



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

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**Q1 – 2009**  
**Consolidated Financial Statements**  
**For the Three Months Ended**  
**November 30, 2008**

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*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 Months Ended November 30, 2008**

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, 2008. 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, 2008. 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 January 8, 2009.

## HIGHLIGHTS

- *Revenue* for the quarter ended November 30, 2008 increased by \$1.2 million to \$10.5 million compared to \$9.3 million in the quarter ended November 30, 2007. This was the highest revenue quarter in the Company's history.
- *EBITDA* (see "Definitions") for the quarter ended November 30, 2008 was \$1.2 million, consistent with EBITDA for the first quarter of fiscal 2008.
- On September 2, 2008, Score Media launched its high definition (HD) broadcasting studio which now gives The Score's audience access to athletes, Score personalities and the broadcast environment. Over 80 percent of The Score's programming in fiscal 2009 will be broadcast in high definition. The Score hosted a Street Party on September 20, 2008 which featured all of The Score's personalities in addition to athletes and musical guests.
- ScoreMobile iPhone Edition, a mobile sports application optimized specifically for the iPhone and its touch-screen capabilities, has been downloaded over 275,000 times and is generating over 5 million monthly page views.
- Score Media Ventures released the first North American mobile fantasy sports application that enables television viewers to interact with their TV using their phone. Score Predictor gives fans the opportunity to text in their picks for the outcome of three games per day per league, as league schedules permit, with the top performers being recognized on The Score.
- The Score introduced the only live morning sports program in Canada with Score in the Morning featuring Adnan Virk and Nikki Reyes. Score in the Morning gives hardcore sports fans everything they need to get up to speed on the latest sports news.
- Score Media Ventures launched theScore.com Sports Federation, a network of independent sports websites that empowers fans with a compelling voice to reach a larger audience with the support of a national multi-platform sports network. The Score has selected some of the most influential blogs in sports to be a part of this initiative that puts the hardcore fan front and centre.

## 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 6.4 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, Score Mobile, and Score Poker. Growing from a team of 60 in 1997 to over 220 employees in 2008, 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 table 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) 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, 2008</b>	<b>Three months ended November 30, 2007</b>
	(000's)	(000's)
Net income for the period	\$ 239	\$ 148
Add back:		
Depreciation and amortization	1,119	572
Interest expense (net)	58	12
Income tax expense (recovery)	(196)	475
<b>EBITDA</b>	<b>\$ 1,220</b>	<b>\$ 1,207</b>

## Consolidated Results

The following selected quarterly financial data of the Corporation relates to the eight quarters ended November 30, 2008.

<b>Quarterly Results</b>	<b>Revenue</b>	<b>EBITDA</b>	<b>Net income</b>	<b>Income per share – basic and diluted</b>
	<b>(\$000's)</b>	<b>(\$000's)</b>	<b>(\$000's)</b>	<b>(\$)</b>
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
May 31, 2007	9,364	1,924	723	0.01
February 28, 2007	7,731	1,159	262	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, 2008*

*Revenue* for the three months ended November 30, 2008 increased by \$1.2 million to \$10.5 million compared to \$9.3 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 interactive properties.

Television advertising and subscriber revenue increased by \$0.9 million and \$0.1 million, respectively, in the first quarter reflecting continued growth in audience and the subscriber base with several broadcast distribution undertakings, compared to the first quarter of fiscal 2008. The emerging business units provided increased revenue of \$0.2 million compared to the first three months of fiscal 2008 primarily due to increased advertising on theScore.com and the Company's mobile application.

*Production and other direct expenses* were \$4.3 million for the three months ended November 30, 2008 compared to \$4.4 million in the prior year, a decrease of \$0.1 million. This decrease in production expenses resulted from efficiencies realized in the restructuring activities which occurred during fiscal 2008.

*Selling, general and administrative expenses* were \$4.0 million for the three months ended November 30, 2008 compared to \$2.5 million in the prior year, an increase of \$1.5 million. This increase was primarily due to contra marketing costs, marketing research, and the Company's

studio launch event which totaled \$1.2 million, in addition to increased license fees and professional fees compared to the same period in the prior year in the amount of \$0.3 million.

*Program rights expenses* were \$0.9 million during the quarter, a decrease of \$0.2 million compared to \$1.1 million in the prior year. The decrease in program rights at The Score reflects reduced rights fees for Canadian college football and EPL classic soccer matches aired in the prior year.

*EBITDA* was \$1.2 million for the three months ended November 30, 2008 which was consistent with the same period in the prior year. Increased revenue as compared to the comparative period was offset by increased marketing and other administrative expenses.

*Interest expense (net)* for the first 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 last phase of the recently completed HD studio and street-front exterior.

*Depreciation and amortization expense* increased \$0.5 million in the first quarter to \$1.1 million compared to \$0.6 million in the prior year reflecting the depreciation of capital assets purchased in the latter portion of fiscal 2008 in connection with the Company's new HD studio and street-front exterior.

*Net income* for the three months ended November 30, 2008 was \$0.2 million or \$0.00 per share based on a diluted weighted average 98.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to \$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 in the prior year.

During the three months ended November 30, 2008, net income included an income tax recovery of \$0.2 million compared to income tax expense of \$0.5 million in the same period in the prior year, a variance of \$0.7 million. Income tax expense for the three months ended November 30, 2008 included a \$0.4 million recovery of future income taxes due to a release of valuation allowance resulting from the Company's tax re-organization plan which began in 2008 and will continue in 2009. 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 months ended November 30, 2008 were \$2.7 million compared to \$1.6 million in the prior year. The increase of \$1.1 million reflects stronger results from operating activities and movements in non-cash working capital.

*Cash flows provided by financing activities* for the three months ended November 30, 2008 were \$1.1 million compared to cash flows used in financing activities of \$4.0 million in the prior year, an increase of \$5.1 million. During the first quarter of 2009 the Company drew additional funds

from the credit facility to finance 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 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, 2008 the Company had drawn \$4.9 million from the credit facility. 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 months ended November 30, 2008 were \$3.9 million compared to \$1.6 million in the prior year, an increase of \$2.3 million. Fixed asset expenditures during the first quarter of fiscal 2009 were primarily related to the completion of the Company's investment in its street-front presence, HD studio and related television broadcasting equipment. For the balance of fiscal 2009 the Company does not anticipate significant capital expenditures associated with the street-front presence and new HD studio in addition to what has already been recorded as of November 30, 2008.

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

### **Subsequent Event**

On December 19, 2008 the Company has extended the term by one year and modified certain financial covenants relating to its \$25 million revolving credit facility. The Company believes it will continue to satisfy the obligations relating to the credit facility through normal operating income.

### **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 November 30, 2008, and August 31, 2008, and the commitments which are disclosed in the notes to the Consolidated financial statements.

Contractual operating obligations as at November 30, 2008 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	1,150	1,275	743	620	583	583	4,954
Programming rights obligations	3,849	5,129	35	-	-	-	9,013
Long-term debt obligations	-	4,921	-	-	-	-	4,921
Total	4,999	11,325	778	620	583	583	18,888

### **Related Party Transactions**

During the three months ended November 30, 2008, the Company obtained consulting services from a director of the Company. The services were provided in the ordinary course of business and amounted to \$3,000 (2007 - \$8,000).

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 months ended November 30, 2008 amounted to \$8,000 (2007 - \$8,000).

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 months ended November 30, 2008 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)**

	November 30, 2008	August 31, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 231	\$ 292
Accounts receivable	7,825	7,651
Prepaid expenses and deposits	786	569
Future tax assets (note 7)	1,665	1,665
	<u>10,507</u>	<u>10,177</u>
Fixed assets (note 3)	20,343	19,551
Deferred charges	311	344
Future tax assets (note 7)	6,370	6,174
	<u>\$ 37,531</u>	<u>\$ 36,246</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,218	\$ 6,358
Revolving credit facility (note 4)	4,921	3,803
Shareholders' equity (note 5)	26,392	26,085
Contingent liability (note 9)		
Subsequent event (note 10)		
	<u>\$ 37,531</u>	<u>\$ 36,246</u>

See accompanying notes to unaudited interim consolidated financial statements

## Score Media Inc.

### Consolidated Statements of Operations and Retained Earnings

(in thousands of dollars, except per share amounts)

(unaudited)

	Three months ended November 30, 2008	Three months ended November 30, 2007
Revenue	\$ 10,498	\$ 9,290
Production and other direct expenses	4,306	4,438
Selling, general and administration	4,034	2,540
Program rights	938	1,105
	<u>9,278</u>	<u>8,083</u>
Income before undernoted	1,220	1,207
Interest expense, net	58	12
Depreciation	1,074	544
Amortization	45	28
	<u>43</u>	<u>623</u>
Income before income taxes	43	623
Future income tax expense (recovery) (note 7)	(196)	475
	<u>239</u>	<u>148</u>
Net income and comprehensive income for the period	\$ 239	\$ 148
Retained earnings, beginning of period	3,680	1,654
Retained earnings, end of period	<u>\$ 3,919</u>	<u>\$ 1,802</u>
Income per share - basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding (note 6) Basic	98,411,849	97,802,472
Diluted	<u>98,439,155</u>	<u>98,961,017</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	
	November 30, 2008	November 30, 2007
Cash provided by (used in):		
Operations:		
Net income for the period	\$ 239	\$ 148
Items not involving cash:		
Depreciation	1,074	544
Amortization	45	28
Non-cash compensation expense	68	64
Future income tax expense (recovery)	(196)	475
Change in non-cash operating working capital:		
Accounts receivable	(174)	(1,437)
Prepaid expenses and deposits	(217)	173
Accounts payable and accrued liabilities	1,842	1,601
	<u>2,681</u>	<u>1,596</u>
Financing:		
Draw from (repayment of) credit facility	1,118	(4,015)
Issuance of common shares	-	13
	<u>1,118</u>	<u>(4,002)</u>
Investing:		
Additions to fixed assets	(1,866)	(1,179)
Change in non-cash working capital related to fixed assets	(1,982)	(331)
Deferred charges	(12)	(68)
	<u>(3,860)</u>	<u>(1,578)</u>
Decrease in cash and cash equivalents	(61)	(3,984)
Cash and cash equivalents, beginning of period	292	11,564
Cash and cash equivalents, end of period	<u>\$ 231</u>	<u>\$ 7,580</u>
Supplemental Cash Flow information		
Interest paid	\$ 59	\$ 115

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 months ended November 30, 2008 and 2007 (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 6.4 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, Score Mobile, and Score Poker.

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, 2008, and the results of operations and cash flows for the three months ended November 30, 2008 and November 30, 2007.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2008 and 2007 (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, 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 months ended November 30, 2008 and 2007 (unaudited)

**3. Fixed assets:**

November 30, 2008	Cost	Accumulated depreciation	Net book value
Technical production equipment	\$ 22,490	\$ 9,846	\$ 12,644
Computer equipment	1,731	992	739
Computer software and video	3,227	1,967	1,260
Office equipment and furniture	1,271	555	716
Leasehold improvements	7,318	2,334	4,984
	<u>\$ 36,037</u>	<u>\$ 15,694</u>	<u>\$ 20,343</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 months ended November 30, 2008 amounted to \$1,074 (2007 - \$544).

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2008 and 2007 (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. 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, 2008, \$4,921 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, 2008.

For the three months ended November 30, 2008, interest expense includes interest on the bank loans of \$59 (2007 - \$115). Interest expense is net of interest income and other charges of \$1 (2007 - \$103).

The weighted average interest rate for the three months ended November 30, 2008 was 5.4% (2007 - 5.8%).

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2008 and 2007 (unaudited)

**5. Shareholders' Equity:**

	<b>November 30, 2008</b>	<b>August 31, 2008</b>
Capital stock (a)	\$20,158	\$20,158
Contributed surplus	2,315	2,247
Retained earnings	3,919	3,680
	<b>\$26,392</b>	<b>\$26,085</b>

## (a) Capital Stock

	<b>November 30, 2008</b>	<b>August 31, 2008</b>
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
98,411,849 Class A Subordinate Voting shares (August 31, 2008 – 98,411,849)	20,128	20,128
	<b>\$ 20,158</b>	<b>\$ 20,158</b>

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2008 and 2007 (unaudited)

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

(b) Stock Option Plan:

The following table summarizes the status of the 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	-	-	-
Cancelled	(5,833)	0.55 – 1.46	0.98
Exercised	-	-	-
Outstanding options, November 30, 2008	3,790,085	0.43 – 2.30	0.96
Options exercisable, November 30, 2008			3,299,254
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 months ended November 30, 2008 and 2007 (unaudited)

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

As at November 30, 2008, the weighted average remaining contractual life of the options exercisable and outstanding was 2.8 years and 2.8 years, respectively. The following summarizes information about the employee stock options at November 30, 2008:

<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	423,667	1.2	423,667
0.54	1,000,000	1.6	1,000,000
0.55	326,000	2.4	326,000
0.71	35,000	4.6	-
0.82	500,000	4.6	500,000
0.84	491,251	3.6	350,419
1.46	514,167	3.8	199,168
2.30	500,000	3.6	500,000
<b>\$0.96</b>	<b>3,790,085</b>	<b>2.8</b>	<b>3,299,254</b>

The estimated fair value of the options is amortized to expense over the vesting period. During the three months ended November 30, 2008, the Company recorded stock-based compensation expense of \$68 (2007 - \$64).

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2008 and 2007 (unaudited)

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

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

	<b>November 30, 2008</b>	<b>November 30, 2007</b>
<b>Numerator:</b>		
Net income available to shareholders	\$ 239	\$ 148
<b>Denominator:</b>		
Weighted average shares outstanding - basic	98,411,849	97,802,472
Effect of dilutive stock options	27,306	1,158,545
<b>Weighted average shares outstanding - diluted</b>	<b>98,439,155</b>	<b>98,961,017</b>
Income per share – basic and diluted:	\$ 0.00	\$ 0.00

During the three months ended November 30, 2008, options to purchase 3,366,418 (2007 – 500,000) 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.

**7. Income taxes**

During the three months ended November 30, 2008, net income was net of an income tax recovery of \$196 compared to income tax expense of \$475 in the same period last year. Income tax expense for the three months ended November 30, 2008 was net of a \$360 recovery in future income taxes in connection with the tax re-organization strategy being implemented by the Company.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

Three months ended November 30, 2008 and 2007 (unaudited)

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

During the three months ended November 30, 2008, the Company obtained consulting services from a director of the Company. The services were provided in the ordinary course of business and amounted to \$3 (2007 - \$8).

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 months ended November 30, 2008 amounted to \$8 (2007 - \$8).

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 are taxes as opposed to fees and that regulation authorizing them are 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 are valid regulatory charges. As of November 30, 2008 the Company has accrued \$573 for CRTC fees related to the period from September 1, 2006 to November 30, 2008. 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.

### **10. Subsequent Event:**

On December 19, 2008 the Company extended the term by one year and modified certain financial covenants relating to its \$25,000 revolving credit facility.