28, 2008, the Federal Court of Appeal overturned the Federal Court and ruled that Part II fees were valid regulatory charges. As of May 31, 2009, the Company has accrued \$713 for CRTC fees related to the period from September 1, 2006 to May 31, 2009. The Company will continue to record these fees on a prospective basis. An application for leave to appeal was granted by the Supreme Court of Canada on December 18, 2008.