



SCORE  
MEDIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
For the Three and Nine Months Ended May 31, 2011**

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, 2011. The MD&A should be read in conjunction with the interim consolidated financial statements of Score Media as at May 31, 2011 and for the three and nine months ended May 31, 2011. 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, nature of the digital media industry, dependence on advertisers, reliance on key personnel, management of growth, general economic conditions, competition, possible strategic alliances and acquisitions, Canadian ownership, control and significant interest of concentrated shareholder base, possible volatility of stock price, regulatory approval of certain transactions involving the Corporation, and financial risks, which are discussed in the Company's Annual Information Form dated November 27, 2010. 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 14, 2011.

## HIGHLIGHTS

- Revenue for the quarter ended May 31, 2011 increased by \$1.2 million or 10% to \$13.2 million compared to \$12.0 million in the quarter ended May 31, 2010.
- *EBITDA* (see "Definitions") for the quarter ended May 31, 2011 increased by \$0.3 million to \$2.2 million compared to \$1.9 million in the quarter ended May 31, 2010.
- *Net income* for the quarter ended May 31, 2011 was \$0.7 million compared to the net income of \$0.6 million in the quarter ended May 31, 2010.
- On May 12, 2011, the Company acquired SportsTap, a US based mobile sports application, to reinforce the Company's position as a definitive market leader in smartphone sports apps. The combined monthly audience of ScoreMobile and SportsTap ranks 3rd behind Sports Applications ESPN and Yahoo!, ahead of competitors FOX and CBS according to comScore's MobiLens™ May 2011 ranking of mobile sports application audiences in the United States.
- theScore Fighting Series hosted Mississauga's first mixed martial arts event on June 10<sup>th</sup>, 2011. The card took place at The Hershey Centre and the main event pitted top Canadian prospect Jordan Mein against Dream Welterweight Champion Marius Zaromskis.
- The Company and Gillette announced that Gillette DRAFTED: The Search for Canada's Next Sportscaster will be returning for Season 3. This season will be bigger and better than ever, filled with exciting new challenges and special guests. Just like previous winners Brent Furtney and Paul Brothers, the Season 3 winner will be crowned with a one-year contract as the Company's newest sportscaster contributing to theScore Television Network, theScore.com, ScoreMobile and theScore Satellite Radio, plus a one-year spokesperson contract with Gillette.
- The Company and World Wrestling Entertainment ("WWE") expanded their partnership with a multi-year agreement that will bring more high-energy WWE entertainment than ever before to fans across Canada. The unprecedented deal builds on the Company's and WWE's already successful, exclusive television relationship to include online, mobile and VOD rights. In addition, the Company and WWE will work together to bring new original WWE content to Canadians across all platforms.

## Overview

Score Media is a media company committed to delivering interactive and authentic sports entertainment. Score Media's primary asset, theScore Television Network ("theScore"), is a national specialty television service providing sports news, information, highlights and live event programming in more than 6.8 million homes across Canada. The Company's digital media assets include theScore.com, theScore iPad Edition and the industry leading mobile sports applications ScoreMobile, ScoreMobile FC and SportsTap which reach over three million unique users per month. Score Media also operates theScore Satellite Radio which is available across

North America on SiriusXM. Growing from a team of 60 in 1997 to over 270 employees in 2011, Score Media is a revolutionizing interactive media company.

## **Definitions**

The Company utilizes earnings before interest, taxes, depreciation and amortization (“EBITDA”) to measure operating performance and assess compliance with certain debt covenants. The Company uses EBITDA to remove acquisition and investment related charges (such as depreciation and amortization), interest expense, the impact of gains or losses on sales of investments and investment income or losses, 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 media industry to assist in understanding and comparing operating results.

EBITDA is not a measure of performance under Canadian GAAP (“GAAP”) and should not be considered in isolation or as a substitute for net income prepared in accordance with 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 following tables reconcile net income to EBITDA:

	<b>Three months ended May 31, 2011</b>	<b>Three months ended May 31, 2010</b>
	(000's)	(000's)
Net income for the period	\$ 748	\$ 568
Add back:		
Depreciation and amortization	1,198	1,115
Interest expense, net	139	146
Gain on sale of investment	-	(18)
Investment loss	21	-
Income tax expense	129	105
<b>EBITDA</b>	<b>\$ 2,235</b>	<b>\$ 1,916</b>

	<b>Nine months ended May 31, 2011</b>	<b>Nine months ended May 31, 2010</b>
	(000's)	(000's)
Net income for the period	\$ 1,795	\$ 1,393
Add back:		
Depreciation and amortization	3,314	3,164
Interest expense, net	376	449
Gain on sale of investment	-	(18)
Investment income	(4)	-
Income tax expense	469	1,189
<b>EBITDA</b>	<b>\$ 5,950</b>	<b>\$ 6,177</b>

## Consolidated Results

The following selected quarterly financial data of the Company relates to the preceding eight quarters, inclusive of the quarter ended May 31, 2011.

<b>Quarterly Results</b>	<b>Revenue (\$000's)</b>	<b>EBITDA (\$000's)</b>	<b>Net income (loss) (\$000's)</b>	<b>Income (loss) per share – basic and diluted (\$)</b>
May 31, 2011	13,162	2,235	748	0.01
February 28, 2011	11,052	1,071	207	0.00
November 30, 2010	11,863	2,644	839	0.01
August 31, 2010	10,523	1,442	1,100	0.01
May 31, 2010	11,986	1,916	568	0.01
February 28, 2010	9,958	980	(239)	0.00
November 30, 2009	11,371	3,281	1,065	0.01
August 31, 2009	8,909	677	(676)	(0.01)
May 31, 2009	10,816	1,654	12	0.00

The Company's revenues have historically reflected a seasonality trend, with the third quarter (ending May 31<sup>st</sup>) typically 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 North American sports leagues.

### ***Three Months Ended May 31, 2011***

*Revenue* for the three months ended May 31, 2011 increased by \$1.2 million or 10% to \$13.2 million compared to \$12.0 million for the same period in the prior year. This increase was primarily due to greater television advertising revenue.

Television advertising sales increased by \$1.1 million in the third quarter of fiscal 2011 reflecting continued growth associated with the Company's live events, sports news and short-form content and increased revenue resulting from the Company's expanded WWE wrestling broadcast rights agreement. For the remainder of fiscal 2011, the Company anticipates an increase in both advertising revenues and rights fee expenses associated with its expanded WWE wrestling broadcast rights agreement compared to the same period in the prior year. Revenue from Score Media's digital media properties, that include theScore.com, theScore iPad edition, ScoreMobile and ScoreMobile FC, was consistent with the same period in the prior year. The Company anticipates significant revenue growth from each of these platforms in fiscal 2012.

Television subscriber fee revenue increased by approximately \$0.1 million for the three months ended May 31, 2011 compared to the same period in the prior year. This increase in subscriber revenue reflected continued growth in the subscriber base with several broadcast distribution undertakings ("BDUs") compared to fiscal 2010.

*Production and other direct expenses* were \$5.0 million for the three months ended May 31, 2011 compared to \$4.4 million in the prior year, an increase of \$0.6 million. This increase in production expenses was primarily attributable to compensation costs for new hires and higher technical and other operating expenses associated with the growth of the Company's digital media platforms.

*Selling, general and administrative expenses* were \$3.4 million for the three months ended May 31, 2011 compared to \$3.3 million in the prior year, an increase of \$0.1 million. This increase was primarily driven by recruitment costs associated with hiring for the Company's digital media platforms.

*Program rights expenses* were \$2.5 million during the quarter, an increase of \$0.2 million compared to \$2.3 million in the prior year. The increase reflected higher fees associated with live Serie A Italian soccer, WWE wrestling, and NBA basketball. This increase was partially offset by reduced fees associated with the non-renewal of Toronto Raptors basketball, NCAA March Madness and English Premier League soccer.

*EBITDA* was \$2.2 million for the three months ended May 31, 2011, an increase of \$0.3 million compared to \$1.9 million in same period of the prior year. Increased revenue of \$1.2 million was offset by increased operating expenses of \$0.9 million.

*Interest expense, net* was \$0.1 million for the three months ended May 31, 2011 and remained consistent with the same period in the prior year.

*Depreciation and amortization expense* increased \$0.1 million in the three months ended May 31, 2011 to \$1.2 million compared to \$1.1 million in the prior year. The increase was largely related to increased amortization associated with the Company's continued investment in web and mobile development expenditures.

*Net income* for the three months ended May 31, 2011 was \$0.7 million or \$0.01 per share based on a diluted weighted average 83.1 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to a net income of \$0.6 million or \$0.01 per share based on a diluted weighted average 82.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the same period of the prior year.

During the three months ended May 31, 2011, net income included income tax expense of \$0.1 million consistent with the same period in the prior year. The income tax expense for the three months ended May 31, 2011 was attributable to income tax expense of \$0.7 million partially offset by a \$0.6 million release of valuation allowance due to realized and forecasted net income which exceeded management's estimates during fiscal 2011 attributable to one of the Company's taxable entities.

### ***Nine Months Ended May 31, 2011***

*Revenue* for the nine months ended May 31, 2011 increased by \$2.8 million or 8% to \$36.1 million compared to \$33.3 million for the same period in the prior year. This increase was primarily due to greater television advertising revenue.

Television advertising sales increased by \$2.6 million in the first nine months of fiscal 2011 reflecting continued growth associated with the Company's live events, sports news and short-form content and increased revenue resulting from the Company's expanded WWE wrestling broadcast rights agreement. For the remainder of fiscal 2011, the Company anticipates an increase in both advertising revenues and rights fee expenses associated with its expanded WWE wrestling broadcast rights agreement compared to the same period in the prior year. Revenue from the digital media platforms remained consistent with the same period in the prior year. The Company anticipates significant revenue growth from each of these platforms in fiscal 2012.

Television subscriber fee revenue increased by approximately \$0.2 million for the nine months ended May 31, 2011 compared to the same period in the prior year. This increase in subscriber revenue reflected continued growth in the subscriber base with several BDUs compared to fiscal 2010.

*Production and other direct expenses* were \$14.3 million for the nine months ended May 31, 2011 compared to \$12.7 million in the prior year, an increase of \$1.6 million. This increase in production expenses primarily consisted of compensation costs for new hires and higher technical and operating expenses associated with the growth of the Company's digital media platforms.

*Selling, general and administrative expenses* were \$9.7 million for the nine months ended May 31, 2011 compared to \$9.3 million in the prior year, an increase of \$0.4 million. This increase was due to the fiscal 2010 first quarter reversal of the Company's accrual of CRTC Part II fees related to the 2007, 2008, and 2009 fiscal years partially offset by reduced stock-based compensation and professional fees.

*Program rights expenses* were \$6.2 million during the nine months ended May 31, 2011, an increase of \$1.1 million compared to \$5.1 million in the prior year. The increase reflected higher fees associated with live Serie A Italian soccer, WWE wrestling, NBA basketball, and NCAA football and basketball rights. This increase was partially offset by reduced fees associated with the non-renewal of Toronto Raptors basketball, NCAA March Madness and English Premier League soccer.

*EBITDA* was \$6.0 million for the nine months ended May 31, 2011, a decrease of \$0.2 million compared to \$6.2 million in same period of the prior year. Excluding the impact of the \$0.8 million CRTC Part II fee reversal in fiscal 2010, EBITDA increased by \$0.6 million.

*Interest expense, net* was \$0.4 million for the nine months ended May 31, 2011 and remained consistent with the same period in the prior year.

*Depreciation and amortization expense* increased \$0.1 million in the nine months ended May 31, 2011 to \$3.3 million compared to \$3.2 million in the prior year. The increase was largely related to increased amortization associated with the Company's continued investment in web and mobile development expenditures.

*Net income* for the nine months ended May 31, 2011 was \$1.8 million or \$0.02 per share based on a diluted weighted average 83.2 million Class A Subordinate Voting Shares and Special Voting Shares outstanding, compared to a net income of \$1.4 million or \$0.02 per share based on a diluted weighted average 81.4 million Class A Subordinate Voting Shares and Special Voting Shares outstanding in the prior year.

During the nine months ended May 31, 2011, net income included income tax expense of \$0.5 million compared to \$1.2 million in the same period in the prior year, a variance of \$0.7 million. The income tax expense for the nine months ended May 31, 2011 was attributable to an income tax expense of \$1.7 million which was partially offset by a \$1.2 million release of valuation allowance due to realized and forecasted net income which exceeded management's estimates during fiscal 2011 attributable to one of the Company's taxable entities.

## Liquidity and Capital Resources

*Cash flows used in operations* for the three months ended May 31, 2011 were \$2.1 million compared to cash flows provided by operations of \$1.5 million in the prior year. The variance of \$3.6 million for the three months ended May 31, 2011 primarily reflects movements in non-cash working capital. Cash flows provided by operations for the nine months ended May 31, 2011 were \$2.4 million compared to \$3.4 million in the prior year. The decrease of \$1.0 million primarily reflects movements attributable to income tax assets.

*Cash flows provided by financing activities* for the three and nine months ended May 31, 2011 were \$4.1 million and \$2.9 million compared to cash flows used in financing activities of \$1.0 million and \$0.7 million in the prior year. The increase of \$5.1 million and \$3.6 million primarily reflects increased drawings from the credit facility to support continued investment in the Company's digital media platforms.

On August 17, 2010, the Company revised the terms under the \$25 million revolving credit facility by extending the term for an additional two years until its expiry on September 30, 2013 and modifying certain financial covenants relative to its historical credit agreement.

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 May 31, 2011, the Company had drawn \$12.3 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 May 31, 2011 were \$1.8 million compared to \$0.7 million in the prior year, representing an increase of \$1.1 million. The increase was primarily due to the acquisition of the SportsTap app. Cash flows used in investing activities for the nine months ended May 31, 2011 were \$5.0 million compared to \$2.5 million in the prior year. The increase of \$2.5 million was primarily due to the Company's investment in NuLayer and the acquisition of the SportsTap app during the first and third quarters, respectively, of fiscal 2011, as well as capital expenditures incurred in connection with projected growth in the Company's digital media platforms.

On September 16, 2010, the Company acquired 20% of the shares of NuLayer for \$0.9 million, inclusive of \$0.1 million in transaction costs that have been capitalized and included as part of the cost of the Company's investment. NuLayer is a privately held corporation with a fiscal

year-end of December 31. The Company also entered into a multi-year technology development agreement that will result in NuLayer providing interactive development services for the Company's digital media properties. The Company's obligations under this agreement are disclosed as "Related party service contract obligations" in the contractual obligations table below. NuLayer is a mobile and web application development firm that builds proprietary products and provides development services.

On May 12, 2011, the Company acquired the SportsTap mobile app from Mobile 1 Sports LLC for \$0.8 million inclusive of \$0.1 million in transaction costs that have been capitalized and included as part of the Company's acquired intangible asset. The transaction includes up to \$0.2 million of contingent consideration that is dependent upon the SportsTap platform achieving specific post-acquisition earnings targets. No amount of contingent consideration has been included as part of the cost of the purchase at the acquisition date. The Company has allocated all of the cost of the purchase to the SportsTap app's customer relationships and ascribed a three year useful life to the acquired intangible asset.

Excluding the credit facilities described above the Company has no other significant financial instruments other than standard trade related items and thus believes that there are no significant price, credit or liquidity risks to which the Company is exposed.

### **Interest Rate Swap**

On May 13, 2009, the Company entered into an interest rate swap agreement with a notional amount of \$7.0 million in order to limit its exposure to variability in forecasted cash flows due to changes in the general level of market interest rates. Prior to August 17, 2010, the Company designated \$6.7 million of the swap as an effective cash flow hedge against the designated Banker's Acceptance ("BA") based borrowings under the credit facility. In connection with its credit facility amendment in August 2010, the Company elected to discontinue hedge accounting and did not renew the interest rate swap agreement upon its expiry on October 6, 2010.

### **Contractual Obligations**

The Company has no debt guarantees, capital leases or long-term obligations other than the credit facility, which is presented on the Consolidated Balance Sheets as at May 31, 2011 and August 31, 2010, and the related commitments which are disclosed below.

As at May 31, 2011, contractual operating obligations for the fiscal years noted below are as follows:

Contractual Obligations (in thousands of dollars)	2011	2012	2013	2014	2015	Thereafter	Total
Operating lease obligations	773	2,471	2,363	1,316	-	-	6,924
Programming rights obligations	987	3,152	2,167	-	-	-	6,305
Related party service contract obligations	844	1,125	94	-	-	-	2,063
Long-term debt obligations	-	-	-	12,288	-	-	12,288
Total	2,604	6,748	4,624	13,604	-	-	27,580

### **Related Party Transactions**

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, 2011 amounted to \$11,000 and \$27,000 (three and nine months ended May 31, 2010 - \$8,000 and \$27,000).

Development costs incurred under the development services agreement with NuLayer, an investee of the Company, during the three and nine months ended May 31, 2011 amounted to \$0.4 million and \$1.0 million and were capitalized as part of Intangible assets. As at May 31, 2011, the Company's trade payables balance due to NuLayer for such development costs was \$0.3 million.

The related party transactions were reported at their exchange amount agreed to by the parties which the Company believes is representative of fair value.

## **Critical Accounting 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 long lived assets. 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 2010 Annual Audited Consolidated Financial Statements and Notes thereto, as well as in our 2010 Annual MD&A, we have identified the accounting 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, 2011 there are no changes to the critical accounting policies and estimates from those identified in our 2010 Annual MD&A.

## **Recent accounting pronouncements**

The Company will adopt IFRS effective September 1, 2011. An assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP has been completed by the Company, however, management has not yet finalized its determination of the quantitative impact these differences will have on the consolidated financial statements. As this assessment progresses, the Company intends to disclose such impacts in its annual MD&A for fiscal 2011 as deemed appropriate.

We have allocated sufficient resources to our conversion project, which include certain full-time employees in addition to contributions by other employees on a part-time or as-needed basis. We have provided for training to all employees with responsibilities in the conversion process. Other employees who will be influenced by our conversion to IFRS have been coached in relevant areas of impact as well. Training efforts have focused on updating those individuals whose roles and responsibilities are directly affected by IFRS implementation as well as providing general training to other employees involved in the process.

The Company has identified three phases to its conversion: planning and initial diagnostic, comprehensive analysis, and implementation. Our planning and initial diagnostic phase involved performing a high-level impact assessment to identify key areas that are expected to be influenced by the transition to IFRS. The result of these procedures was to prioritize IFRS conversion issues to assess the timing and complexity of transition efforts that will be required in subsequent phases. This planning and initial diagnostic phase is complete.

In the comprehensive analysis phase, each area identified from the planning and initial diagnostic phase is addressed in order of priority. This phase involves a detailed comparison between IFRS

and the Company's existing policies, specification of changes required to existing accounting policies, processes and documentation, analysis of policy choices permitted under IFRS and the development of draft IFRS financial statement content. The Company is presently focused on this phase and set out below are notable differences between IFRS and the Company's existing policies currently being evaluated based on our analysis to date.

#### *Borrowing Costs*

IAS 23, *Borrowing Costs* ("IAS 23"), requires capitalization of borrowing costs directly associated with the acquisition, construction or production of qualifying assets. Under Canadian GAAP, the Company elected the accounting policy choice to expense interest costs as incurred and capitalize certain financing costs associated with the Company's credit facility which are amortized over the term of the credit facility. IFRS 1 permits application of the requirements of IAS 23 prospectively on the date of transition, September 1, 2010. We intend to apply this election and therefore do not expect to have an adjustment on our opening IFRS balance sheet.

#### *Fixed Assets: Componentization*

IAS 16, *Property, Plant and Equipment* ("IAS 16"), requires an entity to identify significant component parts within fixed assets and depreciate those parts over their respective useful lives. Canadian GAAP only requires componentization to the extent practicable. The Company is in the midst of performing a review of its fixed assets to identify whether any additional components are required to be recognized on transition to IFRS. Any adjustment that may be required will result in an increase or decrease to accumulated amortization related to the new component with a corresponding offset in opening retained earnings as of the date of transition. We do not expect that this will have a significant impact on the opening IFRS balance sheet nor do we anticipate electing to measure our fixed assets at fair value on transition as the deemed cost which is an optional election available under IFRS 1 (see below).

#### *Impairment of Assets*

IAS 36, *Impairment of Assets* ("IAS 36"), uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value-in-use. Canadian GAAP uses a two-step approach to impairment testing: comparing asset carrying values with undiscounted future cash flows to determine if any impairment is present; and, if impairment is deemed to exist, the Company then measures impairment by comparing asset carrying values with their respective fair values. The difference in methodologies could potentially result in an asset impairment charge upon transition to IFRS.

The Company will conduct impairment testing using IFRS guidance in fiscal 2011 as a result of the requirement to perform an impairment test as of the date of transition. Based on the Company's impairment analysis performed in fiscal 2010 it is not expected that any impairment losses will occur upon adoption of this standard.

### *Share-Based Payments*

IFRS 2, *Share-Based Payments* (“IFRS 2”), requires that stock-based compensation expense be recognized based on the number of stock options that eventually vest. This is consistent with Canadian GAAP; however, IFRS 2 requires an initial estimate of expected forfeitures at the date of grant while currently the Company is permitted to record the impact of forfeitures as they occur. IFRS 2 also requires separate accounting and valuation for each installment within a graded vesting stock option plan which is optional under Canadian GAAP. The Company is currently quantifying the impact these policy changes will have and it is anticipated that an adjustment will be required to increase stock-based compensation expense for the periods leading up to the changeover date. Any difference identified will be adjusted through opening retained earnings on transition.

### *Provisions for Onerous Contracts*

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (“IAS 37”), requires an entity to recognize a provision when a contract becomes onerous. A situation may arise in which a contract’s unavoidable costs of meeting its obligations exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. For accounting purposes, the present obligation under an onerous contract shall be recognized and measured as a provision. We are currently reviewing all significant contracts to determine whether any may be onerous on the date of transition. The Company does not anticipate any of its significant contracts will be deemed to be onerous.

### *Barter Transactions*

SIC-31, *Revenue – Barter transactions involving advertising services* (“SIC-31”), does not allow the measurement of revenue from a barter transaction involving advertising at the fair value of advertising services received. This differs from Canadian GAAP which permits the measurement of barter transactions at the fair value of advertising services received when the value can be reliably determined. The Company is currently quantifying the impact these policy changes will have and any difference identified will be reflected with offsetting reductions in revenue and selling, general, and administration expenses in the comparative periods on transition. There will be no impact to net income and we do not anticipate this measurement difference will have a significant impact on the current period’s results when presented under IFRS.

### *Business Combinations*

IFRS 3, *Business combinations* (“IFRS 3”), requires acquisition related costs to be expensed as incurred unless they are debt or equity issue costs. This differs from Canadian GAAP which permits such costs to be included as part of an acquisition cost. The Company expects \$0.1 million of acquisition costs associated with the SportsTap acquisition to reduce income with a similar reduction in intangible assets and other asset, respectively, in the comparative periods on

transition. IFRS 3 also requires contingent consideration to be estimated and recorded at fair value and included in the cost of the acquisition at the acquisition date. This differs from Canadian GAAP where contingent consideration is recognized as part of the cost of the acquisition when the amount can be reasonably estimated at the date of acquisition and the outcome of the contingency can be determined beyond reasonable doubt. Otherwise, it is recognized when the contingency is resolved and the consideration is issued or becomes issuable. The Company is currently quantifying the impact of this difference as it pertains to the SportsTap acquisition and any difference identified will be reflected as an increase to intangible assets and accrued liabilities in the comparative periods on transition. The maximum amount of contingent consideration that could be recorded on transition is \$0.2 million.

#### *First-Time Adoption of International Financial Reporting Standards*

Our adoption of IFRS will require the application of IFRS 1, *First-Time Adoption of International Financial Reporting Standards* (“IFRS 1”). This section articulates specific methodology relevant for an entity’s initial adoption of IFRS. IFRS 1 suggests an organization apply all IFRS on a retrospective basis effective the end of its first IFRS reporting period and includes a requirement for enhanced disclosures as compared to Canadian GAAP. Some exemptions in specified areas of certain standards exist from this general requirement. The Company is currently evaluating which optional exemptions will be applied on the transition date.

The implementation phase includes finalizing accounting policy changes, execution of changes to information systems, controls and processes, preparing documentation to reflect IFRS guidance and completing training programs across the organization, as necessary. It will culminate in the Company fully grasping the impact of IFRS and having the capability to create IFRS financial statements during the year leading up to the first IFRS reporting period. The Company anticipates completion of this phase in Q4 2011.

As part of the implementation phase the Company has undertaken a systems and process assessment. Management is in the final stages of reviewing potential information technology, software, internal controls, and contractual arrangements that may require amendment prior to transition. As part of this assessment, all areas of the business, including relevant departmental managers, have been incorporated into the Company’s conversion process. Other than some insignificant modifications to contracts the Company does not anticipate any impact to current information technology, software, and internal controls.

In the period leading up to the changeover, the Canadian Accounting Standards Board has indicated that it will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS on the conversion date. The International Accounting Standards Board may also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS applicable at the conversion date are known.

## **Controls and Procedures**

There have been no changes in our internal controls over financial reporting during the third quarter of fiscal 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **Risks and Uncertainties**

Our significant risks and uncertainties are summarized in our 2010 Annual MD&A. There have been no significant changes to those risks and uncertainties since August 31, 2010.

## **Other**

Please refer to the interim Consolidated Financial Statements for the three and nine months ended May 31, 2011, including the Notes thereto.



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**Q3 – 2011**  
**Consolidated Financial Statements**  
**For the Three and Nine Months Ended**  
**May 31, 2011**

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

	May 31, 2011	August 31, 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 449	\$ 184
Accounts receivable	12,987	9,828
Prepaid expenses and deposits	1,737	1,254
Future tax assets	2,398	847
	<u>17,571</u>	<u>12,113</u>
Fixed assets (note 3)	14,492	15,193
Intangible assets (note 4)	5,177	2,818
Other asset (note 8)	941	-
Future tax assets	4,638	6,658
	<u>\$ 42,819</u>	<u>\$ 36,782</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	7,444	6,285
Revolving credit facility (note 5)	12,288	9,511
Shareholders' equity (note 6)	23,087	20,986
	<u>\$ 42,819</u>	<u>\$ 36,782</u>

See accompanying notes to unaudited interim consolidated financial statements

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

	Three months ended		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Revenue	\$ 13,162	\$ 11,986	\$ 36,078	\$ 33,315
Production and other direct expenses	5,046	4,449	14,263	12,671
Selling, general and administration	3,413	3,291	9,697	9,335
Program rights	2,468	2,330	6,168	5,132
	<u>10,927</u>	<u>10,070</u>	<u>30,128</u>	<u>27,138</u>
Income before undernoted	2,235	1,916	5,950	6,177
Interest expense, net (note 5)	139	146	376	449
Gain on sale of investment	-	(18)	-	(18)
Investment (income) loss (note 8)	21	-	(4)	-
Depreciation and amortization	<u>1,198</u>	<u>1,115</u>	<u>3,314</u>	<u>3,164</u>
Income before income taxes	877	673	2,264	2,582
Future income tax expense (note 10)	<u>129</u>	<u>105</u>	<u>469</u>	<u>1,189</u>
Net income for the period	<u>\$ 748</u>	<u>\$ 568</u>	<u>\$ 1,795</u>	<u>\$ 1,393</u>
Income per share - basic and diluted (note 7)	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>
Weighted average number of Class A Subordinate Voting and Special Voting Shares outstanding (note 7)				
Basic	81,621,904	81,231,236	81,601,230	81,227,176
Diluted	<u>83,105,468</u>	<u>82,405,535</u>	<u>83,199,024</u>	<u>81,393,963</u>

See accompanying notes to unaudited interim consolidated financial statements

**Score Media Inc.**

**Consolidated Statements of Shareholders' Equity**

(in thousands of dollars, except share amounts)

(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, 2011</b>							
Balances, August 31, 2010	\$ 17	5,566	\$ 16,919	81,430,104	\$ 2,802	\$ 1,248	-	\$ 20,986
Stock based compensation expense for the period	-	-	-	-	171	-	-	171
Stock based compensation expense on exercised options	-	-	62	-	(62)	-	-	-
Net income for the period	-	-	-	-	-	1,795	-	1,795
Shares issued on exercise of stock options	-	-	135	201,833	-	-	-	135
<b>Balances, May 31, 2011</b>	<b>\$ 17</b>	<b>\$ 5,566</b>	<b>\$ 17,116</b>	<b>\$ 81,631,937</b>	<b>\$ 2,911</b>	<b>\$ 3,043</b>	<b>\$ -</b>	<b>\$ 23,087</b>
<b>Nine months ended May 31, 2010</b>								
Balances, August 31, 2009	\$ 17	5,566	\$ 16,695	81,146,781	\$ 2,331	\$ (1,244)	(28)	17,771
Cumulative effect of HB 3064 adoption	\$ -	-	\$ -	-	\$ -	\$ (2)	-	(2)
Balances, August 31, 2009 as restated (note 2)	\$ 17	\$ 5,566	\$ 16,695	\$ 81,146,781	\$ 2,331	\$ (1,246)	\$ (28)	\$ 17,769
Stock based compensation expense for the period	-	-	-	-	460	-	-	460
Stock based compensation expense on exercised options	-	-	44	-	(44)	-	-	-
Net income for the period	-	-	-	-	-	1,393	-	1,393
Change in fair value of interest rate swap	-	-	-	-	-	-	23	23
Shares issued on exercise of stock options	-	-	76	141,663	-	-	-	76
<b>Balances, May 31, 2010</b>	<b>\$ 17</b>	<b>\$ 5,566</b>	<b>\$ 16,815</b>	<b>\$ 81,288,444</b>	<b>\$ 2,747</b>	<b>\$ 147</b>	<b>\$ (5)</b>	<b>\$ 19,721</b>

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>May 31, 2011</b>	<b>May 31, 2010</b>	<b>May 31, 2011</b>	<b>May 31, 2010</b>
Net income for the period	\$ 748	\$ 568	\$ 1,795	\$ 1,393
Other comprehensive income:				
Cash flow hedging derivative instruments:				
Change in fair value of interest rate swap (note 5)	\$ -	\$ 47	\$ -	\$ 23
Comprehensive income for the period	<u>\$ 748</u>	<u>\$ 615</u>	<u>\$ 1,795</u>	<u>\$ 1,416</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		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Cash provided by (used in):				
Operations:				
Net income for the period	\$ 748	\$ 568	\$ 1,795	\$ 1,393
Items not involving cash:				
Depreciation and amortization	1,198	1,115	3,314	3,164
Stock-based compensation expense	45	124	171	460
Investment (income) loss (note 8)	21	-	(4)	-
Change in other asset (note 8)	(13)	-	(44)	-
Future income tax expense (note 10)	129	105	469	1,189
Change in non-cash operating working capital:				
Accounts receivable	(2,664)	(841)	(3,159)	(3,346)
Prepaid expenses and deposits	(131)	1,218	(483)	352
Accounts payable and accrued liabilities	(1,397)	(743)	318	205
	(2,064)	1,546	2,377	3,417
Financing:				
Draws from credit facility	17,978	10,146	28,131	29,502
Repayments to credit facility	(13,868)	(11,229)	(25,354)	(30,246)
Issuance of Class A subordinate voting shares	10	35	135	76
	4,120	(1,048)	2,912	(668)
Investing:				
Additions to fixed assets	(208)	(425)	(1,588)	(1,179)
Change in non-cash working capital related to fixed assets	46	191	841	(119)
Acquisition of intangible assets	(866)	(417)	(2,594)	(1,182)
Acquisition of SportsTap app (note 4)	(790)	-	(790)	-
Acquisition of interest in NuLayer (note 8)	-	-	(893)	-
	(1,818)	(651)	(5,024)	(2,480)
Increase (decrease) in cash and cash equivalents	238	(153)	265	269
Cash and cash equivalents, beginning of period	211	698	184	276
Cash and cash equivalents, end of period	\$ 449	\$ 545	\$ 449	\$ 545
Supplemental cash flow information				
Interest paid	\$ 127	\$ 88	\$ 392	\$ 334

See accompanying notes to unaudited interim consolidated financial statements

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three and nine months ended May 31, 2011 and 2010 (unaudited)

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

Score Media Inc. (the “Company”) is a media company committed to delivering interactive and authentic sports entertainment. The Company’s primary asset, theScore Television Network (“theScore”), is a national specialty television service providing sports news, information, highlights and live event programming in more than 6.8 million homes across Canada. The Company’s digital media assets include theScore.com, theScore iPad Edition and the industry leading mobile sports applications ScoreMobile, ScoreMobile FC and SportsTap which reach over three million unique users per month. Score Media also operates theScore Satellite Radio which is available across North America on SiriusXM. The Company’s operating segment is comprised of the Company’s media businesses. The Company’s chief operating decision maker is the Chief Executive Officer.

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, operating results for a particular interim period are not necessarily indicative of the financial performance for the remaining periods 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, 2011, and the results of operations and cash flows for the three and nine months ended May 31, 2011 and May 31, 2010.

### **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 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 then ended. 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, 2010.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three and nine months ended May 31, 2011 and 2010 (unaudited)

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

#### *International Financial Reporting Standards ("IFRS")*

In February 2008, the AcSB confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Company's first annual IFRS financial statements will be for the year ending August 31, 2012 and will include the comparative period of fiscal 2011. Starting in the first quarter of fiscal 2012, the Company will report unaudited consolidated financial information in accordance with IFRS including comparative figures.

#### *Goodwill and Intangible Assets*

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 and was applied retrospectively with restatement of prior periods.

This new standard resulted in the reclassification of certain costs to intangible assets that were previously recorded in fixed assets and the expensing of previously capitalized startup costs. These one-time changes increased the Company's retained deficit balance as of August 31, 2009 by \$2,000.

#### *Business Combinations*

In December 2008, the CICA issued Handbook Section 1582, Business Combinations ("Section 1582") which replaced Section 1581, Business Combinations ("Section 1581") in order to converge GAAP with IFRS. The differences between Section 1581 and Section 1582 that are relevant to the Company are the treatment of acquisition costs and contingent consideration. Acquisition costs are included as part of the cost of the purchase at the acquisition date under Section 1581 whereas such costs are immediately expensed under Section 1582. Contingent consideration is recognized as part of the cost of the acquisition when the amount can be reasonably estimated at the date of acquisition and the outcome of the contingency can be determined beyond reasonable doubt under Section 1581 whereas contingent consideration is required to be estimated and recorded at fair value and included in the cost of the acquisition at the acquisition date under Section 1582. The Company elected not to early adopt Section 1582 as it is effective for business combinations occurring before the first annual reporting period beginning on or after January 1, 2011.

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three and nine months ended May 31, 2011 and 2010 (unaudited)

**3. Fixed assets:**

May 31, 2011	Cost	Accumulated depreciation	Net book value
Technical production equipment	\$ 24,094	\$ 15,948	\$ 8,146
Computer equipment	3,195	1,912	1,283
Office equipment and furniture	1,449	725	724
Leasehold improvements	7,912	3,573	4,339
	<u>\$ 36,650</u>	<u>\$ 22,158</u>	<u>\$ 14,492</u>

August 31, 2010	Cost	Accumulated depreciation	Net book value
Technical production equipment	\$ 23,379	\$ 14,443	\$ 8,936
Computer equipment	2,723	1,597	1,126
Office equipment and furniture	1,327	640	687
Leasehold improvements	7,633	3,189	4,444
	<u>\$ 35,062</u>	<u>\$ 19,869</u>	<u>\$ 15,193</u>

Depreciation expense for the three and nine months ended May 31, 2011 amounted to \$788 and \$2,289 (three and nine months ended May 31, 2010 - \$851 and \$2,510).

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three and nine months ended May 31, 2011 and 2010 (unaudited)

**4. Intangible assets:**

May 31, 2011	Cost	Accumulated depreciation	Net book value
License costs	\$ 1,637	\$ 1,632	\$ 5
Trademarks	351	221	130
Financing costs	3,736	3,513	223
Computer software	2,190	2,111	79
Interactive development	6,018	2,068	3,950
Acquired customer relationships	790	-	790
	<u>\$ 14,722</u>	<u>\$ 9,545</u>	<u>\$ 5,177</u>

August 31, 2010	Cost	Accumulated depreciation	Net book value
License costs	\$ 1,637	\$ 1,630	\$ 7
Trademarks	334	189	145
Financing costs	3,713	3,442	271
Computer software	2,065	2,008	57
Interactive development	3,589	1,251	2,338
	<u>\$ 11,338</u>	<u>\$ 8,520</u>	<u>\$ 2,818</u>

Amortization expense for the three and nine months ended May 31, 2011 amounted to \$410 and \$1,025 (three and nine months ended May 31, 2010 - \$264 and \$654).

On May 12, 2011, the Company acquired the SportsTap mobile app from Mobile 1 Sports LLC for \$790 inclusive of \$93 in transaction costs that have been capitalized and included as part of the Company's acquired intangible asset. The transaction includes up to \$180 USD (or \$174 CAD equivalent at May 31, 2011) of contingent consideration that is dependent upon the SportsTap platform achieving specific post-acquisition earnings targets. No amount of contingent consideration has been included as part of the cost of the purchase at the acquisition date. The Company allocated all of the cost of the purchase to the SportsTap app's customer relationships and ascribed a three year useful life to the acquired intangible asset based on the Company's preliminary assessment. The Company's Statement of Operations as at May 31, 2011 includes results, which are nominal, from the SportsTap app during the period of May 12, 2011 to May 31, 2011.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three and nine months ended May 31, 2011 and 2010 (unaudited)

### **5. 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. On August 17, 2010, the Company further revised the terms under the credit facility by extending the term by an additional two years until its expiry on September 30, 2013 and modifying certain financial covenants. Loans and bankers' acceptances ("BA") 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 significant 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.

The credit facility is available to fund capital improvements and for general corporate purposes. As at May 31, 2011, \$12,288 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 intercompany loans. The Company was in compliance with the financial covenants included in the loan agreement as at May 31, 2011.

For the three and nine months ended May 31, 2011, interest expense includes interest on the bank loans of \$139 and \$403 (three and nine months ended May 31, 2010 - \$146 and \$476). The weighted average interest rate for the three and nine months ended May 31, 2011 was 5.5% and 4.9% (three and nine months ended May 31, 2010 – 5.2% and 5.4%).

On May 13, 2009, the Company entered into an interest rate swap agreement with a notional amount of \$7,000 in order to fix the floating interest under its BA based on borrowings and limit its exposure to variability in forecasted cash flows due to changes in the general level of market interest rates. Prior to August 17, 2010, the Company designated \$6,700 of the swap as a cash flow hedge against the designated BA based borrowings under the credit facility. In connection with the most recent credit facility amendment, the Company elected not to renew the interest rate swap agreement upon its expiry on October 6, 2010 and discontinued hedge accounting effective August 17, 2010.

As at May 31, 2011 and 2010, the fair value of the swap was representative of a liability of nil and \$5, respectively, which was recorded as part of accounts payable and accrued liabilities. Included in interest expense, net for the three and nine months ended May 31, 2011 is a gain of nil and \$27 resulting from the termination of the swap.

## Score Media Inc.

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three and nine months ended May 31, 2011 and 2010 (unaudited)

### 6. Shareholders' Equity:

#### (a) Capital Stock:

The Company is authorized to issue the following capital stock:

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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

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#### (b) Stock Options:

The Company has a stock option plan (the "Plan") under which the Board of Directors, or a committee appointed for such purpose may, from time to time, grant to directors, officers, full-time employees of, or consultants to, the Company, options to acquire Class A Subordinate Voting shares. The Company may issue a maximum of 8,000,000 Class A Subordinate Voting shares under the Plan, of which 2,034,506 additional Class A Subordinate Voting shares are available for issue as at May 31, 2011. Under the Plan, the exercise price of an option is based on the average trading price for five days prior to the grant. An option's maximum term is ten years and options generally vest over three years.

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, 2010	4,443,922	\$0.47 – 0.84	\$0.56
Cancelled	(59,167)	0.47 – 0.56	0.48
Exercised	(201,833)	0.47 – 0.84	0.61
Outstanding options, May 31, 2011	4,182,922	\$0.47 – 0.84	\$0.56

As at May 31, 2011, there were 3,000,422 options exercisable with a weighted average exercise price of \$0.59. As at August 31, 2010, there were 2,208,921 options exercisable with a weighted average exercise price of \$0.62.

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three and nine months ended May 31, 2011 and 2010 (unaudited)

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

As at May 31, 2011, the weighted average remaining contractual life of the options exercisable and outstanding was 6.1 years and 6.5 years, respectively.

The following summarizes information about the employee stock options at May 31, 2011:

<b>Exercise price</b>	<b>Number of options outstanding</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number of options exercisable</b>
\$0.47	1,440,001	8.4	700,001
0.48	662,085	8.1	662,085
0.56	1,349,168	6.4	912,501
0.71	11,668	1.0	5,835
0.82	500,000	2.1	500,000
0.84	220,000	0.4	220,000
<b>\$0.56</b>	<b>4,182,922</b>	<b>6.5</b>	<b>3,000,422</b>

**(c) Share Purchase Plan ("SPP")**

Effective January 2011, the Company replaced the annual grant of options to acquire Class A Shares with an amended SPP which includes enhanced employer matching benefits and a vesting schedule. The amended SPP will take the form of the Company matching share purchases, in the open market, made by employees at varying levels based on seniority. The shares contributed by the Company will vest over three years, in equal tranches every six months. Members of the Board of Directors will also be eligible to participate in the amended SPP by contributing up to \$5,000 of their annual Directors' fees. During the three and nine months ended May 31, 2011, the Company contributed \$96 and \$159 under the amended SPP of which \$18 and \$21 was included in selling, general and administration expenses during their respective periods.

**Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three and nine months ended May 31, 2011 and 2010 (unaudited)

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

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

	May 31, 2011		May 31, 2011	
	Three months ended		Nine months ended	
	2011	2010	2011	2010
Numerator:				
Net income available to shareholders	\$ 748	\$ 568	\$ 1,795	\$ 1,393
Denominator (000's):				
Weighted average shares outstanding – basic	81,622	81,231	81,601	81,227
Effect of dilutive stock options	1,483	1,174	1,598	167
Weighted average shares outstanding – diluted	83,105	82,405	83,199	81,394
Income per share:				
Basic and diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02

During the three and nine months ended May 31, 2011, all outstanding options to purchase Class A Subordinate Voting shares were included in the computation of diluted income per share. During the three and nine months ended May 31, 2010, options to purchase 790,000 and 807,500 Class A Subordinate Voting shares were outstanding but not included in the computation of diluted income per share because the impact would be anti-dilutive.

## **Score Media Inc.**

Notes to Consolidated Financial Statements

(in thousands of dollars, except share and per share amounts)

Three and nine months ended May 31, 2011 and 2010 (unaudited)

### **8. Other asset:**

On September 16, 2010, the Company acquired 20% of the capital stock of NuLayer Inc. ("NuLayer") for \$893, inclusive of \$93 in transaction costs that have been capitalized and included as part of the cost of the Company's investment. NuLayer is a privately held corporation with a fiscal year-end of December 31. The Company also entered into a multi-year technology development agreement that will result in NuLayer providing interactive development services for the Company's digital media properties. NuLayer is a mobile and web application development firm that builds proprietary products and provides development services.

During the three months ended May 31, 2011, the Company recognized an investment loss of \$21 which included intercompany eliminations totaling \$13, and an investment gain of \$4 net of intercompany eliminations totaling \$44 in the nine months ended May 31, 2011.

### **9. Related party transactions:**

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, 2011 amounted to \$11 and \$27 (three and nine months ended May 31, 2010 - \$8 and \$27).

Development fees incurred under the development services agreement with NuLayer during the three and nine months ended May 31, 2011 amounted to \$396 and \$959 and were capitalized under Intangible assets. As at May 31, 2011 the Company's trade payables balance due to NuLayer was \$290.

The related party transactions were reported at their exchange amounts, as agreed to between the parties.

### **10. Income taxes:**

Income tax expense for the three and nine months ended May 31, 2011 was \$129 and \$469 and included releases of valuation allowance of \$561 and \$1,222 based on a fiscal 2011 increase in estimated taxable income related to one of the Company's taxable entities. Excluding the impact of the release of valuation allowance income tax expense for the three and nine months ended May 31, 2011 was \$690 and \$1,691.